



KINGDOM OF CAMBODIA

Nation Religion King

GOVERNMENT OF THE KINGDOM OF CAMBODIA

**STANDARD OPERATING PROCEDURES**  
**FOR**  
**PUBLIC-PRIVATE PARTNERSHIP PROJECTS**

**GUIDELINES**  
**ON**  
**FISCAL MANAGEMENT OF PPP PROJECTS**



October 2023

**ព្រះរាជាណាចក្រកម្ពុជា**  
**ជាតិ សាសនា ព្រះមហាក្សត្រ**



**ក្រសួងសេដ្ឋកិច្ច និង ហិរញ្ញវត្ថុ**

លេខ...១៤១.....សហវ.បក. ២០២២

**ប្រកាស**  
**ស្តីពី**

**ការដាក់ឱ្យប្រើគោលការណ៍ដែលនាំស្តីពីការគ្រប់គ្រងហិរញ្ញវត្ថុសាធារណៈ សម្រាប់គម្រោងភាពជាដៃគូរវាងរដ្ឋ និងឯកជន សម្រាប់គាំទ្រដល់ការអនុវត្តអនុក្រឹត្យលេខ ១៧៤ អនក្រ.បក ចុះថ្ងៃទី៣១ ខែសីហា ឆ្នាំ២០២២ ស្តីពីការដាក់ឱ្យប្រើនីតិវិធីគ្រប់គ្រងប្រតិបត្តិការរួមសម្រាប់គម្រោងភាពជាដៃគូរវាងរដ្ឋ និងឯកជន**

**ឧបនាយករដ្ឋមន្ត្រី**  
**រដ្ឋមន្ត្រីក្រសួងសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ**

- បានឃើញរដ្ឋធម្មនុញ្ញនៃព្រះរាជាណាចក្រកម្ពុជា
- បានឃើញព្រះរាជក្រឹត្យលេខ នស/រកត/០៨២៣/១៩៨១ ចុះថ្ងៃទី២២ ខែសីហា ឆ្នាំ២០២៣ ស្តីពីការតែងតាំង រាជរដ្ឋាភិបាល នៃព្រះរាជាណាចក្រកម្ពុជា
- បានឃើញព្រះរាជក្រមលេខ នស/រកម/០៦១៨/០១២ ចុះថ្ងៃទី២៨ ខែមិថុនា ឆ្នាំ២០១៨ ដែលប្រកាសឱ្យ ប្រើច្បាប់ស្តីពីការរៀបចំនិងការប្រព្រឹត្តទៅនៃគណៈរដ្ឋមន្ត្រី
- បានឃើញព្រះរាជក្រមលេខ នស/រកម/០១៩៦/១៨ ចុះថ្ងៃទី២៤ ខែមករា ឆ្នាំ១៩៩៦ ដែលប្រកាសឱ្យ ប្រើច្បាប់ស្តីពីការបង្កើតក្រសួងសេដ្ឋកិច្ចនិងហិរញ្ញវត្ថុ
- បានឃើញព្រះរាជក្រមលេខ នស/រកម/០៣២៣/០០១ ចុះថ្ងៃទី១០ ខែមីនា ឆ្នាំ២០២៣ ដែលប្រកាសឱ្យ ប្រើច្បាប់ស្តីពីប្រព័ន្ធហិរញ្ញវត្ថុសាធារណៈ
- បានឃើញព្រះរាជក្រមលេខ នស/រកម/០៣២៣/០០១ ចុះថ្ងៃទី១៥ ខែតុលា ឆ្នាំ២០២១ ដែលប្រកាសឱ្យ ប្រើច្បាប់ស្តីពីវិនិយោគនៃព្រះរាជាណាចក្រកម្ពុជា
- បានឃើញព្រះរាជក្រមលេខ នស/រកម/១១២១/០១៨ ចុះថ្ងៃទី១៨ ខែវិច្ឆិកា ឆ្នាំ២០២១ ដែលប្រកាសឱ្យ ប្រើច្បាប់ស្តីពីភាពជាដៃគូរវាងរដ្ឋនិងឯកជន
- បានឃើញអនុក្រឹត្យលេខ ៤៣ អនក្រ.បក ចុះថ្ងៃទី២៨ ខែកុម្ភៈ ឆ្នាំ២០២២ ស្តីពីការរៀបចំនិងការប្រព្រឹត្ត ទៅនៃក្រសួងសេដ្ឋកិច្ចនិងហិរញ្ញវត្ថុ
- បានឃើញអនុក្រឹត្យលេខ ១៣៩ អនក្រ.បក ចុះថ្ងៃទី២៦ ខែមិថុនា ឆ្នាំ២០២៣ ស្តីពីការអនុវត្តច្បាប់ស្តីពីវិនិយោគ នៃព្រះរាជាណាចក្រកម្ពុជា
- បានឃើញអនុក្រឹត្យលេខ ១៧៤ អនក្រ.បក ចុះថ្ងៃទី៣១ ខែសីហា ឆ្នាំ២០២២ ស្តីពីការដាក់ឱ្យប្រើនីតិវិធី គ្រប់គ្រងប្រតិបត្តិការរួមសម្រាប់គម្រោងភាពជាដៃគូរវាងរដ្ឋ និងឯកជន



- បានឃើញប្រកាសលេខ ៨១៥ សហវ. ប្រក ចុះថ្ងៃទី៣១ ខែតុលា ឆ្នាំ២០២២ ស្តីពីការដាក់ឱ្យប្រើគោលការណ៍ណែនាំសម្រាប់គាំទ្រដល់ការអនុវត្តអនុក្រឹត្យលេខ ១៧៤ អនក្រ.បក ចុះថ្ងៃទី៣១ ខែសីហា ឆ្នាំ២០២២ របស់ក្រសួងសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ
- យោងតាមតម្រូវការចាំបាច់របស់ក្រសួងសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ

**សម្រេច**

**ប្រការ១ .-**

ត្រូវបានដាក់ឱ្យប្រើគោលការណ៍ណែនាំស្តីពីការគ្រប់គ្រងហិរញ្ញវត្ថុសាធារណៈសម្រាប់គម្រោងភាពជាដៃគូរវាងរដ្ឋ និងឯកជន ដូចមានខ្លឹមសារភ្ជាប់មកជាមួយប្រកាសនេះ។

**ប្រការ២ .-**

ប្រកាសនេះ មានវិសាលភាពអនុវត្តចំពោះក្រសួង ស្ថាប័ន និងរដ្ឋបាលរាជធានី ខេត្ត ដែលមានសមត្ថកិច្ចក្នុងការចូលរួមរៀបចំអភិវឌ្ឍគម្រោងភាពជាដៃគូរវាងរដ្ឋ និងឯកជន។

**ប្រការ៣ .-**

នាយកខុទ្ទកាល័យ អគ្គលេខាធិការ អគ្គនាយកនៃអគ្គនាយកដ្ឋានភាពជាដៃគូរវាងរដ្ឋនិងឯកជន អគ្គនាយកនៃគ្រប់អគ្គនាយកដ្ឋាន អគ្គាធិការនៃអគ្គាធិការដ្ឋាន និងប្រធានគ្រប់អង្គភាពពាក់ព័ន្ធក្រោមឱវាទក្រសួងសេដ្ឋកិច្ចនិងហិរញ្ញវត្ថុ ត្រូវទទួលបន្ទុកអនុវត្តប្រកាសនេះ ឱ្យមានប្រសិទ្ធភាពខ្ពស់ ចាប់ពីថ្ងៃចុះហត្ថលេខានេះតទៅ។

ថ្ងៃ ៣១ ខែ តុលា ឆ្នាំ ២០២២ បញ្ជាក់ ព.ស. ២៥៦៧  
ធ្វើនៅរាជធានីភ្នំពេញ ថ្ងៃទី ២១ ខែ តុលា ឆ្នាំ ២០២២

ឧបនាយករដ្ឋមន្ត្រី  
រដ្ឋមន្ត្រីក្រសួងសេដ្ឋកិច្ច និងហិរញ្ញវត្ថុ  
  
អគ្គបណ្ឌិតសភាចារ្យ អូន ព័ន្ធមុនីរ័ត្ន

- កន្លែងទទួល៖**
- ទីស្តីការគណៈរដ្ឋមន្ត្រី
  - ខុទ្ទកាល័យសម្តេចធិបតីនាយករដ្ឋមន្ត្រី
  - ខុទ្ទកាល័យឧបនាយករដ្ឋមន្ត្រី
  - គ្រប់ក្រសួង ស្ថាប័ន
  - សាលារាជធានី ខេត្ត
  - ដូចប្រការ៣
  - រាជកិច្ច
  - ឯកសារ- កាលប្បវត្តិ



**KINGDOM OF CAMBODIA  
NATION RELIGION KING**



**Ministry of Economy and Finance  
No: 641 MEF-BK-GDPPP**

**Prakas**

**On**

**Promulgating the Guidelines**

**On Fiscal Management of Public-Private Partnerships Projects**

**to Support the Implementation of the Sub-decree No.174 ANKr.BK dated August 31, 2022  
on Promulgating the Standard Operating Procedures for the Public-Private Partnerships  
Projects**



**Deputy Prime Minister**

**Minister of Economy and Finance**

- Having seen the Constitution of the Kingdom of Cambodia
- Having seen the Royal Decree No. NS/RKT/0823/1981, dated August 22, 2023, on the Formation of the Government of the Kingdom of Cambodia
- Having seen the Royal Kram No. NS/RKM/0618/012, dated June 28, 2018, on Promulgating the Law on the Organization and Functioning of the Council of Ministers
- Having seen the Royal Kram No. NS/RKM/0196/18, dated January 24, 1996, on Promulgating the Law on the Establishment of the Ministry of Economy and Finance
- Having seen the Royal Kram No. NS/RKM/0323/001, dated March 10, 2023, on Promulgating the Law on the Public Finance System
- Having seen the Royal Kram No. NS/RKM/0323/001, dated October 15, 2021, on Promulgating the Law on Investment of the Kingdom of Cambodia
- Having seen the Royal Kram No. NS/RKM/1121/018, dated November 18, 2021, on Promulgating the Law on Public-Private Partnership
- Having seen the Sub-Decree No. 43 ANKr.BK, dated February 28, 2022, on the Organization and Functioning of the Ministry of Economy and Finance
- Having seen the Sub-Decree No. 139 ANKr.BK, dated June 26, 2023, on Implementation of the Law on Investment of the Kingdom of Cambodia

- Having seen the Sub-Decree No. 174 ANKr.BK dated August 31, 2022 on Promulgating the Standard Operating Procedures for the Public-Private Partnerships Projects
- Having seen the Prakas No.815 MEF.BK dated October 31 2022 on Promulgating the Guidelines to Support the Implementation of the Sub-decree No.174 ANKr.BK dated August 31, 2022 of Ministry of Economy and Fianance;
- Pursuant to the necessity of the Ministry of Economy and Finance;

**Hereby Decides**

**Article 1.\_**

Promulgate the Guideline on Fiscal Management of Public-Private Partnerships Projects as attached to this Prakas.

**Article 2.\_**

This Prakas applies to all Line Ministries, Institutions and the Municipality/Provincial Administration, as a competent to prepare and develop PPP Projects.

**Article 3.\_**

Cabinet Director, General Secretariat, Director General of the General Department of Public-Private Partnerships, Director Generals of all General Departments, Inspector General of the General Inspectorate, and Heads of all relevant Units under the Ministry of Economy and Finance shall be responsible for the effective implementation of this Prakas from the date of signature.

Phnom Penh, October 02, 2023

**Deputy Prime Minister  
Minister of Economy and Finance**

Signature and Seal

**AKKA PUNDIT SAPHEACHA  
AUN PORNMONIROTH**

**Receiving Places:**

- Council of Ministers
- Cabinet of Samdech Thipadei, Prime Minister
- Cabinet of Deputy Prime Ministers
- All Line Ministries and Institutions
- Municipality and Provincial Administration
- As Article 3
- Royal Gazette
- Archives-Chronicles

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## ABBREVIATION

BEC	Bid Evaluation Committee
BER	Bid Evaluation Report
FS	Feasibility Study
FCs	Fiscal Commitments
GDICDM	General Department of International Cooperation and Debt Management
GDPPP	General Department of Public-Private Partnerships
GSM	Government Support Measures
IA	Implementing Agency
IPSAS	International Public Sector Accounting Standards
MEF	Ministry of Economy and Finance
PFRAM	PPP Fiscal Risk Assessment Model
PDMC	Public Debt Management Committee
PRC	Procurement Review Committee
PPP	Public-Private Partnerships
SOP	Standard Operating Procedures
SPC	Special Purpose Company
TA	Transaction Advisor
VGF	Viability Gap Financing

## 1. INTRODUCTION

- 1.1. When the financial analysis in the Feasibility Study (FS) indicates that the PPP Project is financially unviable but is generating economic and social benefits, the Government may consider providing State Support to make the project financially viable and bankable as outlined in the **Guidelines on Government Support Measures of the SOP for PPP Projects, Volume II: Guidelines**. The provision of such State Support will require assessment of financial implications and associated risks for endorsement by the Ministry of Economy and Finance (MEF). State Support for Fiscal Commitments (FCs) include Viability Gap Financing (VGF), Availability Payments, and Contingent Liabilities in the form of guarantees. Once the Government approves the FCs, they must be closely monitored until the end of the PPP Contract. Therefore, the **Guidelines on Fiscal Management of PPP Projects** will enable effective management of the Government's FCs of PPP Projects.
- 1.2. The **Guidelines on Fiscal Management of PPP Projects** provide guidance on the procedure to be followed and the institutional arrangements for the management of FCs of the Government on PPP Projects to ensure that the FCs and risks are affordable and manageable. The overall responsibility of the MEF for the management of FCs relating to PPP Projects include the following aspects:
- Ensuring that the Government Support Measures (GSM) and related risks of PPP Projects under preparation are assessed and managed in a transparent manner, prior to the approval of any FCs by the Government. The details on the various GSMs that may be made available in the PPP Projects are provided in the **Guidelines on Government Support Measures of the SOP for PPP Projects, Volume II: Guidelines**.
  - Managing and monitoring of FCs during the implementation phase after awarding of the PPP Contract.
- 1.3. The **Guidelines on Fiscal Management of PPP Projects** include the institutional framework, and the procedure for the appraisal, approval, budgeting, managing and monitoring of FCs arising out of PPP Projects.

## 2. INSTITUTIONAL ARRANGEMENT

- 2.1. The Head of Government is the Approving Body who is responsible for approval the FCs for each PPP Project after it has been endorsed by the Minister of the MEF.
- 2.2. The MEF is tasked with proposing policies, rules, regulations, guidance, and issuing clarifications in regard to the implementation of the risk management framework for PPP Projects in Cambodia. The MEF, an executive body of the



Government, is also responsible for the appraisal, approval, budgeting, managing and monitoring of the FCs for PPP Projects. In this regard, the General Department of Public-Private Partnerships (GDPPP) is assigned to such tasks and for coordinating with the relevant General Departments of the MEF and other ministries/agencies of the Government.

- 2.3. The Public Debt Management Committee (PDMC), chaired by the Minister of the MEF, is responsible for endorsing the budgetary ceiling of the FCs for PPP Project as outlined in Public Debt Management Strategy for the policy period prior to the approval of the Head of the Government. The Public Debt Management Strategy is prepared by the General Department of International Cooperation and Debt Management, which serves as the secretariat of the PDMC.
- 2.4. The GDPPP is responsible for undertaking the appraisal, management, and monitoring of the Government's FCs for PPP Projects, which include the following activities:
  - (i) Propose estimated budgetary requirement for PPP related FCs in each policy period and on an annual basis;
  - (ii) Assess fiscal implications and risks of the proposed FCs including the terms and conditions recommended in the FS, and provide recommendation to the Minister of MEF for consideration and endorsement, for final approval by the Head of Government;
  - (iii) Provide operational support to Implementing Agencies (IAs) in respect of matters related to FCs for PPP Projects, including seeking information on all commitments and guarantees provided, as well as on all levy and recovery of guarantee fees for PPP Projects while maintaining a record of the same, along with their classification;
  - (iv) Monitor the FCs on project and portfolio basis to ensure that the budgetary ceiling is not breached;
  - (v) Monitor, review, and report on the progress in the implementation of the FCs for PPP Projects to the Minister of MEF;
  - (vi) Coordinate with other relevant General Departments to undertake the due diligence on any disputes in relation to FCs, review the outcomes of independent validation, and/or adjudication under dispute resolution mechanism for settling FCs disputes for specific PPP Projects. Consolidate and submit report on the findings and recommendations to the Minister of MEF for consideration and necessary action;
  - (vii) Provide supplementary guidance and clarification, as necessary, in relation to the **Guidelines on Fiscal Management of PPP Projects**.

### 3. TYPES OF FISCAL COMMITMENTS

- 3.1. FCs for PPP Projects are defined as payment obligations of the Government to the Special Purpose Company (SPC), constituting either the whole or a part of the remuneration payable to the SPC based on the risk sharing framework

agreed between the Government and the SPC. FCs can take the form of Direct FCs and/or Contingent Liabilities.

- 3.2. Direct FCs are those where the need, quantum and timing of payment is known. These can be in the form of up-front capital payments or regular operational payments or a combination thereof, over the lifetime of the PPP Contract and/or the construction of linked or supporting infrastructure.
- 3.3. Contingent Liabilities for PPP Projects are those for which payment is needed only if some uncertain future event or circumstances occur. Therefore, the occurrence, value, and timing of a payment are all unknown. These include, among others, performance guarantees/payment guarantees, sovereign or political guarantees and other guarantees.
- 3.4. The use of guarantees should be considered as the last resort and only in very exceptional circumstances where all alternative measures have been exhausted.

## 4. BUDGETARY CEILING FOR FISCAL COMMITMENTS

- 4.1. To ensure that the Government's total exposure to FCs remain within manageable limits, the budgetary ceiling for FCs for PPP Projects are to be established and determined in the Public Debt Management Strategy for each policy period. The procedure for establishing the ceiling, except for guarantees which shall follow the compliance of Article 47 of the 2023 Public Financial System Law, shall be issued by a *Prakas* of the MEF at the request of GDPPP.
- 4.2. The MEF will notify the approved budgetary ceiling for FCs on an annual basis, unless there is a need for adjustment during the year, in which case it will notify the new ceiling after its approval. The overall budgetary ceiling notified by the MEF shall not be exceeded at any time.
- 4.3. The MEF shall issue the notification of approved budgetary ceiling on managing exposure for FCs in each policy period. Approvals for all new FCs will need to satisfy the condition that the overall budgetary ceiling notified by MEF is not breached by the approval of any new FCs for PPP Projects. In case the total exposure is likely to exceed the approved budgetary ceiling for FCs, the matter shall be referred to the Minister of MEF for consideration and adjustment. The new PPP Projects causing the overrun shall not be approved for proceeding to procurement until the increase in the budgetary ceiling is approved by the Minister of MEF.

## 5. ASSESSING THE GOVERNMENT'S FISCAL COMMITMENTS

- 5.1. PPP Projects often give rise to both Direct FCs and Contingent Liabilities throughout the lifetime of the project. Hence, it is important to assess the FCs and estimate their costs to ensure their affordability prior to the approval of a PPP Project from the Government. The assessment of the Direct FCs and Contingent Liabilities is undertaken as part of the FS.

5.2. The assessment of FCs can be estimated and measured using the following metrics:

- (i) **Estimates for Direct FCs** shall be quantified based on an annual and aggregate basis by estimating both the nominal value and present value of annual payments. Besides an estimation under the base-case scenario, estimates should also be prepared using alternate scenarios to provide a range of possible outcomes and fiscal implications.
- (ii) **Measurement of Contingent Liabilities** places challenges due to the uncertainty of the occurrence of trigger events and the magnitude of payments to be made.
  - **In case of Guarantee**, the estimates for expected amount of Contingent Liabilities require a combination of qualitative and quantitative analysis. To the extent practical, estimates of major Contingent Liabilities should be prepared in terms of the nominal value of expected annual costs, present value of expected annual costs, nominal value of maximum annual costs, and present value of maximum annual costs. The key trigger events for invoking guarantees or triggering major Contingent Liabilities should be identified.
  - **In case of Termination Payments**, annual estimates should be prepared in terms of the nominal value of termination payment(s), nominal book value of the SPC and nominal value at risk (expected shortfall between termination payment and expected market value of PPP Project if retendered). The key trigger event for each type of termination payment should be identified. Estimates should be developed based on scenario analysis and qualitative estimates. To the extent possible and subject to negotiation, the maximum liability to the Government arising from Termination Payments should be capped in the PPP Contract. Framework related to Termination Payments, to be used by IA during the PPP Contract negotiation, is provided in Appendix 1.

5.3. The above mentioned in Paragraph 5.2 are indicative and will be used to manage and monitor FCs for PPP Projects. Assessment of Contingent Liabilities including Termination Payments will produce estimates that are required for fiscal discipline and sustainability, in public investment decisions. Specific indicators for budgetary ceiling will be set out in the *Prakas* of MEF as provided in Paragraph 4.1.

5.4. The GDPPP is responsible for carrying out the assessment and maintaining records of FCs in respect of each PPP Project and PPP portfolio to ensure that the budgetary ceiling is not breached.

## 6. ANALYTICAL TOOLS FOR ASSESSING FISCAL COMMITMENTS

- 6.1. In order to assess and estimate the FCs and risks arising from the PPP Project, the GDPPP will use analytical tools such as the PPP Fiscal Risk Assessment Model (PFRAM), jointly developed by the IMF and the World Bank, or other credible tools, as determined by the MEF from time to time. These tools allow for both monitoring the exposure of Government on existing PPP Projects, and in assessing new exposure from PPP Projects which are under procurement. These tools will also be used by the GDPPP to confirm that the relevant budget ceilings are not being breached prior to approval of new fiscal commitments in relation to the new PPP Projects being submitted for approval to the Approving Authority.
- 6.2. The GDPPP may modify the PFRAM model and/or adopt other credible tools over time according to the needs and requirements of the public financial management system in Cambodia, as the volume of PPP Projects in the country grows.
- 6.3. The GDPPP, with the assistance from the Transaction Advisors (TA), will use the data and information in the Feasibility Study as the input for assessing the FCs and risks arising from the PPP Project to the government in the PFRAM model or other credible tools.

## 7. APPROVAL PROCESS FOR FISCAL COMMITMENTS

- 7.1. The procedures to obtain approval for PPP related FCs is embedded in Phase III: Project Approval and Phase IV: PPP Procurement and Contracting of the PPP Project Cycle in **SOP for PPP Projects, Volume I: Policies and Procedures**.
- 7.2. When the FS report submitted by the IA indicates the need for any FCs, the GDPPP will review and validate the financial analysis, assess the potential FCs arising from PPP Projects, coordinate with other relevant General Departments and ministries/agencies of the Government to seek their comments and recommend to the Public Investment Committee of the MEF for consideration, prior to submission to the Minister of MEF for endorsement. The forms for appraising PPP Project proposals seeking FCs are provided in Appendix 2. If found acceptable, the Minister of MEF will endorse the package of FCs and seek subsequent approval from the Head of Government; and if not, the PPP Project shall either be rejected or sent back for restructuring. Once the necessary approval of the Head of Government has been received, the Minister of MEF will issue an in-principle approval for the package of FCs through a memorandum. The GDPPP will notify the IA of the decision of the Head of Government.
- 7.3. Upon receiving in-principle approval from the Head of Government, the TA supervised by the IA will prepare the bid document incorporating provisions related to the approved FCs and submit to the GDPPP for review. GDPPP shall review the bid document and all aspects of the FCs to ensure consistency with the package approved by the Head of Government at the project approval phase. GDPPP will also assess the ceiling amount for FCs and seek confirmation from the relevant General Departments and ministries/agencies of the Government

prior to the submission of findings for consideration and final approval of bid document by the Minister of MEF. The Minister of MEF shall review and take decision to approve or reject the proposed ceiling for FCs in the bid document. GDPPP shall notify the IA regarding the decision of the Minister of MEF on the ceiling for FCs.

- 7.4. Upon approval of the ceiling for FCs in the bid document, the IA shall issue the bid document to the market, conduct the bidding process and select the Preferred Bidder. The procurement process for the selection of the Preferred Bidder shall be carried out in accordance with the provisions of the **SOP for PPP Projects, Volume III: Procurement Manual Section III: Selection of Private Partner**. The Bid Evaluation Committee (BEC) shall evaluate the FCs proposed by the Preferred Bidder and include their findings and recommendations in the Bid Evaluation Report (BER). The Procurement Review Committee (PRC) will review the BER and seek comments from the GDPPP on the FCs proposed by the Preferred Bidder. The GDPPP shall review and assess the proposed FCs of the Preferred Bidder and validate them to ensure they are within the ceiling for FCs and comply with the terms and conditions based on which the approval has been given by the Minister of MEF. Upon confirmation, GDPPP shall report the findings to the PRC. Where the proposed FCs are not within the ceiling approved by the Head of Government and have deviated from the package, the GDPPP will submit its findings to PIC for consideration prior submission to the Minister of MEF who shall endorse or reject the FCs proposed by the Preferred Bidder. If endorsed by the Minister of MEF, the matter shall be submitted to the Head of Government for a decision. The GDPPP shall notify the decision of the Minister of MEF or the Head of Government, as applicable, to the PRC.
- 7.5. The negotiation team led by the representative of the IA, as the Chair of PRC, shall invite the Preferred Bidder for contract negotiation and finalize the draft PPP Contract, including the FCs. The GDPPP shall review the draft negotiated PPP Contract and verify if the FCs are same as the package approved by the Head of Government. Where the Preferred Bidder has not agreed to the approved package and seeks a change, the matter will be reported to the Minister of MEF. The Head of Government shall make a decision to approve or reject the final FCs. In case of guarantees, the Head of Government shall request for approval from the Legislative Body, for which the applicable procedures will be followed.

## 8. BUDGETING FISCAL COMMITMENTS

- 8.1. The process of budgeting for PPP projects entails that available funds are allocated to cover the expenses that the Government has committed to bear under the PPP Contract. The MEF needs to ensure that sufficient annual budgetary allocations are approved to meet the payment obligations of the IA in relation to the FCs for PPP Projects. In this respect, the IA shall estimate the budget required and submit the request for approval to the MEF as part of the annual budgeting procedure. The GDPPP shall first review the budget estimate



prepared by the IA and endorse the same before the budget request is submitted by the IA. Towards this end, the following aspects will need consideration:

- (a) The estimated Direct FCs should be incorporated in the Medium-Term Fiscal Framework. The Direct FCs that are due in the next fiscal year such as Availability Payments and VGF shall be allocated in the Government's annual budget, where applicable, as per the financial management system of the Government.
- (b) Budgeting for Contingent Liabilities is challenging as the occurrence, timing and amount of payment is not known in advance. Therefore, a Contingency Liability Reserve Fund for PPP Projects will be established as a separate budgetary account to ensure that the Government is able to meet payment obligations arising from Contingent Liabilities, if they materialize. The fund may be sourced from annual national budget allocation and guarantee fees collected by the Government for issuing guarantees. The establishment and mechanism for monitoring the Contingency Liability Reserve Fund for PPP Project will be determined by the MEF.

8.2. The utilization of the existing Contingency Fund is restricted to the Payment Guarantees for PPP Projects as stated in the Public Debt Management Strategy 2019-2023, and does not provide coverage for Performance Guarantee, Sovereign or Political Guarantee, and other Guarantees which may be approved by the Government in accordance with the applicable laws and regulations. This will enhance the ability of an IA to discharge its obligations from the risk allocated to it, and improve the financing terms in the PPP Contract.

## 9. MONITORING FISCAL COMMITMENTS

- 9.1. A robust framework for monitoring PPP related FCs will help predict undesirable events from a fiscal risk perspective, mitigate the impact, make informed decisions during the implementation stage, and ensure that FCs exposure is within the budgetary ceiling. Therefore, it is important to have up-to-date and accurate data, information and the size of FCs for PPP Projects, at both the individual project and portfolio level.
- 9.2. Monitoring PPP related FCs requires gathering project financial parameters, risks and performance, and country macroeconomic information, and any other input that might affect FCs and fiscal risks.
- 9.3. The IA, which has the direct contractual relationship with the Private Partner, is required to collect all the required information for each PPP Project, e.g., progress reports, annual or periodic audited financial reports, other requested documents and promptly submit to the GDPPP.
- 9.4. The GDPPP is responsible for monitoring the progress of PPP related FCs. Towards this, it will undertake the following:

- (a) Request the IA to prepare and submit a semi-annual assessment of ongoing PPP Projects, verification report, and project completion report (when the construction has been completed). The template of verification report and project completion report is provided in Appendix 3.
- (b) Request the IA to prepare and submit the report on long-term Government expenditure commitment. The sample template of this report is provided in Appendix 4.
- (c) Require the IA to promptly report any claims under a guarantee.
- (d) Review and verify the legality and reality of project financial reports and verify if the resources of the PPP Projects are being used efficiently by the SPC/Private Partner.
- (e) Examine whether the SPC is discharging its financial and commercial obligations, as per terms of the relevant contractual agreements.
- (f) Review all PPP Projects with FCs on a semi-annual and annual basis and assess the likelihood of guarantees being called within the next 12 months.
- (g) Update the PFRAM or other credible tools to reflect the changes in the risk profile of the project on an individual as well as on a portfolio basis.
- (h) Seek information from the relevant IAs on all Direct FCs and guarantees provided for PPP Projects and maintain a record of the same, along with their classification.
- (i) Record all guarantees, levy and recovery of guarantee fee, all payments and receipts in relation to guarantees, including disbursement.
- (j) Retain information required from time to time in respect of guarantees.
- (k) Prepare a report with required data, duly updated every year and submit to the Minister of MEF for review.

## 10. ACCOUNTING AND REPORTING FOR PPP

10.1. In principle, the assets under PPP Projects are accounted for by the Government using International Public Sector Accounting Standards 32 – Service Concession Agreements (IPSAS32). Where the Government has control of the PPP assets (either through control of the services, users and price provided with the assets; or through control of the asset at the end of the PPP Contract), the asset will be included in the Government’s financial statements and balance sheet as an ‘on-balance sheet’ item. Where the Government does not control the assets of the PPP Project, then the assets is recorded ‘off-balance sheet’ and only regular payments to be made are budgeted. Other direct or contingent risks are not recorded in the accounts.

- 10.2. The MEF will use the existing procedures and systems used by the General Department of State Property and Non-Tax Revenue until such time as the use of IPSAS 32 (as updated) has been introduced by the Government. The use of IPSAS 32 and the detailed internal reporting requirements for PPP Projects following IPSAS 32 will be developed in due course.
- 10.3. When the Government bears most of the risks and benefits in a PPP Project, the PPP-related asset is regarded as a public asset and the Government as the economic owner of the asset. In such cases, the asset is reflected in the Government finance statistics, namely, net lending/borrowing, gross and net debt, and cash balance.
- 10.4. The reporting of PPP Projects in the Government Financial Statistics will be introduced gradually as the portfolio of PPP Projects grow and mature. The decision on this shall be taken by the Minister of MEF.

## 11. CLAIMS ON GUARANTEES

- 11.1. The process of invoking a claim against the IA or the Government in respect of guarantees shall be specified in the PPP contract, or Government support agreement, or guarantee agreement, or letter of guarantee, or equivalent contractual document, as applicable. Where a claim is made, the claim from the SPC or private partner shall be validated either by an independent third party or through a dispute resolution process, as specified in the relevant contractual documents. The required procedures to inform, apply, assess, and determine the legitimacy of the claim shall be specified in the relevant contractual documents and rigorously followed before compensation under such claims are settled.
- 11.2. Once the claim has been evaluated through the process in Paragraph 11.1, the GDPPP shall review the validated claim report and submit to the relevant General Departments of MEF for any comments. The GDPPP will prepare a report stating all the relevant facts and incorporating the comments from the relevant General Departments and submit to the Minister of MEF. Where the claim has been validated, the Minister of MEF shall either endorse the claim or decide to challenge it in the relevant court of law under the judicial system of Cambodia. The Minister of MEF shall seek the approval of the Head of Government for any course of action. If the claim is approved, the GDPPP will process the request for payment as per the payment procedures of the MEF.
- 11.3. In the event of payment of a valid claim for Guarantee or Contingent Liabilities, it shall be recorded in the following manner:
- In case of a Guarantee, the budget account shall be debited for cash outflows when payments are made on behalf of the IA to the SPC/Private Partner or credited for cash inflows when excess revenues or receipts are shared with the Government under the specific guarantee arrangements; or

- In case of a Contingent Liability, payments made on behalf of the IA to the SPC/Private Partner as a result of liabilities arising due to occurrence of contingency events, as per the PPP Contract, shall be made by debiting the budget account.

## 12. GUARANTEE FEES

12.1. A guarantee fee may be applied to PPP Projects or to the IA in cases where a guarantee is provided. This will not apply to force majeure or termination payment commitments. The application, size, and procedure for imposing a guarantee fee for PPP Projects shall be determined by a *Prakas* of the MEF at the request of the GDPPP.

12.2. During the early phases of PPP market development, the Government does not have a policy to charge guarantee fees. Nevertheless, as the Cambodian PPP market develops and attains maturity, the Government will contemplate and formulate a policy stance regarding the charging of guarantee fees.

## ANNEXES

### Appendix 1 - Framework related to Termination Payment

- 1.1. Termination Payment refers to the amount payable by the IA/Government to the Private Partner, on the occurrence of a termination event as provided for in the PPP Contract that results in early termination of the PPP Contract. Termination Payment forms an integral part of the risk allocation process in a PPP Contract and is crucial for providing assurance to lenders and investors on the safety of their investments in the event of termination.
- 1.2. Termination of a PPP Contract may take place during the pre-construction, construction, post-construction, or operations periods of a PPP project. Events that may lead to termination may include, but are not limited to, the following:
  - (i) **Default of contractual obligations by the SPC/ Private Partner;**
  - (ii) **Default of contractual obligations by the IA/ Government;**
  - (iii) **Termination for convenience (or “unilateral termination”);**
  - (iv) **Termination for force majeure.**
- 1.3. The contractual parties in the PPP Contract shall exert the utmost diligence in ensuring the successful delivery of the PPP Project. Termination shall only be considered as an ultimate recourse following the exhaustive utilization of all specified remedial measures detailed within the PPP Contract. Given the long-term nature of PPP projects, the parties to the PPP Contract must deal with the consequences of early termination, including the provision of compensation to the other party, as specified in the PPP Contract. The method of determining the nature of the termination and the amount of compensation shall be specified in the PPP Contract, which may vary from project to project.
- 1.4. The specific events that may lead to a termination event shall be determined on a project-to-project basis which will include, but not be limited to, the following:
  - i. In the event the Private Partner fails to meet its performance obligations under the PPP Contract;
  - ii. In the event that either the Private Partner or IA fail to meet or fulfill their obligations satisfactorily under the condition precedent of the PPP Contract;
  - iii. Unremedied material and/or persistent breach of the PPP Contract by the Private Partner;
  - iv. Breach of compliance requirements or violation of any laws, rules, and regulations of the Kingdom of Cambodia;
  - v. Abandonment of the works by the Private Partner;
  - vi. When the Private Partner assigns, transfers or otherwise disposes of any of the rights under the PPP Contract without the consent of the IA;
  - vii. Fraudulent or corrupt behaviour by the Private Partner;
  - viii. Insolvency or bankruptcy;
  - ix. Non-payment of any amounts owed by the IA to the Private Partner;



- x. Termination by the Government to address any public interest considerations that may arise;
  - xi. A Material Adverse Government Action (MAGA)<sup>1</sup> event resulting in a termination event;
  - xii. Default of the Government as defined in the PPP Contract; and
  - xiii. Prolonged and serious Force Majeure events defined in the PPP Contract that significantly disrupts the PPP Projects.
- 1.5. The PPP Contract shall define the events that give the IA or Private Partner the right to terminate the PPP Contract, and prescribe the rights of the relevant parties.
- 1.6. As a general rule, the method of calculation of Termination Payment agreed in a PPP Contract shall allow lenders to recover the outstanding senior debt on the PPP Projects as of the date of termination.
- 1.7. **In the case of termination caused by the default of contractual obligations by the Private Partner**, the Government shall compensate for the outstanding senior debt as follows: the total amount of outstanding at the date of termination to the senior lenders (including costs payable by the Private Partner to the lenders under the senior finance documents as a result of early termination) subject to applicable caps; less all the credit balances held in any bank accounts of the Private Partner at the time of termination; any amounts payable by the lenders to the Private Partner as a result of prepayment or termination of the PPP Contract; and any amounts received or to be received by the lenders on or after the termination date as a result of enforcing any other rights that they may have.
- 1.8. **In the case of termination caused by the default of contractual obligations by the IA/Government or termination for convenience**, the Government shall compensate for the outstanding senior debt as provided above in Paragraph 1.7; plus redundancy payments for employees of the Private Partner incurred as a result of the termination of the PPP Contract; plus subcontractor breakage costs incurred by the Private Partner; plus initial equity investments disbursed to the shareholders; plus any outstanding principal of the subordinated finance documents; plus payments to the investors for reasonable returns on equity invested subject to any cap that may be agreed in the PPP Contract.
- 1.9. **In case of termination due to a Force Majeure**, the Government shall compensate for the outstanding senior debt as provided above in Paragraph 1.7; plus, redundancy payments for employees of the Private Partner incurred as a result of the termination of the PPP Contract; plus subcontractor breakage costs incurred by the Private Partner; plus initial equity investments disbursed the shareholders; plus any outstanding principal of the subordinated finance documents, subject to any sharing arrangement agreed between the IA/Government and the Private Partner as a result of the Force Majeure.
- 1.10. In all circumstances, any Termination Payment to be compensated by the Government to the Private Partner shall be made only following the subtraction of the cumulative amount of all VGF and/or the value of all other financially quantifiable support that has been provided,

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<sup>1</sup> "Material Adverse Government Action" or "MAGA" refers to any act or omission by the Government of the Kingdom of Cambodia or the contracting Implementing Agency or any relevant public authority which occurs during the tenure of the PPP Contract which (i) directly effects the ability of the Private Partner to comply with all or some of its obligations under the PPP Contract and/or (ii) has a material adverse effect on the PPP Project's costs or revenues."

whether in cash or in kind, by the Government to the Private Partner up to the date of PPP Contract termination, including any dividend distribution made to the Private Partner till the date of the termination event. VGF recovery by the Government shall rank ahead of every other liability or claim for payment against the Private Partner other than second repayment of third party (non-shareholder) lenders to the Project.

## **Appendix 2: Forms for Appraisal and Submission for Approval of the Approving Body**

These forms provide an indication of the areas to be covered while appraising proposals for PPP Projects seeking Fiscal Commitments in the form of Direct Fiscal Commitments or Contingent Liabilities.

FORM 1 – PPP Project Risk Evaluation Checklist

FORM 2 – Term Sheet for Fiscal Commitments

FORM 3 – Template for Appraisal Note

FORM 4 – Project's Risk Matrix

FORM 5 – Check List for Project Due Diligence

FORM 6 – Check List for Financial and Economic Assessment

## FORM 1 – PPP Project Risk Evaluation Checklist

[To be completed for all proposed projects by GDPPP]

Project Name:			
Implementing Agency:		Project File Number:	
Brief Description:			
Summary of Government Support Measures to PPP Project (including estimated amounts):			
<ul style="list-style-type: none"> <li>• Direct Fiscal Commitments</li> <li>• Payment/ Performance Guarantees</li> </ul>			
No.	Criteria	Y/N	Comments
1	Has the PPP Project been approved by PIC?		
2	Has the feasibility study been prepared by a specialist consultant?		
3	Is there no practical alternative to make the Project viable, without desired Government FCs?		
4	Are the proposed FCs consistent with applicable legal regulation and policies of the Government?		
5	Are the proposed FCs reasonable and affordable to the Government?		
6	Does it comply with the budgetary ceiling?		
7	Is there any market interest in the Project?		
8	Is the Project likely to be bankable with the specified level of FCs?		
9	Is the Project's Risk Matrix consistent with the accepted Government position? If answer to No.9 is No, then please specify the exceptions and provide comments		
10	Should any specific conditions or requirements be specified that either the PPP Project or the Implementing Agency would need to fulfill? If answer to No.10 is Yes, then please specify relevant details and provide comments <ul style="list-style-type: none"> <li>• Prior to issuance of FCs</li> <li>• During construction phase</li> <li>• During operations phase</li> </ul>		
11	Any Other Issues		
Prepared By:		Verified By:	

## FORM 2 – Term Sheet for Fiscal Commitments

[To be completed for each project by GDPPP]

1.	<b>Project Name:</b>				
2.	<b>Implementing Agency:</b>			<b>Line Ministry:</b>	
3.	<b>Project File Number:</b>				
4.	<b>Summary of Government Support Measures to PPP Project</b> <ul style="list-style-type: none"> <li>• Direct Fiscal Commitments</li> <li>• Payment/ Performance Guarantees</li> </ul>				
5.	<b>Direct Commitments Term Sheet:</b>				
	<b>Type</b>				
	<b>Amount: Total</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>..... Year</b>
	<b>Conditions of Direct Fiscal Commitment</b>				
	<b>Any other issues/ covenants</b>				
6.	<b>Guarantee Term Sheet:</b>				
	Type of Guarantee				
	Amount	USD _____ Mn			
	Guarantee Fees				
	Conditions of Guarantee				
	Any other issues/ covenants				
7.	<b>Obligations of the Project Company</b>				
8.	<b>Obligations of MEF</b>				
9.	<b>Obligations of Implementing Agency and other agencies</b>				
10.	<b>Comments and Recommendation of the Office of Risk Management</b>				
<b>Prepared by</b>			<b>Authorized Signatory</b>		
<b>Date:</b>			<b>Date:</b>		



### FORM 3 – Template for Appraisal Note

To be completed for each project by the GDPPP. The GDPPP is expected to undertake an independent assessment of the project's eligibility, need for Government support and/or guarantees, and make suitable recommendations. This independent analysis should be synthesised into the appraisal of the PPP Project process. This is the key document based on which the Minister of MEF and the Head of Government will determine its approval of FCs for the PPP Project.

The note must build a sound case demonstrating that the PPP Project provides economic and social benefits and will only be bankable with Government Fiscal Support. If in the opinion of the GDPPP, the project is not eligible or that fiscal support is not necessary or that a different type or amount of fiscal support will be required, then the same should also be highlighted, along with detailed justifications.

<b>1.</b>	<b>Project File Number:</b>						
<b>2.</b>	<b>Implementing Agency:</b>			<b>Line Ministry:</b>			
<b>3.</b>	<b>Project Name:</b>						
<b>4.</b>	<b>Project Description: A brief technical description of the scope of the project and location:</b>						
<b>5.</b>	<b>Importance/ Priority of the Project: Brief rationale</b>						
<b>6.</b>	<b>Results of Economic and Social Benefit Analysis:</b>						
<b>7.</b>	<b>PPP structure of the Project: Summarize the asset ownership, construction, finance, operations, transfer arrangements</b>						
<b>8.</b>	<b>Details of Total Project Cost:</b>						
	Component			Amount in USD Mn			<b>Percentage</b>
	Building						%
	Equipment						%
	Construction cost						%
	Operations and maintenance costs						%
	Others 1						%
	Others 2						%
	Total Project Cost						<b>100%</b>
<b>9.</b>	<b>Means of Finance:</b>						
	Source			Amount in USD Mn			<b>Percentage</b>
	VGF, if applicable						%
	Charter capital						%
	Debt						%
	Other 1						%
	Other 2						%
	Total Project Investment						<b>100%</b>
<b>10.</b>	<b>Government Fiscal Commitments during Construction:</b>						
		Year 1	Year 2	Year 3	Year 4	Year 5	<b>Total</b>
	VGF						
	Supporting or Linked Infrastructure						

	Equity								
	Debt								
	Other 1								
	Other 2								
	Total								
11.	<b>Government Fiscal Commitment during Operations:</b> <div style="text-align: center;"> <b>Year 1    Year 2    Year 3    Year 4    Year 5    Year 6    Year 7    .....    Year N</b> </div> <b>Availability</b> <b>Payments</b> <b>Subsidies</b> <b>Others</b> <b>Total</b>								
12.	<b>Guarantees, if any:</b>								
13.	<b>Any other incentive, concession, or grant funds provided to the Project:</b>								
14.	<b>Proposed Shareholding:</b> <b>Lead Private Investor: xx%</b> <b>Other Investor 1: yy%</b> <b>Other Investor 2: zz%</b> <b>State Owned Enterprise, if any: aa%</b> <b>Others: bb%</b> <b>Total: 100%</b>								
15.	<b>Describe how the project is technically deliverable:</b> <b>Summarize the recommendation and rationale from technical and operational plan</b>								
16.	<b>Summary of land acquisition plan and related issues:</b> <b>Summarize the land acquisition plan</b>								
17.	<b>Describe how the project will be affordable to users:</b> <b>Summarize the recommendation and rationale from market study</b>								
18.	<b>Describe how the project will be economically viable:</b> <b>Summarize from the economic analysis</b>								
19.	<b>Describe how the project will be financially viable to investors and state the concession period:</b> <b>Summarize from the financial analysis</b>								

20.	<b>Describe how the project will be socially and environmentally sustainable: Summarize from the environmental scoping, social and resettlement plan</b>			
21.	<b>Describe the likely market interest for the Project: Views from banks, prospective lenders, private sector on their interest</b>			
22.	<b>Project implementation schedule and major milestones:</b>			
23.	<b>Investor selection method and brief description</b>			
24.	<b>Names and role of independent consultants: Technical, Financial, Legal, Environment, Social</b>			
25.	<b>Describe the main risks and how these risks will be mitigated:</b>			
26.	<b>Comments and Recommendation of GDPPP:</b>			
<table border="0" style="width: 100%;"> <tr> <td style="width: 33%;">Prepared by:</td> <td style="width: 33%;">Reviewed by</td> <td style="width: 33%;">Endorsed by:</td> </tr> </table>		Prepared by:	Reviewed by	Endorsed by:
Prepared by:	Reviewed by	Endorsed by:		

**FORM 4 – Project’s Risk Matrix**

[To be completed for all proposed PPP Projects.]

*Summarised risk matrix should be placed here for the proposed PPP Project.*

## FORM 5 – Check List for Project Due Diligence

[To be completed for each project by the GDPPP]

No.	Parameter	Yes/No
<b>A.</b>	<b>Technical and Operational Practicality</b>	
1	Is the project site or at least one of the project site alternatives suitable from technical and operational practicality of the Project Concept?	
2	Has a full technical site analysis been undertaken and addresses the key technical aspects of the site relevant to the project?	
	Has a detailed review of supporting infrastructure been undertaken that has also assessed the need for supporting infrastructure?	
	Have the availability of raw material and fuel supply been analyzed?	
	Is there a preliminary engineering design?	
	Are the technical description of construction activities, physical outputs and applicable standards prepared?	
	Can the construction schedule be practically implemented?	
	Have the desired performance, service levels and applicable quality standards been prepared?	
	Have operations and maintenance requirements, and applicable standards been prepared?	
	Is the preparation of major management and organizational aspects to achieve good performance of the project defined?	
	Have the major technical and operational risks to the project been identified?	
	Have the impact and management strategy of the major technical and operational risks to the project been prepared?	
	Is the Project Concept, based on the technical and operational analysis, considered as practical?	
	Is the revenue assumption prudent and based on generally accepted industry norms and backed by market analysis?	
	Is the technology being used proven?	
	Have similar projects been successfully implemented in Cambodia or elsewhere in the region?	
<b>B.</b>	<b>Land Acquisition</b>	
	Have all the relevant land issues (land ownership, lease interests, claims, etc.) been identified and considered?	
	Is a land acquisition plan outlined, including land expropriation needed, if land has to be acquired?	
	Has any land already been acquired?	
	Have discussions begun with impacted landowners?	
<b>C.</b>	<b>Environmental and Social safeguard activities</b>	
	Has the environmental assessment scoping been prepared, if applicable?	
	Has the EIA Terms for Reference been prepared, if applicable?	
	Has the stakeholder consultation plan been prepared, if applicable?	

	Has the Resettlement Action Plan (RAP) been prepared, in accordance with the approved Resettlement Policy Framework with full public disclosure, if applicable?	
	Has the Indigenous Peoples Plan (IPP) been prepared, in accordance with the approved framework, if applicable?	
	Can the project be implemented from an environmental and social stand-point?	
<b>D.</b>	<b>Legal Analysis</b>	
	Has the role of the private sector (direct or indirect investment, etc.) been identified?	
	Has a project structure or contractual framework for the PPP arrangement been prepared?	
	Is the contractual framework for the PPP arrangement allowed under Cambodian law?	
	Have the major legal documentation required to allow participation of the Private Partner(s) been identified?	
	Is there a legal analysis?	
	Can the project be implemented from a legal stand-point?	
Prepared By:		Verified By:
Date:		Date:

## FORM 6 – Check List for Financial and Economic Assessment

[To be completed for each project by the GDPPP]

No.	Parameter	Yes/No
<b>A.</b>	Technical definition of the project	
	Has the technical definition of the project been undertaken?	
	Does it include information on operations and maintenance cycle?	
	Are the cost (expenses on capital, operations, maintenance) estimates built on verifiable information?	
<b>B.</b>	Direct Costs	
	Have the direct capital costs been estimated?	
	Have the direct operating costs been estimated?	
	Have the direct maintenance costs been estimated?	
	Are the assumptions on direct costs reasonable, can they be justified based on a similar past projects or sound technical rationale from project due diligence?	
<b>C.</b>	Indirect Costs	
	Have the indirect costs been estimated?	
	Has an appropriate allocation method been used for preparing indirect cost estimates? Are the estimates reasonable?	
<b>D.</b>	Project Revenues	
	Has a market demand analysis been done? (Tariffs, Volume, Competition)	
	Are the assumptions on tariff/ prices reasonable, and are they justified based on a rationale?	
	Has a willingness to pay survey been carried out to determine the user's willingness to pay the proposed tariff/ prices?	
	Are the assumptions on volume/ quantity of usage reasonable and are they justified based on a rationale?	
	Have similar projects that were done in the past been analyzed for project cost, revenues, tariff/ prices and volume/ quantity of usage?	
	Are the revenue projections realistic? Can they be justified on sound economic rationale?	
<b>E.</b>	Financial Model	
	Have all assumptions made in the model been explained with sound economic rationale or precedents?	
	Have the assumptions been verified by a reviewer?	
	Has the base case financial model been prepared?	
	Has the model been verified by a reviewer?	
<b>F.</b>	Risk Matrix	
	Have all major risks to the project been identified?	
	Has a risk matrix been prepared?	
	Has the impact of all major risks been assessed, based on which appropriate mitigation strategy and risk allocation plan been prepared?	
	Has the risk matrix been verified by a reviewer?	
<b>G.</b>	Creating the model to reflect PPP project structure	
	Has a PPP project structure been prepared?	
	Has the legal structure and related contractual arrangements been identified?	
	Is the contractual framework for the PPP arrangement allowed under Cambodian law?	
	Have the financial projections been prepared?	
	Have the financial ratios, such as Annual Debt Service Cover Ratio, Loan Life Cover Ratio, Financial Internal Rate of Return and Net Present Value, and other key ratios been computed?	
<b>H.</b>	Sensitivity Analysis	
	Has sensitivity analysis been undertaken?	



	Have the adverse impact on key financial ratios due to changes in assumptions in the sensitivity analysis been examined?	
	Is there a cause for concern on the sensitivity analysis and does the PPP structure need to be reviewed?	
<b>I.</b>	<b>Economic Analysis</b>	
	Have the economic benefits been identified?	
	Has a CBA (or other appropriate analysis) been undertaken (redundant)	
	Has the project been justified as the least cost option?	
<b>J.</b>	<b>Quality of Feasibility Study</b>	
	The feasibility study has been conducted by an independent consultant	
	The feasibility study recommends that the project requires Government support	
	The feasibility study has examined all options to increase user charges	
	It includes an independent assessment of market demand, including a comprehensive justification of major assumptions and key findings, and the project revenues are considered realistic	
	The feasibility study has considered all areas to optimize capital and operating costs, and established a strong case for their reasonableness	
	The feasibility study has concluded that any further increase in project contract duration is not practical and/or will not reduce the requirement of GSM	
	The feasibility study recommends an optimal risk sharing between the Government, Implementing Agency and the Investor(s)	
<b>K.</b>	<b>Demonstrate Project Bankability with Government support/ guarantees</b>	
	Impact on the borrowing cost	
	Project acceptance of the lender	
<b>L</b>	<b>Project Viability</b>	
	Is the project technically deliverable?	
	Is the project affordable to users?	
	Is the project economically viable?	
	Is the project financially viable to investors, with GSM?	
	Is the project socially and environmentally sustainable?	
Prepared By:		Verified By:
Date:		Date:

## Appendix 3 – Form for Monitoring the Progress of PPP related Fiscal Commitments

### FORM 1 - Verification Report by the Independent Consultant

[This form provides an indicative template for the verification report to be prepared by the Independent Consultant]

<b>1. Project Name:</b>						
<b>2. Implementing Agency:</b>			<b>Line Ministry:</b>			
<b>3. Details of Project Milestone Cost: as per the contract and actual</b>						
	<b>Component</b>	<b>Milestone completion, as per Contract</b>			<b>Milestone completion, Actual</b>	
	Milestone 1					
	Milestone 2					
	Milestone 3					
	Milestone 4					
	Milestone 5					
	Milestone 6					
	Project Milestone Completion	<b>100%</b>			<b>100%</b>	
<b>4. Progress of the Milestones</b>						
	<b>Milestone Status</b>			<b>Description</b>		
	Agreed in the Contract					
	Actual status					
	Deviation, if any and reasons					
	Expense incurred by SPC in the milestone					
<b>5. Construction cost incurred by the SPC for the milestones completed</b>						
	<b>Component</b>	<b>As per last report</b>	<b>In this report period</b>	<b>Total Actual</b>	<b>Total Budgeted</b>	<b>Variance (+/-) %</b>
	Building					
	Equipment					
	Other construction					
	Others 1					
	Others 2					
	Others 3					
	Total Project Cost					
Reasons for variance and impact on the Total Project Cost:						

<b>6. Sources of finance deployed to fund the construction cost incurred for the milestones completed</b>						
Component	As per last report	In this report period	Total Actual	Total Budgeted	Variance (+/-) %	
GSM (if VGF specify here)						
Equity						
Debt						
Others 1						
Others 2						
Others 3						
Total Project Investment						
Reasons for variance and impact on the Total Project Investment.						
<b>7. Details of GSM (if VGF) disbursed: as per the contract and actual</b>						
Component	GSM (if VGF) disbursed against project milestones - As per Contract		GSM (if VGF) disbursed against project milestones - Actual			
Milestone 1						
Milestone 2						
Milestone 3						
Milestone 4						
Milestone 5						
Milestone 6						
Project Milestone Completion	100%		100%			
<b>8. Based on the above parameters, it is advised that the amount of GSM (if VGF) to be disbursed to the SPC is: _____</b>						

	Please provide justification for the recommendation.	
<b>9.</b>	<b>Technical parameters monitored (during Construction phase):</b>	
	Details on the quality and safety of construction of Project Assets for the milestones completed	
	Materials used and their sources. Is the construction cost in conformity with the bill of quantities from the suppliers of materials and equipment?	
	Conformity of the designs and drawings with those proposed in the PPP Contract	
	Conformity of the construction work undertaken with the Standards and Specifications as per the PPP Contract	
	Defects and deficiencies in the construction works if any and the remedial measures thereof	
	Details of the quality control norms to be met	
<b>10.</b>	<b>Commercial Operation Date (For disbursement after COD)</b>	
<b>11.</b>	<b>Parameters as per PPP Contract to be monitored (For disbursement after COD):</b> <b>As specified in the PPP Contract</b>	
<b>12</b>	<b>Date of Site Visit:</b>	<b>Site Location:</b>
<b>13</b>	<b>Site Visit Team Members:</b>	
<b>14</b>	<b>Site documentation/reports/plans gathered:</b>	
<b>15</b>	<b>Observations made at the Site:</b> (a) Actual status of milestone: (b) Deviation, if any and reasons (c) Remedial measures to be taken (d) Any Other items	
<b>16</b>	<b>Conclusions:</b> (a) Expert Opinion on the project's progress and adherence to the provisions of the PPP Contract (b) Items to follow up (c) Recommendations to the Implementing Agency:	
<b>Prepared by:</b>		<b>Accepted by:</b>
<b>Authorized Signatory,</b> <b>Independent Consultant</b>		<b>Authorized Signatory,</b> <b>Implementing Agency</b>
<b>Date:</b>		<b>Date:</b>

## FORM 2 - Project Completion Report

[On completion of construction activities, the Independent Consultant shall conduct a site visit to verify that the construction has been completed and is of the desired standard, assess if there have been any cost over-runs or time over-runs and prepare a PPP Project completion report. The following provides an indicative template for the Project Completion Report]

Project Completion Report						
1.	<b>Project Name:</b>					
2.	<b>Implementing Agency:</b>			<b>Line Ministry:</b>		
3.	<b>Project Background:</b>					
4.	<b>Date of Site Visit:</b>					
5.	<b>Site Visit Team Members:</b>					
6.	<b>Location of the Site:</b>					
7.	<b>Site documentation/reports/plans gathered:</b>					
8.	<b>Observations made at the Site:</b>					
	(a) Actual status of milestone:					
	(b) Deviation, if any and reasons					
	(c) Remedial measures taken/to be taken					
	(d) Any Other items					
9.						
	<b>Component</b>	<b>As per last report</b>	<b>In this report period</b>	<b>Total Actual</b>	<b>Total Budgeted</b>	<b>Variance (+/-) %</b>
	Building					
	Equipment					
	Other construction					
	Others 1					
	Others 2					
	Others 3					
	Total Project Cost					
	Reasons for variance and impact on the Total Project Cost.					
10.	<b>Sources of finance deployed to fund the construction cost incurred for the milestones completed</b>					
	<b>Component</b>	<b>As per last report</b>	<b>In this report period</b>	<b>Total Actual</b>	<b>Total Budgeted</b>	<b>Variance (+/-) %</b>
	VGF					
	Equity					
	Debt					

Others 1					
Others 2					
Others 3					
Total Project Investment					
Reasons for variance and impact on the Total Project Investment.					
<b>11. Details of VGF/GSM disbursed: as per the Contract and actual</b>					
<b>Component</b>	<b>VGF/GSM disbursed against project milestones - As per Contract</b>		<b>VGF/GSM disbursed against project milestones - Actual</b>		
Milestone 1					
Milestone 2					
Milestone 3					
Milestone 4					
Milestone 5					
Milestone 6					
Project Milestone Completion	100%		100%		
<p>10. <b>Conclusion:</b> Pursuant to the general and special conditions of the PPP Contract, you are hereby notified that the [name of the Independent Consultant] has satisfied itself that all work of the [name of the Project], as agreed upon under the “scope of work” of the PPP Contract for the above-mentioned Candidate Project has been fully and successfully completed except for the following work:  <i>Append a complete list of all incomplete and/or unsatisfactory items of the work, which in the opinion of the Independent Consultant, are attributable to the fault, negligence, or oversight of the SPC, any subcontractors, material suppliers, agents, servants, or employees of the SPC</i></p>					
<p>11. <b>Recommendations to the Implementing Agency:</b> The [name of the SPC] has completed the construction activities as agreed in the PPP Contract. The Implementing Agency may consider allowing the SPC to operate and maintain the PPP Project through the PPP Contract duration, in accordance with the PPP Contract, and after successful completion of the punch list items identified above.</p>					
<p>12. <b>Items for follow-up:</b> Enclose one copy of the "Punch List" items</p>					
Prepared by:			Verified by:		
(Independent Consultant):			Authorized Signatory of Independent Consultant		
Date:			Date:		

## Appendix 4 – Report on Long-term Government Expenditure Commitment

The table below provides an indicative template on long-term Government expenditure commitments under PPP contracts.

### A4.1: Long term Expenditure Plan on Direct Fiscal Commitments to PPPs

PPP Project	Description of commitment	Annual payment value for three budget years				Estimated present value of future obligations
		Current year	Budget year Year 1	Projected Year 2	Projected Year 3	As of current year,
Project A						
Project B						
Project C						
<b>Total (Sector)</b>						
Project D						
Project E						
<b>Total (Sector)</b>						
<b>Total</b>						

### A4.2: Disclosure of Major Contingent Liabilities under PPPs

PPP Project	Description of project	Major Contingent Liabilities	Maximum Liability	Sum of all Amounts Paid	Estimated Expected Payment in next year	Estimated payments in next 5 years	Estimated present value of all future obligations
Project A							
Project B							
Project C							
<b>Total</b>							



### A4.3: Reporting on Exceptions and High Severity Risks

Project	Risk Description	Issue Description	Mitigation Plan	Actions to be taken by Implementing Agency	Government Fiscal Liabilities	Impact Grade	Likely-hood Grade	Severity Grade
<b>Project A</b>								
	Risk Alpha ..... .....	..... ..... .....	..... ..... .....	..... ..... .....	Max: Expected:			
	Risk Beta ..... .....	..... ..... .....	..... ..... .....	..... ..... .....				
	Risk Gamma ..... .....	..... ..... .....	..... ..... .....	..... ..... .....				
<b>Project B</b>								
	Risk Alpha ..... .....	..... ..... .....	..... ..... .....	..... ..... .....				


**Note:**


All risks that have a high severity grade or where risk grade has moved up (i.e., from low to medium or medium to high) or any other exceptions that can have a financially significant impact on the Royal Government budget should be reported in the templated above. Reporting should be done project-wise on an annual basis.

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