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ANNEX II

to the Commission Implementing Decision on the financing of the annual action plan in favour of Cambodia for 2023

Action Document for EU Partnership for Sustainable Energy Practices in Industry

ANNUAL PLAN

This document constitutes the annual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	EU Partnership for Sustainable Energy Practices in Industry OPSYS number: ACT-61783 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes Team Europe Initiative (TEI-2) ‘Build back better – green energy and industrial value chains’/ Cambodia
3. Zone benefiting from the action	The action shall be carried out in the Kingdom of Cambodia
4. Programming document	EU-Cambodia Multiannual Indicative Programme 2021-2027
5. Link with relevant MIP(s) objectives / expected results	<u>Priority Area 1: Green Growth and Decent Jobs; Specific Objective 2 (Sustainable value chains):</u> to contribute to the development of a greener, more competitive and connected export industry with enhanced regard to due diligence practices; <u>Expected Results:</u> <ul style="list-style-type: none"> Expected result 2c: Increased productivity and added value of the targeted industry Expected result 2d: Increased number of the targeted industry having taken measures for improved working conditions such as reduced heat stress, further to EU support
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	231 Energy policy; 232 Energy generation, renewable sources
7. Sustainable Development Goals (SDGs)	Main SDG: SDG7 – Affordable and clean energy (Targets: 7.2, 7.3) Other significant SDGs: SDG 8: Decent work and economic growth (Targets: 8.3, 8.4, 8.5) SDG13: Climate action (Targets: 13.1, 13.2) SDG 5: Gender equality (Target: 5c) SDG 9: Industry, innovation and infrastructure (Target: 9.4)

	SDG 12: Responsible consumption and production (Target 12.6)			
8 a) DAC code(s)	23183 - Energy conservation and demand-side efficiency – 90% 23210 - Energy generation – 10%			
8 b) Main Delivery Channel	Other multilateral institution - 47000 Private sector institution – 60000			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
	Connectivity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		YES	NO	

	digital connectivity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	energy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	transport	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	health	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	education and research	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	<p>Budget line: 14.020131</p> <p>Total estimated cost: EUR 6 000 000</p> <p>Total amount of EU budget contribution EUR 6 000 000</p> <p>The action is part of a Team Europe Initiative (TEI-2) ‘Build back better – green energy and industrial value chains’/ Cambodia, in which:</p> <ul style="list-style-type: none">• Key member states: Germany, Sweden.• Total indicative amount: EUR 71 000 000, including ongoing and future programmes, and potential blending operation			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	<p>Direct management through: Procurement</p> <p>Indirect management with: The entity(ies) to be selected in accordance with the criteria set out in section 4.4.2</p>			

1.2 Summary of the Action

The Garment, Footwear and Travel Goods (GFT) sector is a key driver of Cambodia’s economy, being the biggest employer of mainly women workers and currently accounting for two thirds of merchandise exports. In order to contribute to the country’s green growth and decent jobs creation, it has the potential to transform into a greener and more competitive productive sector, meeting higher sustainability standards required by key international markets such as the EU. Cambodia has taken initiatives to facilitate a green transition in the industry, as is evidenced by the recent adoption of the Garment, Footwear and Travel Goods Strategy and National Energy Efficiency Policy.

This action will support this green transition by unlocking investment in energy efficiency and renewable energy (including sustainable biomass and solar photovoltaic rooftops) for the GFT sector in an integrated approach that also improves industry skills and working environment for the workers targeting energy related aspects such as heat stress, lighting, noise pollution and inadequate ventilation. It has a strong link to skills development under the EU Education programme and to trade related assistance under the EU GATE programme, both under the Annual Action Plan 2023 together with this action. The action aims to build a successful pilot model within the GFT sector, which could be applied in other industrial sectors to support diversification of Cambodia’s economy. Key intervention areas include energy audits and factory training on sustainable energy and safe working environment practices, building national energy capacity (i.e. train relevant government officials, and support national certification programmes for energy managers and auditors), and addressing unsustainable fuelwood consumption in the GFT industry with application of digital technologies. These interventions will contribute to higher productivity and improved competitiveness of the GFT sector by reducing energy cost, reducing CO₂ emissions, and creating a safer and healthier working environment for the workers. At the same time and to ensure sustainability beyond the action’s life, the action will strengthen the national regulatory environment and support

a conducive business ecosystem by providing access to key business support services, particularly financing to accelerate investments. Policy dialogue, and technical assistance are envisaged.

The expected impact of this action is: improved competitiveness, environmental sustainability and working conditions in the GFT sector. The Specific Objective (Outcome) of this action is: adoption of sustainable energy practices in the GFT sector. This action contributes to TEI2 on Green Energy and Industrial Value Chains, and the regional TEI (EU-ASEAN Green Initiative), particularly on “clean, affordable, reliable, sustainable and modern energy” component.

The action consists of 3 outputs:

1. System strengthening: Strengthened regulatory framework for sustainable energy practices in the GFT industry, effectively integrating gender mainstreaming
2. Energy audits and their implementation: Improved industry awareness and capacity to adopt sustainable energy through audits and training, including safer and gender sensitive working environment practices
3. Access to financial support services: Improved technical and financial expertise of associations to facilitate adoption by the industry of sustainable energy practices

The action is aligned with the principle of the EU-Cambodia Multiannual Indicative Programme (2021-2027) to ‘build back better’, referring to the need for a green recovery and alignment with international norms and standards, while supporting Cambodian government’s wider vision. It contributes to the global energy transition in line with the Global Gateway¹, the EU external energy strategy², the European Green Deal³ and the Paris Agreement.

The action mainly supports implementation of SDG 7 and 13 through energy efficiency improvement and adoption of renewable energy, and contributes to SDG 8 and SDG 5 with measures to improve factory floor working environment such as heat stress mitigation, improved ventilation and lighting for workers, with an understanding that the vast majority of workers are women, whose vulnerability to poor working conditions could exacerbate gender-based violence and harassment due to falling levels of productivity. Energy efficiency upgrades and adoption of renewable energy also contribute to the achievement of SDG 9 and SDG 12.

2 RATIONALE

2.1 Context

Cambodia’s Garment, Footwear and Travel Goods (GFT) sector continues to play a leading role in the economy, accounting on average for more than 70% of total export value over the past decade (2012-2021); it represents the biggest source of formal employment in the country, employing approximately 800,000 workers, 82% of whom are women. The sector’s successful export growth has relied mainly on producing highly price-sensitive, low value-added garments. 70% of Cambodian 600 export factories work primarily on the assembly stage, also known as ‘cut, make, trim/pack’ (CMT/CMP) production model with low profit margin and high vulnerability to external changes, and only 30% receive orders in the form of full-package supply or Free on Board (FOB)⁴.

By the end of 2021, female workers accounted for 82% of the total GFT workforce in Cambodia⁵. The GFT industry has provided many employment opportunities to Cambodia’s young population, in particular from the rural areas. There is a strong industry preference for employing young women as sewing machine operators, who form the bulk of the assembly line workers. These workers are typically young migrants from poorer provinces. Young women’s decision to migrate is usually a matter of economic necessity rather than individual choice: poverty and lack of wage employment act as a push factor from the villages. Almost two-thirds have completed primary education, but very few has progressed beyond. They have been socialised to accept the subordinate status

¹ https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/stronger-europe-world/global-gateway_en

² https://energy.ec.europa.eu/topics/energy-strategy/strategy-eu-external-energy-engagement_en

³ https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en

⁴ Cambodia Garment Footwear and Travel Goods Sector Development Strategy 2022-2027

⁵ Eurocham (2012) [Cambodia Garment, Footwear and Travel Goods Sector Brief, November 2022](#)

of women in traditional Khmer culture and are expected to work hard, support their families and regularly send remittances home⁶.

Cambodia's GFT sector has suffered from the impact of COVID-19 pandemic, and the Everything But Arms (EBA)'s partial withdrawal; export value dropped 10% in 2020⁷. While largely recovered from the pandemic, the sector is facing several key challenges that threaten competitiveness and long-term sustainability. Internally, the current challenges are inherently linked to the structure of the sector itself (CMT focused), which has not been transformed to respond to the gradual erosion of competitive advantage of this industry (low productivity; lack of skilled resources, advanced production methods, backward linkages and sustainability performance; and rising external competitors)⁸. Externally, the industry is vulnerable to global shocks and trends, such as rising inflation pressure due to the Russia's war against Ukraine, global supply chain disruption, and global economic slowdown⁹; as well as increased demand from major brands and buyers for improved environmental and social (sustainability) due diligence. The prospect of LDC graduation impacting e.g. trade preferences and rules of origin, further presents a risk to the sector if Cambodia does not act timely.

Cambodia (including the private sector itself) is well aware of these risks and the need for sector transformation to maintain competitiveness and sustainable growth. The Cambodia Garment, Footwear and Travel Goods Sector Development Strategy 2022-2027 (GFT strategy) adopted in 2022 is a concrete measure taken to support this transformation, which lays out a roadmap to upgrade the sector into an industry that is 'environmentally sustainable' with high value addition, and a strong focus on improved working conditions, enhanced skills and investment in renewable energy to increase productivity. The GFT strategy is complemented by related policies, such as the National Energy Efficiency Policy (NEEP) 2022-2030 adopted in 2022, and climate policies, notably the Nationally Determined Contribution (2020), the Long-Term Strategy for Carbon Neutrality (2021), which include a vision for Greenhouse Gas (GHG) emission reduction targets, and various actions on energy efficiency and sustainable wood fuels in the GFT sector; and promotion of sustainable energy including solar and renewable biomass in the energy mix.

In the context of this transformation, gender aspects are not well considered. In key documents such as the NEEP and GFT strategy, there is no mention of gender, women's roles and gender dimensions of energy or gendered impact assessment in proposed policy measures and action plans. The Climate Change Action Plan for the Energy Sector 2021-2023 has no provision on gender and acknowledges gender only in the strategic objective 'to reduce sectoral, regional, gender vulnerability and health risks in respect of climate change impacts in alignment with the Cambodia Climate Change Strategic Plan 2014-2023'¹⁰.

The EU remains a key trading partner of Cambodia, second only after the US. A key market for Cambodia's GFT goods, the EU continues to have leverage with both the government and private sector. Working with Cambodia to transform the GFT sector, promoting enhanced access to the EU market, therefore, is an opportunity to promote EU interests and values, in line with the Global Gateway and the Indo-Pacific Strategy. The intention is to build a pilot model which could subsequently be extended to other exporting sectors, such as bicycles or electronics.

The action will promote and comply with the European Green Deal, specifically the EU Strategy for Sustainable and Circular Textiles, and promote sustainability due diligence principles in the industry. It contributes to the global energy transition in line with the Global Gateway, the EU External Energy strategy, and the Paris Agreement. The action is in line with the Joint European Strategy 2021-2027, notably priority area (4): Enhance competitiveness of Cambodia on the regional and global marketplaces, and (5) Sustainable green development. Under the EU-Cambodia Multi-annual Indicative Programme (MIP) 2021-2027, the action will support priority area (1): Green growth and decent jobs, with a specific focus on industrial value chains (the GFT sector) ensuring sustainable approach to natural resources and enhancing attention to climate change.

The action is a corner stone of Team Europe Initiative 2 (TEI2): 'Build back better – Green energy and industrial value chains', and well aligned with the EU-ASEAN Green Initiative. The action will add value to Cambodia's

⁶ ILO (2012) [Action-oriented research on gender equality and the working and living conditions of garment factory workers in Cambodia](#)

⁷ Cambodia Garment Footwear and Travel Goods Sector Development Strategy 2022-2027

⁸ Ibid

⁹ MEF (2022) Garment and Footwear and Travel Good Sector Brief business hub event, 12 Dec 2022

¹⁰ [State of Gender Equality and Climate Change in Cambodia. 2021. UN Women and CDRI.](#)

efforts for economic recovery and resilience post Covid-19. TEI2 will accelerate green industrial transformation in Cambodia, mainly related to clean energy and energy efficiency, and promote due diligence. TEI2 will target the GFT sector for the first phase, with an intention to create a model for sustainable energy use to be replicated in other exporting industries.

The action will establish a policy dialogue with the Government and provide expertise to strengthen the regulatory environment for renewable energy and energy efficiency in the garment industry.

The action is aligned with the EU Gender Action Plan 2021-2025 (GAP III) and its thematic area of engagement ‘Addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation’.

2.2 Problem Analysis

Cambodia’s GFT productivity is amongst the lowest in the region (22% of the level in Thailand’s garment sector)¹¹ with sustainable energy practices holding great potential for productivity improvement. Cambodia is losing its competitive edge due to its overreliance on electricity generation from coal (planned increase to 54% of national electricity production in 2023¹²), inefficient energy generation, and reliance on unsustainable biomass use for energy purposes. The country has the highest electricity tariff in ASEAN, which results in uncompetitive energy cost of GFT goods (US\$ 560 per ton)¹³, and which represents a disadvantage to automation technology (requiring higher energy consumption)—key for productivity improvement¹⁴. For CMT factories, energy cost constitutes a significant share (10-15%), putting pressure on their already tight profit margin¹⁵. Furthermore, the predominant use of non-traceable and cheap fuelwood in factories contributes to the country’s rapid forest depletion, and further exacerbates the sector’s poor ecological footprint. GFT factories consume large quantities of wood (700,000 m³/year) for steam production; most of this wood (66%) is sourced from forests contributing to deforestation, while only a third is sourced from plantations¹⁶.

Poor working conditions are known as a contributing factor to lower GFT productivity. Heat stress and air pollution, for instance, are issues affecting factory workers¹⁷. In a 2021 study, 55.5% of workers experienced at least one environmental impact within their factory in the past year, with air pollution and extreme heat being the most common problems, due to poor building design and ineffective cooling/ventilation methods; 22% of the workers experiencing heat stress reports productivity loss, which translates to 2.75% reduction in overall productivity, equivalent to the country’s loss of USD 290 million annually¹⁸. Climate change is projected to exacerbate this already precarious situation. Given the dominant presence of women workers (82%) in the sector, heat stress is likely to worsen their vulnerability in the workplace, further contributing to gender inequality. An ILO study, for instance, suggests a link between climate change impact and increased risk of exposure to violence and harassment, particularly gender-based violence and harassment, due to falling levels of productivity.

An increasing number of international brands, to which Cambodian factories are supplying GFT goods, already set corporate targets to lower the environmental and climate footprint of their supply chains. Social compliance has become predominantly the baseline, and environmental sustainability is becoming a key sourcing criterion. Brands already raised concerns, which could lead, in case of no improvement, to investing less or even moving to countries with ‘greener’ pasture if the GFT sector in Cambodia does not improve its environmental performance¹⁹. This is also recognised by factories: 78% of factories surveyed reports that improving environmental performance would lead to more orders²⁰.

¹¹ KAS (2020) The Risks of Industry 4.0 on Cambodia’s Garment Sector: Analysis and Ways Forward

¹² Electricity Authority of Cambodia 2022 key progress report

¹³ ILO & IFC, Energy Performance in the Cambodia Garment Sector - A Benchmarking Survey, Better Work, ILO & IFC in collaboration with GMAC, (2009)

¹⁴ KAS (2020) The Risks of Industry 4.0 on Cambodia’s Garment Sector: Analysis and Ways Forward

¹⁵ EMC (2021) Impact assessment of Regulatory measure to support sustainable energy investment in the SME Garment sector

¹⁶ Study on Alternative Fuel Sources for Garment Factories in Cambodia by Geres and GIZ 2023

¹⁷ Parsons, L.; Lawreniuk, S.; Sok, S.; & Buckley, J. (2022) Hot trends: How the global garment industry shapes climate change vulnerability in Cambodia.

¹⁸ Ibid

¹⁹ Nikkei Asia (2020) Cambodia’s shift to coal power riles global brands

²⁰ USAID/GERES (2022) Training Needs Assessment among 62 factories

Therefore, to maintain its competitive edge, Cambodia has to accelerate adoption of sustainable energy practices, and increase compliance with higher sustainability standards in the sector. Studies have shown that adoption of sustainable energy practices and improving working environment have a positive return on investment. For example, a study on four specific sectors, including garment industry, has shown that lower use of resources including energy would lead to reduced costs and higher GDP (an increase in real GDP by USD 2.7 billion in 2030), with the garment sector GDP improved by 46%²¹.

To support Cambodia in this direction, the action will address a number of key challenges, including:

- **Weak regulatory environment:** Cambodia has made progress by developing key policies to support the sector (GFT strategy, the NEEP and upcoming Solar PV regulation). Implementation of these policies requires development of supporting regulations (i.e. sub-decree on performance standards) and setting up of certain governance structures, which are currently lacking. This action will support the development of specific key regulations for the GFT sector (notably national standards and measures to implement the GFT strategy); specific elements of the NEEP (such as national energy auditor training and certification scheme, Minimum Energy Performance Standards (MEPS)); sector action plans to guide implementation at key ministry (MISTI); and coordination of the GFT strategy implementation through an advisory committee; effectively integrating gender mainstreaming. Support to the solar PV regulation to ensure that the policy is conducive for investment is currently provided by UNDP. Additional support could be identified during the implementation. Close collaboration with TAFTAC and Eurocham is envisaged to influence policy on solar PV from the private sector side.
- **Limited industry awareness and capacity to implement and adopt sustainable energy practices and improved working environment:** a majority of the factories are concerned about high energy prices, which impact their productivity and competitiveness. They see the need to green their business to keep market access, e.g. to the EU. However, most would not have the knowledge or capacity to become more energy efficient or green. Over two-third of the factories report the need for more training to build capacity in the field of sustainability²². Some factories consider that lack of available skills is as serious as lack of finance, and a barrier to environmental performance²³. Climate change related Operational Safety and Health (OSH) issues are increasing, resulting in suboptimal working environment in the factories. This is compounded by poor factory design, insufficient ventilation, and poor management of process heat (ironing, boilers etc.), leading to hot spots in the factories. There is limited support currently to improve the working environment, and it is often treated as an expensive standalone issue. The absence of a certified sustainable fuelwood supply chain is another key issue in the sector, having contributed to forest depletion; with an upcoming revision of HIGGS index (a key index used by fashion brands to identify social and environmental performance of factories) to account for the source and sustainability of fuelwood, this issue will undermine the attractiveness of sourcing GFT products from Cambodia.
- **Limited availability and access to key support services, particularly financing:** implementation and adoption of sustainable energy practices, particularly solar rooftops, require both technical expertise and affordable financing, with a supportive regulatory environment to justify long-term investments. This is especially true for the context of Cambodia, where factories are mostly foreign owned and make investment with a short term horizon (3-5 years). Energy Service Companies (ESCOs) are key to address this challenge, but the market is almost inexistent. The NEEP recognises that the lack of market mechanisms and regulations supporting ESCOs development is a barrier to Energy Efficiency in Cambodia, and a study conducted by the current EU Switch Garment project indicates a low ESCO-readiness landscape. To bridge this gap, the action will seek a possible solution in the form of a Green Factory Accelerator, an institution (industry associations) with capacity to support factories to understand technical quotations, select and procure services, and develop proposals to access affordable sources of financing to make needed investments in sustainable energy practices. Such an accelerator is currently absent, but can be explored and made viable through its ability to aggregate demands from several factories, and access the carbon market.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

²¹ GGGI (2018) The Economic, Social and Environmental Impacts of Greening the Industrial Sector in Cambodia

²² GERES & USAID (2022) Training needs Assessment

²³ Ibid

Ministry of Economy and Finance (MEF): MEF leads the coordination and oversees implementation of both the GFT strategy and the NEEP. Given this role, MEF will be our main counterpart. Our direct stakeholder will be the Committee on Economic and Financial Policy (CEFP), which will, for the GFT strategy, coordinate related ministries, private sector and development partners under two separate mechanisms, including 1) Inter-institutional working group in charge of strategy implementation, and 2) Advisory working group to provide complementary inputs on an ad-hoc basis to ensure effective implementation of the strategy. The action will pursue engagement in the Advisory working group. For the NEEP, CEFP will oversee and advise policy implementation through a “National Committee on Energy Efficiency (NCEE)”, led by the Ministry of Mine and Energy (MME). MEF capacity to oversee the implementation of these two strategies can be challenged by its lack of technical expertise in the industry, which the action could support through a technical assistance in close coordination with MME and MISTI.

Ministry of Industry, Science, Technology and Innovation (MISTI): MISTI has a mandate over industry management, including standards development. Direct stakeholders will be Department of Industry, and Institute of Standards. MISTI plays an important role in the implementation of Cambodia’s GFT strategy, and a partner agency in the NEEP implementation. MISTI is responsible for developing action plans with clear targets to implement both the GFT strategy and the NEEP. In the NEEP, MISTI will lead the “Energy efficiency sub-committee for Industry”, and be responsible for setting energy thresholds to determine designated energy consumers for mandatory energy auditing requirements, and energy performance standards. The Department of Industry indicated the lack of technical capacity in energy efficiency measures to support their mandate.

Ministry of Mines and Energy (MME): MME has a mandate over energy management and regulation in Cambodia. The direct stakeholder will be the General Department of Energy. MME is the implementing agency of the NEEP, which is responsible for policy implementation and coordinating with relevant line ministries through four specific sub-committees. MME will need support for development of subsequent regulations and standards for each sector, including the GFT industry, and support for developing technical capacity for energy audits (ex: developing national trainers).

Ministry of Environment (MoE): MoE has a mandate over environmental protection. It is the designated national authority for approving and authorising carbon projects, including Article 6 carbon trade. Its National Council for Sustainable Development (NCSD) is in charge of coordinating implementation of the NDC. While relevant, the action will only involve MoE indirectly.

The Textile, Apparel, Footwear & Travel Goods Association in Cambodia (TAFTAC): currently with about 600 factories as members, TAFTAC is a key stakeholder in the GFT industry. It is also a partner of the current EU Switch Garment project. Our direct stakeholder will include TAFTAC overall, its training centre, Cambodia Garment Training Institute (CGTI), and its newly established Sustainability Sub-Committee. TAFTAC plays a key role in training, developing and implementing an industry-led Green Model Factory Programme, which is currently supported by our EU Switch Garment project. TAFTAC indicated the lack of capacity needed to further build itself to provide needed support services for the factories, especially related to sustainability standards compliance and innovative financing.

GFT Factories: factories are direct beneficiaries of the action. They play a crucial role in the implementation of sustainable energy practices. Their capacity to implement and adopt these practices is limited due to their understanding of the business case, technicality of energy efficiency/ renewable energy, and limited access to support services including financing. They are direct recipient of energy audits and other support services. Factory (energy) managers and workers, of which 85% are female, are recipients of knowledge/ capacity building to implement sustainable energy measures, and other measures to improve factory working environment (i.e. heat stress, noise and air pollution).

Private sector: including brands, ESCOs and other business associations such as Eurocham play key roles in promoting responsible business and sustainable energy practices in the industry. Brands, particularly EU brands, work closely with factories to support their green transition, and have strong influence on factory to adopt sustainable energy practices. These stakeholders require support in policy dialogue to promote a conducive

business environment, particularly through favourable regulatory framework for investment in energy efficiency and renewable energy to improve climate footprint of the GFT industry.

Several other development partners also work in the sector, particularly in labour rights. Key programmes include, for instance, GIZ's FABRIC (both bilateral and regional) on improving labour and environmental standards, ILO's Better Factory Cambodia on improving labour standards, USAID's projects on improving labour conditions and skills, SIDA's support for industrial relations and social dialogue. Other programmes with a broader sectoral scope also include UNDP's planned support for the development of the national certification scheme for energy managers and auditors, and ADB's support for the energy efficiency revolving fund.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The **Overall Objective (Impact)** of this action is: improved competitiveness, environmental sustainability and working conditions in the Garment, Footwear and Travel Goods (GFT) sector.

The **Specific Objective (Outcome)** of the action is: adoption of sustainable energy practices in the Cambodian Garment, Footwear and Travel Goods (GFT) sector.

The **Outputs** to be delivered by this action contributing to the corresponding Specific Objective are:

1. System strengthening: Strengthened regulatory framework for sustainable energy practices in the Garment, Footwear and Travel Goods (GFT) industry, effectively integrating gender mainstreaming
2. Energy audits and their implementation: Improved industry awareness and capacity to adopt sustainable energy through audits and training, including safer and gender sensitive working environment practices
3. Access to financial support services: Improved technical and financial expertise of associations to facilitate adoption by the industry of sustainable energy practices

3.2 Indicative Activities

Activities relating to **Output 1** (Strengthened regulatory framework for sustainable energy practices in the GFT industry, effectively integrating gender mainstreaming):

- 1.1. Key national standards: Support the development of relevant key standards needed for the GFT industry to invest in and implement energy efficiency measures (namely: Standards and Labelling, Minimum Energy Performance Standards for most energy intensive equipment in GFT industry).
- 1.2. Industry-led sustainability model: Lead the dialogue with relevant government ministries for national recognition and adoption of MGFP (Model Green Factory Programme).
- 1.3. Provide other relevant supports to the implementation of the GFT strategy, the NEEP supporting the GFT sector (i.e. inputs for development of national auditor certification scheme, and Monitoring and Verification system), and related reform measures such as tax incentives for adoption of sustainable fuelwood supply chain²⁴, and a gender-responsive approach.

Activities relating to **Output 2** (Improved industry awareness and capacity to adopt sustainable energy practices through audits and training, including safer and gender sensitive working environment):

- 2.1. Energy Audits: Conduct preliminary energy audits for all participating factories (250), and follow-up with more significant, so-called "level 2" energy audits, for selected factories to facilitate EE/RE investments.
- 2.2. Factory training and follow-up support: provide training courses (through TAFTAC's training centre CGTI) to build capacity of factory energy managers on EE implementation and other GFT specific courses (i.e. boiler efficiency, CO₂ emission, Higgs scores), including capacity building on safer working environment measures, and tailored support for factories to implement investment decisions following MGFP.
- 2.3. Safer working environment demonstration: Following energy audits, set up demonstrations and capacity building measures (both for factory managers, workers and their representatives) to promote optimised

²⁴ i.e. VAT exemption on sustainable wood fuels would ensure a level playing field with untaxed unsustainable wood from the informal sector or where import duties are prohibitive for investment.

measures/technologies to address unproductive/unhealthy working environment (heat stress mitigation, appropriate ventilation, and lighting etc.).

- 2.4. National energy capacity: Train government staff (MME, MISTI) to provide effective inspection and supports to factories (needs to be assessed to tailor the training), integrating a gender-responsive approach; and where necessary support training institutions licensed to provide certified courses on energy manager and energy auditor to develop new modules ensuring the certified programs meet the requirements of the GFT sector. This activity is also complemented by an activity under the EU Education programme that provides scholarships to at least 30 students to take energy-related courses.
- 2.5. Certified wood supply chain: establish a certified sustainable fuelwood supply chain, including developing a carbon financing programme, piloting with factories and brands, support to optimise boilers (linked to audit recommendations), and relevant studies to enhance the sustainable biomass business case.

Activities relating to **Output 3** (Improved technical and financial expertise of associations to facilitate adoption by the industry of sustainable energy practices) are:

- 3.1. Accelerator Feasibility Study: Conduct Green Factory Accelerator (GFA) feasibility study including identification of the institution to host the GFA, partners, detailed structure, support services, and innovative financing modalities including guarantees and carbon financing.
- 3.2. Accelerator Development Phase 1: Establish and empower (needs assessment, capacity building and coaching) the GFA to design and lead sustainable energy project interventions through tailored TA support.
- 3.3. Innovative financing scheme: TA Support to GFA to develop innovative financing and carbon finance projects for sustainable energy interventions.
- 3.4. ESCO market promotion: Continue organising awareness and matchmaking events to promote energy efficiency projects and ESCO markets; communicate and share project learnings.

The commitment of the EU's contribution to the TEI2, to which this action refers, will be complemented by other contributions from Team Europe members. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions)

The Strategic Environmental Assessment screening concluded that no further action was required.

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project)

The Environment Impact Assessment screening classified the action as Category C (no need for further assessment).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

The Climate Risk Assessment (CRA) screening concluded that this action is of no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as [G1]. This implies that gender equality is an important and deliberate objective, but not the principle reason for undertaking the action. The action will ensure gender balance in all activities by encouraging participation of women in all activities, ensuring women' participation in training and capacity building by at least 40%, and collecting gender disaggregated data across all activities.

Specific considerations on human rights-based gender equality is targeted in Output 2, with a specific activity to promote safer working environment for the workers (reduction of heat stress, better lighting and ventilation). Heat stress can exacerbate existing gender inequalities in the sector as it will worsen the working conditions for women,

since the sector mainly has women employees; an ILO study suggests that one potential impact of climate change could be workers facing increased risk of exposure to violence and harassment, particularly gender-based violence and harassment, due to falling levels of productivity²⁵. A GTF sector gender analysis, which was recently conducted to provide useful insights on women's experiences and challenges linked to working conditions and working environment in the garment factories, will be used to strategically guide the gender mainstreaming strategy of Output 2 during implementation, as well as to drive gender sensitivity across all outputs. For instance, this means that the capacity development and training programmes for government staff and private sector will need to integrate modules/topics on how to promote gender equalities, and to ensure do-no-harm approaches are duly integrated in operation. Furthermore, gender considerations will be included in the investment and financing decision-making of factories to support operationalisation of MGFP.

Human Rights

Human rights-based approach and its key principles (applying all human rights for all; meaningful and inclusive participation and access to decision-making; non-discrimination and equality; accountability and rule of law for all; and transparency and access to information supported by disaggregated data) and the do-no-harm approach will be integrated throughout the action. Specific focus will be on the principles of meaningful and inclusive participation, and non-discrimination and equality.

This action supports decent work and safeguards rights for safe and healthy working environment for the workers, the majority of whom are women. Analysis of labour conditions, social and gender dimensions covered in the scoping study, and a separate gender analysis will be used to guide detailed activities during implementation.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that the inclusion of persons with disability is not a target of the action. However, the action will take into consideration the needs of people with disabilities to the extent possible when designing concrete activities related to improving the working environment. Specific measures will be taken to enable the participation of people with disabilities in the activities and trainings. The Action will ensure that rights of persons with disabilities will be respected, and the planned activities, evaluations and others are disability inclusive. The Action will encourage partners and programme participants to take initiatives to protect persons with disabilities and invite organisations representing people with disabilities.

Reduction of inequalities

Cambodia's GTF sector is the backbone of the economy, accounting for over 70% of total export for the past decade, and providing the biggest source of formal employment, particularly for women from rural Cambodia (82% of the industry's 800,000 workers are women). The GFT strategy recognised the sector's key role in supporting the livelihood of at least 2.5 to 3 million people, and as a result contributing significantly to the country's impressive growth of 7% annually during 2000-2018 and socio-economic development.

The industry's key role in job creation for women has enabled them and their families to escape poverty²⁶. However, challenges remain that prevent women from benefitting equally from the sector and overall economic growth. This include, for instance, the trade-off between employment in the sector and education as most female workers are likely to have interrupted their primary school education to work in the factories to support their families²⁷. As a result, they are confined to low-skill, low-pay employment, and lack many necessary skills (particularly financial literacy) to mitigate risks and optimise their living conditions. Given their major role in the industry, especially production line, women are also affected the most by changes/ shocks in the industry such as Covid-19 pandemic, and unhealthy work environment, particularly heat stress.

This action will address heat stress to provide a healthier/ safer work environment from the energy angle, and ultimately contribute to strengthening the industry's competitiveness to result in stability of export to provide stable job and incomes for the workers. The action is complemented by a separate intervention from the EU

²⁵ [ILO working paper \(2021\): Turning up the heat: Exploring potential links between climate change and gender-based violence and harassment in the garment sector](#)

²⁶ World Bank (2012) [Sewing Success? Employment, Wages, and Poverty following the End of the Multi Fibre Agreement](#)

²⁷ UNSECO (2018) Educational and Social Development of Garment Factory Workers, Cambodia

Education programme to provide skills training to women workers to improve their skills such as financial literacy to improve their level of life competency.

Democracy

The action will build its impact by increasing knowledge and capacity of factories, industry associations and public institutions on the benefits, regulations and implementation of sustainable energy measures, and measures to address heat stress and improve working environment for the workers. The action will support an active and inclusive dialogue with relevant public authorities to ensure development of necessary regulatory framework takes into account political and social effects of the sustainable energy policy. The action will be complemented by other programmes of TEI2 members such as Germany (focusing on recycling and improving Occupational Health and Safety) and Sweden on social dialogue.

Conflict sensitivity, peace and resilience

Considerations for a conflict sensitive, do-no-harm approach to development cooperation in Cambodia are integrated in the MIP 2021-2027. Overall the domestic situation is stable, and the risk of a violent conflict with neighbouring countries or due to international or domestic terrorism in the next 12-24 months is minimal. Therefore, no negative impact is expected.

Disaster Risk Reduction

This action does not target disaster risk reduction. However, as Cambodia is among the top fifteen countries most vulnerable to climate change globally, exposed to nearly all types of hydro meteorological hazards from floods to droughts and heavy storms, climate change intervention contributes to Cambodia's mitigation capacity.

Other considerations if relevant

The creation of synergies with the EU actions at regional level and cooperation with the TEI2 members, and with International/European Financial Institutions to leverage additional funds (blending and guarantee) can increase the impact of the action.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
3-to people and the organisation	Risk 1: Capacity of Government. Successful implementation of this action depends on the capacity of the government to effectively carry out and coordinate the implementation of the GFT strategy and NEEP. The increase of renewable sources of energy within the energy matrix, notably the profitable use of solar rooftops, depends on the decision of the Government to introduce appropriate regulation and enhance law enforcement.	Medium	Medium	Mitigation measures will include support to the GFT advisory committee led by MEF, and to the public-private dialogue platform, as well as strong policy dialogue.
3-to people and the organisation	Risk 2: LDC graduation and access to GSP+ can substantially impact trade preferences for access to the EU market.	High	High	Mitigating measures include political and policy dialogue to raise the country's awareness of opportunity of GSP+, as well as supporting the

				private sector dialogue with the government for advocacy work. Enhanced environmental sustainability (supported by this action) is key to maintain access to EU markets.
3-to people and the organisation	Risk 3: A gender-blind, neutral, or negative context analysis could reinforce existing gender inequalities and non-realization of human rights and hinder the efficiency and sustainability of the action.	Medium	Medium	Knowledge and tools of gender mainstreaming and HRBA are available. Gender-sensitive monitoring, use of sex and disability disaggregated data, and gender-sensitive indicators. Gender mainstreaming is applied in all phases of the support services.
1-to the external environment	Risk 4: Human rights related risks, in particular deterioration of labour conditions.	Medium	Medium	Labour rights issues are complex and broader than the scope of this action, with which we will focus on the right to a safer working environment. That said, the action will integrate a rights-based approach and take complementary actions in other programmes.

Lessons Learnt:

From implementation of the EU Switch Garment project, the most important lessons learned are:

- Industry capacity to implement energy efficiency recommendations needs to be addressed to accelerate results which is addressed in this action, i.e. through trainings for energy managers and follow-up support to factories to operationalise the MGFP. Consultation with stakeholders consistently identified this gap as limitation to achieve more results despite the usefulness of energy audits.
- Energy audits are a useful entry point to raise awareness and demand for energy efficiency amongst factories, which should be continued to generate more demand from factories, although some forms of incentive mechanism need to be adopted to ensure stronger industry ownership to implement the recommendations.
- Early and close engagement with relevant key government ministries needs to be enhanced to strengthen partnership for effective implementation and policy dialogue.

3.5 The Intervention Logic

The underlying intervention logic for this action is that adoption of sustainable energy practices with a strong focus on higher sustainability standards including safe working conditions will increase GFT industry productivity and competitiveness, and enhance access to key regional and international market such as the EU (Specific Objective). This will contribute to Cambodia's priorities for green growth and decent jobs.

The action will provide technical assistance, policy dialogue, networking and lessons learned to key government and GFT industry stakeholders, notably industry association and factories. The action will also support enhancement of institutional capacities and the legal and technical framework (Output 1), support awareness and development of the private sector on the benefits of energy efficiency and renewable energy solutions and on how to effectively implement these solutions (Output 2 and 3).

If the above is provided, it is expected that the GFT industry will progress by the end of the action to become more productive, hence, competitive and environmentally sustainable with improved working conditions for their workers (Overall Objective).

This is because barriers to accelerated adoption of sustainable energy practices by the industry, and to increased compliance with higher sustainability standards, will gradually be removed when the following activities are pursued with certain assumptions:

- The regulatory framework to provide clear guidelines (ex: minimum energy standards) and incentives for the implementation of sustainable energy practices is strengthened, with the assumption that the government has the commitment and capacity for enforcement.
- Awareness and capacity to implement sustainable energy practices and adopt safer working environment are enhanced at the industry level, with the assumptions that energy auditors are trusted by factories, that factories' managers or owners understand the benefits of capacity building for their staff, and that factories have a long term vision to remain in Cambodia and continue to focus on markets with high sustainability requirements such as the EU.
- Key support services (both technical and financial services) are made available and accessible to the industry to lower the cost and accelerate investments, with the assumption that the result of the feasibility study to design the accelerator and identify a host institution is positive.

3.6 Logical Framework Matrix

Results	Results chain (@): Main expected results (maximum 10)	Indicators ²⁸ (@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	Improved competitiveness, environmental sustainability, and working conditions in the GFT sector	1. Greenhouse Gas (GHG) emissions avoided (tonnes CO2 saved) with EU support in the GFT sector (NDICI, TEI, GEF 2.7)	TBC in inception phase	1. TBC in inception phase ²⁹	<ul style="list-style-type: none"> Baseline and endline studies conducted and budgeted by the EU-funded intervention Progress reports for the EU-funded intervention 	Not applicable
		2. Number of people directly benefiting from EU supported interventions that aim to reduce social and economic inequality (defined in this action as workers reporting improved working environment) by gender and disability, attributed to the action (TEI, GEF 2.39)	2. 0	2. 40,000 (80% female) by 2027 ³⁰	<ul style="list-style-type: none"> Baseline and endline studies conducted and budgeted by the EU-funded intervention (containing eg: clear definition/indicator of improved working environment and survey with workers) Progress reports for the EU-funded intervention 	
		3. Labour Productivity enhanced* (MIP c1, TEI)	3. USD 3,303 per worker (2021)	3. Increase of 20% (or USD 3,963 per worker) by 2025	<ul style="list-style-type: none"> Public data (i.e. from MEF, MoC, MoLVT)Progress reports for the EU-funded intervention 	
Outcome	Adoption of sustainable energy practices in the GFT sector	1. Number of factories having taken EE measures, attributed to the action* (MIP c2)	1. TBC in inception phase based on result of current Switch Garment	1. 250 factories by 2027	<ul style="list-style-type: none"> Baseline and endline studies conducted and budgeted by the EU-funded intervention Progress reports for the EU-funded intervention 	Factories trust the findings of the audit
		2. Specific energy consumption (SEC) (toe/1000 pieces) ³¹	2. Textile and wearing apparel: 0.09; Footwear: 0.18	2. MISTI 2030 target: Textile and wearing: 0.058 and 0.062 for large and SME industries respectively; Footwear: 0.167	<ul style="list-style-type: none"> Baseline and endline studies conducted and budgeted by the EU-funded intervention Progress reports for the EU-funded intervention 	Factories are able to implement audit recommendations
		3. Share of renewable energy incl. sustainable biomass in energy consumption of participating factories	3. TBC in inception phase	3. TBC in inception phase (percentage point increase)	<ul style="list-style-type: none"> Baseline and endline studies conducted and budgeted by the EU-funded intervention Progress reports for the EU-funded intervention 	Factories are able to implement audit recommendations

²⁸ All MIP indicators are marked with *

²⁹ Cambodia has proposed an ambitious CO2 reduction target of 55% by 2030 for the garment sector in its updated NDC. A provisional 30% target for 2028 is considered more realistic, but needs to be confirmed based on the outcome of the baseline during project implementation.

³⁰ An average factory has around 1,000 workers. 1,000 * 40 factories = 40,000

³¹ TOE = ton of oil equivalent (41.868 GJ). Baseline and targets from Resource Efficiency and Cleaner Production Strategy and Action Plan for Industry and SME Sector 2021-2030 (MISTI)

		4. Number of factories complying with a certain set of standards/practices that result in improved working environment	4. 0	4. 40 additional factories by 2027	• Progress reports for the EU-funded intervention	Factories are willing and able to comply with audit recommendation and MGFP standards
Output 1 Strengthened regulatory framework for sustainable energy practices in the GFT industry, effectively integrating gender mainstreaming	1.1. Key national standards developed	1.1.1. Number of key national policies/regulation/standards developed or improved with EU support	1.1.1. 0	1.1.1. 3 by 2027	• Text of strategies and policy documents	Political will to implement proposed arrangements
		1.1.2. Availability of a monitoring, reporting and verification system, which includes an obligation to report on gender (GAP III)	1.1.2. TBC in inception phase	1.1.2. TBC in inception phase	• Baseline and endline studies conducted and budgeted by the EU-funded intervention • Progress reports for the EU-funded intervention	Government has strong commitment to gender mainstreaming
	1.2. Industry-led sustainability model (MGFP) endorsed for national recognition and adoption	1.2.1. MGFP endorsed by relevant ministry(ies)	1.2.1. 0	1.2.1. 1 by 2027	• Text of strategies and policy documents	Government has strong commitment to greening the industry
	1.3. Provide other relevant supports to the implementation of the GFT strategy and NEEP supporting the GFT sector, with a gender-responsive approach	1.3.1. TBC in inception phase	1.3.1. 0	1.3.1. TBC in inception phase	• TBC in inception phase	
Output 2 Improved industry awareness and capacity to adopt sustainable energy practices	2.1. Energy Audits: preliminary energy audits for all participating factories, and follow-up level 2 energy audits for selected Factories	2.1.1. Number of factories with preliminary audits conducted with EU-funded intervention ³²	2.1.1. 54	2.1.1. 304 by 2027	• Progress reports for the EU-funded intervention	- Factories trust and allow energy experts to complete factory visits. - Factories owners and managers understand the added value of developing the capacity and improving the practices of their staff on sustainable energy.
		2.1.2. Number of factories with level 2 audits conducted with EU-funded intervention	2.1.2. 0	2.1.2. 50 by 2027	• Progress reports for the EU-funded intervention	

³² 50 by EU Switch and 4 by UNIDO

through audits and training, including safer and gender sensitive working environment practices						- Fashion brands use their leverage to encourage factories to adopt sustainable and efficient steam measures.
	2.2. Factory training and follow up support	2.2.1. Number of factory energy managers trained by the EU-funded intervention with increased knowledge and/or skills in energy management disaggregated by gender and disability	2.2.1. TBC in inception phase based on result of current Switch Garment	2.2.1. 200 additional energy managers trained of which 40% female	• Training certificates issued by CGTI	Willingness of CGTI to amend courses and organise trainings
		2.2.2. Number of factories enrolled in MGFP	2.2.2. 0	2.2.2. 200 by 2027	• Progress reports for the EU-funded intervention	Factories are interested in participating in MGFP and are committed to implemented recommendations
		2.2.3. Share of factories participating in MGFP that implemented energy conservation measures with a short pay-back period based on energy audits	2.2.3. 0%	2.2.3. 80% by 2027	• Progress reports for the EU-funded intervention	
	2.3. Safer working environment demonstration	2.3.1. Number of factories participating in demonstration	2.3.1. 0	2.3.1. 10 by 2027	• Progress reports for the EU-funded intervention	Factories are interested in improving working environment
	2.4. National energy capacity: train government staff (MME, MISTI); and support development of new modules for the national energy auditor training scheme to meet specific requirements of the GFT sector,	2.4.1. Trained government staff (number, gender and disability)	2.4.1. 0	2.4.1. TBC in inception phase	• Progress reports for the EU-funded intervention	MME, MISTI staff is available and committed to participate
		2.4.2. Number of training courses developed/improved for energy manager and auditor compliant with relevant ISOs standards	2.4.2. 0	2.4.2. 2 (auditor and manager courses) by 2027	• Curriculum/training material	Training institute is selected and certified under UNDP current activity to support NEEP implementation

	integrating a gender-responsive approach					
	2.5. Certified wood supply chain development and pilot	2.5.1. Number of Sustainable certified wood supply chain developed and piloted 2.5.2. Carbon financing schemes developed for renewable thermal energy	2.5.1. 0 2.5.2. 0	2.5.1. 1 supply chain system in full operation by 2027 2.5.2. 1 scheme registered under a credible carbon market scheme (voluntary Gold Standard, Article 6.4) by 2027	2.5.1. (digital) Purchase receipts of factories; and Pilot evaluation study report 2.5.2. carbon registration/MOE carbon project database	- Factories are interested in switching to sustainable energy sources for steam and garment fashion brands are supportive of this transition. - Plantations wood is affordable. - Carbon financing income is sufficient to improve the business cases of renewable steam
Output 3 Improved technical and financial expertise of associations to facilitate adoption by the industry of sustainable energy practices	3.1. Accelerator Feasibility Study	3.1.1. A feasibility study for GFA establishment and viability	3.1.1. 0	3.1.1. 1 by 2027	• Feasibility Study report	Assumption is there is added value in, and interest of an institution, to establish the GFA.
	3.2. Accelerator Development Phase 1	3.2.1. GFA established 3.2.2. GFA's capacity building in place based on training needs assessment 3.2.3. Number of energy intervention projects designed	3.2.1. 0 3.2.2. 0 3.2.3. 0	3.2.1. 1 by 2027 3.2.2. TBC in inception phase and TNA study 3.2.3. 5 including solar rooftop and sustainable biomass by 2027	3.2.1. legal documents 3.2.2. TNA report and completion report 3.2.3. energy project announcements on official website	Factories are willing to share audit results and other information necessary for the GFA to design energy intervention projects
	3.3. Innovative financing scheme	3.3.1. Number of Innovative financing models developed 3.3.2. Number of other carbon finance projects	3.3.1. 0 3.3.2. 0	3.3.1. 1 by 2027 3.3.2. 1 by 2027	3.3.1. Feasibility Study report 3.3.2. carbon registry /MOE carbon project database	Guarantee fund is in operation as set-up under EU SWITCH Garment. There is sufficient scale for carbon project development

		registered under a credible carbon market standard				
	3.4. Promote the ESCO market	3.4.1. Number of matchmaking events	3.4.1. 0	3.4.1. 5 by 2027	3.4.1. Progress reports for the EU-funded intervention	N/A
		3.4.2 Number of ESCO case studies developed	3.4.2. 0	3.4.2. 4 by 2027	3.4.2. Progress reports for the EU-funded intervention	

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with Cambodia.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 50 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component [For Budget Support only]

N/A

4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³³.

4.4.1 Direct Management (Procurement)

A service contract will be procured to provide a technical assistance for the implementation of Output 1 on System strengthening: Strengthened regulatory framework for sustainable energy practices in the GFT industry, effectively integrating gender mainstreaming.

4.4.2 Indirect Management with an entrusted entity

This action may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

- Having local presence in Cambodia
- Strong and specific experience in the field of GFT industry, energy conservation and demand-side efficiency, and energy policy
- Ability to engage with relevant line ministries, specifically MME, MISTI, MoE
- Demonstrated operational capacity in GFT industry and energy sector
- Representing an added value to the EU funding

The implementation by this entity entails implementation of activities identified in section 3:

- Implementation of Output 2 and Output 3 below:
 - Output 2: Energy audits and their implementation: Improved industry awareness and capacity to adopt sustainable energy through audits and training, including safer and gender sensitive working environment

³³ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

- Output 3: Access to financial support services: Improved technical and financial expertise of associations to facilitate adoption by the industry of sustainable energy practices
- Provide technical inputs and support to the implementation of Output 1 to strengthen coordination and effectiveness of intervention in policy dialogue

4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Implementation modalities – cf. section 4.4	
Output 1: <u>System strengthening</u> , composed of	
Procurement (direct management) – cf. section 4.4.1	1 500 000
Output 2: <u>Energy audits and their implementation</u> , composed of	
Indirect management with an entrusted entity - cf. section 4.4.2	3 400 000
Output 3: <u>Access to financial support services</u> , composed of	
Indirect management with an entrusted entity - cf. section 4.4.2	1 000 000
Evaluation – cf. section 5.2	100 000
Audit – cf. section 5.3	
Totals	6 000 000

4.7 Organisational Set-up and Responsibilities

The Contracting Authority will be responsible for all administrative, legal and financial issues relating to the contracts, and will also monitor and supervise the implementation of the action. The implementation of the activities will be under the oversight of the Contracting Authority's Programme Managers.

The Contractors will be responsible for day-to-day management of the action, including mobilisation of the technical assistance and provision of outputs and reports, as identified in section 4.4.1 and 4.4.2.

A Steering Committee shall be set up to oversee and validate the action's overall strategic direction, review implementation progress and provide guidance for planning and addressing bottlenecks. This committee will be organised at least twice per year, co-chaired by the EU Delegation and MEF, while involving all other relevant stakeholders, including MME, MISTI, MoE, TAFTAC and others in an advisory role (eg: MoWA). The Steering Committee meetings will be prepared by the implementing partner who will provide a progress report at least two weeks ahead of the meetings, outlining the progress of the project since the previous meeting. On this basis, the agenda will be drafted by the implementing partner in consultation and agreement with the co-chairs. A preparatory meeting for the steering committee between the implementing partners and the EU will be organised, if requested.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the

action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than bi-annual) and final reports. Every report shall provide an accurate, updated account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

The implementing partners will be responsible for the day-to-day execution, data collection, analysis, monitoring and reporting results against original activity plan and indicators of the logframe. In the first year of implementation, an inception study, including a feasibility study for Output 3, will be conducted by the partners to determine detailed activities, confirm definitions of key terms and indicators (i.e. safer working environment, etc.), baseline data and targets in the logframe, and concrete action plan with yearly milestones. Data will come from both public sources and studies conducted by the action. Relevant indicators will be disaggregated by gender. Where feasible, data specific for the groups in most vulnerable situation should be included. A final evaluation will be conducted at the end of the project (2027) by the partners to collect endline data for results reporting.

Monitoring and reporting shall assess how the action is considering the principle of gender equality, human rights-based approach, and rights of persons with disabilities including inclusion and diversity. Indicators shall be disaggregated at least by sex, ethnicity and disability.

5.2 Evaluation

Having regard to the nature of the action, a mid-term evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for problem solving and learning purposes, in particular with respect to progress of the key outcomes of the action.

The Commission shall inform the implementing partner at least 2 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluation and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract.

Evaluations shall assess to what extent the action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment and disability inclusion. Expertise on human rights, disability and gender equality will be ensured in the evaluation teams.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union’s support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant rights-holders or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

A Primary Intervention (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

Articulating Actions or Contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance;

Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);

Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the action document.

The intervention level for the present Action identifies as (tick one of the 4 following options);

Action level (i.e. Budget Support, blending)		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action
Group of actions level (i.e. top-up cases, different phases of a single programme)		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#): <Present action> <Other action(s)>
Contract level		
<input type="checkbox"/>	Single Contract 1	<foreseen individual legal commitment (or contract)>
<input type="checkbox"/>	Single Contract 2	<foreseen individual legal commitment (or contract)>
	(...)	
Group of contracts level (i.e. series of programme estimates, cases in which an Action includes for example four contracts and two of them, a technical assistance contract and a contribution agreement, aim at the same objectives and complement each other)		
<input type="checkbox"/>	Group of contracts 1	<foreseen individual legal commitment (or contract) 1> <foreseen individual legal commitment (or contract) 2> <foreseen individual legal commitment (or contract) #>

Appendix 2 COMMISSION DECISION & TECHNICAL and ADMINISTRATIVE PROVISIONS

	Project modality (Incl. thematic and regional programmes, as well as calls for proposals)		Budget support		No activities to be implemented by, and no funds to be transferred to, the Partner country, with signature of a Financing Agreement based of the ‘simplified’ template	
Action Document	Annex Commission Decision	Technical and Administrative Provisions (TAPs)	Annex Commission Decision	Technical and Administrative Provisions (TAPs)	Annex Commission Decision	Technical and Administrative Provisions (TAPs)
1. SYNOPSIS						
1.1. Action Summary Table	Yes	Yes	Yes	Yes	Yes	N/A
1.2. Summary of the Action	Yes	Yes	Yes	Yes	Yes	Yes
2. RATIONALE						
2.1. Context	Yes	N/A	Yes	N/A	Yes	N/A
2.2. Problem Analysis	Yes	N/A	Yes	N/A	Yes	N/A
2.3. Additional Areas of Assessment [For Budget Support Actions only]	N/A	N/A	Yes	N/A	N/A	N/A
2.3.1. Pre-condition on Fundamental values (for a SDG contracts only)	N/A	N/A	Yes	N/A	N/A	N/A
2.3.2. Public Policy	N/A	N/A	Yes	N/A	N/A	N/A
2.3.3. Macroeconomic Policy	N/A	N/A	Yes	N/A	N/A	N/A
2.3.4. Public Financial Management	N/A	N/A	Yes	N/A	N/A	N/A
2.3.5. Transparency and Oversight of the Budget	N/A	N/A	Yes	N/A	N/A	N/A
3. DESCRIPTION OF THE ACTION						
3.1. Objectives and Expected Outputs	Yes	Yes	Yes	Yes	Yes	N/A
3.2. Indicative Activities	Yes	Yes	Yes	Yes	Yes	N/A
3.3. Mainstreaming	Yes	Yes	Yes	Yes	Yes	N/A
3.4. Risks and Lessons Learnt	Yes	N/A	Yes	N/A	Yes	N/A
3.5. The Intervention Logic	Yes	Yes	Yes	Yes	Yes	N/A
3.6. Logical Framework Matrix	Yes	Yes	Yes	Yes	Yes	N/A
4. IMPLEMENTATION ARRANGEMENTS						
4.1. Financing Agreement	Yes	N/A	Yes	N/A	Yes	N/A
4.2. Indicative Implementation Period	Yes	N/A	Yes	N/A	Yes	N/A

	Project modality (Incl. thematic and regional programmes, as well as calls for proposals)		Budget support		No activities to be implemented by, and no funds to be transferred to, the Partner country, with signature of a Financing Agreement based of the 'simplified' template	
Action Document	Annex Commission Decision	Technical and Administrative Provisions (TAPs)	Annex Commission Decision	Technical and Administrative Provisions (TAPs)	Annex Commission Decision	Technical and Administrative Provisions (TAPs)
4.3. Implementation of the Budget Support Component (and subsections)	N/A	N/A	Yes	Yes	N/A	N/A
4.4. Implementation Modalities (and subsections)	Yes	Yes	Yes	Yes	Yes	N/A
4.5. Scope of geographical eligibility for procurement and grants	Yes	Yes	Yes	Yes	Yes	N/A
4.6. Indicative Budget	Yes	Yes	Yes	Yes	Yes	N/A
4.7. Organisational Set-up and Responsibilities	Yes	Yes	Yes	Yes	If applicable and relevant	If applicable and relevant
4.8. Pre-conditions [only for project modality]	Yes	Yes	Yes	N/A	Yes	If relevant and applicable
5. PERFORMANCE MEASUREMENT						
5.1. Monitoring and Reporting	Yes	Yes	Yes	Yes	Yes	N/A
5.2. Evaluation	Yes	Yes	Yes	Yes	Yes	N/A
5.3. Audit and Verifications	Yes	Yes	Yes	Yes	Yes	N/A
6. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY						
6. Strategic Communication and Public Diplomacy	Yes	Yes	Yes	Yes	Yes	N/A
APPENDICES						
Appendix 1 Reporting in OPSYS	N/A	N/A	N/A	N/A	N/A	N/A
Appendix 2 Commission Decision and TAPs	Delete and replace with Appendix for Blending if applicable	N/A	N/A	Delete and replace with Appendix for Budget Support if applicable	N/A	N/A
Other: Appendix only for Blending: List Lead Finance Institutions	To be added	N/A	N/A	N/A	N/A	N/A
Other: Appendix only for Budget Support (Disbursement Arrangements, Conditions and Performance Indicators)	N/A	N/A	N/A	To be added	N/A	N/A