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**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX IV**

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

**Action Document for the European Union Global Access and Trade Expertise (EU GATE)**

**ANNUAL PLAN**

This document constitutes the 2023 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

<b>1. Title CRIS/OPSYS business reference Basic Act</b>	European Union Global Access and Trade Expertise (EU GATE) OPSYS number: ACT-61752 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
<b>2. Team Europe Initiative</b>	Yes The action is an enabler to both Cambodia TEI 1: Sustainable landscapes, forests and agriculture, and Cambodia TEI 2: Green energy and industrial value chains
<b>3. Zone benefiting from the action</b>	The action shall be carried out in the Kingdom of Cambodia
<b>4. Programming document</b>	EU-Cambodia Multiannual Indicative Programme 2021-2027
<b>5. Link with relevant MIP(s) objectives / expected results</b>	<u>Priority Area 1 Green Growth and Decent Jobs</u> , Sector 2: <u>Sustainable Value chains</u> <ul style="list-style-type: none"> <li><u>Expected result 2c</u>: Increased productivity and added value of the targeted industry and</li> </ul> <u>Priority Area 3: Good Governance</u> , Sector 2: <u>Trade and Business Climate</u> <ul style="list-style-type: none"> <li><u>Expected result 3h</u>: Cambodia will have implemented the major recommendations of the AEC blueprint linked to Trade and Business climate</li> </ul>
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>	
<b>6. Priority Area(s), sectors</b>	321 Industry and 331 Trade policies and regulations.
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG: 17 Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development Target: 17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020 Other significant SDGs and where appropriate, targets: SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (Targets: 8.2, 8.5) SDG 1: End poverty in all its forms everywhere (Target 1.2) SDG 5: Achieve gender equality and empower all women and girls (Target: 5.5)

	SDG 10: Reduce inequality within and among countries (Target: 10.2) SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels. (Target: 16.5)			
<b>8 a) DAC code(s)</b>	32161 Agro-industries 5% 33110 Trade policy and administrative management 20% 33120 Trade facilitation 25% 33130 Regional Trade Agreement 5% 32130 SME Development 35% 33181 Trade education/training 10%			
<b>8 b) Main Delivery Channel</b>	11000 Public Sector Institution			
<b>9. Targets</b>	<input type="checkbox"/> Migration <input 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			
<b>10. Markers</b>  (from DAC form)	<b>General policy objective @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input 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"/>
	<b>RIO Convention markers</b>	<input checked="" type="checkbox"/> <b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>11. Internal markers and Tags:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	/
	digital governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital entrepreneurship	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	digital skills/literacy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

	digital services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
	Connectivity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	
	energy	<input type="checkbox"/>	<input checked="" 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"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	<p>Budget line(s) (article, item): 14.020131</p> <p>Total estimated cost: EUR 7 000 000</p> <p>Total amount of EU budget contribution EUR 7 000 000</p> <p>The action is part of two Team Europe Initiatives in which:</p> <p>TEI 1: Sustainable landscapes, forests and agriculture</p> <ul style="list-style-type: none"> <li>Key member states: Czech Republic, France, Germany, and European Investment Bank</li> <li>Total indicative amount: EUR 1 142 000, including ongoing and future programmes and potential blending operation.</li> </ul> <p>TEI 2: Build back better – green energy and industrial value chains</p> <ul style="list-style-type: none"> <li>Key member states: Germany, Sweden</li> <li>Total indicative amount: EUR 71 000 000, including ongoing and future programmes and potential blending operation.</li> </ul>			
<b>MANAGEMENT AND IMPLEMENTATION</b>				
<b>13. Type of financing</b>	<b>Indirect management</b> with the entity(ies) to be selected in accordance with the criteria set out in section 4.4.1			

## 1.2 Summary of the Action

Trade remains a key driver for economic growth and poverty reduction in Cambodia. Despite Covid-19, the steady socio-economic progress in Cambodia is expected to lead the country to graduate from its LDC (UN index<sup>1</sup>) status by 2027. The resulting loss of preferential tariff regimes will require that Cambodia accelerates reforms, including commitments under WTO. Continued efforts to facilitate cross-border trade by addressing slow and cumbersome customs procedures remain a national priority. Cambodia needs to take measures to diversify and add value to its export basket, while addressing markets requirements for quality standards and environmental and social sustainability, in particular, to keep access to the EU market. SMEs face a number of obstacles in reaping the benefits of preferential tariff regimes, such as lack of market intelligence and difficulties in complying with international standards. There are no adequate export support services available to effectively address these obstacles, and e-commerce penetration, while slowly increasing, is low due to a lack of consumer and data protection.

<sup>1</sup> The United Nations [Committee for Development Policy](#) | [Department of Economic and Social Affairs](#) reviews the LDC Category every three years to monitor member countries' progress against measurements of income, human assets and vulnerability

This action supports the Royal Government of Cambodia (RGC) in the development of inclusive and sustainable trade policies and strategies while it prepares for LDC graduation, including effective enforcement mechanisms for the protection of consumers and data privacy. It also contributes to the implementation of relevant trade facilitation for faster and transparent customs procedures, and it helps setting up and piloting an effective system of export support services to SMEs in key value chains. Cambodian SMEs will have access to comprehensive support services, including how to become more competitive by adapting to existing and future regulations on social and environmental due diligence and standardisation. Compelling business advocacy strategies will be deployed to nurture the public and private sector dialogue throughout the action.

This action contributes to two priorities of the EU-Cambodia Multiannual Indicative Programme (2021-2027): Sustainable Value chains and improved Trade and Business Climate. This action is complementary to the EU-ASEAN Regional Sustainable Connectivity Package whose first outcome focuses on trade, economic connectivity and sustainable value chains. While the regional programme will work on trade facilitation mainly at the regional level (for instance formulating recommendations for domestic trade policy reforms to align them with regional/international standards, and to harmonise them within ASEAN), EU GATE will provide all needed trainings, development of Standard Operating Procedures (SOPs) and formulation of secondary regulations when necessary at the national level. Similarly, efforts to ensure environmental and social sustainability in ASEAN value chains will be accompanied by EU GATE export support services, and sustainability awareness raising activities. Accordingly, synergies have been considered in this action design and will be promoted at implementation through regular coordination. Moreover, because of its contribution to boost competitiveness and sustainable value chains, EU GATE is part of the Global Gateway strategy. This action targeting sustainable and inclusive trade development in Cambodia is consistent with SDGs 17, 8, 1, 5, 10, and 16.

The Overall Objective of the Action is to increase the competitiveness of Cambodia's economy, as it prepares for LDC graduation.

The Specific Objective/Outcome is to contribute to inclusive and sustainable trade and a stronger private sector, which meets international standards for export to the EU and regional markets.

This action consists of 3 outputs:

- 1) Trade Policy: Cambodia's capacity to formulate and implement successfully laws, policies, and strategies in support of environmentally and socially (gender and disability inclusive and resulting in decent work conditions) sustainable trade development, is strengthened while preparing for LDC graduation;
- 2) Trade Facilitation: Improving the effectiveness, transparency and competitiveness of Cambodia's trade facilitation infrastructure by implementing critical components of WTO-FTA and ASEAN commitments;
- 3) Private Sector: SMEs' capacity for exploiting the business opportunities offered by the ASEAN single economic space (AEC), EU, and global markets in selected value chains, is strengthened, including their ability to meet EU and international standards and to focus on a market-led and gender and disability-inclusive value chain approach.

The programme contributes to two TEIs in Cambodia, TEI 1 Sustainable landscapes, forest and agriculture and TEI 2 Green energy and industrial value chains, as it aims at simplifying customs procedures for agri-business and garment. Moreover it supports agroindustry SMEs to meet standards and legal requirements in target markets, and it also contributes to improved advocacy for green and social due diligence. EU GATE is also an enabler of two Cambodia AAP 2023 Actions: Cambodian Partnership for Sustainable Agriculture and Food Systems (EU CAPSAFE), and EU Partnership for Sustainable Energy Practices in Industry, for the greening of the garment sector, which are both key export sectors for Cambodia.

## 2 RATIONALE

### 2.1 Context

The COVID-19 pandemic reversed some of the progress made since 2010, a period when Cambodia's GDP grew at a yearly average of more than 7%, mainly thanks to its export sector. In 2022, the RGC deployed a "Living with COVID-19" strategy that facilitated recovery, building on continued resilient goods exports, a revival of the services sector including tourism, and increased foreign direct investment (FDI) inflows. Unfortunately, the global economic slowdown following Russia's war against Ukraine has put new downward pressure on Cambodia, due to sharp rises in prices in oil, gas, and certain agricultural products (fertilizers and pesticides) as well as higher inflation threatening food security.

The country's foreseen LDC graduation (expected in 2027) will result in a loss of preferential tariff regimes, which is cause for concern if the country does not accelerate implementation of trade reforms. The EU partially withdrew its Everything But Arms (EBA) tariff scheme due to serious breach of democracy and human rights in Cambodia in August 2020<sup>2</sup>. If the circumstances that led to the partial withdrawal persist, this may affect Cambodia's application for GSP plus, the most beneficial alternative upon graduation from LDC. In preparation for graduation, the government has embarked on Free Trade Agreement (FTA) negotiations that led to the recent ratification of the Regional Comprehensive Economic Partnership (RCEP) and FTAs with China and South Korea. The benefit of these agreements is yet to be seen. While Cambodia might increase its exports of unprocessed or semi-processed commodities to FTA markets that add value for re-exports, these FTAs risk flooding the internal market with imports of finished products, which would affect opportunities for national industry greatly.

Over the decade of 2012-2021 Garment, Footwear and Travel Goods (GFT) exports accounted for an average of 71% of Cambodia's total goods exports. Although there is a declining ratio in recent years, (in 2021 dropped to 57%), GFT remains the largest export sector. The GFT sector is of high social and economic importance as it directly employs around 800,000 million workers --with 80% of the work force female -- and provides income to 25% of the households in Cambodia. However, it faces significant challenges, such as the need for value adding in the country and the preparation to meet the requirements for environmental and social sustainability to gain competitiveness and remain an attractive supplier for e.g. European brands.

The agroindustry is the second export sector and represents 44% of the employment, although it is mostly informal, and also labour intensive with prevalence of female workers. There is a huge potential for the selected value chains (cashew nuts, organic pepper and potentially fresh water prawn), as Cambodia is one of the highest quality producers of these commodities but they are exported raw to neighbour countries that process them for re-exports.

Cambodia has yet to reap fully the benefits of regional integration. Only one fifth of Cambodia's exports are sold to ASEAN Member States (MS). Strong similarities in the export basket of a number of ASEAN economies, - notably agricultural commodities, GFT, electrical and electronic assembly - make exports to other ASEAN MS difficult. Moreover, SMEs lack relevant market information, agro-producers face difficulties in meeting SPS requirements, and small machinery producers face trouble with relevant technical standards. Together these sectors capture the majority of exports to these ASEAN markets.

High logistics costs and weak linkages to supply chains are major hurdles for further trade development. While Cambodia expects to move four times more goods through highways, ports, airports, and warehouses in 2030 than currently, its logistics costs are significantly higher than in comparable ASEAN countries. Cambodia ratified the World Trade Organisation Trade Facilitation Agreement (WTO TFA) in February 2016. The Agreement contains provisions for expediting the movement, release and clearance of goods. Over the last few years, there has been some progress in digitalising customs procedures to make them faster and more transparent through several reforms that have been supported by the EU and other DPs (JICA, GIZ, IMF, UNCTAD, Swiss Contact, and WB). These reforms are at different stages of implementation, and they benefit from strong government support. However, they take time to fully materialize, especially to involve Other Government Agencies (OGAs) that issue permits and licenses.

Following adoption of the E-commerce Law in 2019, Cambodia's E-commerce ecosystem has been growing. Challenges yet to be addressed for its further development include weak business' e-skills and the need to increase data security and privacy as well as consumers' protection, including aligning with the ASEAN framework on personal data protection.

The RGC has developed policies and strategies to improve the diversification, value added and competitiveness of export sectors, with which this action is aligned. That is the case of the Cambodia's Industrial Development Policy 2015, and the Cambodia's Trade Integration Strategy 2019-2023 (CTIS-2019). Similarly, the RGC has produced several sector strategies for key export products, such as the National Cashew Policy Recommendations 2020-2030 and the Garment, Footwear, and Travel Goods Strategy 2022-2027.

The EU has provided trade related assistance through ARISE+ Cambodia (2019-2024), the national component of the regional programme ARISE+. Under ARISE+ there has been relevant progress in trade facilitation, notably with the implementation of the Cambodian National Single Window (CNSW), the Risk Management and the Pre-Arrival Processing for maritime, postal and express cargo. These are reforms that take time for full implementation,

<sup>2</sup> Commission Delegated Regulation C(2020) 673 final

and that count with strong government support, in consequence EU GATE will build upon the progress made towards further compliance with the WTO FTA agreement. ARISE+ also implemented a pilot action of export support services to 15 SMEs that will be basis for the system of export support services under EU GATE.

This action contributes to key EU Strategies such as the Indo-Pacific Cooperation Strategy, which calls to engage with Indo-Pacific partners to build more resilient and sustainable global value chains through diversification as well as through the development of technological standards and regulations in line with European ones. It is also a Global Gateway action, as it contributes to boost competitiveness and sustainable value chains.

The action is also in line with the Joint European Strategy 2021-2027. In coherence with the MIP 2021-2027, EU GATE is a key element of the EU support to Green Growth and Decent Jobs promotion, and an enabler of the actions CAPSAFE – Cambodian Partnership for Sustainable Agriculture and Food Systems, and EU Partnership for Sustainable Energy Practices in Industry, for the greening of the garment sector. EU GATE works with the value chains selected by those actions by addressing the challenges, (such as their greening in line with they European Green Deal, and competitiveness following the Global Gateway) they face in accessing regional and EU markets. This support focuses on market analysis, compliance, and market promotion, and on simplifying customs procedures for faster and predictable international logistics. These two actions are part of two Team Europe Initiatives (TEIs) in Cambodia respectively: Sustainable landscapes, forests and agriculture, and Green energy and industrial value chains.

At a regional level, EU GATE adds to the EU-ASEAN Sustainable Connectivity Package. This is the main contribution to the Team Europe Initiative on ASEAN Sustainable Connectivity, notably its trade component, where EU focuses on sustainable trade and investment, intellectual property, and sustainable value chains in ASEAN.

## 2.2 Problem Analysis

Trade is the cornerstone of Cambodia's extraordinary growth since 2010. This growth has created formal employment opportunities and some improvements in social protection, notably in Garment, Footwear and Travel Goods (GFT). Cambodian export competitiveness is based on low labour costs, with limited value added. That is especially the case in agroindustry. This results in low margins and a vicious circle of informality, lack of adequate skills, and decent work deficit. This makes exports also highly vulnerable to external shocks such as the COVID-19 pandemic or the Russia's war against Ukraine, which have disrupted supply chains and increased the prices of key supplies (fertilizers, pesticides) exponentially.

The upcoming LDC graduation (expected in 2027) with the loss of preferential tariffs, will challenge a business model that is mainly based on low labour costs. This is why the RGC is now prioritising a different trade model where upskilled workers contribute to exports with higher value added in Cambodia, resulting in improved working conditions, and increased competitiveness. To improve the business and trade policy environment, the RGC has undertaken significant reforms (new Investment Law, Law on Competition, Law on Consumer Protection, and Law on e-Commerce) and developed comprehensive strategies for each (CTIS, E-Commerce Strategy, etc.). However, their implementation requires further capacity building and support, for instance to set up an effective complaint mechanism for consumers or to guarantee data protection for e-commerce users.

Despite improvements, Cambodia lags behind other ASEAN Member States in trade facilitation and compliance with WTO-FTA and ASEAN commitments.<sup>3</sup> Documentary requirements are excessive and time-consuming. Businesses complain about the co-existence of online procedures with paper-based ones as well as the impact of "informal" fees to expedite customs clearance. This situation is aggravated by the fact that permits and licenses are issued by different Ministries, which makes export-import procedures cumbersome, especially to SMEs.

Cambodian SMEs lack information on market opportunities and on how to comply with market regulations (e.g. Sanitary and Phytosanitary measures -SPS- and quality certifications, packaging and labelling regulations, environmental standards), including with those referring to social and environmental due diligence. The network of business support providers for exports is weak and sector associations lack capacity to provide business support services in a sustainable and effective way. Moreover, the current mechanisms for dialogue with the government such as the G-PSF (Government - Private Sector Support Forum) are not as effective as they should be due to the failure to structure and follow reform proposals at the three different stages of the process.

<sup>3</sup> ASEAN Trade Facilitation Work Programme

Between 97-99% of all MSMEs are micro-establishments and two-thirds (64.7%) of all micro-businesses are managed and owned by women. Women also largely remain in the informal sector, with only an estimated 1.7% of women's businesses being registered, compared to 6.6% for men; 70% of women businesses are home-based and they are often self-employed.<sup>4</sup>

A World Bank study (2021)<sup>5</sup> on women entrepreneurs in Cambodia underlines that according to statistics, women entrepreneurs (WE) are predominant in most segments of SMEs. However they face distinct challenges linked to their low level of financial education, lack of business planning abilities, and of information on formalisation, tax obligations and incentives. Restrictive social and gender norms continue to play an important role, especially in rural areas. WE are also missing opportunities brought by advanced digital technology and e-commerce. This action has targeted activities to address the needs and human rights women entrepreneurs in order to realise their full potentials.

To contribute to sustainable trade in Cambodia this action addresses a number of key challenges including:

- Limited capacity for the development and implementation of a sustainable trade policy (gender sensitive and resulting in decent job conditions for workers, respecting environmental sustainability), which prepares export sectors, including for loss of preferential tariff regimes resulting from LDC graduation. The national trade policy, does not yet factor in the requirements for social and environmental sustainability, needed for increased export competitiveness in target markets. Similarly, the country faces a number of hurdles for an increased and safer use of e-commerce by Cambodian SMEs, notably enforcement mechanisms for consumers' protection and data protection.
- Need for faster and more transparent customs procedures, through the implementation of trade facilitation reforms, such as the Cambodian National Single Window (CNSW), Pre-Arrival Processing (PAP) for cargo and road freight, the Best Trader Incentive Mechanism (BTIM) and the Authorised Economic Operator (AEO), and the Risk Management (RM). Moreover, the private sector lacks information on how to use the CNSW, the BTIM and the AEO, which results in few companies using them.
- Weak business environment and lack of comprehensive export support services. Cambodian private sector associations lack capacity to structure and follow up effectively proposals under the G-PSF. There are also market access obstacles for European companies, which require specific advocacy strategies to address them. At least two Ministries offer several business support services to SMEs (MoC and MISTI), but there is not a comprehensive system to provide advice in key areas such as market intelligence, market access and compliance, promotion and branding. Sector associations in selected value chains (cashew nuts and pepper) are incipient, and can't cover the current demand for these services by their members.

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

- The main counterpart is the Ministry of Commerce (MoC). It is responsible for trade policy making and coordination of its implementation. MoC leads the National Committee on Trade Facilitation, but the General Department for Customs and Excises (GDCE), under the Ministry of Economy and Finance (MEF) is responsible for implementing trade facilitation reforms. MoC shares responsibilities primarily with Ministry of Post and Telecommunications (MoPTC) (for e-data protection) and MEF (e-finance) for the implementation of the Law on e-Commerce.
- The Ministry of Agriculture and Forestry MAFF is responsible for issuing SPS certificates and enforcing food safety standards on importers.
- The Ministry of Science, Technology and Innovation, MISTI is the umbrella entity providing support services for SMEs, checking compliance with quality standards and regulations for products, as well as providing licenses for chemical products imports and exports. The Institute of Standards of Cambodia (ISC), under MISTI is responsible for the preparation and publication of Cambodian Standards and Guidelines for products, commodities, materials, services, practices and operations.
- The Cambodian Chamber of Commerce (CCC) is the apex business organization and plays a key role to advocate for the concerns and needs of the Cambodian business community. CCC co-chairs the G-PSF
- The Ministry of Women Affairs and the Cambodia Women Entrepreneurs Association (CWEA), representing women in business' interests.

<sup>4</sup> [Country Level Implementation Plan – CLIP Cambodia](#)

<sup>5</sup> World Bank (2021) Women Entrepreneurs in Cambodia: Study on Support Programs for Innovation and Startup

Other relevant stakeholders include Cambodian MSMEs, and private sector associations, EU Bilateral chambers in Cambodia and Eurocham (Eurocham), and civil society organisations active in areas of social and environmental due diligence and greening policies, notably trade unions.

Due to the focus of this programme on selected value chains, relevant private associations include the Cambodia Pepper and Spices Federation (CPSF), the Cashew Nuts Association of Cambodia. (CAC), and the Textile, Apparel, Footwear and Travel Goods Association of Cambodia (TAFTAC).

Several development partners work in areas related to trade and the private sector in Cambodia. Regarding trade facilitation, they are: IMF, JICA, WB, Swisscontact, UNCTAD and ADB, all with specific interventions. With respect to trade diversification and economic competitiveness, the most relevant interventions are led by DFAT (CAMRED), which supports exports of value-added agricultural products to RCEP countries, and by ADB with a policy-based loan under the Programme Trade and Competitiveness.

## 3 DESCRIPTION OF THE ACTION

### 3.1 Objectives and Expected Outputs

The **Overall Objective** of the Action is to increase the competitiveness of Cambodia's economy, as it prepares for LDC graduation.

The **Specific Objective/Outcome** is to contribute to inclusive and sustainable trade and a stronger private sector, which meets international standards for export to the EU and regional markets.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives are

- **Output 1 - Trade policy:** Cambodia's capacity to formulate and implement successfully laws, policies, and strategies in support of environmentally and socially (gender and disability inclusive and resulting in decent work conditions) sustainable trade development, is strengthened while preparing for LDC graduation.
- **Output 2 – Trade Facilitation:** Cambodia's institutional infrastructure for trade facilitation becomes more effective, transparent, and competitive through successful implementation of critical components of the WTO-TFA and ASEAN commitments.
- **Output 3 – Private sector:** SMEs' capacity for exploiting the business opportunities offered by the ASEAN single economic space (AEC), EU, and global markets in selected value chains, is strengthened, including their ability to meet EU and international standards and to focus on a market-led and gender and disability-inclusive value chain approach.

### 3.2 Indicative Activities

Activities relating to Output 1:

1.1 Impact of LDC Graduation: Technical assistance to MoC for the successful formulation of the Trade Sector component of Cambodia's Smooth Transition Strategy (STS) out of LDC status, factoring in the impact on employment. This may include the elaboration of a roadmap linked to LDC graduation and GSP.

1.2 EU GSP/GSP+: Organization of workshops for awareness raising among public officials in relevant ministries on key issues such as sustainability commitments linked to GSP+, and the potential impact of environmental and social due diligence requirements on Cambodian industry.

1.3 Consumer Protection enforcement mechanisms: Gap Assessment of the Directorate General for Competition, Consumer Protection, and Fraud Repression (CCF) and formulation of strategic plan to implement the Law on Consumer Protection, that include trainings to CCF officials, mediators and arbitrators, and the revision of Standard Operating Procedures for complaints' registration and handling.

1.4 Consumer Protection Associations: Capacity building to develop CP associations in Cambodia to represent consumers' interests in each sector, and awareness raising activities to consumers on how to use the complaint mechanisms.

1.5 Data Protection: Set up enforcement mechanisms for data protection, in compliance with ASEAN commitments, and training of public officers for the enforcement of the data protection regulation.



#### Activities relating to Output 2:

2.1 Cambodian National Single Window (CNSW): Capacity building activities for Other Government Agencies (OGAs) such as the MAFF, MoH and MISTI, to implement e-based standard operating procedures (SOPs) for permits and licenses to be accessible via the CNSW and processed online, and for risk identification and management so that their data can contribute to the GDCE-managed risk registers.

2.2 Pre-Arrival-Processing: Trainings to the private sector to increase the use of Pre-Arrival-Processing (PAP)-Maritime and PAP-Small Packages Post Office and to GDCE officers to expand PAP to express transport (air freight) and, possibly, road-based freight.

2.3 Risk Management: Technical support to GDCE to develop and use risk registers at key land border posts, and to selected OGAs (potentially MAFF, MISTI, MoH) to develop Risk profiles in their respective areas that can be incorporated in the larger Risk Management profiles used by GDCE.

2.4 Best Trader Incentive Mechanism (BTIM): Formalization of more transparent criteria for eligibility of firms in the BTIM, making it easier for SMEs exporters to qualify and provide training to the Post-Clearance Audit Department for the implementation of BTIM and AEO programs.

2.5 Authorised Economic Operator (AEO): Development of a pilot AEO program and setting up the necessary Government-Business dialogue structure to ensure the success of the program.

#### Activities relating to Output 3:

3.1 Advocacy for better business environment. Trainings to the private sector associations involved in the G-PSF (Government Private Sector Forum) for more effective advocacy strategies, including the development of policy papers.

3.2 Awareness raising activities for SMEs, trade unions and CSOs, through business and sector associations focusing on meeting upcoming EU regulatory instruments as an opportunity for increasing their competitiveness.

3.3 Design of the Export Support Services' System: Needs assessment and design of an export support services system for SMEs. This comprises identification of most needed services (market intelligence, export business strategies, standards, packaging and labelling, branding and marketing etc.), identification of providers and their training needs, definition of the organizational infrastructure (governance), elaboration of an action plan that factors in the needs of women-led business and groups in vulnerable situation.

3.4 Training of export services' providers: Training of individual experts and small consulting companies for the provision of key services, including the training of auditors to support SMEs pre-audits for most demanded certifications in target markets.

3.5 Pilot of the Export Support Services' System: Pilot for a selected group of 15-20 export-willing SMEs, in selected value chains.

The commitment of the EU's contribution to the Team Europe Initiatives 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

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

The EIA (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 no or low risk (no need for further assessment)

#### **Environmental Protection & Climate Change**

The action aims to promote a “do no harm” approach, reducing or avoiding adverse impacts on the environment as part of increased economic activity. Increased economic activity may have certain negative or positive impacts on environment and climate change. On the one hand, the increase in production and manufacturing and infrastructure development can put more pressure on the environment (land, air, water, forest areas, etc) and contribute to environmental degradation. On the other hand, with the investment in sustainable alternatives, combined with revenue and income generated from the increased trade and investment, Governments and businesses within Cambodia may have more skills and financial resources to tackle environmental problems and

promote the agenda for investments in the green and circular economy and clean energy. The action integrates environmental and climate change considerations under all the priorities and corresponding outputs as follows:

- The Trade Component of the LDC STS includes a focus on environmental and climate change risks' mitigation. Capacity building to MoC includes support in the negotiation of the chapter related to sustainable trade in FTAs.
- The inclusion of MAFF, MISTI, and MoH in the capacity building support on risk mitigation contributes to better risk mitigation at the border posts by GDCE, by providing a better capacity to identify and mitigate environmental and public health risks associated with imports of harmful substances (e.g. non-compliant and unsafe food products; banned or severely-harmful chemical fertilizers and pesticides; diseased seedlings and seeds in agriculture; fake medicine; etc.)
- The capacity building support to sector associations and businesses on the requirements of existing and upcoming EU regulations on social and environmental sustainability (Deforestation Free Agriculture, Eco-design Directive, etc.) to access the European Market, as well as additional international sustainability standards, will contribute to greener and more sustainable value chains, while minimizing environmental impacts.

### **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 with 2 specific outputs targeting gender equality and inclusion. Notably in output 1, trade policy, so that new policies and regulations promote gender equality (coherently with the MoC Gender Mainstreaming Action Plan and the MOWA Women's Economic Empowerment Strategies), and in output 3, support to SMEs, where women associations and women-led businesses are supported (export support services, trainings, etc.) in equal conditions. This action contributes to a key thematic priority of the Gender Action Plan III (GAP III): Promoting economic and social rights and empowering girls and women. Targeted activities promote decent work, equal pay and labour rights, and women's transition to the formal economy, boosting women's leadership and increasing their bargaining power, in sectors with a majority of women workers, as well as in non-traditional sectors. Activities under output 3 also contribute to creating an enabling environment for women entrepreneurs and access to export support services.

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### **Human Rights**

While trade contributes to growth and job generation, this is not always reflected in decent work conditions and in an environment where workers can exercise their labour rights. This action contributes to decent work conditions and labour rights, by promoting the development of a sustainable and inclusive trade policy in component 1, which ensures the respect of fundamental principles and rights at work, the right to safe and healthy working conditions for all, and a world of work free of violence and harassment. Likewise, component 3 raises awareness among SMEs, trade unions, and CSOs on the social sustainability requirements targeted by new regulations that global brands and consumers are increasingly demanding and how exporting companies can comply with them. The implementation of the Action is fully aligned with the EU Action Plan on Human Rights and Democracy 2020-2024, in its priority area 1. Protecting and empowering individuals.

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### **Disability**

As per OECD Disability DAC codes identified in section 1.1, this Action is labelled as D0. While disability is not considered the general or specific objective of the Action, specific measures will be taken to enable the participation of people with disabilities in the activities, especially in Output 3. 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 the initiatives to protect persons with disabilities and invite organisations representing people with disabilities.

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### **Reduction of Inequalities**

Trade sector development remains a key driver of poverty reduction in Cambodia through job and income creation. Because of this link, Cambodia's legislation provides for a relatively high minimum wage<sup>6</sup> to workers in factories and trade-focused service sectors such as tourism. In addition, in the garment sector where there is a higher rate of formal employment, workers are entitled to receiving social security benefits. EU-GATE monitors workers' wages in export sectors as well as other social benefits, and promote reduction of inequalities in the dialogue with the RGC.

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<sup>6</sup> Similar level as minimum wage in Vietnam's which is the highest in the region

**Democracy**

As stated in the MIP 2021-2027 for Cambodia, strengthening governance and democracy is a priority area. Trade facilitation (output 2) is fundamental to ensure transparent and streamlined customs procedures that can reduce corruption. Business advocacy activities (output 3) also contribute to a more predictable business environment and to promote necessary reforms. Civil society can play a significant role not only for reforms' advocacy but also in the oversight of their implementation.

**Conflict sensitivity, peace and resilience**

Land disputes are common in Cambodia, especially in the agricultural sector. Recently, farmers have been joining forces with civil society organizations to defend their rights and obtain compensation for evicted families. This action works with businesses in agriculture processing sectors. Special attention will be paid through work with sectoral associations to avoid conflicts and promote fair solutions in activities under output 3.

**Disaster Risk Reduction**

EU-GATE is an enabler of two actions of the AAP 2023 CAPSAFE – Cambodian Partnership for Sustainable Agriculture and Food Systems, and EU Partnership for Sustainable Energy Practices in Industry, for the greening of the garment sector. It contributes to increased exports with higher value added in selected agro processing value chains and in the GFT sector. This entails promoting exports from deforestation free agriculture, and from GFT factories that apply energy efficiency solutions and increasingly use of renewable energy such as solar PV. Both contribute to the reduction of climate related disasters.

### 3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1-to the external environment	Continuing global inflation combined with the impact of Russia's war in Ukraine causes a global recession and less demand	<b>M</b>	<b>H</b>	Possible mitigation might involve Cambodian exporters accelerating their shift to higher value exports to the EU that tend to be less affected by recessionary pressures.
2-to planning, processes and systems	Too scattered interventions scattered / difficulties in achieving measurable and concrete results.	<b>L</b>	<b>M</b>	Each component under this action focuses on few, well-defined key lines of action to stay on target. This is also reflected in the log frame targeting SMART indicators as the main RBM tool. This log frame will be updated at the inception phase to ensure the logic remains correct, relevant, and coherent.
4-to legality and regularity aspects	Benefits of trade are not accessible to all, including women, people with disabilities, and people and SMEs in rural areas	<b>M</b>	<b>H</b>	This action foresees targeted activities to promote inclusiveness and to prevent the perpetuation of gender inequality by involving relevant stakeholders throughout the action, and by actively promoting the participation of women, and groups in vulnerable situation in trainings and in the building of the exports support services' system.
3-to people and the organisation	MoC's institutional and HR capacity, and resources for implementation of	<b>M</b>	<b>M</b>	Using a Gap Assessment, EU GATE seeks to identify areas of weaknesses in current institutional and HR capacity and map out a strategy to address those through technical

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
	the Consumer Protection (CP) Law are weak/insufficient			assistance provided by the project in coordination with other donors.
3-to people and the organisation	Key WTO-TFA reforms are slow to materialize despite their significance in improving the country's competitiveness in global markets	<b>M</b>	<b>M/H</b>	The implementing partner will need to work closely with GDCE to mitigate risks associated with weak commitment to/slow implementation, in addition the EUD through policy dialogue will also convey the need for sustained willingness and commitment on GDCE side to encourage and support a selected group of OGAs
3-to people and the organisation	Sector Association leadership and advocacy capacity remain weak	<b>L</b>	<b>M</b>	EU-GATE builds upon capacity building work already done under ARISE+ Cambodia, and provides capacity building to CCC on how to better formulate the concerns and needs of its members into Policy Notes to share with and present to the Government.
<b>Lessons Learnt:</b> The Mid Term Evaluation (MTE) of ARISE+ Cambodia provided relevant recommendations that have been taken into account for the design of this action: <ul style="list-style-type: none"> <li>➤ The paramount importance of having clear links between results and outputs, so that implementation and reporting are guided by them rather than “completing activities”.</li> <li>➤ Capacity building activities should be designed around a few key areas of work to keep the focus in the dialogue with the counterparts and avoid scattered efforts.</li> <li>➤ An effective way to implement reform is to engage technical assistance heavily on the “how-to-do-it.” Assistance focusing heavily on legal and regulatory reform all too often fails if it leaves rights-holders to their own to implement laws and regulations. Technical Assistance should work on SOPs (Standard Operating Procedures) and train public officials with on-the-job training.</li> </ul>				

### 3.5 The Intervention Logic

The underlying intervention logic for this action is that

#### *Under Output 1:*

EU GATE supports the RGC during the Cambodia LDC graduation while ensuring there is the least possible impact on export sectors, and promoting sustainable trade policies that result in inclusive growth and decent job creation. This is anchored into the process mandated by the UN-GA for graduating LDC countries – namely the Smooth Transition Strategy (STS.) This is an intended result of the STS where Cambodia will have the ownership of the process. Output 1 also call for an explicit focus on the existing and upcoming environmental and social sustainability requirements to be incorporated into trade policies.

This action is also intended to develop building blocks for effective mechanisms and procedures to enforce the provisions of the Consumer Protection law. The project assesses the complaint registration process which in turn leads to a decision-tree to allocate the complaint to “problem-solvers”, mediators, or arbitrators or Court officials depending on the level of complexity of complaints. A capacity development plan will then be developed as fitted. The implementation team needs to ensure gender-parity in the mix of officers and other staff being trained. This is complemented by the strengthening of sector consumer associations and awareness raising activities to increase the use of new mechanisms by consumers.

The action also contributes to the improvement of key elements of the e-commerce strategy that are needed to facilitate international e-commerce: Data protection and privacy. The programme will deploy a relevant number of awareness raising activities about the costs and risks of going forward without data protection address to the government (advocacy) and to the private sector.

#### *Under Output 2:*

This output addresses key reform areas required in the WTO-TFA. They are needed to ensure streamlined and transparent customs procedures that ultimately will result into the improvement of the business environment and Cambodia’s increased competitiveness. Cambodia has made major improvements in the past 10 years in cutting down the time – henceforth the costs – of customs clearance of cargo at border posts. The biggest challenge that remains is the timeliness of documentary clearance and risk management. Activities under this output go directly to key ways of cutting down in the very inefficient documentary clearance processes and to the strengthening of the risk management system to mitigate costs. These reforms will simplify and strengthen SOPs and other processes in a manner that also support positively greater participation of Cambodian SMEs in international trade.

#### *Under Output 3:*

EU GATE contributes to the strengthening of private sector capacities for effective advocacy strategies in relevant export issues, enhancing its dialogue with the government, which will contribute to an improved and more predictive business environment. Under this output special attention is given to existing and upcoming European and international regulations as opportunities for increased competitiveness.

To address all obstacles faced by SMEs to access EU and regional markets, EU GATE supports the design and setting up of an effective export support services system, considering existing and demanded services. To ensure its sustainability the action will define a governance mechanism through the dialogue among responsible entities (notably MoC and MISTI), and private sector associations, notably in selected value chains. Once the system and most demanded services are defined, suitable service providers (professionals and SMEs) will be trained so that there is a sound base of professionals that will provide these services to SMEs on a fee base in the future. This system will be piloted in a group of 15-20 export willing SMEs, to make them export ready and export successful.

Gender equity and inclusiveness of groups in vulnerable situation (notably rural SMEs, youth entrepreneurs, people with disabilities) are considered in all activities within Output 3 including, but not limited to, in the selection of SMEs to be trained and/or supported to become export-ready.

### 3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g., including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (a): Main expected results (maximum 10)	Indicators (a): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	The <b>Overall Objective</b> of the Action is to increase the competitiveness of Cambodia's economy, as it prepares for UN-LDC graduation	1 Export of goods and services as percentage of GDP (SDG 1.15) (OPSYS core indicator)	1 64.6 (2021)	1 +0.5 increase annually 2024: 65.1 2025: 65.6 2026: 66.1 2027: 66.6	1 World Bank database	<i>Not applicable</i>
Outcome 1	The <b>Outcome</b> is to contribute to inclusive and sustainable trade and a stronger private sector, which meets international standards for export to the EU and regional markets	<p>1.1 Number of RGC agreements/ multilateral or bilateral understandings/ undertakings out of key LDC preferences negotiated with key trading partners including out of EBA to GSP/GSP+ with EU</p> <p>1.2 Increased number of WTO Trade Facilitation requirements implemented under category C*</p> <p>1.3 Number of processes related to partner country practices on trade, investment and business, or promoting the external dimension of EU internal policies or EU interest, which have been influenced (GERF 2.15)</p>	<p>1.1 No agreement/ multilateral or bilateral understandings/ undertakings</p> <p>1.2 2019:2</p> <p>1.3 2023: 0</p>	<p>1.1 At 2 agreements/ multilateral or bilateral understandings/ undertakings negotiated</p> <p>1.2: 9 at the end of the project</p> <p>1.3: 2024: 0 2025: 1 2026: 2 2027: 2</p>	<p>1.1 Progress reports for the EU-funded intervention</p> <p>1.2 WTO reporting</p> <p>1.3: Progress reports for the EU-funded intervention.</p>	RGC commitment to implement key reforms and meet requirements to GSP+
Output 1	1.1 <b>Cambodia's capacity to formulate and implement successfully laws, policies, and strategies in support of environmentally and socially (gender and disability inclusive and resulting in decent work conditions) sustainable trade development, is strengthened</b>	<p>1.1.1 Number of CP complaints resolved</p> <p>1.1.2 Number of enforcement actions on data protection taken by the regulatory authority</p>	<p>1.1.1 None</p> <p>1.1.2: None</p>	<p>1.1.1 500 CP complaints resolved (end of the project)</p> <p>1.1.2 TBD</p>	<p>1.1.1 Stats provided by MoC/DGCCF</p> <p>1.1.2 Stats from MoPTC</p>	<p>RGC and MoC committed to implementing CP Law</p> <p>RGC and MoPTC commitment to implementing Chapter 6 of the e-Commerce Law.</p>

	<b>while preparing for LDC graduation</b>	<p>1.1.2 Number of enforcement actions on data protection taken by the regulatory authority</p> <p>1.1.3 Extent to which EU-funded intervention contributed to formulation of the Trade Sector component of Cambodia's Smooth Transition Strategy (STS)</p> <p>1.1.4 Number of representatives of Consumer Protection associations trained by the EU-funded intervention with increased knowledge and/or skills in representing consumers' interests, disaggregated by sex</p>	<p>1.1.3 No STS</p> <p>1.1.4: None</p>	<p>1.1.3 At least three support activities (studies, trainings, drafting of documents) for the elaboration of the STS</p> <p>1.1.4: TBD</p>	<p>1.1.3 Text of strategies and policy documents; Progress</p> <p>1.1.4 reports for the EU-funded intervention</p>	
<b>Output 2</b>	<b>1.2 Cambodia's institutional infrastructure for trade facilitation becomes more effective, transparent, and competitive</b> through successful implementation of critical components of the WTO-TFA and ASEAN commitments	<p>1.2.1 Time needed for documentary clearance</p> <p>1.2.2 Number of private sector representatives trained by the EU-funded intervention with increased knowledge and/or skills in use of Pre-Arrival-Processing (PAP)-Maritime and PAP-Small Packages Post Office, disaggregated by sex</p>	<p>1.2.1 Selected stats from 2021 TRS for documentary clearance time</p> <p>1.2.2 None</p>	<p>1.2.1 TBD</p> <p>1.2.2: TBD</p>	<p>1.2.1 TRS, several years</p> <p>1.2.2 Progress reports for the EU-funded intervention</p>	Commitment from GDCE for the reforms and small group of OGAs for the CNSW
<b>Output 3</b>	<b>1.3 SMEs' capacity for exploiting the business opportunities offered by the ASEAN single economic space (AEC), EU, and global markets in selected value chains is strengthened, including their ability to meet</b>	<p>1.3.1 Number of policy notes by CCC and Eurocham developed with support of the EU-funded intervention</p> <p>1.3.2. Number of export support services are available on a fee-</p>	<p>1.3.1 2 White books (2019 and 2023). None by CCC</p> <p>1.3.2. None</p>	<p>1.3.1 At least one every two years both by G-PSF and Eurocham</p> <p>1.3.2 4 export-focused support services accessible</p>	<p>1.3.1 G-PSF Records and Eurocham publications</p>	<p>RGC commitment to improve the business environment and legal certainty</p> <p>Demand for Cambodian products in</p>



	EU and international standards and to focus on a market-led and gender and disability-inclusive value chain approach	for-service basis to export-willing SMEs  1.3.3 Percentage increase of export sales to the EU among the SMEs from the pilot group, including in the target agricultural sectors disaggregated by gender and disability.	1.3.3 0	to SMEs on a fee-for-service basis  1.3.3 TBD once the SMEs have been selected	1.3.2 Progress reports for the EU-funded intervention  1.3.3 Progress reports for the EU-funded intervention	international markets remains strong
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## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Kingdom of 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 48 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 measures<sup>7</sup>.

#### 4.4.1 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:

- Being pillar-assessed with local presence in Cambodia
- Demonstrated operational capacity and expertise in trade policy, trade facilitation and SMEs internationalisation
- Representing an added value to the EU funding
- Strong mechanism to ensure transparency and absence of conflict of interest

The implementation by this entity entails implementation of all the outcomes and outputs identified in section 3

### 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).

<sup>7</sup> [www.sanctionsmap.eu](http://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.

#### 4.6. Indicative Budget

<b>Indicative Budget components<sup>8</sup></b>	<b>EU contribution (amount in EUR)</b>
<b>Implementation modalities</b> – cf. section 4	
<b>Output 1: Trade Policy and Capacity Building, composed of</b>	<b>1 500 000</b>
Indirect management with an entrusted entity- cf. section 4.4	
<b>Output 2: Trade Facilitation composed of</b>	<b>2 900 000</b>
Indirect management with an entrusted entity- cf. section 4.4	
<b>Output 3: SMEs business support services for exports composed of</b>	<b>2 500 000</b>
Indirect management with an entrusted entity- cf. section 4.4	
<b>Evaluation – cf. section 5.2</b> <b>Audit – cf. section 5.3</b>	<b>100 000</b>
<b>Totals</b>	<b>7 000 000</b>

#### 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 Implementing Partner (IP) will be responsible for day-to-day management of the action, including mobilisation of the technical assistance and provision of outputs and reports.

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 MoC, while involving all other relevant stakeholders, including GDCE, MISTI. The Steering Committees will be prepared by the implementing partner who will provide a progress report 2 weeks ahead of the steering committee, outlining the progress of the project since the previous steering committee. 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 partner 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

<sup>8</sup> N.B: The final text on audit/verification depends on the outcome of ongoing discussions on pooling of funding in (one or a limited number of) Decision(s) and the subsequent financial management, i.e. for the conclusion of audit contracts and payments.

progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcome) as measured by corresponding indicators, using as reference the log frame matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

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:

- As per EU processes, the implementing partner will provide an updated log frame – staying within the overall and specific objectives of the program – and a first project year budget and a first project year work plan at completion of a three-month Inception Phase
- The implementing partner will provide once a year a narrative report, an up-to-date log frame, a spending accounting report, as well as a proposed work plan and a budget for the coming year.
- The implementing partner will also provide a short log frame report with an up-to-date log frame six month into each project year. The six-month and annual log frame updating will be prepared in consultation with the beneficiary to ensure the beneficiary is well informed as an owner of the expected benefits arising from the program and is fully aware of progress, delays, and the responsibilities of both the beneficiary and the implementing partner in ensuring that the program implementation remains “on track and on schedule.” The log frame 6-month update will be presented and discussed during the 6-month Project Steering Committee meetings.
- Indicators used for Outcome and Outputs should be SMART indicators requiring limited effort to update and track progress. Relevant indicators will be disaggregated by gender. Where feasible, data specific for groups in most vulnerable situation should be included.

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 outcome and outputs of the action.

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.

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 evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services may be contracted under a framework contract

### 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, duty bearers, grant rights-holders or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, the 2021-2027 programming cycle adopts a new approach to pooling, programming and deploying strategic communication and public diplomacy resources. Hence, action documents for specific sector programmes are 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);

<b>Action level (i.e. Budget Support, blending)</b>		
<input checked="" type="checkbox"/>	Single action	Present action: all contracts in the present action
<b>Group of actions level (i.e. top-up cases, different phases of a single programme)</b>		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#): <Present action> <Other action(s)>
<b>Contract level</b>		
<input type="checkbox"/>	Single Contract 1	<foreseen individual legal commitment (or contract)>
<input type="checkbox"/>	Single Contract 2	<foreseen individual legal commitment (or contract)>
	(...)	
<b>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)</b>		
<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) #>

