

Cambodia-Australia Partnership for Resilient Economic Development (“CAP-RED”)

Call for Expressions of Interest (Eoi)

Piped Water Service Operators of Direct Permit License

First Round

1. Program Aims and Approach

Cambodia - Australia Partnership for Resilient Economic Development (“CAP-RED”) is a newly established facility fully funded by the Department of Foreign Affairs and Trade (“DFAT”). It is a five-year facility with an option for three-year extension. CAP-RED will work in three domains: agricultural transformation; trade, investment and enterprise development, and infrastructure services with the goal to support Cambodia for sustainable, resilient, and inclusive economic growth.

CAP-RED will continue to provide similar supports to private water operators (“PWOs”) and investors that Investing in Infrastructure program or 3i had implemented from 2015 to 2022. The support will include grant and technical assistance to help PWOs and investors establish and expand their water supply infrastructure in service areas they would have not otherwise invested in a foreseeable timeframe.

CAP-RED will apply a rigorous procedure for PWO and investor selection and grant management process. It will also look to integrate gender equality, disabilities and social inclusion (“GEDSI”) in all possible aspects of the funding process.

2. Support for the Water Sector

This round of funding will make grant available to PWOs who have been licensed a 20-year permit or investors are permitted to conduct a feasibility study by MISTI.

CAP-RED will provide three types of supports to qualified PWOs/investors:

1. *Technical support for research and plans:* a funding for activities such as preparation of a feasibility study, build-out plan, infrastructure designs, and a five-year investment plan. Technical assistance can be provided by CAP-RED staff or advisers, or it can be provided by a third party who are funded by CAP-RED.
2. *Infrastructure grant:* an infrastructure investment grant to PWOs/investors as part of a co-funding agreement between CAP-RED and the PWOs/investors.
3. *Connection subsidy:* a subsidy to the connection of ID poor households, schools and health centres and other qualified beneficiaries. Lists of qualified beneficiaries will be provided by CAP-RED.

CAP-RED is working closely with Ministry of Industry, Science, Technology & Innovation (MISTI) to support PWOs for piped water infrastructure to meet the standards of water supply operation in Cambodia.

3. Methods of Grant Support

The main conditions for awarding grants are:

1. Water infrastructure projects must be co-funded – both the PWOs and CAP-RED will make financial contributions. Generally, the PWOs/investors are expected to fund the majority of the project.
2. CAP-RED will not require the grant to be paid back.
3. The PWOs/investors are responsible for the construction of the entire project, operation, maintenance, repairs and any future decommissioning (closure) of the facility.
4. CAP-RED helps the business to make investments viable and that are unlikely to happen by themselves in the near future.
5. CAP-RED will only make payments upon completion of specific outputs (for example, a specific piece of infrastructure or machinery). These outputs and payment amounts will be specified in the contract.
6. CAP-RED will undertake thorough due diligence and environmental impact checks and will only support companies with a good reputation and which have a clean record of operation.

4. Grant management process

The management of grants will occur as follows:

Activity
<p>Expressions of Interest</p> <ul style="list-style-type: none"> • CAP-RED calls for Expressions of Interest (EoI) from all interested PWOs/investors. The call for EOIs will be published in Cambodia’s Khmer newspaper and on Cambodia Water Supply Association’s website. In addition, the CAP-RED team will ask for the contact details of water operators registered with the Provincial Departments of Industry, Science, Technology and Innovation (“DISTIs”) of Kampong Thom, Kampong Chhnang, and Takeo and then directly call each of them and ask them to provide company information. CAP-RED encourages both wife and husband to attend the information session. • Interested PWOs/investors should register to EoI Briefing Session via info@capred.org or 012 817 829. • PWOs/investors join EoI Briefing Session on the following dates and locations: <ul style="list-style-type: none"> ▪ 11 October 2022, 09:00am at the DISTI office in Kamong Thom province. ▪ 11 October 2022, 09:00am at the DISTI office in Kampong Chhnang province. ▪ 11 October 2022, 09:00am at the DISTI office in Takeo province. • PWOs/investors fill in and submit an EoI application form by the end of 21 October 2022. • CAP-RED will evaluate all EoI application. PWOs must satisfy all the eligibility criteria listed in Section 5 “Eligibility Criteria.”
<p>Initial feasibility study</p> <ul style="list-style-type: none"> • CAP-RED will work closely with the PWOs/investors who meet all the eligibility criteria to undertake an initial, rapid assessment of the project feasibility. This assessment will include the validation of all the eligibility criteria in Section 4, the overall design concept, broad costing, interviews with the community, local

Activity
<p>government support, initial due diligence checks, and the calculation of the approximate grant amount. Since this is the initial stage of the study, the CAP-RED team will check if the business is a family business. If so, the team will encourage both the wife and husband to participate in the initial discussion and design.</p> <ul style="list-style-type: none"> All the PWOs/investors that satisfy all the eligibility criteria during the initial feasibility study will be given a 'preliminary result assessment' that will specify the amount of the approximate grant from CAP-RED. The PWOs/investors can decide whether to proceed or not.
<p>Feasibility Study: GESDI, Technical and Investment Study</p> <ul style="list-style-type: none"> CAP-RED will help the PWOs/investors that agree to proceed after reviewing the preliminary result assessment to conduct a full feasibility study. This study will include a technical study, infrastructure costing (including the amount of the CAP-RED infrastructure grant), and an investment plan (including a tariff calculation). The study will specifically require the PWOs/investors to interview women, ID Poor households, and people with disabilities to identify their concerns and get the perspective they may have with the coming project.
<p>Request for Investment Grant</p> <ul style="list-style-type: none"> PWOs/investors have to submit the letter of request for investment grant attached with the feasibility study to CAP-RED Oversight Committee in order to seek grant approval.
<p>Due Diligence, GESDI, and Environmental Check</p> <ul style="list-style-type: none"> CAP-RED will produce a proposal package that will be reviewed by CAP-RED's independent consultants as a quality check before sending the package for final approval. The package includes a feasibility study, grant proposal, due diligence checks on the PWOs/investors, and environmental checks.
<p>Approvals</p> <ul style="list-style-type: none"> Based on the request for the investment grant and CAP-RED's recommendation, DFAT will make a final decision on grant approval. For grants under AU\$100,000, CAP-RED will make the final decision. For grants equal to or over AU\$100,000, the Australian Government will make the final decision. The final decision can be in the form of an unconditional approval, an approval with conditions, or a denial of approval with justification.
<p>Contracting</p> <ul style="list-style-type: none"> If the request for the investment grant is approved, CAP-RED will negotiate an outputs-based contract ("OBC") with the PWOs/investors. The OBC contract divide infrastructure construction into multiple outputs with clear specifications. PWOs/investors will receive a specified grant after completing each output. The grant will be offered in Australian Dollars. The OBC will also embed specific GESDI requirements (i.e. the design and construction of segregated toilets for women and people with disabilities) as a payment condition of relevant outputs. PWOs/investors decide whether to sign the contract with CAP-RED or not.

Activity
<p>MISTI Permit Application Process</p> <ul style="list-style-type: none"> • PWOs/investors that have not obtained a permit from MISTI must proceed application to receive a 20-year permit from MISTI for the proposed service area.
<p>Grant Payment</p> <ul style="list-style-type: none"> • After signing the contract, PWOs/investors can implement the investment plan and start construction. • CAP-RED, via a specialized consultant, will provide work health and safety (“WHS”) as well as GEDSI training. • CAP-RED will conduct monitoring visits during construction to assess progress as well as any potential adverse impact arising from the construction on the community especially in regard to women, girls, people with disabilities, and vulnerable and marginalized groups. • The payment to PWOs/investors is based on the completion of the physical infrastructure mentioned in the outputs-based contract and is conditional on PWOs/investors obtaining the 20-year permit from MISTI for the proposed service area.

5. Eligible Criteria

Below is the list of all the eligibility criteria for the first round of funding under CAP-RED:

1. The proposed sites must be in **Kampong Thom, Kampong Chhnang, or Takeo** provinces.
2. The PWOs/investors must:
 - Be supplying piped water in a service area that is not under a permit of other operators; or
 - Having submitted a feasibility study report to MISTI; or
 - Having received a permission letter from MISTI to conduct a feasibility study in the proposed service area by **21 October 2022**.
3. The PWOs/investors must be committed to building or improving the water facility to a level where it can produce quality water conforming to MISTI permit’s requirements.
4. The PWOs/investors that have not received a 20-year permit from MISTI must commit to obtaining one for the proposed service area and must show evidence of permit application.
5. The total number of households at the proposed site should not be less than **2,000** and should not exceed **10,000**. In addition, only villages lacking a pipe network will be eligible.
6. The PWOs/investors must demonstrate business experience by satisfying at least one of the following:
 - It must have at least one year of experience as the owner of a water service company; or
 - It must have at least two years of experience in a water business or other related business (but not including a small retail store); or
 - It can supply a letter of support from friends, colleagues or relatives who are owners or who have at least one year of experience in the water business.
7. The PWOs/investors must demonstrate technical experience by satisfying at least one of the following:
 - It must have experience in owning and operating a water business; or
 - It must have staff who are experienced in the water business; or

- It must have a plan to train and develop the skills of its management and any staff.
- 8. The PWOs/investors must have demonstrated collaboration with and support from local authorities and water consumers.
- 9. The PWOs/investors must commit to embracing gender equality, disability, and social inclusion (GEDSI) in its employment process and among its staff and be willing to collaborate with CAP-RED to provide its workers and staff with GEDSI-related training.
- 10. The proposed water source must be able to supply water to households all year round. If year-round supply is not guaranteed, the PWOs/investors must demonstrate solutions to fix this. **Projects that seek to use groundwater as a water source is are not eligible for this round of funding. Projects that require more than three months' worth of stored water based on CAP-RED's hydraulic calculation will not be qualified for grant support.**

**NOTE:* Claims against these criteria will be checked and verified during the feasibility study and the due diligence assessment stage.

6. Funding criteria

Below are the funding criteria to be listed in the Call for Expression of Interest:

- The applicant must have been awarded a permit by MISTI.
- The applicant must agree to the scope of construction as per the feasibility study for each site developed by CAP-RED.
- The applicant must agree to a technical and financial output schedule as proposed by CAP-RED.
- The applicant must accept and comply with the contract conditions offered by CAP-RED.
- The applicant must accept the accompanying Cowater business code of conduct and the special code of conduct that commits the company to constructing and operating the facility as a legitimate business.
- The applicant must comply with the pre-agreed technical construction specifications.

7. Basis for Grant Allocation

Below are the bases for CAP-RED's grant allocation for each piped water project:

1. Without a grant, the payback period of the investment in the proposed site is longer than 7 years. CAP-RED will provide grant to reduce the payback period to 7 years.
2. The CAP-RED grant cannot be higher than USD 65 per household.
3. The proportion of 3i grant to the total and new investment cannot be higher than 60%.
4. The maximum investment grant is capped at **USD 250,000** per qualified applicant.
5. CAP-RED will offer connection grant in villages where there is no pipe network at the time of signing the contract. The connection grant is USD 35 per connection of ID Poor household and USD 75 per connection of school or health centre.

8. Timetable

The grant application, evaluation and approval process will have the following timeframes:

Activities	Dates/Duration
Call for Expressions of Interest (Eoi)	5 October 2022
Eoi Briefing Session	11 October 2022, 09:00am at DISTI offices in Kampong Thom, Kampong Chhnang, and Takeo provinces.
Deadline for submission of Eoi applications	21 October 2022
Evaluation of applications	3 months after acquiring all required information
Initial feasibility studies	
Indicative offers made to PWOs/investors	
Detailed feasibility studies and other technical plans	
CAP-RED's recommendation preparation	1 week after developing the detailed feasibility studies
Submission of PWOs/investors' request for investment grant and CAP-RED's recommendation to CAP-RED's Oversight Committee	2 working days after receiving the all documents
The Oversight Committee's and/or the Australian Government's decision on investment grant request	3-4 weeks after submission
Confirmation of grant offer to PWOs/investors	1 week after decision from the Oversight Committee or the Australian Government
Output-Based Contract negotiation between PWOs/investors and CAP-RED and contract signing	Depending on the negotiation, the contract is estimated to be ready for signature from both parties in a month.

9. How to apply

The EOI application form can be completed in Khmer or English and submitted in either hardcopy or softcopy.

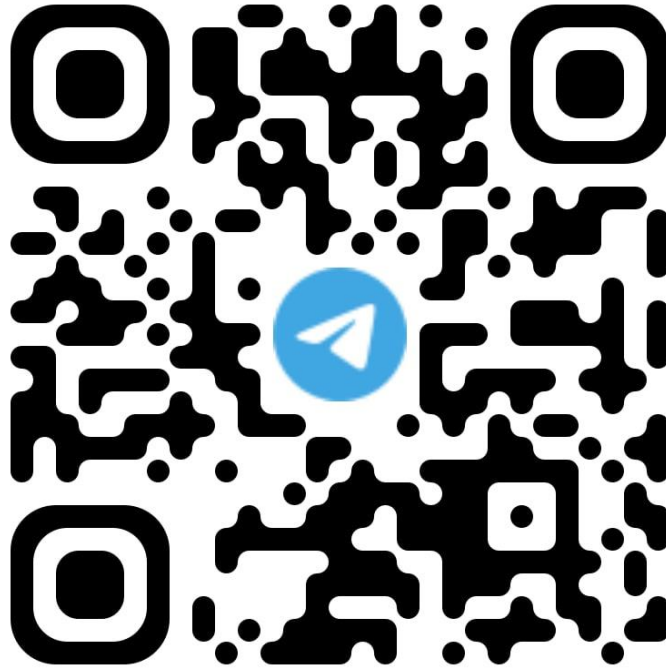
The completed application form must be submitted by the end of **21 October 2022** to:

Address: Address: 5th floor, ICON Professional Building, 126 Norodom Blvd, Phnom Penh, Cambodia.

Email: info@capred.org

Telegram: 012 817 829

EOI application form can be downloaded from Telegram Group: CAP-RED EoI Round 1



10. Contact

Inquiries related to this Call for EoI can be made from Monday to Friday between 8:00 am – 5:00 pm to **012 817 829**.

All questions and answers related to this process will be posted on CAP-RED Telegram Group.