Project Agreement

(Rural Electrification and Transmission Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ELECTRICITE DU CAMBODGE

Dated November 15, 2004
AGREEMENT, dated November 15, 2004, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and ELECTRICITE DU CAMBODGE (EDC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between the Kingdom of Cambodia (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to twenty seven million nine hundred thousand Special Drawing Rights (SDR 27,900,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that EDC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower and EDC, part of the proceeds of the Credit provided for under the Development Credit Agreement will be made available to EDC on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS EDC, in consideration of the Association’s entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

**ARTICLE I**

**Definitions**

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.
ARTICLE II

Execution of the Project

Section 2.01. (a) EDC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out its Respective Parts of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utilities practices and sound environmental and social standards acceptable to the Association, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for its Respective Parts of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and EDC shall otherwise agree, EDC shall carry out its Respective Parts of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) EDC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and its Respective Parts of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, EDC shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and EDC, a plan for the future operation of its Respective Parts of the Project; and

(ii) afford the Association a reasonable opportunity to exchange views with EDC on said plan.

Section 2.04. (a) For the purposes of carrying out its Respective Parts of the Project, EDC shall enter into a Subsidiary Loan Agreement with the Borrower, under terms and conditions acceptable to the Association and which shall include those set forth in Schedule 3 to this Agreement.
(b) EDC shall duly perform all its obligations under the Subsidiary Loan Agreement in a manner satisfactory to the Association. Except as the Association shall otherwise agree, EDC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) EDC shall, at the request of the Association, exchange views with the Association with regard to the progress of its Respective Parts of the Project, the performance of its obligations under this Agreement and under the Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) EDC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of its Respective Parts of the Project, the accomplishment of the purposes of the Credit, or the performance by EDC of its obligations under this Agreement and under the Subsidiary Loan Agreement.

ARTICLE III

Management and Operations of EDC

Section 3.01. EDC shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering, technical and public utilities practices and sound environmental and social standards under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. EDC shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, technical and public utilities practices and sound environmental and social standards.

Section 3.03. EDC shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.
ARTICLE IV

Financial Covenants

Section 4.01. (a) EDC shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to its Respective Parts of the Project.

(b) EDC shall:

(i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Association) commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon EDC’s reporting obligations set out in paragraph 9 of Schedule 2 to this Agreement, EDC shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for its Respective Parts of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and
explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in implementation of its Respective Parts of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under its Respective Parts of the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover the period not covered by the previous FMR until the end of such calendar quarter.

Section 4.03. (a) Except as the Association and EDC shall otherwise agree, EDC shall promptly take any and all measures necessary to ensure, (i) for each of its Fiscal years after its Fiscal Year ending December 31, 2004 that its estimated net revenues for each of such Fiscal Year shall be at least 1.2 times the estimated debt service requirements of EDC in such year on all of its debts, and (ii) for FY 2007 and thereafter that its estimated net revenues for each of such Fiscal Year shall be at least 1.3 times the estimated debt service requirements of EDC in such year on all of its debts.

(b) For the purposes of this Section:

(i) The term “debt” means any indebtedness of EDC maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred:

(A) under a loan contract or agreement (including, but without limitation, this Agreement), or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and

(B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into, and such incidence of debt shall include the assumption and
guarantee of debt and any renewal, extension or modification of the terms of the debt or of the assumption or guarantee thereof.

(iii) The term “net revenues” means the difference between:

(A) the sum of revenues from all sources related to operations and net non-operating income, after making adequate provisions for doubtful debts; and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term “net non-operating income” means the difference between: (i) revenues from all sources other than those related to operations; and (ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (i) above.

(v) The term “debt service requirements” means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(vi) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

Section 4.04. (a) Except as the Association and EDC shall otherwise agree, EDC shall not incur any debt if, after the incidence of such debt, the ratio of debt to equity shall be greater than one and one-half to one (1.5:1).

(b) For the purposes of this Section:
(i) The term “debt” means the same as provided therefor in subsection 4.03 (b)(i) of this Agreement, and it shall be deemed to be incurred in the same manner as provided therefor in subsection 4.03 (b)(ii) of this Agreement.

(ii) The term “equity” means the sum of the total unimpaired paid-up capital, retained earnings, surplus and reserves of EDC not allocated to cover specific liabilities.

(iii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the same basis as provided therefor in sub-section 4.03 (v) and (vi).

Section 4.05. (a) Except as the Association and EDC shall otherwise agree, EDC shall produce for each of its Fiscal Years after its Fiscal Year ending on December 31, 2004, total revenues equivalent to not less than the sum of its (i) total operating expenses; and (ii) the amount by which debt service requirements exceed the provision for depreciation.

(b) For the purposes of this Section:

(i) The term "total revenues" means the sum of total operating revenues and net non-operating income.

(ii) The term "total operating revenues" means revenues from all sources related to operations.

(iii) The term "net non-operating income" means the same as provided therefor in sub-section 4.03 (b)(iv).

(iv) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payment in lieu of taxes, and provision for depreciation on a straight-line basis, at a rate of not less than 4% per annum of the average current gross value of EDC’s fixed assets in operation or other bases acceptable to the Association, but excluding interest and other charges on debt.

(v) The average current gross value of EDC’s fixed assets in operation shall be calculated as one half the sum of the gross
value of EDC’s fixed assets in operation at the beginning and at the end of the fiscal year, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Association.

(vi) The term "debt service requirements" means the same as provided therefor in sub-section 4.03 (b)(v).

(vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the same basis as provided therefor in sub-section 4.03 (b)(vi).

Section 4.06. (a) Before November 30 in each of its Fiscal Years, commencing with its Fiscal Year 2005, EDC shall, on the basis of forecasts prepared by EDC and satisfactory to the Association, review whether it would meet the requirements set forth in Sections 4.03, 4.04 and 4.05 above in respect of such Fiscal Year and the next following Fiscal Year, and shall furnish to the Association the results of such review upon its completion.

(b) EDC shall ensure that the matters specified in Sections 4.03, 4.04, and 4.05 above shall be analyzed and reviewed with the Association upon the 220 kV transmission line being commissioned to address changes to EDC’s operating cost structure and projected profitability. As a result of this review, amendments shall be made, as appropriate to Sections 4.03, 4.04 and 4.05, as agreed upon by EDC and the Association.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of EDC thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or

(ii) the date twenty (20) years after the date of this Agreement.
(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a)(ii) of this Section, the Association shall promptly notify EDC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party’s address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:   Telex:   Facsimile:
INDEVAS  248423 (MCI) or (202) 477-6391  
Washington, D.C.  64145 (MCI)

For Electricite du Cambodge:

Street 19 Wat Phnom  
Daun Penh District  
Phnom Penh  
Kingdom of Cambodia

Facsimile:  
(855-23) 426-938/426-018
Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of EDC may be taken or executed by the Managing Director of EDC or such other person or persons as said Managing Director shall designate in writing, and EDC shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Phnom Penh, Kingdom of Cambodia, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ian Porter

Authorized Representative

ELECTRICITE DU CAMBODGE

By /s/ Tan Kimvinn

Authorized Representative
SCHEDULE 1

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

   (a) Preference for domestically manufactured goods and domestic contractors

   The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

   (b) Notification and Advertising

   The invitation to bid for each contract estimated to cost $10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.
Part C: Other Procurement Procedures

1. National Competitive Bidding

   (a) Works estimated to cost less than $1,500,000 equivalent per contract, up to an aggregate amount not to exceed $5,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

   (b) The procedures to be followed for National Competitive Bidding under this paragraph 1, Part C, shall further follow those set forth in the Annex to this Schedule 1.

2. International and National Shopping

   (a) Goods estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount not to exceed $1,000,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures; and (b) goods estimated to cost less than $50,000 equivalent per contract, up to an aggregate not to exceed $250,000 equivalent, may be procured under contracts awarded on the basis of national shopping; in either case in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Commercial Practices

   Goods and works under Part B(2) of the Project and estimated to cost less than $2,000,000 equivalent may be procured in accordance with commercial practices acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

   Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.
2. Prior Review

(a) With respect to each contract for works estimated to cost the equivalent of $500,000 or more and each contract for goods estimated to cost the equivalent of $200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods to be procured in accordance with paragraph 2 of Part C of this Section estimated to cost the equivalent of $75,000 or more, the following procedures shall apply:

(i) prior to the selection of any supplier of any contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants’ services shall be procured in accordance with the provisions of Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.
Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants’ services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants’ services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services under Part C(1)(e) and Part C(3)(c) of the Project, estimated to cost less than $100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants’ Qualifications

Services under Part C of the Project, excluding Parts C(1)(a) and C(1)(b) of the Project estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services of individual consultants for: (a) tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines; and (b) for services of an in-house advisor under Part C(3)(a) of the Project may be selected on a sole-source basis in accordance with the provisions of paragraphs 5.3 and 5.4 of the Consultant Guidelines, subject to prior approval of the Association.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every twelve (12)
months during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Selection of all consultants’ services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of $100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants to be selected on a sole source basis, or estimated to cost the equivalent of $50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.
Annex to Schedule 1

Additional Procurement Provisions

The following provisions shall apply in respect of contracts for goods and works financed under the Project and procured according to national competitive bidding procedures.

(a) Foreign suppliers and contractors from eligible countries shall, if they are interested, be allowed to participate without being required to associate or form joint ventures with local suppliers or contractors.

(b) Prior registration shall not be a requirement to participate in bidding procedures; but it may be required in the case of a selected bidder as a condition of signing a contract.

(c) Pre-qualification of contractors shall be required for competitive bidding in the case of large or complex works; in all other cases, pre-qualification shall only be required in justifiable cases and with the prior approval of the Association.

(d) When pre-qualification is required, the evaluation methodology shall be based on pass/fail criteria relating to the firm’s experience, technical, financial, physical and human resource capacities.

(e) A public bid opening ceremony shall take place immediately after the deadline for presentation of bids, and without any intervening time lag, and, during such public bid opening ceremony, bids shall be opened and read out in public, and in the presence of bidders’ representatives who wish to attend.

(f) In all cases, the award shall be made to the lowest evaluated responsive and complying bid and, except with the prior approval of the Association, no negotiations shall take place with any bidder prior to the award, even when all bids exceed the cost estimates.

(g) In the case of all contracts with a duration in excess of 18 months, bidding documents shall allow for price adjustment formulae.

(h) Bidders, who disagree with arithmetic corrections made by the evaluating committee during the evaluation stage, shall not be allowed to withdraw their bids without forfeiting their bid security.

(i) The Association reserves the right to require that all contracts under national competitive bidding procedures financed by the Association, include a provision requiring suppliers and contractors to permit the Association to inspect their accounts and
records relating to the performance of the contracts and to have them audited by auditors appointed by the Association.
SCHEDULE 2

Implementation Program

1. EDC shall maintain, until completion of the Project, the EDC PMU, headed by a qualified and experienced officer, with such functions, responsibilities and funds, satisfactory to the Association, and with competent staff in adequate numbers, as shall be required for implementation of its Respective Parts of the Project, including: (i) engaging the services of contractors and consultants to carry out implementation of its Respective Parts of the Project; and (ii) monitoring and evaluation of the progress of its Respective Parts of the Project, including the environmental and social impacts of its Respective Parts of the Project.

2. EDC shall:
   
   (a) carry out its Respective Parts of the Project in accordance with the Project Implementation Plan, satisfactory to the Association, which shall include: (i) implementation arrangements; (ii) the procurement procedures set forth in Schedule 1 to this Agreement and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures as set forth in Article IV of this Agreement; (iv) the project performance indicators set forth in Schedule 4 to this Agreement; (v) measures required under the Environmental Management Plan, the Resettlement Action Plan, and the Resettlement Policy Framework, and (vi) procedures for monitoring and reporting of the progress of its Respective Parts of the Project; and
   
   (b) shall not amend, waive or abrogate the provisions of the Project Implementation Plan without the prior concurrence of the Association.

3. No later than June 30, 2005, EDC shall fully utilize its existing computerized accounting system, in a manner satisfactory to the Association, or use an alternative accounting system, acceptable to the Association.

4. EDC shall, no later than October 30, 2005, engage an independent auditing firm, with qualifications, experience and terms of reference, satisfactory to the Association to carry out audits of the Project accounts, in a manner satisfactory to the Association.

5. EDC shall, no later than three (3) months prior to commencement of each Fiscal Year, beginning with FY 2006, prepare and furnish to the Association for its review and comments EDC’s Power Investment Plan (as updated), in such detail and substance as the Association may reasonably request, and, thereafter, take all such action as shall be necessary to adopt and implement in an efficient and transparent manner such power investment plan (as updated) taking into account of the Association’s comments. EDC shall not amend, waive, abrogate or suspend EDC’s Power Investment Plan without the prior concurrence by the Association.
6. EDC shall, not later than November 30 of each year, commencing in 2005, furnish to the Association, for its review and concurrence, proposed annual work plans and budgets for the forthcoming Fiscal Year, giving details of proposed disbursement estimates, proposed procurement activities, and such other particulars as the Association may require.

7. In carrying out Parts A(2) and A(3) of the Project, EDC shall implement: (i) the Resettlement Action Plan, in a manner satisfactory to the Association; and at least six months prior to initiating any civil works under said Parts of the Project, engage, under terms of reference satisfactory to the Association, an independent institution or firm with qualifications and experience acceptable to the Association to monitor said implementation, and (ii) the measures described in the Environmental Management Plan, and without any limitation thereto, shall take timely action to ensure that any adverse environmental impact of its Respective Parts of the Project is effectively mitigated in a manner satisfactory to the Association.

8. (a) Prior to commencing works under Part B(1) of the Project, EDC shall ensure that:

(i) the technical analysis, including alternative engineering designs, and social and economic benefits analysis have been prepared and furnished to the Association for prior approval;

(ii) a resettlement action plan has been prepared in accordance with the Resettlement Policy Framework and such plan has been approved by the Association, if Part B(1) of the Project involves resettlement of Displaced Persons; and

(iii) an analysis of the environmental impacts of Part B(1) of the Project has been undertaken and, if applicable, an environmental management plan satisfactory to the Association has been prepared, on the basis of environmental standards acceptable to the Association.

(b) EDC thereafter shall carry out said works and implement the resettlement action plan and the environmental management plan, as the case may be, all in a manner satisfactory to the Association.
9. The EDC shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of its Respective Parts of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of its Respective Parts of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Respective Parts of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by June 30, 2007, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of its Respective Parts of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.
SCHEDULE 3

Terms and Conditions of the Subsidiary Loan Agreement

The Subsidiary Loan Agreement to be entered into between the Borrower and EDC, pursuant to the provisions of Section 3.03 (a) of this Agreement, shall include the following principal terms and conditions:

1. EDC shall repay to the Borrower the aggregate amount of the proceeds of the Credit withdrawn from time to time from the Credit Account for the financing of EDC’s Respective Parts of the Project (the “Subsidiary Loan”): (i) over a period not to exceed twenty (20) years, including a grace period not to exceed five (5) years in respect of the amount allocated to the financing of Part A(2) (excluding Part A(2)(e)) and Part C(3) of the Project; and (ii) over a period not to exceed twenty five (25) years, including a grace period not to exceed seven (7) years in respect of the amount allocated to the financing of Part B(1) of the Project.

2. The Subsidiary Loan shall be denominated in United States dollars and repaid by EDC to the Borrower in Riels, at least semi-annually at the official rate of exchange as determined by NBC on the respective dates on which the proceeds of the Subsidiary Loan are repaid by EDC.

3. EDC shall pay interest on the principal amount of the Subsidiary Loan, withdrawn and outstanding from time to time, (i) at a fixed rate per annum equal to 4.2% in respect of the amount allocated to the financing of Part A(2) (excluding Part A(2)(e)) and Part C(3) of the Project; and (ii) at a fixed rate per annum equal to 2.0% for Credit in respect of the amount allocated to the financing of Part B(1) of the Project.