Global Environment Facility
Trust Fund Grant Agreement

(Rural Electrification and Transmission Project)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated November 15, 2004
GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated November 15, 2004, between KINGDOM OF CAMBODIA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the third replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 2002-0005 of December 19, 2002, of the Executive Directors of the Bank (Resolution No.2002-0005);

(D) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding Parts (B)(2)(b) and B (2)(d) and Part C of the Project (except for Parts C(1)(b), C(1)(c), C(1)(g) and C(3) of the Project), and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 2002-0005, which may include funds carried over from the second replenishment of the GEF Trust Fund under Resolution No. 98-2;

(E) the Recipient has also requested the International Development Association (the Association) to provide additional financing towards the financing of the Project, and by an agreement of even date herewith between the Recipient and the Association, the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to twenty seven million nine hundred thousand Special Drawing Rights (SDR27,900,000) (the Credit);
the Asian Development Bank (ADB) has agreed to make a loan in an amount of approximately US$45,000,000 equivalent (the ADB Loan) for the financing of Part A(1) of the Project on the terms and conditions set forth in an agreement to be entered into between the Recipient and ADB (the ADB Loan Agreement);

the Nordic Development Fund (NDF) has also agreed to make a loan in an amount of approximately 10,000,000 Euros (US$10,800,000 equivalent) (the NDF Loan) for the co-financing of Part A(1) of the Project on the terms and conditions set forth in an agreement to be entered into between the Recipient and NDF (the NDF Loan Agreement);

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through October 6, 1999), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

(i) Article I;

(ii) Sections 2.01 (but excluding Sections 2.01(1), (10), (11), (12), (13), (15), (17) and (20)), 2.02 and 2.03;

(iii) Section 3.01;

(iv) Sections 4.01 and 4.06;

(v) Article V;

(vi) Sections 6.01, 6.02 (but excluding 6.02(b), (k) and (n)), 6.03, 6.04 and 6.06;

(vii) Section 8.01 (b);
(viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;

(ix) Sections 10.01, 10.03 and 10.04;

(x) Article XI; and

(xi) Sections 12.01 (c), 12.02(c), 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:

(i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;

(ii) the term “Recipient”, wherever used in the General Conditions, means the Recipient;

(iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;

(iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;

(v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and

(vi) a new subparagraph is added after subparagraph (j) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Beneficiary” means any rural electrification enterprise, private entrepreneur, or community group determined to be eligible for a Sub-Grant in accordance with the eligibility criteria set forth in the Operational Manual and to whom, or for whose benefit, a Sub-Grant is made or proposed to be made, and the term “Beneficiaries” means more than one Beneficiary.
(b) “EAC” means the Electricity Authority of Cambodia established pursuant to the Electricity Law of the Recipient promulgated by the Royal Decree No. NS/RKM/0201/03 dated February 02, 2001, as an autonomous agency to regulate the electricity services and to govern the relations between the delivery, receipt and use of electricity, and such term includes any successor thereto.

(c) “Development Credit Agreement” means the agreement of even date herewith between the Recipient and the Association for the Project, as such agreement may be amended from time to time; and such term includes the “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999), as applied to such agreement, and all schedules and agreements supplemental to the Development Credit Agreement.

(d) “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and “Displaced Persons” means, collectively, all such Displaced Persons.

(e) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement.

(f) “MIME” means the Recipient's Ministry of Industry, Mines and Energy, established pursuant to the Recipient's Royal Decree dated November 1, 1993, and such term includes any successor thereto.

(g) "NBC" means the National Bank of Cambodia, the Recipient’s central bank, and such term includes any successor thereto.

(h) “Operational Manual” means the manual prepared by the Recipient to assist in the implementation of Part B(2) of the Project, referred to in paragraph 7 of Schedule 3 to the Development Credit Agreement, as said manual may be amended from time to time with the prior agreement of the Association.

(i) “Respective Parts of the Project” means (i) in respect of MIME, Part C (1) of the Project; (ii) in respect of EAC, Part C(2) of the Project; (iii) in respect of REF, Part B(2) of the Project; and (iv) in respect of EDC, Parts A(2) and (3), Parts B(1) and (3) and Part C(3) of the Project.
(j) “Rural Electrification Fund” and its acronym “REF” mean the public institution to be established by the Recipient to provide financial and technical support for rural electrification development pursuant to paragraph 1 of Schedule 3 to the Development Credit Agreement.

(k) “Special Account” means the account referred to in Section 2.02 of this Agreement.

(l) “Sub-Grant” means a grant made or proposed to be made by the Recipient to a Beneficiary out of the proceeds of the Credit or the GEF Trust Fund Grant for the purpose of financing part of the cost of a Sub-project under Part B(2) of the Project, and the term “Sub-Grants” means more than one Sub-Grant.

(m) "Sub-Grant Agreement" means an agreement for a Sub-Grant referred to in paragraph 10 of Schedule 3 to the Development Credit Agreement.

(n) “Sub-project” means a specific rural electrification project selected for financing under Parts B(2) of the Project in accordance with the Operational Manual and the terms and conditions of Schedule 3 to the Development Credit Agreement; and “Sub-projects” means, collectively, all such Sub-projects.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount equal to five million seven hundred fifty thousand Dollars ($5,750,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of services required for carrying out Parts C(1)(a), C(1)(c), C(1)(d), C(1)(e), C(1)(f), C(1)(g), and C(2) of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant; and (ii) amounts paid (or, if the Bank shall so agree, to be paid) on account of withdrawals made for the benefit of a Beneficiary to meet the reasonable costs of eligible expenditures relating to a Sub-project under Part B(2)(b) and (2)(d) of the Project, and in respect of which the withdrawal from the GEF Trust Fund Grant Account is requested.
(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in the National Bank of Cambodia or in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2009 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Parts C(1)(a), C(1)(c), C(1)(d), C(1)(e), C(1)(f), and C(1)(g) of the Project through MIME, Part C(2) of the Project through EAC, and Parts B(2)(b) and B(2)(d) of the Project through REF, all with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, technical and public utilities practices and sound environmental and social standards acceptable to the Association, and shall provide, promptly as needed, the funds, facilities, services and other resources required for said parts of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out said Parts of the Project referred to in subparagraph (a) above in accordance with the Implementation Program set forth in Schedule 3 to the Development Credit Agreement.

Section 3.02. For the purposes of Parts B(2)(b) and B(2)(d) of the Project, the Recipient shall allocate an amount of the GEF Trust Fund Grant not exceeding such amount as may be allocated from time to time to Category (1) of the table in paragraph 1 of Schedule 1 to this Agreement, to provide Sub-Grants to finance Sub-projects, on the terms and conditions specified in Schedule 3 to the Development Credit Agreement and the Operational Manual, and on such other terms and conditions as shall be acceptable to the Bank.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the consultants’ services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 1 to the Project Agreement.
Section 3.04. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan to ensure the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient 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 the operations, resources and expenditures related to its Respective Parts of the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank) audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank 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 Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.
For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient shall:

(i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient’s progress reporting obligations set out in paragraph 11 of Schedule 3 to the Development Credit Agreement, the Recipient 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 GEF Trust Fund Grant, 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:
(a) Subject to paragraph (b) of this Section:

(i) the right of the Recipient to withdraw the proceeds of the Credit, the ADB Loan or the NDF Loan made to the Recipient for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Development Credit Agreement, the ADB Loan Agreement, or the NDF Loan Agreement respectively, or

(ii) any of the said Credit or Loan shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section shall not apply if the Recipient establishes to the satisfaction of the Bank that:

(i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and

(ii) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

ARTICLE VI

Effectiveness, Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01(c) of the General Conditions, namely, the Development Credit Agreement, the ADB Loan Agreement and the NDF Loan Agreement have been executed and delivered and all conditions precedent to their effectiveness or to the right of the Recipient to make withdrawals thereunder, except only the effectiveness of this Agreement, have been fulfilled.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that this Agreement has been duly authorized or ratified by the Recipient and is legally binding upon the Recipient in accordance with its terms.
Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.04. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister of Economy and Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Economy and Finance
92nd Street, Sangkat Wat Phnom
Phnom Penh
Kingdom of Cambodia

Facsimile:
(855-23) 427 - 798
(855-23) 725 - 341
For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INTBAFRAD
Telex: 248423 (MCI)
Washington, D.C. 64145 (MCI)

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.

KINGDOM OF CAMBODIA

By /s/ Keat Chhon

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as an implementing agency of the Global Environment Facility

By /s/ Ian Porter

Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the GEF Trust Fund Grant Allocated (Expressed in U.S. Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-Grants under Parts B(2)(c) and B(2)(d) of the Project</td>
<td>1,540,000</td>
<td>100% of amount disbursed</td>
</tr>
<tr>
<td>(2) Consultants’ Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Parts C(1) (a) and C(1)(g) of the Project</td>
<td>750,000</td>
<td>95%</td>
</tr>
<tr>
<td>(b) under Part C(1)(c) of the Project</td>
<td>820,000</td>
<td>35%</td>
</tr>
<tr>
<td>(c) under Part C(1)(d) of the Project</td>
<td>150,000</td>
<td>41%</td>
</tr>
<tr>
<td>(d) under Part C(1)(e) of the Project</td>
<td>2,000,000</td>
<td>90%</td>
</tr>
<tr>
<td>(e) under Part C(1)(f) of the Project</td>
<td>180,000</td>
<td>23%</td>
</tr>
<tr>
<td>(f) under Part C(2) of the Project</td>
<td>110,000</td>
<td>24%</td>
</tr>
<tr>
<td>(3) Training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part C(1)(f) of the Project</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>5,750,000</td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule, the term “training” means reasonable expenditures incurred by MIME, which expenditures would not have been incurred absent the Project, for training activities, including travel costs, lodging and travel per diem for training participants, preparation, translation and duplication of training materials.
materials, rental of training-related equipment and training venues, and consumables, but excluding fees paid to consultants and excluding salaries and salaries supplements.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement; and

(b) in respect of payments made for Sub-Grants under Category (1) above until the REF has been duly established and become fully operational in accordance with paragraph 1 of Schedule 3 to the Development Credit Agreement.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) consultants services under contracts with firms costing less than $100,000 equivalent each; (b) consultants services under contracts with individuals costing less than $50,000 equivalent each; (c) Sub-Grants and (d) training; all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. If the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.
SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient to: (a) improve power sector efficiency and reliability and reduce electricity supply costs; (b) improve standards of living and foster economic growth in rural areas by expanding rural electricity supplies; and (c) strengthen electricity institutions and the regulatory framework for the power sector to foster its commercialization and privatization.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives:

Part A. Power Transmission Development

1. Construction of 220 kilovolt (kV) transmission systems:
   
   (a) construction of a 220 kV transmission line of approximately 109 kilometers (km) in length from the Chau Doc substation in Vietnam to the West Phnom Penh substation and a bulk supply distribution system serving communities along the transmission route;

   (b) construction of a 220/115/22 kV substation at West Phnom Penh; and a 220/22 kV substation at Takeo and a medium voltage distribution system serving Takeo town and West Phnom Penh vicinities;

   (c) strengthening EDC’s capacity in financial management, information technology, internal audits, implementation of social and environmental safeguards measures under the Project, demand management and energy savings, consumer services and relations, and review of EDC long term tariff structures; and

   (d) carrying out resettlement and rehabilitation of Displaced Persons under Parts A(1)(a) and (1)(b) of the Project.

2. Reinforcement of the 115 kV Transmission System and Extension of 22 kV Power Distribution Networks:

   (a) construction of approximately 20 km of a double circuit 115 kV transmission line, each circuit approximately 10 km in length, to connect the West Phnom Penh substation and the grid substation (GS3); and stringing of a second circuit of
the existing 115 kV transmission line of about 23 km connecting three existing grid substations (GS1, GS2 and GS3);

(b) upgrading equipment in the existing 115 kV grid substations GS1, GS2 and GS3, including installation of 115/22 kV 30/50MVA transformers, about 40 MVAr of reactive compensation, and other switchyard equipment;

(c) extending the medium-voltage power distribution networks by about 130 km from the West Phnom Penh substation along national roads No. 3 and No. 4, and the Takeo substation to Samraong and Kampong Chrey;

(d) strengthening the capacity of the EDC PMU through acquisition of office and communication equipment, inspection and field work vehicles, power planning software, and operation and maintenance equipment and tools; and

(e) carrying out resettlement and rehabilitation of Displaced Persons under Parts A(2)(a), (2)(b) and (2)(c) of the Project.

3. Construction of a modern National Control Center and installation of a Supervisory Control and Data Acquisition (SCADA) system for the National Control Center.

Part B. Rural Electrification Program

1. Extending the medium-voltage grid network by approximately 516 km in length and the low-voltage grid network by approximately 536 km in length to about 50,000 customers in four provincial areas of Sihanoukville, Battambang, Kampot and Kampong Speu; and installing, in the aggregate, about 200 distribution transformers and 16 isolating transformers.

2. Provision of Sub-Grants to assist in financing (a) extension of the rural electricity grids to about 50,000 new households by rural electricity enterprises; (b) installation of solar home systems and providing electricity generated from the solar home systems to about 12,000 households; (c) construction of mini hydroelectric power stations of about six (6) megawatts (MW) of renewable energy capacity; and (d) construction of micro hydroelectric power plants of about 850 kilowatts (kW) capacity.

3. Carrying out resettlement and rehabilitation of Displaced Persons under Parts B (1) and B(2) of the Project.

Part C. Sector Reform and Institutional Strengthening
1. Strengthening the capacity of MIME and REF in institutional development and sector reform, through:

(a) developing an energy policy framework which supports private sector participation in the renewable energy business, including developing subsidy financing mechanism for ensuring the sustainability of the renewable energy development; and preparation of a small Power Purchase Agreement model for renewable energy developers;

(b) preparing a master plan for the power sector development, including preparation of a power system expansion master plan, and conducting energy consumption surveys in provincial and rural areas;

(c) establishment and operation of the REF and developing the REF’s capacity in project appraisal, implementation, monitoring and evaluation, and financial management, including provision of technical assistance and operational support;

(d) developing and promoting income generation activities in rural areas for electricity end-users;

(e) developing and promoting renewable energy business, including pipeline development of renewable energy Sub-projects; promoting the use of renewable energy through media campaign and community demonstration; and providing training to selected non-governmental organizations and private sector entrepreneurs in renewable energy technologies;

(f) strengthening the capacity of selected rural electricity enterprises, and the Rural Electricity Enterprises Association, and facilitating coordination between the rural electricity enterprises and local stakeholders; and

(g) strengthening the capacity of selected financial institutions in appraising and supervising renewable energy Sub-projects.

2. Strengthening the institutional capacity of EAC in carrying out its functions, including: (a) issuing licenses to electricity service providers and monitoring their services; (b) setting, application and monitoring of electricity tariffs; (c) developing power sector regulations and codes including preparing the Grid Code and the Distribution Code; (d) improving consumer protection by establishing technical and consumer service standards for electricity service providers; and (e) providing training to staff of EAC in computer and language skills, administration, management, power sector regulations, tariffs setting, and consumer disputes resolution; including provision of operational support and technical assistance.
3. Strengthening the institutional capacity of EDC in: (a) project implementation, with respect to, inter alia, engineering design, construction, project supervision, coordination with ADB, and procurement matters; (b) the establishment and operation of the National Control Center; (c) monitoring resettlement and compensation process; and addressing complaints and grievances of the Displaced Persons; (d) improving EDC’s commercial practices through implementation of accounting and financial management systems and new project costs models compatible with commercial practices; and providing management training thereof; (e) providing training in the implementation of the social and environmental safeguards measures under the Project; and (f) developing a power investment plan for power generation, transmission and distribution investment, including provision of technical assistance.

* * *

The Project is expected to be completed by December 31, 2008.
SCHEDULE 3

Special Account

1. For the purposes of this Schedule:

   (a) the term “eligible Categories” means: (i) in respect of REF’s Respective Part of the Project, Category (1); (ii) in respect of MIME’s Respective Parts of the Project, Categories (2)(a), (2)(b), (2)(c), (2)(d), (2)(e), and (3)(a); (iii) in respect of EAC’s Respective Part of the Project, Category (2)(f); all as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

   (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

   (c) the term “Authorized Allocation” means an amount equivalent to $500,000, to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $300,000, until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of $1,500,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the respective Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or
(d) Once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.