Project Agreement

(Second Rural Energy Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,
acting as an Implementing Agency of
The Global Environment Facility

and

ELECTRICITY OF VIETNAM
POWER COMPANY No. 1
POWER COMPANY No. 2
and
POWER COMPANY No. 3

Dated June 17, 2005
CREDIT NUMBER 4000-VN
GEF TRUST FUND GRANT NUMBER TF054464-VN

PROJECT AGREEMENT

AGREEMENT dated June 17 2005, among INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and ELECTRICITY OF VIETNAM (EVN), POWER COMPANY No. 1 (PC1), POWER COMPANY No.2 (PC2) and POWER COMPANY No.3 (PC3) (PC1, PC2 and PC3, singly, a Power Company, and collectively, the Power Companies).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Socialist Republic of Vietnam (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred fifty-one million one hundred thousand Special Drawing Rights (SDR151,100,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that EVN, PC1, PC2 and PC3 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 each of PC1, PC2 and PC3, part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to each of PC1, PC2 and PC3 on the terms and conditions set forth in each said Subsidiary Loan Agreement;

(C) by a GEF Trust Fund Grant Agreement of even date herewith between the Socialist Republic of Vietnam (the Recipient) and International Bank for Reconstruction and Development (the Bank) acting as an implementing agency of the Global Environment Facility (GEF), GEF has agreed to make available to the Recipient a grant in the amount of $5,250,000 to assist in the financing of Part E of the Project; and

WHEREAS each of EVN, PC1, PC2 and PC3, in consideration of the Association’s entering into the Development Credit Agreement with the Borrower and of the Bank entering into the GEF Trust Fund Grant Agreement with the Recipient, 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) EVN, PC1, PC2 and PC3 each declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, PC1 shall carry out Part B of the Project, PC2 shall carry out Part C of the Project, and PC3 shall carry out Part D of the Project, all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utility practices and sound environmental and social standards acceptable to the Association and the Bank; and EVN, PC1, PC2 and PC3 shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Parts B, C and D of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and the Bank shall otherwise agree, EVN and PC1, PC2 and PC3 shall carry out Parts B, C and D of the Project respectively, in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. (a) Except as the Association and the Bank shall otherwise agree, procurement of the goods, and works required for Parts B, C and D of 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, as said provisions may be further elaborated in the Procurement Plan.

(b) EVN and the Power Companies shall update their respective part of the Procurement Plan in accordance with guidelines acceptable to the Association and the Bank, and furnish such update not later than 12 months after the date of the preceding Procurement Plan to the Association and the Bank for their approval.

Section 2.03. (a) EVN and the Power Companies 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 Parts B, C and D of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, each of EVN and the Power Companies 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 the Bank and EVN and the Power Companies, a plan for the continued achievement of the objectives of Parts B, C and D of the Project; and

(ii) afford the Association and the Bank a reasonable opportunity to exchange views with EVN and the Power Companies on said plan.

Section 2.04. Each of PC1, PC2 and PC3 shall duly perform all its obligations under its respective Subsidiary Loan Agreement. Except as the Association and the Bank shall otherwise agree, none of PC1, PC2 and PC3 shall take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the respective Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) EVN and the Power Companies shall, at the request of the Association and the Bank, exchange views with the Association and the Bank with regard to the progress of Parts B, C and D of the Project, the performance of their respective obligations under this Agreement and under the Subsidiary Loan Agreements, and other matters relating to the purposes of the Credit.

(b) EVN and the Power Companies shall promptly inform the Association and the Bank of any condition which interferes or threatens to interfere with the progress of Parts B, C and D the Project, the accomplishment of the purposes of the Credit, or the performance of their respective obligations under this Agreement and under the respective Subsidiary Loan Agreements.

ARTICLE III

Management and Operations of EVN, PC1, PC2 and PC3

Section 3.01. EVN, PC1, PC2 and PC3 shall carry on their respective operations and conduct their respective affairs in accordance with sound administrative, financial, technical, engineering and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. EVN, PC1, PC2 and PC3 shall at all times operate and maintain their respective 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 and public utility practices.

Section 3.03. EVN, PC1, PC2 and PC3 shall take out and maintain with responsible insurers, or make other provision satisfactory to the Association and the Bank
for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

ARTICLE IV

Financial Covenants

Section 4.01. (a) Each of EVN, PC1, PC2 and PC3 shall establish and maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association and the Bank, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) Each of EVN, PC1, PC2 and PC3 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 and the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Association and the Bank, by independent auditors acceptable to the Association and the Bank;

(ii) furnish to the Association and 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 Association and the Bank), (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 and the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association and the Bank; and

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

Section 4.02. (a) Without limitation upon their reporting obligations set out in paragraph 12 of Schedule 1 to this Agreement, in respect of Parts B, C and D of the Project, EVN and the Power Companies shall prepare and furnish to the Association and the Bank, a financial monitoring report, in form and substance satisfactory to the Association and the Bank, which:
(i) sets forth sources and uses of funds for each Power Company’s Respective Part 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 the implementation of each Power Company’s Respective Part 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 each Power Company’s Respective Part of the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association and the Bank 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 and the Bank 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.

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. 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: INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (1-202) 477-6391

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) or 64145 (MCI)

For Electricity of Vietnam:

Electricity of Vietnam
18 Tran Nguyen Han
Hanoi, Socialist Republic of Vietnam

Facsimile: (84-4) 8 249 461
For Power Company No.1:

Power Company No. 1  
20 Tran Nguyen Han  
Hanoi, Socialist Republic of Vietnam 

Facsimile: (84-4) 8 244 033 

For Power Company No.2:

Power Company No. 2  
72 Hai Ba Trung  
District 1  
Ho Chi Minh City, Socialist Republic of Vietnam 

Facsimile: (84-8) 8 299 680 

For Power Company No.3:

Power Company No. 3  
393 Trung Nu Vuong  
Da Nang, Socialist Republic of Vietnam 

Facsimile: (84-511) 625 071 

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: (a) EVN, may be taken or executed by its General Director or such other person or persons as said General Director shall designate in writing; and (b) For PC1, PC2 or PC3, as the case may be, may be taken or executed by its Director or such other person or persons as said Director shall designate in writing; and EVN, PC1, PC2 and PC3 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 Hanoi, Socialist Republic of Vietnam as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Klaus Rohland

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Klaus Rohland

Authorized Representative

ELECTRICITY OF VIETNAM

By /s/ Nguyen Manh Hung

Authorized Representative
POWER COMPANY No. 1

By /s/ Nguyen Phuc Vinh

Authorized Representative

POWER COMPANY No. 2

By /s/ Nguyen Thanh Duy

Authorized Representative

POWER COMPANY No. 3

By /s/ Le Kim Hung

Authorized Representative
SCHEDULE 1

Procurement

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts for goods and services (other than consultants’ services) shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures


2. Shopping. Goods estimated to cost less than $50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

Section III. Review by the Association and the Bank of Procurement Decisions

1. Except as the Association and the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association and the Bank:
(a) for each of PC1, PC2, PC3 and each Project Province, the first three contracts for works procured in accordance with the provisions of paragraph B.1 of Section II above;

(b) all contracts for works procured in accordance with the provisions of paragraph B.1 of Section II above, estimated to cost the equivalent of $200,000 or more; and

(c) all contracts for goods estimated to cost the equivalent of $150,000 or more.

2. All other contracts shall be subject to Post Review by the Association and the Bank.
Annex to Schedule 1

National Competitive Bidding

In order to ensure economy, efficiency, transparency and broad consistency with the provision of Section I of the Guidelines, the procedures normally used for public procurement in the Socialist Republic of Vietnam shall be modified in accordance with the following provisions:

Participation in bidding and preferences

(i) For clarification purposes, it is understood that the last sentence of the amended Paragraph (c), Section 2, Article 2 of Decree 88/ND-CP which states that "All the procedures for submission, appraisal and approval of procurement plan and bidder selection results shall follow the Procurement Regulation" means "Approvals of draft bidding documents, bid evaluation reports and proposals for award shall be obtained in accordance with the relevant rules and procedures of the Procurement Regulation".

(ii) Government-owned enterprises in Vietnam shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Borrower or the procuring entity. Military or security units, or enterprises which belong to the Ministry of Defense or the Ministry of Public Security shall not be permitted to bid.

(iii) Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders, and local bidders shall be given no preference (either in the bidding process or in bid evaluation) over foreign bidders, nor shall bidders located in the same province or city as the procuring entity be given any such preference over bidders located outside that city or province.

(iv) Bidders shall be allowed to participate in bidding without being listed in the Government Database on Bidder Information.

(v) Foreign bidders shall not be required, in order to participate in bidding, to enter into a joint venture with a local bidder, or to subcontract part of their contract to a local bidder.

(vi) If there is prequalification, all prequalified bidders shall be invited to bid.

(vii) If there is limited bidding because there are only a limited number of bidders who can meet the requirements of the bidding documents, all of these bidders shall be invited to bid.
(viii) Bidders shall not be required, as a condition of participation in the bidding, to provide suppliers’ credits.

**Advertising; time for bid preparation**

(ix) Invitations to bid shall be advertised in at least one widely circulated national newspaper. In addition, the Borrower is encouraged to advertise in the Government Public Procurement Bulletin when established and on a free and open access website.

**Standard Bidding Documents**

(x) The Borrower’s standard bidding documents shall be acceptable to the Bank. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission of bids. A minimum of 30 days for the preparation and submission of bids shall be provided. Bidders shall be allowed to submit bids by hand or by mail.

**Qualification criteria and evaluation criteria**

(xi) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. Qualifications of a bidder found to meet the specified qualification criteria shall not be taken into account in the evaluation of such bidder’s bid.

(xii) Evaluation criteria shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. All evaluation criteria so specified, and only evaluation criteria so specified, shall be taken into account in bid evaluation. Merit points shall not be used in bid evaluation.

**Bid evaluation and award of contract**

(xiii) Bids received after the deadline for bid submission shall be returned to the bidders unopened.

(xiv) A bid containing material deviations from, or reservations to, the terms, conditions or specifications of the bidding documents shall be rejected as not substantively responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened.

(xv) Evaluation of bids shall be made in strict adherence to the criteria specified in the bidding documents, and contracts shall be awarded to the qualified bidder offering the lowest evaluated and responsive bid.
(xvi) A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents, or otherwise to modify the bid as originally submitted.

(xvii) There shall be no post-bidding negotiations with the lowest or any other bidder.
SCHEDULE 2

Implementation Program

Project Management

1. EVN shall maintain throughout the period of Project implementation, its Steering Committee to provide overall policy coordination and guidance in the implementation of Parts B, C and D of the Project, said Steering Committee to be provided with functions, responsibilities and resources as may be necessary.

2. Each of PC1, PC2 and PC3 shall maintain throughout the period of Project implementation, its respective Project Management Unit to be responsible for the management and execution of the activities under its Respective Part of the Project; said Project Management Unit to be under the direction of experienced and qualified managers, staffed with competent personnel in adequate numbers and provided with sufficient resources, all in a manner satisfactory to the Association and the Bank.

Environmental Protection, Resettlement and Ethnic Minorities

3. EVN and the Power Companies shall, and shall assist the Project Provinces to:
   (a) implement the Environmental Guidelines and the environmental assessments and environmental management plans prepared pursuant thereto, in a manner satisfactory to the Association and the Bank, and designed to ensure that the Project is implemented in accordance with sound environmental practices and standards;
   (b) provide to the Association and the Bank for their prior approval any revision proposed to be introduced into said Guidelines and any of said environmental management plans in order to achieve their objectives, and thereafter introduce such revision into said Guidelines and plans as shall have been agreed with the Association and the Bank; and
   (c) maintain policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Association and the Bank, the implementation of said Guidelines and plans and the achievement of their objectives.

4. EVN and the Power Companies shall, and shall assist the Project Provinces to:
   (a) implement the Resettlement Policy Framework in a manner satisfactory to the Association and the Bank;
   (b) wherever implementation of the Project or any part thereof, would give rise to Displaced Persons, prepare and provide to the Association and the Bank for their approval a resettlement plan prepared in accordance with the principles and procedures set forth in said Framework and, thereafter, implement in a manner satisfactory to the
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Association and the Bank, such resettlement plan as shall have been approved by the Association and the Bank; and

(c) provide to the Association and the Bank for their approval any revision proposed to be introduced into said Framework or any of said resettlement plans in order to achieve their objectives, and thereafter introduce such revision into said Framework or said resettlement plans as shall have been agreed with the Association and the Bank; and

(d) maintain policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Association and the Bank, the implementation of said Framework and said resettlement plans, and the achievement of their objectives.

5. EVN and the Power Companies shall, and shall assist the Project Provinces to:

(a) implement the Ethnic Minorities Development Strategy in a manner satisfactory to the Association and the Bank, designed to provide meaningful consultation with, and the informed participation of, ethnic minority groups within the Project area, and to ensure that benefits under the Project are socially and culturally acceptable to such groups;

(b) whenever implementation of the Project or any part thereof would take place in areas where an ethnic minority community reside, prepare and provide to the Association and the Bank, in their approval, an ethnic minorities development plan prepared in accordance with the principles and procedures set forth in said Strategy and with the full participation of such ethnic minority community, designed to ensure that Project activities adequately address the needs, cultural practices and preferences of such community; and, thereafter, implement in a manner satisfactory to the Association and the Bank, such ethnic minorities development plan as shall have been approved by the Association and the Bank;

(c) provide to the Association and the Bank for their approval any proposed revision of said Strategy or any of said ethnic minorities development plans, and thereafter introduce such revision into said Strategy or said plans as shall have been agreed with the Association and the Bank; and

(d) maintain policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Association and the Bank, the implementation of said Strategy and said ethnic minorities development plans, and the achievement of their objectives.

6. EVN shall:

(a) no later than December 31, 2005, prepare and furnish to the Association and the Bank for their review and comments EVN’s proposed ten year power
development program and associated five-year implementation plan and financing plan for the efficient expansion and development of its power generation and transmission systems (Power Development Program); and

(b) no later than December 31 in each succeeding year, provide to the Association and the Bank for their review and comments: (i) a report of the progress in the implementation of the Power Development Program during the preceding 12 month period; (ii) its proposed implementation program for the succeeding five years; and (iii) a report of its implementation of the Borrower’s policy on electricity tariffs.

7. EVN shall:

(a) by no later than January 31, 2006, complete and provide to the Association and the Bank for their review and comments, the study on bulk supply tariffs;

(b) on the basis of said study and consultation thereon with the Association and the Bank, prepare and submit for the Borrower’s approval a time-bound action plan to implement commercial bulk supply tariffs; and

(c) thereafter, implement said action plan as shall have been approved, in a manner satisfactory to the Association and the Bank.

8. EVN shall:

(a) implement in a manner satisfactory to the Association and the Bank, the recommendations resulting from the study to improve its financial projections and to integrate such processes in its corporate planning and financial forecasting systems; and

(b) provide sufficient resources to enable its staff to maintain and utilize the International Creditor Model, including provision of training to staff in the translation of accounts maintained under Vietnam Accounting Standards to accounts maintained under International Financial Reporting Standards.

9. (a) Except as the Association and the Bank may otherwise agree, each of EVN, PC1, PC2 and PC3 shall produce, for each of its fiscal years, beginning fiscal year 2006, funds from internal sources equivalent to not less than twenty-five percent (25%) of the annual average of its capital expenditures incurred or to be incurred for said year, the previous year and the following year.

(b) Before September 30 in each of its fiscal years, beginning fiscal year 2006, each of EVN, PC1, PC2 and PC3 shall, on the basis of forecasts prepared by it under terms of reference acceptable to the Association and the Bank, review whether it
would meet the requirements set forth in sub-paragraph (a) of this paragraph 9 in respect of such year and the next following year, and shall furnish to the Association and the Bank a copy of such review upon its completion; and

(c) If any such review shows that EVN, PC1, PC2 or PC3 would not meet the requirements set forth in sub-paragraph (a) of this paragraph 9 for its fiscal years covered by such review, EVN, PC1, PC2 or PC3, as the case may be, shall promptly take all necessary measures on its part (including without limitation financial restructuring, private sector participation, promotion of efficiency and adjustments of tariffs, with the approval of the Borrower, if required) in order to meet such requirements.

10. Except as the Association and the Bank may otherwise agree, EVN, PC1, PC2 or PC3 shall not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 70 to 30.

11. Except as the Association and the Bank may otherwise agree, EVN, PC1, PC2 or PC3 shall not incur any debt unless a reasonable forecast of the revenues and expenditures of EVN, PC1, PC2 or PC3 shows that the estimated net revenues of EVN, PC1, PC2 or PC3 for each fiscal year during the term of the debt to be incurred shall be at least 1.5 times the estimated debt service requirements of EVN, PC1, PC2 or PC3 in such year on all debt of EVN, PC1, PC2 or PC3 including the debt to be incurred.

12. For purposes of paragraphs 10 and 11 above:

(a) The term “debt” means any indebtedness of EVN, PC1, PC2 or PC3 maturing by its terms more than one year after the date on which it is originally incurred.

(b) Debt shall be deemed to be incurred: (A) under a loan contract or 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 other instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(c) The term “equity” means the sum of the total of unimpaired paid-up capital, retained earnings and reserves of EVN, PC1, PC2 or PC3, not allocated to cover specific liabilities.

(d) The term “net revenues” means the difference between: (A) the sum of revenues from all sources related to operations and net non-operating income; 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.

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

(f) Whenever for the purposes of paragraphs 10 and 11 above, 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 and the Bank.

Monitoring and Reporting

13. EVN and the Power Companies shall:

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

(b) prepare, under terms of reference satisfactory to the Association and the Bank, and furnish to the Association and the Bank: (i) on or about January 31 and July 31 of each year, beginning January 31, 2006, a semi-annual report; and (ii) on or about January 31, 2008, a mid-term report; in each case integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 13, on the progress achieved in the carrying out of Parts B, C and D of the Project during the period preceding the date of each such report (or in the case of the last semi-annual report furnished for each calendar year, during the preceding two calendar semesters); and setting out the measures recommended to ensure the efficient carrying out of said Parts of the Project and the achievement of the objectives thereof during the period following such date; and

(c) promptly review with the Association and the Bank, each such report referred to in sub-paragraph (b) of this paragraph 13, and, thereafter, take all measures required to ensure the efficient completion of said Parts of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association and the Bank’s views on the matter.