

CONFORMED COPY

CREDIT NUMBER 2782 KH

Development Credit Agreement

(Phnom Penh Power Rehabilitation Project)

between

KINGDOM OF CAMBODIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 11, 1995

CREDIT NUMBER 2782 KH

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 11, 1995, between KINGDOM OF CAMBODIA (the "Borrower") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association").

WHEREAS: (A) The Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS: (B) The Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower 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. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications thereto set forth below (the "General Conditions") constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to read:

"Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of

the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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

(a) "EDC" means Electricite du Cambodge, the electricity utility of the Borrower established and operating under the responsibility and supervision of MIME pursuant to the Decision No. 205/OD issued by the Borrower's Ministry of Industry on March 11, 1989, and such term includes any successor thereto;

(b) "Fiscal Year" means the twelve-month period corresponding to any of the Borrower's or EDC's Fiscal Years, which period commences on January 1 and ends on December 31 in each calendar year, and the term "Fiscal Years" means, collectively, more than one Fiscal Year;

(c) "Investment Program" means EDC's annual investment program and related financing plan for each Fiscal Year, beginning with Fiscal Year 1996, referred to in Section 3.05 of this Agreement;

(d) "Land Acquisition and Compensation Plan" means the plan, adopted by the Borrower pursuant to its Decision No. 939/EDC, dated June 21, 1995, setting forth the modalities, arrangements and procedures necessary for acquiring the land required for, and/or compensating all persons whose livelihood is to be adversely affected by, the Project, or any part thereof, so as to ensure the restoration or enhancement of livelihood and standard of living of all such persons up to or beyond the levels enjoyed by them prior to the commencement of the Project, referred to in Section 3.06 of this Agreement;

(e) "MIME" means the Borrower's Ministry of Industry, Mines and Energy, established pursuant to the Borrower's Royal Decree dated November 1, 1993;

(f) "NBC" means the National Bank of Cambodia, the Borrower's central bank;

(g) "Performance Plan" means the plan agreed upon between MIME and EDC, dated August 9, 1995, setting forth the necessary measures for achieving the medium-term objectives, operating targets, performance indicators and financing and staffing requirements for EDC;

(h) "Project Implementation Plan" means the program for implementing the Project, referred to in Section 3.01 (b) of this Agreement;

(i) "PIU" means the project implementation unit established pursuant to the Borrower's Decision No. 90/MIME, dated January 18, 1995, referred to in paragraph 1 of Schedule 4 to this Agreement;

(j) "Riel" means the unit of currency of the Borrower;

(k) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(l) "Subsidiary Loan" means the loan provided under the Subsidiary Loan Agreement; and

(m) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and EDC pursuant to the provisions of Section 3.02 of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to twenty-five million eight hundred thousand Special Drawing Rights (SDR 25,800,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement, and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in United States dollars a special deposit account in NBC on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1999, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid:

- (i) at such places as the Association shall reasonably request;
- (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and
- (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and July 15 commencing January 15, 2006 and ending July 15, 2035. Each installment to and including the installment payable on July 15, 2015 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded seven hundred ninety dollars (\$790) in constant 1985 dollars for five consecutive years; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end shall:

(i) carry out Part B.2 of the Project through MIME with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, financial, managerial, and environmental practices, and shall provide, promptly as needed, the funds (including foreign exchange), facilities, services and other resources required for such Part B.2 of the Project; and

(ii) carry out Parts A and B.1 of the Project through EDC with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, financial, managerial, public utility and environmental practices, shall take or cause to be taken all action, including the provision of funds (including foreign exchange), facilities, services and other resources, necessary or appropriate to enable EDC to carry out such Parts A and B.1 of the Project, and shall not take or permit to be taken any action which would prevent or interfere with the carrying out of Parts A and B.1 of the Project by EDC.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Association shall otherwise agree, the Borrower shall: (i) carry out Part B.2 of the Project through MIME in accordance with the Project Implementation Plan set forth in Schedule 4 to this Agreement; and (ii) carry out Parts A and B.1 of the Project through EDC in accordance with the Project Implementation Program and Part B of Schedule 5 to this Agreement.

Section 3.02. (a) Within three (3) months after the Borrower shall have established EDC as an autonomous juridical entity possessing the attributes provided therefor in Section 5.01 (a) of this Agreement, the Borrower shall enter into a subsidiary loan agreement (the "Subsidiary Loan Agreement"), under terms and conditions which shall have been approved by the Association and which shall include, inter alia, the terms and conditions set forth in Part A of Schedule 5 to this Agreement.

(b) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner so as to protect the interests of the Borrower and the Association, and to accomplish the purposes of the Credit, and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement, or any provision thereof.

Section 3.03. The Borrower shall take all action necessary to ensure that EDC carries out the Performance Plan, and, except as the Association shall otherwise agree, the Performance Plan, or any part thereof, shall not be amended or waived.

Section 3.04. For purposes of Section 9.08 of the General Conditions, and without any limitation or restriction thereto, the Borrower 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 Borrower and the Association, a plan for the future operation of the Project; and

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

Section 3.05. (a) Not later than October 1 in each Fiscal Year, beginning in Fiscal Year 1996, the Borrower shall exchange views and review with the Association the adequacy of the structure or levels of EDC's electricity tariffs and the progress achieved by EDC in implementing the Investment Program during the preceding Fiscal Year.

(b) Based upon said review, the Borrower shall propose for the Association's comments any proposed adjustment to the structure or levels of EDC's electricity tariffs, and those actions necessary for improving the Investment Program, and EDC's implementation thereof, in respect of the following Fiscal Year.

(c) Promptly thereafter, the Borrower shall, taking into account the Association's views and recommendations, adjust said tariffs as needed and, through EDC, update the Investment Program and otherwise carry out, or cause EDC to carry out, the recommendations of said review with due diligence and efficiency.

Section 3.06. The Borrower shall carry out, the Land Acquisition and Compensation Plan in accordance with a time bound program acceptable to the Association.

Section 3.07. 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 3 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, or cause to be maintained, separate records and accounts adequate to reflect, in accordance with sound accounting practices: (i) its electricity operations under EDC and EDC's financial condition; and (ii) the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower (including, but without limitation, MIME and EDC) responsible for carrying out the Project, or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section (including those for the Special Account), and the financial statements in respect of its Electricity operations (balance sheets, statements of income and expenses and statements of sources and applications of funds) for each Fiscal Year audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, (A) certified copies of such financial statements for such year as so audited by said auditors, and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one (1) year after the Association has received the audit report for the Fiscal Year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) EDC shall not have been established by the Borrower as an autonomous entity possessing a separate juridical personality with attributes, powers and responsibilities, satisfactory to the Association, at the latest by December 31, 1995.

(b) (i) An Electricity Act for the regulation of all electric utilities and related provision of power services throughout the Borrower's territory shall not have been enacted, in form and substance satisfactory to the Association, at the latest by June 30, 1996; or (ii) An autonomous regulatory body for the regulation of the Borrower's power sector shall not have been established, with powers and responsibilities satisfactory to the Association, at the latest by September 30, 1996.

(c) EDC or MIME shall have failed to carry out the Performance Plan, or any part thereof.

(d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that EDC will be able to perform any of its obligations under the Subsidiary Loan Agreement.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of EDC, or for the suspension of any of its operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) Any event specified in paragraphs (a), (b) and (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) Any event specified in paragraph (e) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Termination

Section 6.01. 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 6.02. The obligations of the Borrower under Section 4.01 (a) (i) of this Agreement shall cease on the date on which this Agreement shall terminate, or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Economy and Finance of the Borrower is hereby designated as the representative of the Borrower 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 Borrower:

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

Telex:

(583) 17770101 CMPP

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA),
82987 (FTCC),
64145 (WUI) or
197688 (TRT).

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

KINGDOM OF CAMBODIA

By /s/ Keat Chhon

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Russell J. Cheetham

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	280,000	70%
(2) Goods and installation works	21,450,000	100% of foreign expenditures, 100% of local expenditures

		(ex-factory cost) and 70% of local expenditures for other items procured locally
(3) Consultants' services under Part B.1 of the Project	1,700,000	100%
(4) Consultants' services under Part B.2 of the Project	430,000	100%
(5) Unallocated	1,940,000	
	<hr/>	
TOTAL	5,800,000	

2. For the purposes of this Schedule:

(a) The term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) The term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 hereinabove, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods and works valued at less than five hundred thousand dollars (\$500,000) equivalent each; (b) the employment of consulting firms valued at less than one hundred thousand dollars (\$100,000) equivalent each; and (c) the employment of individual consultants valued at less than fifty thousand dollars (\$50,000) equivalent each, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in strengthening its power sector institutions, including EDC, and rehabilitating the electricity distribution system of its capital city Phnom Penh, through the financing of priority investments and provision of technical assistance services.

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

Part A: Rehabilitation of the Phnom Penh Electricity Distribution System

1. Construction and installation of about twenty-three (23) kilometers of one hundred fifteen (115) kilovolt transmission circuits around the perimeter of Phnom Penh to connect three (3) primary one hundred fifteen/twenty-two (115/22) kilovolt substations.

2. Construction and installation of about one hundred (100) circuit kilometers of twenty-two (22) kilovolt underground and overhead transmission lines and three hundred (300) kilometers of low voltage transmission lines; and installation of forty (40) megavolt-ampere of distribution transformers, twenty (20) megavolt-ampere-reactive power factor correction equipment, and about forty thousand (40,000) consumer electricity connections.

3. (a) Provision of tools and equipment, communications gear or system operations, and logistics control; and (b) construction of storage facilities.

4. Improvement of the environmental and safety conditions at existing power plants located within Phnom Penh, including installation of appropriate facilities, implementation of appropriate maintenance and operating procedures, and improvement of fire fighting systems.

Part B: Institutional Strengthening of EDC and MIME

1. Strengthening of EDC's capability for the efficient procurement of goods and services, engineering, importation of management services, conduct of commercial operations and establishment of an environmental protection unit and associated procedures through provision of consultants' services and training.

2. Strengthening of MIME's ability to formulate and implement an appropriate electricity sector structure and related regulatory framework through the provision of consultants' services and training.

* * * * *

The Project is expected to be completed by June 30, 1999.

SCHEDULE 3

Procurement and Consultants' Services

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 (the "Guidelines") and the following provisions of this Section, as applicable.

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:

Preference for Domestic Manufacturers 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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Civil works for the construction of storage facilities under Part A.3 of the Project, up to an aggregate amount not to exceed the equivalent of five hundred thousand dollars (\$500,000), may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Procurement of Small Works

Works under Part A.2 of the Project for the construction and installation of low voltage transmission lines, up to an aggregate amount not to exceed the equivalent of five hundred thousand dollars (\$500,000), may be procured under lump sum fixed price contracts awarded on the basis of quotations obtained from at least five (5) pre-qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work,

and who has the experience and resources to successfully complete the contract.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to pre-qualify for bidding or 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 Reviews

With respect to each contract for goods and works estimated to cost the equivalent of five hundred thousand dollars (\$500,000) or more, the procedures set forth in paragraphs 2 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Association in August 1981 (the "Consultant Guidelines"). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Association, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Association, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than one hundred thousand dollars (\$100,000) equivalent each, or (b) contracts for the employment of individual consultants estimated to cost less than fifty thousand dollars (\$50,000) equivalent each. However, this exception to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to one hundred thousand dollars (\$100,000) equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to fifty thousand dollars (\$50,000) equivalent or above.

SCHEDULE 4

Project Implementation Plan

1. The Borrower shall maintain, or cause to be maintained, until completion of the Project, the PIU with terms of reference and resources as shall be satisfactory to the Association, and shall ensure that the PIU is at all times headed by a project director and staffed with qualified staff in adequate numbers disposing of all necessary resources.

2. The Borrower shall, not later than June 30, 1996, take all measures necessary to approve the reconstituted and duly audited balance sheet of EDC as at December 31, 1995.

3. The Borrower shall, through EDC, not later than February 28, 1996, prepare an action plan, satisfactory to the Association, for: (i) the collection of any of EDCps accounts receivable outstanding as at December 31, 1995; and (ii) the reduction of EDCps accounts receivable to the equivalent of (A) three (3) months' of sales revenues as of December 31, 1998 and (B) two and one-half (2 1/2) months' of sales revenues as of December 31, 1999.

4. The Borrower shall, through EDC, implement procedures satisfactory to the Association for the timely monitoring of progress achieved in carrying out the Project, including the submission to the Association of quarterly progress reports in such detail and of such scope as the Association shall reasonably request.

5. Promptly after the Borrower shall have established EDC as an autonomous juridical entity possessing the attributes provided therefor in Section 5.01 (a) of this Agreement, the Borrower shall take all action necessary on its part to ensure that a duly qualified advisor is recruited to assist EDC's board of directors, according to terms of reference and conditions of employment which shall have been previously approved by the Association.

6. The Borrower shall take all action necessary on its part to ensure that: (i) not later than March 31, 1996, EDC shall have prepared a time-bound action plan, acceptable to the Association, for terminating all then existing arrangements between EDC and electricity wholesalers and entering into alternative contractual arrangements as may be required; and (ii) EDC carries out said action plan prior to beginning the implementation of the low voltage transmission line construction activities under Part A (2) of the Project.

SCHEDULE 5

Terms and Conditions of the Subsidiary Loan Agreement and EDC's Financial and Performance Requirements

Part A: Terms and Conditions of Subsidiary Loan Agreement

The Subsidiary Loan 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 the Credit Account, from time to time, for carrying out Parts A and B.1 of the Project less an amount equivalent to six million dollars (\$6,000,000) which shall constitute the Borrower's capital equity contribution to EDC (the "Subsidiary Loan") over a period not to exceed seventeen (17) years, including a grace period not to exceed five (5) years from the date of the establishment of EDC as an autonomous juridical entity possessing the attributes provided therefor in Section 5.01 (a) of this Agreement.

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, at a rate per annum equal to the Libor rate plus one-half of one percent (1/2%).

4. EDC shall pay to the Borrower the commitment charges payable under Section 2.06 of this Agreement, allocable to the part of the proceeds of the Credit relented but not withdrawn by EDC.

5. The provisions set forth in paragraphs 1 through 8 of Part B of this Schedule.

Part B: Financial and Performance Requirements

The Borrower shall take all action necessary to ensure that: (i) from the date of this Agreement, the following provisions shall be complied with by EDC; and (ii) these provisions shall also be included in the Subsidiary Loan Agreement:

1. That EDC shall carry on its operations and conduct its affairs in accordance with sound administrative, economic, engineering, financial, managerial, public utility and environmental practices, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

2. That EDC shall, at all times, operate and maintain its plants, 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 administrative, economic, engineering, financial, managerial, public utility and environmental practices.

3. That 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.

4. That, after its establishment as a autonomous juridical entity possessing the attributes provided therefor in Section 5.01 (b) of this Agreement, EDC shall maintain its existence and right to carry on its operations, and to acquire, maintain, renew and otherwise exercise any and all rights (including, but without limitation, land rights), powers, privileges and franchises which are necessary or useful in the conduct of its operations and its carrying out of its obligations pursuant to the provisions of the Performance Plan and the Subsidiary Loan Agreement.

5. That, except in the ordinary course of its business, EDC shall not, without the Association's prior consent, sell, lease, transfer or otherwise dispose of any of its property or assets which are required for the efficient conduct of its operations or the carrying out of the Project.

6. That EDC shall reduce its outstanding accounts receivable to three (3) months of sales revenues by December 31, 1998, and to two-and-a-half (2 1/2) months of sales revenues by December 31, 1999, all in accordance with a methodology acceptable to the Association.

7. That: (a) Except as the Association shall otherwise agree, for each Fiscal Year after the Fiscal Year ending on December 31, 1995, revenues in respect of EDC shall be generated from internal sources at least sufficient to cover all of its expenses;

(b) Except as the Association shall otherwise agree, for each Fiscal Year after the Fiscal Year ending on December 31, 1998, an annual return shall be earned in respect of EDC of not less than six percent (6%) of the average current net value of EDC's fixed assets in operation in Fiscal Year 1999 and thereafter;

(c) Before November 1 in each of its Fiscal Years, EDC shall, on the basis of forecasts prepared by EDC and satisfactory to the Association, review whether the requirements set forth in paragraphs (a) and (b) would be met in respect of such year and the next following Fiscal Year and shall furnish to the Association a copy of such review upon its completion; and

(d) If any such review shows that the requirements set forth in paragraphs (a) and (b) would not be met for the Fiscal Years covered by such review, the Borrower and EDC shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of EDC's tariffs) in order to meet such requirements.

8. (a) For the purposes of sub-paragraph 7 (a) above:

(i) The term "revenues" means the sum of revenues from all sources related to operations, consumer deposits and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash.

(ii) The term "expenses" means the sum of all expenses related to operations, including administration, adequate maintenance, major repairs, and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distribution of surplus, increases in working capital other than cash and other cash outflows other than capital expenditures.

(iii) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(iv) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each Fiscal Year.

- (v) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next Fiscal Year.
 - (vi) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.
 - (vii) 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.
 - (viii) The term "capital expenditures" means all expenditures on account of fixed assets, including interest charged to construction, related to operations.
 - (ix) 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.
- (b) For the purposes of sub-paragraph 7 (b) above:
- (i) The annual return shall be calculated by dividing EDC's net operating income for the Fiscal Year in question by one half of the sum of the current net value of EDC's fixed assets in operation at the beginning and at the end of that Fiscal Year.
 - (ii) The term "net operating income" means total operating revenues less total operating expenses.
 - (iii) The term "total operating revenues" means revenues from all sources related to operations.
 - (iv) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a straight-line basis at a rate of not less than 3% per annum of the average current gross value of EDC's fixed assets in operation, or other basis 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 of 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 "current net value of EDC's fixed assets in operation" means the gross value of EDC's fixed assets in operation less the amount of accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Association.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

- (a) The term "Eligible Categories" means Categories (1), (2), (3) and (4) 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 goods and services required for the Project and to be financed out of the proceeds of the Credit, 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 three million dollars (\$3,000,000) to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to one million five hundred thousand dollars (\$1,500,000) until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of four million Special Drawing Rights (SDR 4,000,000).

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 Association 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 Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower 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 Association from the Credit 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 Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a) If, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit 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 Borrower shall have failed to furnish to the Association, 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 Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) If, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) Once the total unwithdrawn amount of the Credit allocated to the Eligible

Categories, less the amount of any outstanding special commitment entered into by the Association 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 Credit Account of the remaining unwithdrawn amount of the Credit allocated to the Eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association 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 Association 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 Association, the Borrower shall, promptly upon notice from the Association:

(A) provide such additional evidence as the Association may request; or

(B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association 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 Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

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

