

CONFORMED COPY

GRANT NUMBER H301-KH

Project Agreement

(Greater Mekong Subregion Power Trade (Cambodia) Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ELECTRICITE du CAMBODGE

Dated August 14, 2007

PROJECT AGREEMENT

AGREEMENT dated August 14, 2007, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and ELECTRICITE du CAMBODGE (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the Kingdom of Cambodia (“Recipient”) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II – PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out Parts A, B, C, and D(a) and (b) of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III – TERMINATION

- 3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV – REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is Managing Director, *Electricité du Cambodge*.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

4.03. The Project Implementing Entity's Address is:

St. 19 Wat Phnom
Daun Penh District,
Phnom Penh 12200
Cambodia

Facsimile:

+855-23-426938

AGREED at Phnom Penh, Kingdom of Cambodia, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ian Porter

Authorized Representative

ELECTRICITE DU CAMBODGE

By: /s/ HE YIM NOLSON

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Project Implementing Entity shall, throughout the period of implementation of the Project, maintain the EdC-PMU with terms of reference, staffing and other resources acceptable to the Association, to be responsible for the overall coordination and supervision of the execution of the Project, including undertaking to procure, through the services of the procurement agent unless otherwise agreed, and carrying out financial management, and the associated environmental and resettlement activities; with reference to staff, in addition to the Project Manager: (a) professional staff will be assigned for coordinating inter alia, resettlement and environmental management (social and environment specialists); and (b) a project implementation consultant will be engaged to assist in review of detailed design and technical specifications, supervise construction, testing and commissioning; and to provide on-the-job training in project management.
2. The Project Implementing Entity shall enter into the Subsidiary Agreement with the Recipient, which shall include the provisions set out in Section I.B of the Financing Agreement.
3. The Project Implementing Entity shall enter into by June 30, 2008 power purchase agreements acceptable to the Association with: (a) Power Company (PC-2) of Vietnam for Part A of the Project; and (b) *Electricité du Laos* for Part B of the Project.
4. The Project Implementing Entity shall exercise its rights and carrying out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
5. The Project Implementing Entity shall coordinate with the relevant power utilities of the Lao People's Democratic Republic and the Socialist Republic of Vietnam to achieve the objectives of the Project.
6. The EdC-PMU shall, for Part A of the Project, coordinate technical design, construction scheduling and progress, and commissioning of the 115 kV transmission line through regular meetings with MIME, and Power Company (PC-2) of Vietnam, and for Part B of the Project with MIME, and *Electricité du Laos* of Lao People's Democratic Republic.

B. Safeguards.

1. The Project Implementing Entity shall:

(a) implement, in a manner satisfactory to the Association, the Initial Environmental Examination and Environmental Management Plan designed to ensure that the Project is implemented in accordance with sound environmental practices and standards;

(b) provide to the Association for the Association's prior approval any revision proposed to be introduced into said Initial Environmental Examination and Environmental Management Plan, in order to achieve its respective objectives, and, thereafter, only introduce such revision into said plan as shall have been agreed with the Association; and

(c) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Initial Environmental Examination and Environmental Management Plan, and the achievement of its objectives.

2. The Project Implementing Entity shall:

(a) take and cause to be taken all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently;

(b) to this end, implement the Resettlement Action Plan, in a manner satisfactory to the Association;

(c) provide to the Association for their prior approval any revision proposed to be introduced into said Resettlement Action Plan, in order to achieve its respective objectives, and, thereafter, only introduce such revision into said plan as shall have been agreed with the Association; and

(d) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Resettlement Action Plan, and the achievement of its objectives.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports.

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association.

Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient not later two (2) weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. Financial Management, Financial Reports and Audits.

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year (or other period agreed to by the Association) of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

3. The Project Implementing Entity shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

4. (a) Except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall promptly take any and all measures necessary to ensure, for each of its Fiscal years commencing in its Fiscal Year 2008 that its estimated net revenues for each of such Fiscal Year shall be at least 1.3 times the estimated debt service requirements of the Project Implementing Entity in such year on all of its debts.

(b) For the purposes of this Paragraph:

(i) The term "debt" means any indebtedness of the Project Implementing Entity maturing by its terms more than one (1) year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred:

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

terms of payment on the date of such contract, agreement or instrument; and

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

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

- (A) the sum of revenues from all sources related to operations and net non-operating income, after making adequate provisions for doubtful debts; and
- (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term “net non-operating income” means the difference between:

- (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.

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

(vi) Whenever for the purposes of this Paragraph it shall be necessary to value, in terms of the currency of the Recipient, 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.

5. (a) Except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall not incur any debt if, after the

incidence of such debt, the ratio of debt to equity shall be greater than one and one-half to one (1.5:1), except in the Fiscal Year 2009 when it shall not be greater than 1.7:1.

(b) For the purposes of this Paragraph:

- (i) The term “debt” means the same as provided therefore in Sub-paragraph 4(b)(i) of Section II.B, and it shall be deemed to be incurred in the same manner as provided therefore in Sub-paragraph 4(b)(ii) of Section II.B.
- (ii) The term “equity” means the sum of the total unimpaired paid-up capital, retained earnings, surplus and reserves of the Project Implementing Entity not allocated to cover specific liabilities.
- (iii) Whenever for the purposes of this Paragraph it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the same basis as provided therefore in Sub-paragraphs 4(v) and (vi) of Section II.B.

6. (a) Except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall produce for each of its Fiscal Years after its Fiscal Year ending on December 31, 2007, total revenues equivalent to not less than the sum of its: (i) total operating expenses; and (ii) the amount by which debt service requirements exceed the provision for depreciation.

(b) For the purposes of this Paragraph:

- (i) The term “total revenues” means the sum of total operating revenues and net non-operating income.
- (ii) The term “total operating revenues” means revenues from all sources related to operations.
- (iii) The term “net non-operating income” means the same as provided therefore in Sub-paragraph 4(b)(iv).
- (iv) The term “total operating expenses” means all expenses related to operations, including administration, adequate maintenance, taxes and payment in lieu of taxes, and provision for depreciation on a straight-line basis, at a rate of not less than four percent (4%) per annum of the average current gross value of the Project Implementing Entity’s fixed assets in operation or other bases acceptable to the Association, but excluding interest and other charges on debt.

- (v) The average current gross value of the Project Implementing Entity's fixed assets in operation shall be calculated as one half the sum of the gross value of the Project Implementing Entity's fixed assets in operation at the beginning and at the end of the fiscal year, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Association.
- (vi) The term "debt service requirements" means the same as provided therefore in Sub-paragraph 4(b)(v).
- (vii) Whenever for the purposes of this Paragraph it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the same basis as provided therefore in sub-paragraph 4(b)(vi).

Section III. Procurement

1. All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.
2. Except as otherwise agreed to between the Recipient and the Association, the Project Implementing Entity shall use the services of a procurement agent contracted by the MEF under terms of reference satisfactory to the Association for procurement to be undertaken under the Project.