

CONFORMED COPY

CREDIT NUMBER 3680 VN

Development Credit Agreement

(System Efficiency Improvement, Equitization and Renewables Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 24, 2002

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 24, 2002, between the SOCIALIST REPUBLIC OF VIETNAM (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;

(B) Parts B(3) and C(3) of the Project will be carried out by the Borrower through MOI;

(C) Parts A, B (2)(d) and C(1) of the Project will be carried out by Electricity of Vietnam (EVN); Parts B (1)(a)(i), (1)(b)(i), (2)(a) and C (2)(a) of the Project will be carried out by Power Company No.1 (PC1); Parts B (1)(a) (ii), (1)(b)(ii), (2)(b) and C(2)(b) of the Project will be carried out by Power Company No. 2 (PC2); Parts B (1)(a)(iii), (1)(b)(iii), (2)(c) and C(2)(c) of the Project will be carried out by Power Company No. 3 (PC3); and Parts B (1)(a)(iv) and (1)(b)(iv) of the Project will be carried out by Power Company Dong Nai (PC Dong Nai), in each case with the Borrower's assistance, and as part of such assistance, the Borrower will onlend portions of the proceeds of the Credit provided for in Article II of this Agreement to EVN, PC1, PC2, PC3 and PC Dong Nai respectively;

(D) the Borrower has requested assistance from the resources of the Global Environment Facility (GEF) Trust Fund in the financing of Parts B (2)(d), 3(b) and C(3) of the Project, the International Bank for Reconstruction and Development (the Bank) has determined that such assistance would be in accordance with the provisions of Resolution No. 94-2 of the Executive Directors of the Bank, dated May 24, 1994, establishing the GEF Trust Fund, and, by an agreement of even date herewith between the Borrower and the Bank, acting as an Implementing Agency of the GEF (the GEF Grant Agreement), GEF is agreeing to provide such assistance in an aggregate principal amount equivalent to three million six hundred thousand Special Drawing Rights (SDR3,600,000) (the GEF Grant); and

WHEREAS 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, the Project Agreement of even date herewith among the Association and EVN, PC1, PC2, PC3 and PC Dong Nai, and the GEF Grant 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 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement .

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

(a) “Affected Person” means a person who on account of the execution of the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, or interest in or right to use any land (including premises, agricultural and grazing land), or right in annual or perennial crops and trees or any other fixed or movable asset, acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently; and "Affected Persons" means, collectively, all persons who qualify as an Affected Person.

(b) “Category” means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(c) “Central Power Project Management Board” and the acronym “CPPMB” mean the project management board established within EVN and maintained for the purpose of implementing EVN’s Respective Parts of the Project in the central part of Vietnam, pursuant to paragraph A (1) (b) of Schedule 2 to the Project Agreement.

(d) “CPPMB RAP” means the Resettlement Action Plan for carrying out compensation, rehabilitation and resettlement of Affected Persons under Part A(1)(a) of the Project in the central part of Vietnam, dated March, 2002, satisfactory to the Association, adopted by EVN and approved by MOI Decision No. 1252/QD-KHDT dated May 27, 2002, pursuant to the Borrower’s Prime Minister Decision No.407/QD-TTg, dated May 24, 2002, as such plan may be amended from time to time with the prior agreement of the Association.

(e) “Commune” means, individually, the smallest administrative unit within the Borrower’s administrative system in a Project Province participating in the carrying

out of a Subproject under Part B(3)(a) of the Project, and the term “Communes” means, collectively, more than one Commune.

(f) “Commune Electricity Utilities” means the units to be established in participating Communes in accordance with the provisions of paragraph 5 of Schedule 3 to this Agreement, which could be in the form of either cooperatives or joint stock companies, or similar legal structures.

(g) “Demand Side Management Board” and the acronym “DSM Board” mean the project management unit established within EVN and maintained for the purpose of implementing Part A(2) of EVN’s Respective Parts of the Project, pursuant to Section A (1)(b) of Schedule 2 to the Project Agreement.

(h) “Environmental Impact Assessments” and the acronym “EIAs” mean, collectively, the EIA for Andiem Hydroelectric Power Project under Part B(2)(c) of the Project, dated March 2002; the EIA for Ankroet Hydroelectric Power Project under Part B(2)(b) of the Project, dated March 2002; the EIA for Chieng Ngam Hydroelectric Power Project under Part B(2)(a) of the Project, dated March 2002; the EIA for Kon Dao Hydroelectric Power Project under Part B(2)(c) of the Project, dated March 2002; the EIA for PC1 110 kV transmission lines and substations under Part B(1)(a)(i) of the Project, dated March 2002; the EIA for PC2 110 kV transmission lines and substations under Part B (1)(a)(ii) of the Project, dated March 2002; the EIA for PC3 110 kV transmission lines and substations under Part B(1)(a)(iii) of the Project, dated March 2002; the EIA for PC Dong Nai 110 kV transmission lines and substations under Part B(1)(a)(iv) of the Project, dated March 2002; the EIA for South Sai Gon 220 kV substation under Part A(1)(b)(viii) of the Project, dated March 2002; the EIA for Thac Bay Hydroelectric Power Project under Part B(2)(a) of the Project, dated March, 2002; and the EIA for Thai Binh –Hai Phong transmission line, Bac Ninh and Yen Bai substations under Parts A(1)(b)(i), (vi), and (vii) of the Project, dated March 2002, each approved by EVN’s Decision No. 2252/CV-EVN-HTQT, dated May 27, 2002; and the EIA for Pleiku-Da Nang 500kV transmission line under Part A(1)(a) of the Project, dated March 2002, to be approved by the Borrower’s MOSTE, and each of said EIAs including environmental mitigation measures for said Parts of the Project, as such EIAs may be amended from time to time with prior agreement of the Association; and “EIA” means any of the EIAs.

(i) “Environmental Procedures” means the guidelines approved by MOI Decision No. 1253/QD-KHDT, dated May 27, 2002 and referred to in paragraph 8(d) of Schedule 3 to this Agreement, which set forth guidelines and procedures for the carrying out of the environmental assessments for the Subprojects under Part B(3)(a) of the Project.

(j) "Ethnic Minorities" means social groups disadvantaged in the development process and with social and cultural identity distinct from those which constitute the predominant ethnic group in Vietnam.

(k) “Ethnic Minorities Development Plans” and the acronym “EMDPs” mean, collectively: (i) the plan set forth in the Annex to the PC1 RAP, and referred to in Section B (a) of Schedule 2 to the Project Agreement, and (ii) the plan set forth in Annex 1 to the CPPMB RAP, and referred to in Section B(a) of Schedule 2 to the Project Agreement, as said plans may be amended from time to time by agreement between the Borrower and the Association; and “EMDP” means either of the EMDPs.

(l) “EVN” means Electricity of Vietnam, an enterprise established pursuant to Decision No. 562/Ttg of the Prime Minister of the Borrower, dated October 10, 1994, and operating under the EVN Charter, issued under Decree 14/CP of the Prime Minister of the Borrower, dated January 27, 1995, and any successor thereto.

(m) “EVN Special Account” means the account referred to in Section 2.02(b)(ii) of this Agreement.

(n) “EVN Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and EVN pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time with the prior occurrence of the Association, and such term includes all schedules and agreements supplemental to the EVN Subsidiary Loan Agreement.

(o) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement, the Project Agreement and the GEF Trust Fund Grant Agreement.

(p) “Information Technology Center” means a unit established and maintained within EVN pursuant to Section A(1)(b) of Schedule 2 to the Project Agreement for the purpose of overseeing the development and implementation of an information technology system under Part C(1) of the Project.

(q) “MOI” means the Borrower’s Ministry of Industry, and any successor thereto.

(r) “MOI Operational Manual for Renewable Energy” means the manual approved by the Borrower through MOI for the implementation of Part B(3) and Part C(3) of the Project, including implementation responsibilities, procedures, guidelines and criteria for selection of participating Communes, pursuant to paragraph 6 of Schedule 3 to this Agreement, as such manual may be amended from time to time with the agreement of the Association.

(s) “MOI Project Management Board” and the acronym “MOI PMB” mean the project management board established and maintained by MOI pursuant to the provisions of paragraph 2 of Schedule 3 to this Agreement.

(t) “MOI Special Account” means the account referred to in Section 2.02(b)(i) of this Agreement.

(u) “MOSTE” means the Borrower’s Ministry of Science, Technology and Environment, and any successor thereto.

(v) “Northern Power Project Management Board” and the acronym “NPPMB” mean the project management board established within EVN and maintained for the purpose of implementing EVN’s Respective Parts of the Project in the northern part of Vietnam, pursuant to provisions of Section A (1)(b) of Schedule 2 to the Project Agreement.

(w) “NPPMB RAP” means the Resettlement Action Plan for carrying out compensation, rehabilitation and resettlement of Affected Persons under Parts A(1)(b)(i), (vi), and (vii) of the Project in the northern part of Vietnam, dated March 2002, satisfactory to the Association, adopted by EVN and approved by MOI Decision No. 1252/QD-KHDT, dated May 27, 2002, pursuant to the Borrower’s Prime Minister Decision No. 407/QD-TTg, dated May 24, 2002, as such plan may be amended from time to time with the prior agreement of the Association.

(x) “PC1” means Power Company No. 1, an enterprise established and operating pursuant to the PC1 Charter, and any successor thereto.

(y) “PC1 Charter” means the charter of PC1, dated April 7, 1995, as amended to the date of this Agreement.

(z) “PC1 Project Management Unit” and the acronym “PC1 PMU” mean the project management unit established within PC1 and maintained for the purpose of implementing PC1’s Respective Parts of the Project, pursuant to the provisions of paragraph (A) (2) of Schedule 2 to the Project Agreement.

(aa) “PC1 RAP” means the Resettlement Action Plan for carrying out compensation, rehabilitation and resettlement of Affected Persons under Part B(1)(a)(i) of the Project, dated March, 2002, satisfactory to the Association, adopted by PC1 and approved by MOI Decision No. 1252/QD-KHDT, dated May 27, 2002, pursuant to the Borrower’s Prime Minister Decision No. 407/QD-TTg, dated May 24, 2002, as such plan may be amended from time to time with the prior agreement of the Association.

(bb) “PC1 Special Account” means the account referred to in Section 2.02(b)(iii) of this Agreement.

(cc) “PC1 Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and PC1 pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time with the prior occurrence of the Association,

and such term includes all schedules and agreements supplemental to the PC1 Subsidiary Loan Agreement.

(dd) "PC2" means Power Company No. 2, an enterprise established and operating pursuant to the PC2 Charter, and any successor thereto.

(ee) "PC2 Charter" means the charter of PC2, dated April 28, 1995, as amended to the date of this Agreement.

(ff) "PC2 Project Management Unit" and the acronym "PC2 PMU" mean the project management unit established within PC2 and maintained for the purpose of implementing PC2's Respective Parts of the Project, pursuant to the provisions of paragraph (A) (2) of Schedule 2 to the Project Agreement.

(gg) "PC2 RAP" means the Resettlement Action Plan for carrying out compensation, rehabilitation and resettlement of Affected Persons under Part B(1)(a)(ii) of the Project, dated March 2002, satisfactory to the Association, adopted by PC2 and approved by MOI Decision No. 1252/QD-KHDT, dated May 27, 2002, pursuant to the Borrower's Prime Minister Decision No. 407/QD-TTg, dated May 24, 2002, as such plan may be amended from time to time with the prior agreement of the Association.

(hh) "PC2 Special Account" means the account referred to in Section 2.02(b)(iv) of this Agreement.

(ii) "PC2 Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and PC2 pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time with the prior occurrence of the Association, and such term includes all schedules and agreements supplemental to the PC2 Subsidiary Loan Agreement.

(jj) "PC3" means Power Company No. 3, an enterprise established and operating pursuant to the PC3 Charter, and any successor thereto.

(kk) "PC3 Charter" means the charter of PC3, dated June 17, 1995, as amended to the date of this Agreement.

(ll) "PC3 Project Management Unit" and the acronym "PC3 PMU" mean the project management unit established within PC3 and maintained for the purpose of implementing PC3's Respective Parts of the Project, pursuant to the provisions of paragraph (A) (2) of Schedule 2 to the Project Agreement.

(mm) "PC3 RAP" means the Resettlement Action Plan for carrying out compensation, rehabilitation and resettlement of Affected Persons under Part B(1)(a)(iii) of the Project, dated March 2002, satisfactory to the Association, adopted by PC3 and approved by MOI Decision No. 1252/QD-KHDT, dated May 27, 2002, pursuant to the

Borrower's Prime Minister Decision No. 407/QD-TTg, dated May 24, 2002, as such plan may be amended from time to time with the prior agreement of the Association.

(nn) "PC3 Special Account" means the account referred to in Section 2.02(b)(v) of this Agreement.

(oo) "PC3 Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and PC3 pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time with the prior occurrence of the Association, and such term includes all schedules and agreements supplemental to the PC3 Subsidiary Loan Agreement.

(pp) "PC Dong Nai" means Power Company Dong Nai, an enterprise established and operating pursuant to the PC Dong Nai Charter, and any successor thereto.

(qq) "PC Dong Nai Charter" means the charter of PC Dong Nai, dated June 3, 1999, as amended to the date of this Agreement.

(rr) "PC Dong Nai Project Management Unit" and the acronym "PC Dong Nai PMU" mean the project management unit established within PC Dong Nai and maintained for the purpose of implementing PC Dong Nai's Respective Parts of the Project, pursuant to the provisions of paragraph (A)(2) of Schedule 2 to the Project Agreement.

(ss) "PC Dong Nai RAP" means the Resettlement Action Plan for carrying out compensation, rehabilitation and resettlement of Affected Persons under Part B(1)(a)(iv) of the Project, dated March 2002, satisfactory to the Association, adopted by PC Dong Nai and approved by MOI Decision No. 1252/QD-KHDT, dated May 27, 2002, pursuant to the Borrower's Prime Minister Decision No. 407/QD-TTg, dated May 24, 2002, as such plan may be amended from time to time with the prior agreement of the Association.

(tt) "PC Dong Nai Special Account" means the account referred to in Section 2.02(b)(vi) of this Agreement.

(uu) "PC Dong Nai Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and PC Dong Nai pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time with the prior occurrence of the Association, and such term includes all schedules and agreements supplemental to the PC Dong Nai Subsidiary Loan Agreement.

(vv) "Policy Framework for Compensation, Resettlement and Rehabilitation of Project Affected Persons" means the policy framework for Subprojects and the wind-diesel power plant on Phu Quoc Island, dated April, 2002, adopted by MOI and PC2 and approved by MOI Decision No. 1253/QD-KHDT, dated May 27, 2002, pursuant to the

Prime Minister Decision No. 407/QD-TTg, dated May 24, 2002, setting forth the policies, planning principles, eligibility criteria of Affected Persons, methods of valuing affected assets, grievance redress mechanism, entitlements, legal framework, institutional arrangements and the obligations of MOI and PC2 to prepare a Resettlement Action Plan, designed to improve the living standards, income earning capacity, and production levels of the Affected Persons, satisfactory to the Association, as said policy framework may be amended from time to time with the prior agreement of the Association.

(ww) "Policy Framework for Ethnic Minorities Development Plan" means the guidelines, principles and procedures for mitigating any adverse impact on Ethnic Minorities that may arise from the implementation of a Subproject, approved by MOI Decision No. 1253/QD-KHDT, dated May 27, 2002, pursuant to the Prime Minister Decision No. 407/QD-TTg, dated May 24, 2002, as said policy framework may be amended from time to time with the prior agreement of the Association.

(xx) "Power Companies" means PC1, PC2, PC3, and PC Dong Nai, collectively, and "Power Company" means any of the Power Companies.

(yy) "Project Agreement" means the agreement among the Association and EVN, PC1, PC2, PC3 and PC Dong Nai, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.

(zz) "Project Implementation Plan" means the time-bound action plan, satisfactory to the Association, dated May, 2002 adopted by EVN and the Power Companies for carrying out EVN's and the Power Companies' Respective Parts of the Project, as the same may be amended from time to time with the prior agreement of the Association.

(aaa) "Project Provinces" means, collectively, the Borrower's Provinces of Thanh Hoa, Son La, Nghe An, Lai Chau and Ha Giang and other provinces as may be agreed with the Association from time to time, and any successors thereto; and Project Province means any of such Provinces.

(bbb) "Project Steering Committee" means the committee established by MOI in accordance with the provisions of paragraph (1)(a) of Schedule 3 to this Agreement.

(ccc) "Provincial People's Committee" means the local government at the provincial level.

(ddd) "Provincial Project Management Unit" and the acronym "PPMU" mean the unit to be established and thereafter maintained by each Project Province within the Department of Industry of the relevant Provincial People's Committee, in accordance with the provisions of paragraph 4 of Schedule 3 to this Agreement to manage the overall implementation of said Province's Subprojects.

(eee) “Provincial Project Steering Committee” means a committee to be established by a Provincial People’s Committee pursuant to paragraph (1)(b) of Schedule 3 to this Agreement.

(fff) “RARE” means remote area renewable energy.

(ggg) “RARE Grant” means, individually, a grant made available by the Borrower, through MOI, to Project Provinces out of the proceeds of the Credit to assist in financing Subprojects under Part B(3)(a) of the Project, in accordance with the MOI Operational Manual for Renewable Energy, and the term “RARE Grants” means more than one RARE Grant.

(hhh) "Resettlement Action Plans" and the acronym "RAPs" mean, collectively, the PC1 RAP, the PC2 RAP, the PC3 RAP, the PC Dong Nai RAP, the CPPMB RAP, the SPPMB RAP, and the NPPMB RAP; and the term “RAP” means any one of the RAPs.

(iii) “Respective Parts of the Project” means (i) in respect of the Borrower, Parts B (3) and C (3) of the Project; (ii) in respect of EVN, Parts A, B (2)(d) and C (1) of the Project; (iii) in respect of PC1, Parts B (1)(a)(i), (1)(b)(i), (2)(a) and C(2)(a) of the Project; (iv) in respect of PC2, Parts B (1)(a)(ii), (1)(b)(ii), (2)(b) and C(2)(b) of the Project; (v) in respect of PC3, Parts B (1)(a)(iii), (1)(b)(iii), (2)(c) and C(2)(c) of the Project; and (vi) in respect of PC Dong Nai, Parts B (1)(a)(iv) and (1)(b)(iv) of the Project.

(jjj) “Special Accounts” mean, collectively, the MOI Special Account, EVN Special Account, the PC1 Special Account, the PC2 Special Account, the PC3 Special Account, and the PC Dong Nai Special Account, and the term “Special Account” means any one of the Special Accounts.

(kkk) “Southern Power Project Management Board” and the acronym “SPPMB” mean the project management board established and maintained within EVN pursuant to Section A(1)(b) of Schedule 2 to the Project Agreement for the purpose of implementing EVN’s Respective Parts of the Project in the southern part of Vietnam.

(lll) “SPPMB RAP” means the Resettlement Action Plan for carrying out compensation, rehabilitation and resettlement of Affected Persons under Part A (1)(b)(viii) of the Project in the southern part of Vietnam, dated March, 2002, satisfactory to the Association, adopted by EVN and approved by MOI Decision No. 1252/QD-KHDT, dated May 27, 2002, pursuant to the Borrower’s Prime Minister Decision No. 407/QD-TTg, dated May 24, 2002, as such plan may be amended from time to time with the prior agreement of the Association.

(mmm) "Subproject" means, individually, a specific community based hybrid renewable energy grid project to be built by a Project Province, to be operated and maintained by a Commune Electricity Utility, and to be financed in part out of the proceeds of the Credit, in accordance with procedures and criteria established in the MOI Operational Manual for Renewable Energy and pursuant to the terms and conditions of a respective Subproject Agreement, and the term "Subprojects" means more than one Subproject.

(nnn) "Subproject Agreement" means, individually, an agreement to be entered into among the Ministry of Industry, the respective Provincial People's Committee, and the respective Commune Electricity Utility for the purpose of financing a Subproject, in accordance with the provisions of paragraph 9 of Schedule 3 to this Agreement, and the term "Subproject Agreements" mean more than one Subproject Agreement.

(ooo) "Subsidiary Loan Agreements" means the EVN Subsidiary Loan Agreement, the PC1 Subsidiary Loan Agreement, the PC2 Subsidiary Loan Agreement, the PC3 Subsidiary Loan Agreement, and the PC Dong Nai Subsidiary Loan Agreement, collectively, and the term "Subsidiary Loan Agreement" means any one of the Subsidiary Loan Agreements.

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 the Development Credit Agreement, an amount in various currencies equivalent to one hundred seventy seven million nine hundred thousand Special Drawing Rights (SDR 177,900,000).

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:

- (i) for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project described in Schedule 2 to this Agreement (except for Parts A(1)(c), B(1)(b), B(2)(d), B(3)(a), B(3)(b) and C(3) of the Project), and to be financed out of the proceeds of the Credit; and
- (ii) for RARE Grants made (or, if the Association shall so agree, to be made) by the Borrower through MOI to finance the reasonable cost of goods, works and services required for the Subprojects under Part B(3)(a) of the

Project in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars, six special accounts, each in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment: (i) the MOI Special Account for Part B(3)(a) of the Project; (ii) the EVN Special Account for Part A (except for Part A(1)(c)) and Part C(1) of the Project; (iii) the PC1 Special Account for PC1's Respective Parts of the Project, except for Part B(1)(b)(i) of the Project; (iv) the PC2 Special Account for PC2's Respective Parts of the Project, except for Part B(1)(b)(ii) of the Project; (v) the PC3 Special Account for PC3's Respective Parts of the Project, except for Part B(1)(b)(iii) of the Project; and (vi) PC Dong Nai Special Account for PC Dong Nai's Respective Parts of the Project, except for Part B(1)(b)(iv) of the Project. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2007 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 June 30 immediately preceding the accrual date and 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 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 semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing December 15, 2012, and ending June 15, 2042. Each installment to and including the installment payable on June 15, 2022 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 per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; 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 repayment of installments under paragraph (a) above by:

- (A) 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; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above 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.

(d) 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:

- (i) shall, through MOI, carry out Parts B(3) and C(3) of the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, engineering, technical and public utility practices and sound environmental and social standards, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the said Parts of the Project; and
- (ii) without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower, shall cause EVN to carry out EVN's Respective Parts of the Project; PC1 to carry out PC1's Respective Parts of the Project; PC2 to carry out PC2's Respective Parts of the Project; PC3 to carry out PC3's Respective Parts of the Project; and PC Dong Nai to carry out PC Dong Nai's Respective Parts of the Project; and shall cause each of them to perform in accordance with the provisions of the Project Agreement all of its obligations therein set forth, all with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, engineering, technical and public utility practices and sound environmental and social standards; and shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, and the adjustment of tariffs, necessary or appropriate to enable EVN, PC1, PC2, PC3, and PC Dong Nai to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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 through MOI shall carry out Parts B(3) and C(3) of the Project in accordance with the Implementation Program set forth in Schedule 3 to this Agreement.

Section 3.02. (a) The Borrower shall relend, under terms and conditions which shall have been approved by the Association and which shall include those set forth in paragraph (b) of this Section: (i) the proceeds of the Credit allocated from time to time to Categories (1)(a), (2)(a), (3)(a) and (4) to EVN under a subsidiary loan agreement to be entered into between the Borrower and EVN (the EVN Subsidiary Loan Agreement); (ii) the proceeds of the Credit allocated from time to time to Categories (1)(b), (2)(b) and (3)(b) to PC1 under a subsidiary loan agreement to be entered into between the Borrower and PC1 (the PC1 Subsidiary Loan Agreement); (iii) the proceeds of the Credit allocated from time to time to Categories (1)(c), (2)(c) and (3)(c) to PC2 under a subsidiary loan agreement to be entered into between the Borrower and PC2 (the PC2 Subsidiary Loan Agreement); (iv) the proceeds of the Credit allocated from time to time to Categories (1)(d), (2)(d) and (3)(d) to PC3 under a subsidiary loan agreement to be entered into between the Borrower and PC3 (the PC3 Subsidiary Loan Agreement); and (v) the proceeds of the Credit allocated from time to time to Category (2)(e) to PC Dong Nai under a subsidiary loan agreement to be entered into between the Borrower and PC Dong Nai (the PC Dong Nai Subsidiary Loan Agreement).

(b) The Subsidiary Loan Agreements shall include the following terms and conditions:

- (i) the principal amount of the respective subsidiary loan shall be repaid to the Borrower in Dollars: (A) by PC1, PC2, PC3 and PC Dong Nai over twenty-five (25) years, including a grace period of seven (7) years; and (B) by EVN over twenty (20) years, including a grace period of five (5) years;
- (ii) the principal amount of the subsidiary loan repayable by PC1, PC2, PC3, PC Dong Nai and EVN, as the case may be, shall be the equivalent in Dollars (determined as of the date, or respective dates, of repayment) of the value of the currency or currencies withdrawn from the Credit Account or paid out from the respective Special Account in respect of the Categories referred to in Section 3.02(a) above;
- (iii) interest shall be charged on the outstanding balance of each subsidiary loan: (A) under the PC1 Subsidiary Loan Agreement, the PC2 Subsidiary Loan Agreement, the PC3 Subsidiary Loan Agreement and PC Dong Nai Subsidiary Loan Agreement at a rate of 0.75% per annum; and (B) under the EVN Subsidiary Loan Agreement at a rate of 5.9% per annum;
- (iv) a service charge shall be charged at a rate of 0.25% per annum on the outstanding balance of each subsidiary loan under the PC1 Subsidiary Loan Agreement, the PC2 Subsidiary Loan Agreement, the PC3 Subsidiary Loan Agreement and PC Dong Nai Subsidiary Loan Agreement; and
- (v) a commitment charge shall be paid at a rate equal to that charged to the Borrower pursuant to Section 2.04 of this Agreement.

(c) The Borrower shall exercise its rights under each of the Subsidiary Loan Agreements in such manner 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, shall not assign, amend, abrogate or waive any of the Subsidiary Loan Agreements or any provision thereof.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project (except for Part B(3)(a) of

the Project) and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.04. The Borrower and the Association hereby agree that 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 EVN's Respective Parts of the Project shall be carried out by EVN; in respect of PC1's Respective Parts of the Project shall be carried out by PC1; in respect of PC2's Respective Parts of the Project shall be carried out by PC2; in respect of PC3's Respective Parts of the Project shall be carried out by PC3; in respect of PC Dong Nai's Respective Parts of the Project shall be carried out by PC Dong Nai, each pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to its Respective Parts of the Project.

- (b) The Borrower shall:
- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Accounts for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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) certificated copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 and accounts, and the audit thereof, and concerning

said auditors, 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 or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit 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.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 10 of Schedule 3 to this Agreement, the Borrower shall through MOI prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds (including funds from the GEF Trust Fund Grant) for its Respective Parts of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in implementation of its Respective Parts of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

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

(b) The first financial monitoring report shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under its Respective Parts of the Project through the end of such first calendar quarter; thereafter, each financial monitoring report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

Section 4.03. The Borrower shall implement its time-bound action plan, satisfactory to the Association, adopted by the Borrower on May 24, 2002, to gradually increase the electricity tariffs to reach US\$ 0.07/kwh equivalent by July 1, 2005.

Section 4.04. The Borrower shall take all necessary actions, including but not limited to adjustment of power tariffs to enable EVN and the Power Companies to generate (i) funds from internal sources equivalent to not less than 30% of the annual three year average capital expenditures as set forth in Section 4.03 of the Project Agreement; and (ii) net revenues to cover at least 1.5 times their debt service requirements in each fiscal year on all their debt including the debt to be incurred as set forth in Section 4.04 of the Project Agreement.

ARTICLE V

Remedies of the Association

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

(a) EVN or any of the Power Companies shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that EVN or any of the Power Companies will be able to perform its obligations under the Project Agreement.

(c) The EVN Charter, PC1 Charter, PC2 Charter, PC3 Charter, or PC Dong Nai Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of EVN, PC1, PC2, PC3 or PC Dong Nai to perform any of its obligations under the Project Agreement.

- (d)(i) Subject to subparagraph (ii) of this paragraph: the right of the Borrower to withdraw the proceeds of the GEF Grant made to the Borrower for the financing of Parts B(2)(d), (3)(b) and C(3) of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor; and

- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

- (a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower;

- (b) any event specified in paragraph (c) of Section 5.01 of this Agreement shall occur; and

- (c) any event specified in paragraph (d)(i) of Section 5.01 of this Agreement shall occur, subject to paragraph (d)(ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the first tariff increase to US\$0.056/kWh equivalent has been implemented;

(b) the Subsidiary Loan Agreements have been executed on behalf of the Borrower and EVN, PC1, PC2, PC3 and PC Dong Nai, respectively, pursuant to Section 3.02 (a) of this Agreement;

(c) the Borrower has adopted the MOI Operational Manual for Renewable Energy, in accordance with the provisions of paragraph 6 of Schedule 3 to this Agreement;

(d) the Borrower has caused EVN and each of the Power Companies to adopt the Project Implementation Plan, in accordance with the provisions of Section A(3) of Schedule 2 to the Project Agreement;

(e) EVN has engaged the services of a consultant pursuant to the Guidelines: Selection and Employment of Consultants by World Bank Borrowers to undertake the bulk power tariff study pursuant to paragraph A(4) (a) of Schedule 2 to the Project Agreement; and

(f) EVN and each of the Power Companies have adopted a time-bound action plan, satisfactory to the Association, to strengthen their corporate governance and planning and their financial management systems pursuant to the provisions of Section 4.07 of the Project Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by EVN, PC1, PC2, PC3 and PC Dong Nai, and is legally binding upon EVN, PC1, PC2, PC3 and PC Dong Nai in accordance with its terms;

(b) that the Subsidiary Loan Agreements have been duly authorized or ratified by the Borrower and EVN, PC1, PC2, PC3 and PC Dong Nai and are legally binding upon the Borrower and EVN, PC1, PC2, PC3 and PC Dong Nai in accordance with their terms; and

(c) the Resettlement Action Plans, the Ethnic Minorities Development Plans, the Environmental Impact Assessments, the Policy Framework for Compensation, Resettlement and Rehabilitation of Project Affected Persons, the Policy Framework for Ethnic Minorities Development Plan, and the Environmental Procedures have been duly authorized by the Borrower and are legally binding and enforceable in accordance with Vietnamese law.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Governor or any Deputy Governor of the State Bank of Vietnam is designated as 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:

State Bank of Vietnam
49 Ly Thai To
Hanoi
Socialist Republic of Vietnam

Cable address:	Telex:	Facsimile:
VIETBANK Hanoi	412248 NHTWVT	(84-4) 825-0612

For the Association:

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

Cable address:	Telex:	Facsimile
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(1-202) 477-6391

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.

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Le Duc Thuy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jeffrey Goldstein

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works		95%
(a) for EVN's Respective Parts of the Project	360,000	
(b) for PC1's Respective Parts of the Project	2,210,000	
(c) for PC2's Respective Parts of the Project	3,080,000	
(d) for PC3's Respective Parts of the Project	1,100,000	
(2) Goods		100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 75% of local expenditures for other items procured locally
(a) for EVN's Respective Parts of the Project		
(i) for EVN Part A(1)(a) of the Project	58,590,000	
(ii) for EVN's other Respective Parts of the Project	35,610,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(b) for PC1's Respective Parts of the Project	28,640,000	
(c) for PC2's Respective Parts of the Project	20,840,000	
(d) for PC3's Respective Parts of the Project	8,620,000	
(e) for PC Dong Nai's Respective Parts of the Project	2,580,000	
(3) Consultants' Services		100% for Foreign individuals and 93% for foreign firms, local firms, and local individuals
(a) for EVN's Respective Parts of the Project	9,850,000	
(b) for PC1's Respective Parts of the Project	300,000	
(c) for PC2's Respective Parts of the Project	390,000	
(d) for PC3's Respective Parts of the Project	180,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(4) Training for EVN's Respective Parts of the Project	2,380,000	100%
(5) RARE Grants under Part B (3)(a) of the Project	3,170,000	100% of amounts disbursed
 TOTAL	<u>177,900,000</u> =====	

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 above, no withdrawals shall be made in respect of payments:

(a) made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 17,100,000 may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after April 10, 2002;

(b) made for a RARE Grant under Category (5) above until the Borrower has taken all necessary actions, satisfactory to the Association, to enable the Commune Electricity Utility to have the legal powers to participate in the Project in accordance with the terms and conditions herein set forth, and to enter into a Subproject Agreement with MOI and the respective Provincial People's Committee; and a legal opinion has been furnished to the Association evidencing that each Commune Electricity Utility has been duly established, has the legal power to enter into the Subproject Agreement with MOI

and the respective Provincial People's Committee, and the Subproject Agreement has been duly executed;

(c) made for a RARE Grant under Category (5) above until a Subproject Agreement, satisfactory to the Association, has been entered into in respect of such RARE Grant among the Ministry of Industry, the respective Provincial People's Committee and the respective Commune Electricity Utility pursuant to the provisions of paragraph 9 of Schedule 3 to this Agreement; and until a Provincial Project Steering Committee and its Provincial Project Management Unit have been established in the relevant Project Province pursuant to the provisions of paragraphs 1(b) and 4 of Schedule 3 to this Agreement;

(d) made for a RARE Grant under Category (5) above until the Borrower has provided a resettlement action plan with respect to relevant Subproject, satisfactory to the Association, in accordance with the provisions of paragraph 8 (e) of Schedule 3 to this Agreement; and

(e) made for expenditures under Category (2)(a)(i) above until EVN has obtained approval from MOSTE for the EIA for Pleiku-Da Nang 500kV transmission line under Part A(1)(a) of the Project.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$150,000 equivalent each; (b) works under contracts costing less than \$300,000 equivalent each; (c) consultants' services under contracts awarded to: (i) consulting firms, costing less than \$100,000 equivalent each; and (ii) individuals, costing less than \$50,000 equivalent each; and (d) training and RARE Grants; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to: (a) enhance electricity system efficiency in Vietnam; (b) provide electric power in selected rural areas of Vietnam; and (c) sustain reform and institutional development of the Borrower's energy sector.

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: Transmission System Efficiency Improvement

1. Construction of new and upgrading of existing 500 kilovolt (kV) and 220 kV transmission systems:

(a) (i) construction of a Pleiku-Da Nang 500 kV transmission line of approximately 300 kilometers (km) in length; (ii) construction of Binh Son 500kV substation; and (iii) expansion of the existing 500 kV substations at Pleiku and Da Nang;

(b) (i) construction of a 220 kV transmission line of approximately 54 km in length from Thai Binh to Hai Phong; (ii) expansion of the 220 kV substation at Nha Trang; (iii) expansion of the 220 kV substation at Quang Ninh, (iv) expansion of the 220 kV substation at Soc Son; (v) expansion of the 220 kV substation at Viet Tri; (vi) construction of a 220 kV substation at Yen Bai and associated connections; (vii) construction of a 220kV substation at Bac Ninh and associated connections; (viii) construction of a 220kV substation at South Sai Gon and associated connections; (ix) installation of 665 Mega Voltage Ampere Reactive (MVAR) of 110 kV capacitors in 11 existing substations in the northern part of Vietnam; and (x) installation of 100 MVAR of 110 kV capacitors in 2 existing substations in the central part of Vietnam;

(c) carrying out resettlement and rehabilitation of Affected Persons by: (i) CPPMB under Part A(1)(a) above; (ii) NPPMB under Part A(1)(b)(i), (vi), and (vii) above; and (iii) SPPMB under Part A(1)(b)(viii); and

(d) provision of consulting services for: (i) preparation of detailed design, bidding documents and project management support for Part A(1)(a) of the Project; (ii) improvement of maintenance work for the power systems under Part A (1)(a) and (1)(b) of the Project; and (iii) design, creation and implementation of joint stock company model for a hydroelectric power project.

2. Carrying out a program to enhance electricity system efficiency, through:
 - (a) installation of time-of-use meters for about 4,000 large and medium-sized customers;
 - (b) introduction of a pilot direct load control program using ripple control systems to curtail demand in about 2,000 air conditioning and water heating systems;
 - (c) promotion and distribution of 1 million compact fluorescent lamps to reduce peak loads from lighting end-users; and
 - (d) conducting load research, carrying out Demand-Side Management program planning and implementation, including provision of technical assistance and staff training to support the Demand-Side Management Board.

Part B: Rural Energy Access Improvement

1. (a) Upgrading 110 kV power transmission lines and substations in selected rural areas of Vietnam, including: (i) construction of approximately 616 km of 110kV power transmission lines and 21 substations and installation of 80 MVAR capacitors in 4 existing 110 kV substations in the northern part of Vietnam; (ii) construction of approximately 100 km of 110 kV power transmission lines and 15 substations and installation of 60 MVAR capacitors in 3 existing 110 kV substations in the southern part of Vietnam; (iii) construction of approximately 74 km of 110 kV transmission lines and 8 substations in the central part of Vietnam; and (iv) construction of approximately 5 km of 110 kV transmission lines and 2 substations and installation of 30 MVAR capacitors in 1 existing 110 kV substation in Dong Nai; and
 - (b) carrying out resettlement and rehabilitation of Affected Persons by: (i) PC1 under Part B(1)(a)(i) above; (ii) PC2 under Part B(1)(a)(ii) above; (iii) PC3 under Part B(1)(a)(iii) above; and (iv) PC Dong Nai under Part B(1)(a)(iv) above.
2. Rehabilitation of existing small hydroelectric power plants and construction of a wind-diesel power plant on Phu Quoc Island.
 - (a) rehabilitation of two existing small hydroelectric power plants, namely Chieng Ngam and Thac Bay in the northern part of Vietnam;

(b) rehabilitation of one existing small hydroelectric power plant, namely Ankroet Station in the southern part of Vietnam, and construction of a wind-diesel power plant supplying electricity to Phu Quoc Island;

(c) rehabilitation of two existing small hydroelectric power plants, namely Kon Dao and Andiem Stations in the central part of Vietnam; and

(d) provision of technical assistance to strengthen capabilities of the Power Companies to operate the small hydroelectric power plants and the wind-diesel power plant set forth above, through staff training in advanced small hydroelectric technologies, performance-based contracting methods, construction management and supervision techniques, and small generation systems control and management.

3. (a) Provision of RARE Grants for carrying out of Subprojects in about 20 selected communes, and

(b) Strengthening the capacities of Communes and agencies involved in implementation of the Subprojects under Part B(3)(a) of the Project, including provision of technical assistance and training.

Part C: Sector Reform and Institutional Development

1. Carrying out a program to: (i) develop and implement an information technology system for EVN, including to improve EVN's financial and accounting management information system and strengthen EVN's Information Technology Center; and (ii) provide training for EVN staff in technology and management of public utilities.

2. Conversion of about 15 selected commune level and 1 selected district level distribution companies into joint stock companies, including:

(a) provision of technical assistance to the new joint stock companies and upgrading of the existing power distribution systems in 7 communes in the northern part of Vietnam;

(b) provision of technical assistance to the new joint stock companies and upgrading of the existing power distribution systems in 4 communes and 1 district in the southern part of Vietnam; and

(c) provision of technical assistance to the new joint stock companies and upgrading of the existing power distribution systems in 4 communes in the central part of Vietnam.

3. Development of institutional, policy and regulatory framework for the development of renewable energy projects, including:

(a) establishment of a renewable energy support program to develop appropriate regulations and decrees to promote renewable energy rural electrification and facilitate development of market for small power producers, build renewable energy awareness and provide training in planning and implementing renewable electricity projects;

(b) development of a conducive environment for renewable energy projects including establishment of transparent and streamlined approval and contractual processes for renewable energy small power investments, providing business development services to prospective small power investment developers, and taking measures to facilitate financing of their projects;

(c) development of renewable energy markets and technology, including resource and market assessment, technology improvement and promotion of locally manufactured renewable electricity products; and

(d) strengthen financial management of the Project through provision of services for the audit of the Project accounts.

* * *

The Project is expected to be completed by June 30, 2007.

SCHEDULE 3

Implementation Program

1. The Borrower shall:

(a) maintain, until completion of the Project, a Project Steering Committee, chaired by the MOI Vice Minister in charge of the energy sector, consisting of representatives of, inter alia, the Borrower's Ministry of Planning and Investment, the Ministry of Finance, the Ministry of Science, Technology and Environment, EVN, Ministry of Agriculture and Rural Development, assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for the overall coordination and oversight of implementation of the Borrower's Respective Parts of the Project; and

(b) cause each Project Province to establish its respective Provincial Project Steering Committee and thereafter maintain until completion of the Project, chaired by the Vice Chairman of its respective Provincial People's Committee and with representatives, inter alia, of the Provincial Industry Department, Provincial Planning and Investment Department, Provincial Finance Department, Provincial Power Service Department, Provincial Agriculture and Rural Development Department, Provincial Department of Science, Technology and Environment, and assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for the overall coordination and oversight of the implementation of Part B(3) of the Project at the provincial level, including inter alia: (i) approving Subprojects feasibility studies and RARE Grants proposals and submitting them to the MOI PMB for final approval; and (ii) ensuring budget allocation for and payment of provincial contribution to the Subprojects' costs, the resettlement compensation costs and administrative costs relating to the implementation of the Subprojects.

2. The Borrower shall, until completion of the Project, maintain the MOI Project Management Board, headed by a qualified and experienced officer, reporting directly to the MOI Minister or a Vice Minister, with such functions, responsibilities and funds, satisfactory to the Association, and with competent staff in adequate numbers, as shall be required for the implementation of Part C(3) of the Project and for the overall coordination and supervision of Part B(3) of the Project at the national level, including inter alia: (i) coordination, support and supervision of the operations of Provincial PMUs; (ii) approval of the RARE Grants proposals according to criteria set forth in the MOI Operational Manual for Renewable Energy; (iii) engaging the services of contractors and consultants to carry out the implementation of the Subprojects; (iv) approval of payments from the MOI Special Account to contractors and consultants for expenditures incurred for carrying out the Subprojects; (v) review of financial performances of Subprojects on

an annual basis and thereafter preparing annual status reports; and (vi) monitoring and evaluation of Subproject's impacts in each Project Province.

3. The Borrower shall, by no later than December 31, 2002:

(a) engage in accordance with the Guidelines: Selection and Employment of Consultants by World Bank Borrowers, and under terms of reference acceptable to the Association, the services of a financial management specialist with experience and qualifications acceptable to the Association, to assist in strengthening the financial management capacity of MOI Project Management Board; and

(b) conduct training on financial management, procurement and disbursement for the staff of the MOI Project Management Board, in a manner satisfactory to the Association.

4. The Borrower shall cause each Project Province to establish and thereafter maintain until completion of the Project, its respective Provincial Project Management Unit, each headed by a Director with qualifications and experience satisfactory to the Association, with such functions, responsibilities, funds and competent staff in adequate numbers, satisfactory to the Association, as shall be required to carry out Part B(3) of the Project in the respective Project Province, including inter alia: (i) engaging the services of a consultant for preparing bidding documents and assisting in bid evaluations; (ii) supervision of contractors in procurement and construction work; and (iii) supervision of consultants in supporting the Commune Electricity Utilities in their operation, maintenance and management of the Subprojects.

5. The Borrower shall ensure that each participating Commune establish the Commune Electricity Utilities, satisfactory to the Association, to, inter alia; (a) assist in preparation of Subproject proposals including feasibility studies; (b) organize and facilitate power connections, (c) mobilize local contribution to finance the Subproject costs, and (d) operate and maintain the Subproject facilities.

6. The Borrower:

(a) shall prepare and adopt the MOI Operational Manual for Renewable Energy, for carrying out Part B(3) and Part C(3) of the Project, consistent with the provisions of this Agreement and satisfactory to the Association, which shall include the description of, inter alia: (i) implementation arrangements; (ii) the procurement procedures set forth in paragraph 9 (a)(iv) of this Schedule 3 and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures as set forth in Article 4 of this Agreement; (iv) the project performance indicators set forth in a supplemental letter of even date herewith; (v) the Policy

Framework for Compensation, Resettlement and Rehabilitation of Project Affected Persons, the Policy Framework for Ethnic Minorities Development Plan, and the Environmental Procedures referred to in paragraph 8 of this Schedule 3; (vi) maintenance provisions for works to be carried out under Subprojects; and (vii) operational procedures for determining the eligibility of participating Communes and Subprojects and appraisal and financing criteria therefore; (viii) the financing arrangements applicable to each Subproject; and (ix) procedures for monitoring and reporting of the Borrower's Respective Parts of the Project.

(b) shall not amend, waive or abrogate the provisions of the MOI Operational Manual for Renewable Energy without the prior concurrence of the Association.

7. The Borrower shall cause MOI to furnish to the Association for comments and approval, the RARE Grants proposals for each of the Subprojects proposed under Part B(3)(a) of the Project.

8. The Borrower shall ensure that no Subproject shall be eligible for financing out of the proceeds of the RARE Grants unless the Subproject satisfies the eligibility criteria specified below and in more detail in the MOI Operational Manual for Renewable Energy which shall include, inter alia, the following:

(a) each Subproject shall be initiated by and for the benefits of the participating Communes;

(b) each Subproject shall be a specific community-based hybrid renewable energy grid project which is technically and financially viable, environmentally and socially sound, and economically justified by the number of people benefiting from it;

(c) each Subproject shall be in compliance with the standards set forth in the applicable laws of the Borrower relating to public utility, health, safety and environmental and social protections;

(d) (i) an analysis of the environmental effects of such Subproject has been prepared; and (ii) if applicable, an environmental impact assessment, satisfactory to the Association, has been undertaken and mitigation measures designed, on the basis of environmental standards acceptable to the Association, in accordance with the Environmental Procedures set forth in the MOI Operational Manual for Renewable Energy;

(e) a resettlement action plan has been prepared in accordance with the Policy Framework for Compensation, Resettlement and Rehabilitation of Project Affected Persons and such plan has been approved by the Association, if the proposed Subproject involves resettlement of Affected Persons, and an independent institution,

acceptable to the Association, has been engaged under terms of reference satisfactory to the Association to monitor the implementation of said resettlement action plan;

(f) an ethnic minorities development plan has been prepared in accordance with the Policy Framework for Ethnic Minorities Development Plan and such plan has been approved by the Association, if the proposed Subproject involves communities with ethnic minorities, and an independent institution, acceptable to the Association, has been engaged under terms of reference satisfactory to the Association to monitor the implementation of said development plan; and

(g) each Subproject shall not: (i) include expenditures intended for a military or paramilitary purpose; (ii) include civil works for government administration or religious purposes; (iii) relate to the manufacture or use of environmentally hazardous goods (including asbestos and pesticides), arms or drugs; or (iv) include the financing of government salaries or any taxes.

9. For purposes of carrying out Subprojects and thereafter operation and maintenance of the said Subprojects, the Borrower shall, through MOI, enter into Subproject Agreements with the respective Provincial People's Committees and the respective Commune Electricity Utilities, in accordance with procedures and on terms and conditions acceptable to the Association and as set out in the MOI Operational Manual for Renewable Energy, which conditions shall include the following:

- (a) The respective Provincial People's Committees shall:
- (i) finance, jointly with participating Communes or other investors, at least 20% of the total costs of the respective Subprojects and, in the event of the inability of Communes to contribute their shares, guarantee the contribution of at least 20% of the total costs of the respective Subprojects;
 - (ii) require that the Provincial PMUs carry out the Subprojects with due diligence and efficiency and in conformity with appropriate administrative, financial, managerial, technical, and public utility practices and sound environmental and social standards; and provide, promptly as needed, the funds, facilities, services and other resources required for the Subprojects;
 - (iii) require that the Provincial PMUs maintain adequate records and accounts to reflect in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subprojects;

- (iv) require that: the goods, works and consultants' services to be financed out of the proceeds of the RARE Grants shall be procured in accordance with commercial practices, provided, however, that; (A) contracts for goods and works estimated to cost more than \$150,000 equivalent shall be procured in accordance with the provisions of Section I of Schedule 1 to the Project Agreement; and (B) contracts for the employment of consulting firms estimated to cost more than \$100,000 equivalent and contracts for the employment of individual consultants estimated to cost more than \$50,000 equivalent shall be procured in accordance with the provisions of Section II of Schedule 1 to the Project Agreement; and (C) such goods and services shall be used exclusively for carrying out of the Subprojects;
- (v) take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Project Provinces to replace or repair such goods;
- (vi) inspect by itself or jointly, with representatives of the Association if the Association shall so request, such goods, sites, works, plants and construction included in the Subprojects, and any relevant records and documents;
- (vii) obtain all such information as the Borrower or the Association shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Subprojects, and to the benefits to be derived from the Subprojects;
- (viii) open and thereafter manage an escrow account to receive contributions to be made by the participating Communes to finance in part the costs of insurance and major repairs needed for the respective Subprojects;
- (h) (ix) be responsible for the major repairs and rehabilitations needed for the Subprojects; and

- (x) transfer the ownership of the Subprojects to the respective Communes free of charge after 15 years of satisfactory operation of the Subprojects by said Communes.
- (b) The Commune Electricity Utilities shall:
- (i) contribute, jointly with Project Provinces or other investors, at least 20% of the total costs of each Subproject, such Commune contribution to be made either: (A) in cash; (B) in kind; (C) through the provision of labor; or by means of any combination thereof;
 - (ii) obtain all permits and licenses and/or rights necessary to carry out the operation and maintenance of the respective Subprojects;
 - (iii) operate and maintain the respective Subprojects with due diligence and efficiency and in conformity with appropriate administrative, financial, managerial, technical, engineering, public utility, and occupational safety practices and sound environmental and social standards and in accordance with the provisions of the MOI Operational Manual for Renewable Energy;
 - (iv) collect, from the respective Communes, the tariffs sufficient to ensure coverage of administration, ordinary operation and maintenance of the respective Subprojects.
 - (v) enable the Borrower and the Association to inspect the facilities included in the respective Subprojects, the operation thereof, and any relevant records and documents;
 - (vi) enable the Borrower and the Association to obtain all such information as they shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Subprojects and, if appropriate, to the benefits to be derived therefrom; and
 - (vii) not to: (A) assign or transfer, in whole or in part, any of its obligations under the Subproject Agreements; or (B) sell, lease, transfer, assign, or otherwise dispose of any property or assets financed with the proceeds of the RARE Grants.

- (c) The Borrower shall through MOI:
- (i) finance up to 80% out of the RARE Grants of the total costs of each Subproject (excluding the costs of land);
 - (ii) inspect, by itself or jointly with representatives of the Association, if the Association shall so request, such goods, the sites, works, and construction included in the respective Subprojects, the operation thereof, and any relevant records and documents;
 - (iii) provide assistance to Project Provinces and participating Communes in the areas of procurement, disbursements, and financial management;
 - (iv) suspend or terminate the right of the participating Communes to benefit from the proceeds of the RARE Grants upon failure by such Communes to comply with any of its obligations under the Subproject Agreements;
 - (v) exercise its rights in relation to each Subproject Agreement in such manner as to protect the interests of the Borrower and the Association, comply with its obligations under this Agreement and achieve the purposes of the Project; and
 - (vi) except as the Association shall otherwise agree, not assign, amend, abrogate or waiver any of the provisions of the Subproject Agreements, without the prior approval of the Association.

10. The Borrower, shall through MOI:

- (a) maintain policies and procedures: (i) adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with performance indicators satisfactory to the Association, the carrying out of Parts B(3) and C(3) of the Project and the achievement of the objectives thereof; and (ii) shall ensure that each Project Province shall maintain policies and procedures, adequate to enable said Project Province to monitor and evaluate on an ongoing basis, in accordance with performance indicators

satisfactory to the Association, the carrying out of Part B(3)(a) of the Project and the achievement of the objectives thereof;

(b) prepare, and ensure that each Project Province prepare, under terms of reference satisfactory to the Association, and furnish to the Association quarterly, no later than ten (10) days after the end of each calendar quarter, commencing with the quarter ending December 31, 2002, and annually, on or about December 31 in each year, commencing December 31, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) above, on the financial and physical progress achieved in the carrying out of Part B(3)(b) and Part C(3) of the Project by the Borrower and Part B(3)(a) of the Project by each Project Province during the period preceding the date of said report, and setting out the measures recommended to ensure the efficient carrying out of the Borrower's Respective Parts of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Association, by February 28 in each year, commencing February 28, 2003, or such later date as the Association shall request, the annual report referred to in sub-paragraph (b) above, and, thereafter, take all measures required to ensure the efficient completion of the Borrower's Respective Parts of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter;

(d) prepare, and ensure that each Project Province prepare, under terms of reference satisfactory to the Association, and furnish to the Association on or about December 31, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) above on the progress achieved in the carrying out of its Respective Part of the Project during the period since the Project's inception, and setting out the measures recommended to ensure the efficient carrying out of its Respective Part of the Project and the achievement of the objectives thereof during the period following such date; and

(e) review with the Association, by February 28, 2004, or such later date as the Association shall request, the report referred to in subparagraph (d) above, and, thereafter, take all measures required to ensure the efficient completion of its Respective Part of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 4

Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means, in the case of the EVN Special Account Categories (1)(a), (2)(a), (3)(a) and (4); in the case of the PC1 Special Account Categories (1)(b), (2)(b), and (3)(b); in the case of the PC2 Special Account Categories (1)(c), (2)(c), and (3)(c); in the case of the PC3 Special Account Categories (1)(d), (2)(d), and (3)(d); in the case of the PC Dong Nai Special Account Category (2)(e); and in the case of the MOI Special Account Category (5).

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works 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 to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, equivalent, in the case of the EVN Special Account to \$2,000,000; in the case of the PC1, PC2, PC3 Special Accounts to \$1,000,000, respectively; in the case of the PC Dong Nai Special Account to \$500,000; and in the case of the MOI Special Account to \$250,000; provided, however, that unless the Association shall otherwise agree, the Authorized Allocation for:

(i) the MOI Special Account shall be limited to an amount equivalent to \$150,000 until the aggregate amount of withdrawals from the Credit Account allocated to Category (5) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part B(3)(a) of the Project shall be equal to or exceed the equivalent of SDR 1,000,000.

(ii) the EVN Special Account shall be limited to an amount equivalent to \$1,000,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(a), (2)(a), (3)(a) and (4) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A and C(1) of the Project (except for Part A(1)(c) of the Project) shall be equal to or exceed the equivalent of SDR 10,000,000;

- (iii) the PC1 Special Account shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(b), (2)(b), and (3)(b) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts B(1)(a)(i), (2)(a) and C(2)(a) of the Project shall be equal to or exceed the equivalent of SDR 4,000,000;
- (iv) the PC2 Special Account shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(c), (2)(c), and (3)(c) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts B(1)(a)(ii), (2)(b) and C(2)(b) of the Project shall be equal to or exceed the equivalent of SDR 3,000,000;
- (v) the PC3 Special Account shall be limited to an amount equivalent to \$500,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(d), (2)(d) and (3)(d) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts B(1)(a)(iii), (2)(c) and C(2)(c) of the Project shall be equal to or exceed the equivalent of SDR 2,000,000; and
- (vi) the PC Dong Nai Special Account shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account allocated to Category (2)(e) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part B (1)(a)(iv) of the Project shall be equal to or exceed the equivalent of SDR 800,000.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 deposit into the respective Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective 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 respective 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 respective 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 respective 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 any 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 Accounts;

(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 for the respective Special Account, minus the total amount of all outstanding special commitments 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 for that Special Account 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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

(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.

