

CONFORMED COPY

CREDIT NUMBER 3358 VN

Project Agreement

(Rural Energy Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ELECTRICITY OF VIETNAM

POWER COMPANY NO. 1

POWER COMPANY NO. 2

and

POWER COMPANY NO. 3

Dated September 1, 2000

CREDIT NUMBER 3358 VN

PROJECT AGREEMENT

AGREEMENT, dated September 1, 2000, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and ELECTRICITY OF VIETNAM (EVN), POWER COMPANY NO. 1 (PC1), POWER COMPANY NO. 2 (PC2) and POWER COMPANY NO. 3 (PC3).

WHEREAS (A) by the Development Credit Agreement of even date herewith between Socialist Republic of Vietnam (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred eleven million seven hundred thousand Special Drawing Rights (SDR111,700,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that PC1, PC2, PC3 and EVN agree to undertake such obligations toward the Association as are set forth in this Project Agreement;

(B) by subsidiary loan agreements to be entered into between the Borrower and each of PC1, PC2, PC3 and EVN, the proceeds of the credit provided for under the Development Credit Agreement will be made available to PC1, PC2, PC3 and EVN on the terms and conditions set forth in said subsidiary loan agreements; and

WHEREAS PC1, PC2, PC3 and EVN, in consideration of the Association's entering into the Development Credit Agreement with the

Borrower, has agreed to undertake the obligations set forth in this Project Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth, wherever used herein.

ARTICLE II

Execution of the Project

Section 2.01. (a) PC1, PC2, PC3 and EVN each declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, PC1 shall carry out Part A of the Project, PC2 shall carry out Part B of the Project, PC3 shall carry out Part C of the Project and EVN shall carry out Part D of the Project, each with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, public utility, resettlement and technical practices, and PC1, PC2, PC3 and EVN shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

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

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) PC1, PC2, PC3 and EVN shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and its Respective Part of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, PC1, PC2, PC3 and EVN shall:

(i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and PC1, PC2, PC3 and EVN, a plan for the future operation of its Respective Part of the Project; and

(ii) afford the Association a reasonable opportunity to exchange views with PC1, PC2, PC3 or EVN on said plan.

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

Section 2.05. (a) PC1, PC2, PC3 and EVN shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Project Agreement and under its respective Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit.

(b) PC1, PC2, PC3 and EVN shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of its Respective Part of the Project, the accomplishment of the purposes of the Credit, or the performance by PC1, PC2, PC3 or EVN of its obligations under this Project Agreement and under its respective Subsidiary Loan Agreement.

ARTICLE III

Management and Operations of PC1, PC2, PC3 and EVN

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

Section 3.02. PC1, PC2, PC3 and EVN shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public utility practices.

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) PC1, PC2, PC3 and EVN shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition and to register separately the operations, resources and expenditures related to its Respective Part of the Project.

(b) PC1, PC2, PC3 and EVN shall:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements, including a summary of operations, resources and expenditures related to its Respective Part of the Project) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

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

(iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the

Association shall from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the PC1, PC2, PC3 and EVN shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for its Respective Part of the Project in order to enable PC1, PC2, PC3 and EVN, not later than January 31, 2001, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for its Respective Part of the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for its Respective Part of the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(ii) (B) describes physical progress in implementation of its Respective Part of the Project, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under its Respective Part of the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, PC1, PC2, PC3 and EVN shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

Section 4.03. (a) (i) Except as the Association shall otherwise agree, each of PC1, PC2, PC3 and EVN shall produce, for each of its fiscal years after its fiscal year ending on December 31, 1999, funds from internal sources equivalent to not less than 30% of the annual average of its capital expenditures incurred, or expected to be incurred, for said year, the previous fiscal year and the following fiscal year.

(ii) Before March 31 in each of its fiscal years, each of PC1, PC2, PC3 and EVN shall, on the basis of forecasts prepared by it and satisfactory to the Association, review whether it would meet the requirements set forth in paragraph (a)(i) in respect of such year and the next following fiscal year and shall furnish to the Association a copy of such review upon its completion.

(iii) If any such review shows that PC1, PC2, PC3 or EVN would not meet the requirements set forth in paragraph (a)(i) for its fiscal years covered by such review, PC1, PC2, PC3 or EVN, as the case may be, shall promptly take all necessary measures on its part (including, without limitation, adjustments of the structure or levels of its tariffs with the approval of the Borrower, if

required) in order to meet such requirements.

(b) For the purposes of this Section:

(i) The term "funds from internal sources" means the difference between:

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

(B) the sum of all expenses related to operations, including maintenance and taxes and payments in lieu of (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and surplus, increase in working capital other than cash and other cash outflows other than capital expenditures, administration, adequate taxes

(ii) 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.

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

(iv) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.

(v) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(vi) 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.

(vii) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations.

(viii) Whenever for the purposes of this Section it shall be

necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

Section 4.04. (a) Except as the Association shall otherwise agree, none of PC1, PC2, PC3 or EVN shall incur any debt unless a reasonable forecast of its revenues and expenditures shows that the estimated net revenues of PC1, PC2, PC3 or EVN, as the case may be, for each fiscal year during the term of the debt to be incurred shall be at least 1.5 times its estimated debt service requirements in such year on all its debt including the debt to be incurred.

(b) For the purposes of this Section:

(i) The term "debt" means any indebtedness maturing by its terms more than one 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 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.

(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, 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) The term "reasonable forecast" means a forecast prepared by PC1, PC2, PC3 or EVN, as the case may be, not earlier than twelve months prior to the incurrence of the debt in question, which the Association accepts as reasonable and as to which the Association has notified PC1, PC2, PC3 or EVN, as the case may be, of its

acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of PC1, PC2, PC3 or EVN, as the case may be.

(vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

Section 4.05. Each of PC1, PC2, PC3 and EVN shall prepare and furnish to the Association for its review and comment, by September 30 of each year, commencing September 30, 2000: (i) its proposed budget for its next fiscal year; and (ii) a rolling financial plan containing, inter alia, income statements, sources and uses of funds, and balance sheets for each of the next three years.

Section 4.06. (a) EVN shall: (i) not later than September 30, 2000, based on methodology and calculations acceptable to the Association, complete and incorporate into its accounting and auditing system a current valuation of all its fixed assets in operation; and (ii) thereafter, revalue its fixed assets periodically in accordance with a schedule satisfactory to the Association, based on methodology and procedures satisfactory to the Association.

(b) For purposes of this Section, the term "fixed assets in operation" means all tangible assets, including but without limitation, land, buildings, plan and equipment, held for the production of goods or services, or for administrative purposes.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Association and of PC1, PC2, PC3 and EVN thereunder shall terminate on the date on which the Development Credit Agreement shall terminate in accordance with its terms.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

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

For Power Company No. 1:

20 Tran Nguyen Han Street
Hanoi
Socialist Republic of Vietnam

Facsimile:	Cable address:
844-8244033	844-8255074

For Power Company No. 2:

72 Hai Ba Trung Street
District I, Ho Chi Minh City
Socialist Republic of Vietnam

Facsimile:

848-8299680

For Power Company No. 3:

393 Trung Nu Vuong Street
Danang
Socialist Republic of Vietnam

Facsimile:

84-511-625071

For Electricity of Vietnam:

18 Tran Nguyen Han Street
Hanoi
Socialist Republic of Vietnam

Facsimile:

844-8249461

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on

behalf of: (a) EVN, may be taken or executed by its General Director, or by such other person or persons as such General Director shall designate in writing; (b) PC1, PC2 or PC3, may be taken or executed by its Director, or by such other person or persons as such Director shall designate in writing; and EVN, PC1, PC2 or PC3, as the case may be, shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Andrew Steer
Authorized Representative

POWER COMPANY NO. 1

By /s/ Do Van Loc
Authorized Representative

POWER COMPANY NO. 2

By /s/ Nguyen Van Giau
Authorized Representative

POWER COMPANY NO. 3

By /s/ Tran Dinh Thanh
Authorized Representative

ELECTRICITY OF VIETNAM

By /s/ Dao Van Hung
Authorized Representative

SCHEDULE 1

Procurement

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(b) Notification and Advertising

The invitation to bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

National Competitive Bidding

Works estimated to cost less than \$2,000,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to the first three contracts for works procured by each of PC1, PC2 and PC3 under Part C of this Section, each contract for works estimated to cost the equivalent of \$300,000 or more, and each contract for goods estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the

Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more,

the procedures set forth in paragraphs 1, 2 and (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 2

Implementation Program

A. Project Management

1. EVN shall maintain throughout the period of Project implementation a steering committee for overall coordination of Project implementation, under terms of reference satisfactory to the Association, with competent staff in sufficient numbers and adequate resources for carrying out its functions and to implement EVN's Respective Part of the Project.

2. Each of PC1, PC2 and PC3 shall maintain throughout the period of Project implementation a project management unit, under terms of reference satisfactory to the Association, with competent staff in sufficient numbers and adequate resources for carrying out its Respective Part of the Project.

B. Rural Electrification

1. PC1, PC2 and PC3 shall carry out its Respective Part of the Project in communes from the Project Provinces selected to participate in the Project in accordance with criteria satisfactory to the Association.

2. EVN shall prepare and furnish to the Association, no later than June 1 in each year during the period of Project implementation, commencing June 1, 2001, for the Association's review and comment, its annual rural electrification investment plan, and thereafter carry out said plan taking into account the Association's comments thereon.

3. (a) EVN shall no later than September 30, 2000, prepare and furnish to the Association for review and comment a detailed program for increasing the local management of power sector operation, maintenance and bill collection, including a program of training and identifying monitorable performance indicators, and, thereafter, carry out said program taking into account the Association's comments thereon.

(b) PC1, PC2, PC3 and EVN shall prepare and furnish to the Association no later than June 1 in each year commencing June 1, 2001, for the Association's review and comment, a plan for increasing local management of operation, maintenance and bill collection operations and,

thereafter, shall carry out said plan taking into account the Association's comments thereon.

4. After commencement of construction of the low voltage distribution lines under its Respective Part of the Project, but in any event no later than June 30, 2003, each of PC1, PC2 and PC3 shall enter into arrangements, satisfactory to the Association, with individuals or entities, acceptable to the Association, for the local operation, maintenance and bill collection in the commune power systems.

5. EVN shall:

(a) no later than December 31, 2000, engage consultants to develop a methodology for establishing transparent and reasonable distribution margins and bulk supply tariffs for independent distribution operators, including PC1, PC2, PC3 and the commune power systems;

(b) promptly submit to the Borrower and the Association for approval a plan for establishing such transparent and reasonable distribution margins and bulk supply tariffs based on the recommendations of the consultants engaged pursuant to subparagraph (a) above; and

(c) thereafter, for each of its fiscal years beginning on or after January 1, 2002, implement a phased cost-based bulk supply tariff to cover the input, operating and financial costs of the independent distribution operators referred to in subparagraph (a) above.

C. Renewable Energy Development

1. EVN shall prepare and furnish to the Association no later than December 31, 2000 for its review and comment a time-bound action plan for the development of renewable energy sources and application of appropriate renewable energy technologies, and shall thereafter carry out said plan taking into account the Association's comments thereon.

2. EVN shall, no later than December 31, 2000, adopt and publish standard small power purchase agreements and tariff schedules in order to encourage private sector investment in small scale grid connected power generation from renewable energy sources.

D. Power Development Program

1. EVN shall:

(a) no later than December 31, 2000, prepare and furnish to the Association for its review and comment EVN's proposed ten-year power development program and associated five-year implementation plan and financing plan for the efficient expansion and development of its power generation and transmission systems (Power Development Program); and

(b) no later than December 31 in each succeeding year, submit to the Association for its review and comment: (i) a report of the progress in the implementation of the Power Development Program during the preceding 12 month period; (ii) its proposed implementation program for the succeeding five years; and (iii) a review of its policy and levels of its electricity tariffs, including proposed adjustments.

E. Pilot Equitization Program

1. EVN shall:

(a) no later than June 30, 2001, in consultation with necessary and appropriate local government authorities, adopt and implement a plan, satisfactory to the Association, for the equitization of one or more commune-level operating units of the power distribution companies in a manner acceptable to the Association; and

(b) thereafter, no later than June 30, 2002, taking into account the results of the pilot equitization carried out pursuant to subparagraph (a) above, adopt and implement a plan for the equitization or other form of local management of its remaining commune-level power distribution company operating units.

F. Resettlement and Rehabilitation of Affected Persons

1. Without limitation upon the provisions of Section 2.01(a) of this Agreement, and except as the Association shall otherwise agree:

(a) PC1 shall: (i) coordinate and supervise the implementation by the Northern Project Provinces of the compensation, resettlement and rehabilitation of Affected Persons under Part A of the Project in accordance with the PC1 RAP, in a manner satisfactory to the Association; and (ii) engage, under terms of reference satisfactory to the Association, an independent institution acceptable to the Association to monitor said implementation;

(b) PC2 shall: (i) coordinate and supervise the implementation by the Southern Project Provinces of the compensation, resettlement and rehabilitation of Affected Persons under Part B of the Project in accordance with the PC2 RAP, in a manner satisfactory to the Association; and (ii) engage, under terms of reference satisfactory to the Association, an independent institution acceptable to the Association to monitor said implementation; and

(c) PC3 shall (i) coordinate and supervise the implementation by the Central Project Provinces of the compensation, resettlement and rehabilitation of the Affected Persons under Part C of the Project in accordance with the PC3 RAP, in a manner satisfactory to the Association; and (ii) engage, under terms of reference satisfactory to the Association, an independent institution acceptable to the Association to monitor said implementation.

G. Environmental Impact Mitigation.

1. PC1, PC2 and PC3 each shall carry out its Respective Part of the Project in accordance with measures described in the Environmental Impact Assessment and, without any limitation thereto, shall take timely action to ensure that any adverse environmental impact of its Respective Part of the Project is effectively mitigated in a manner satisfactory to the Association.

H. Monitoring and Reporting

1. Without limitation to Section 9.07 of the General Conditions, PC1, PC2, PC3 and EVN shall:

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

(b) 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, 2000, and annually, on or about December 31 in each year, commencing December 31, 2001, 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 its Respective Parts of the Project during the period preceding the date of said report, and setting out the measures recommended to ensure the efficient carrying out of its Respective Parts of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Bank, by February 28 in each year, commencing February 28, 2002, 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 its 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, under terms of reference satisfactory to the Association, and furnish to the Association on or about December 31, 2002, 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, 2003, 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.

