

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4107-VN

Project Agreement

(Second Transmission and Distribution Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

ELECTRICITY OF VIETNAM
HO CHI MINH CITY POWER COMPANY
And
POWER COMPANY NO. 3

Dated March 16, 2006

CREDIT NUMBER 4107-VN
PROJECT AGREEMENT

AGREEMENT dated March 16, 2006, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and ELECTRICITY OF VIETNAM (EVN), HO CHI MINH CITY POWER COMPANY (HCMC PC) 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 Special Drawing Rights SDR 136,700,000, on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that EVN, HCMC PC and PC3 agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary loan agreement to be entered into between the Borrower, through its Ministry of Finance, and each of EVN, HCMC PC and PC3 (each said agreement a Subsidiary Loan Agreement), a part of the proceeds of the Credit provided for under the Development Credit Agreement will be made available to each of EVN, HCMC PC and PC3 on the terms and conditions set forth in said Subsidiary Loan Agreement; and

WHEREAS EVN, HCMC PC and PC3, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, have agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

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

ARTICLE II

Execution of the Project

Section 2.01. (a) Each of EVN, HCMC PC and PC3 declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out, respectively, Parts A.1, B and C, Part A.2 and Part A.3 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and power utility practices, and sound environmental and social standards acceptable to the Association, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

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

(b) EVN shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than twelve (12) months after the date of the preceding Procurement Plan, for the Association's approval.

Section 2.03. (a) EVN, HCMC PC and PC3 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 their Respective Parts of the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, 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 EVN, a plan for the continued achievement of the objectives of the Project; and
- (ii) afford the Association a reasonable opportunity to exchange views with EVN on said plan.

Section 2.04. (a) For the purposes of receiving a portion of the proceeds of the Credit to assist in the financing of its Respective Parts of the Project, each of EVN, HCMC PC and PC3 shall enter into a Subsidiary Loan Agreement with the Borrower through MOF, acceptable to the Association.

(b) Each of EVN, HCMC PC and PC3 shall duly perform all its obligations under its respective Subsidiary Loan Agreement. Except as the Association shall otherwise agree, EVN, HCMC PC and PC3 shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the respective Subsidiary Loan Agreement or any provision thereof.

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

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

ARTICLE III

Management and Operations of EVN, HCMC PC and PC3

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

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

Section 3.03. EVN, HCMC PC and PC3 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) Each of EVN, HCMC PC and PC3 shall establish and maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

- (b) Each of EVN, HCMC PC and PC3 shall:
 - (i) have its financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such year (or such other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
 - (iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon their reporting obligations set out in paragraph 12 of Schedule 2 to this Agreement in respect of the Project, EVN, HCMC PC and PC3 shall, prepare and furnish to the Association, a consolidated financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for EVN, HCMC PC and PC3's 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 the implementation of each of EVN, HCMC PC and PC3's 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 each of EVN, HCMC PC and PC3's Respective Parts of the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than forty-five (45) days after the end of the first semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each FMR shall be furnished to the Association not later than forty-five (45) days after each subsequent calendar semester, and shall cover the period not covered by the previous FMR until the end of such calendar semester.

ARTICLE V

Effective Date; Termination;

Cancellation and Suspension

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

Section 5.02. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

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

For the Association:

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

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

For Electricity of Vietnam:

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

Facsimile: (84-4) 8 249 461

For Ho Chi Minh City Power Company:

Ho Chi Minh City Power Company
12 Nguyen Thi Minh Khai
District 1
Ho Chi Minh City, Socialist Republic of Vietnam

Facsimile: (84-8) 8 220 375

For Power Company No.3:

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

Facsimile: (84-511) 625 071

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of: (a) EVN, may be taken or executed by its General Director or such other person or persons as said General Director shall designate in writing; and (b) HCMC PC or PC3, as the case may be, may be taken or executed by its Director or such other person or persons as said Director shall designate in writing; and EVN, HCMC PC and PC3 shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

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

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Klaus Rohland

Authorized Representative

ELECTRICITY OF VIETNAM

By /s/ Lam Du Son

Authorized Representative

HO CHI MINH CITY POWER COMPANY

By /s/ Le Van Phuoc

Authorized Representative

POWER COMPANY No. 3

By /s/ Le Kim Hung

Authorized Representative

SCHEDULE 1

Procurement

Section I. General

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

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

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

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

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$150,000 equivalent per contract and works estimated to cost less than \$2,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions set forth in the Annex to this Schedule.

2. Shopping. Goods estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior approval of the Association.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract for works estimated to cost the equivalent of \$500,000 or more; (b) regardless of the cost, (i) the first contract for works and the first contract for goods procured under National Competitive Bidding procedures by each of CPPMB, SPPMB, HCMC PC, PC3 and the Project Management Board of the National Load Dispatch Center; and (ii) the first contract for goods procured under Shopping, by each of CPPMB, SPPMB, HCMC PC, PC3 and the Project Management Board of the National Load Dispatch Center; (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (d) each contract for consultants' services provided by a firm

procured under Single Source Selection. In addition, with respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. The terms of reference for all consultants' services, regardless of the value of the contract shall be subject to Prior Review by the Association.

All other contracts shall be subject to Post Review by the Association.

Annex to Schedule 1

National Competitive Bidding

The Borrower represents that the procedures to be followed for National Competitive Bidding shall be those set forth in Decree No. 88/1999/ND-CP dated September 1, 1999, of the Government of the Socialist Republic of Vietnam, as amended and supplemented by Decree No. 14/2000/ND-CP dated May 5, 2000 and Decree No. 66/2003/ND-CP dated June 12, 2003 (Decree No. 88/1999/ND-CP, Decree No. 14/2000/ND-CP, and Decree No. 66/2003/ND-CP, together “the Regulations”); and, in order to ensure economy, efficiency and transparency and broad consistency with the provision of Section I of the Guidelines (as required by paragraph 3.3 of the Guidelines), goods and works for which this Schedule allows procurement under National Competitive Bidding shall be procured in accordance with paragraphs 3.3 and 3.4 of the Guidelines and the following paragraphs.

Participation in bidding and preferences

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

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

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

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

(v) Prospective bidders shall be permitted to request bidding documents either in person or through the mail upon submission of a written application. Bidding documents shall be sold to anyone who is willing to pay the required fee of the bidding documents, and no other conditions shall be imposed on the sale of the bidding

documents. The fee for the bidding documents should be reasonable and consist only of the cost of printing (or photocopying) the documents and their delivery to the purchaser. The bidding documents shall be delivered, at the prospective bidders' preference, either by hand or by mail/courier provided that the bidder is willing to pay the mail/courier delivery charges which should be specified in the Invitation for Bids. Each bidder shall be allowed to purchase only one set of the bidding documents.

(vi) Foreign bidders shall not be required, in order to participate in bidding or as a condition of award of the contract or during execution of the contract, to enter into a joint venture with a local bidder, or to subcontract part of their contract to a local bidder.

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

(viii) If there is limited bidding because there are only a limited number of bidders who can meet the requirements of the bidding documents, *all* of these bidders shall be invited to bid.

(ix) Bidders shall not be required, as a condition of participation in the bidding, to provide suppliers' credits.

Advertising; time for bid preparation

(x) Invitations to bid shall be advertised in at least one widely circulated national newspaper. In addition, the Borrower is encouraged to advertise in the Government Public Procurement Bulletin when established and on a free and open access website. A minimum of 30 days for the preparation and submission of bids shall be provided, and potential bidders shall be allowed to purchase bidding documents up to 24 hours prior to the deadline for the submission of bids.

Standard Bidding Documents

(xi) The Borrower's standard bidding documents, acceptable to the Association, shall be used. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission and opening of bids. Bidders shall be allowed to submit bids by hand or by mail.

Qualification criteria and evaluation criteria

(xii) Qualification criteria shall be clearly specified in the bidding documents, *and* all criteria so specified, and *only* criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. When post qualification is applied, the assessment of bidder's qualifications shall be carried out only after the preliminary and detailed evaluation of bids has been completed by the Purchaser/Employer and, in doing so, the qualifications of the bidder who has submitted

the lowest evaluated substantially responsive bid shall be assessed first. In carrying out the post-qualification assessment, the Employer/Purchaser shall exercise reasonable judgment in requesting, in writing, from a bidder only missing factual or historical supporting information related to the bidder's qualifications and shall provide a reasonable time period (that is, a minimum of 7 days) to the bidder to provide his response.

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

Bid opening, evaluation and award of contract

(xiv) Bids shall be opened in public, immediately after the stipulated deadline for submission of bids. Bidders or their representatives, shall be allowed to be present. The name of the bidder and total amount of each bid, including discounts, shall be read aloud and recorded. Immediately after completion of the bid opening proceedings, a copy of the bid opening record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the bid opening record shall be promptly provided to all bidders who submitted bids.

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

(xvi) All bids shall not be rejected or new bids solicited without the Association's prior concurrence.

(xvii) No bidder shall be rejected merely on the basis of a comparison with the owner's estimate and budget ceiling without the Association's prior concurrence.

(xviii) A bid containing material deviations from, or reservations to, the terms, conditions or specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened. Bidders shall not be eliminated from detailed evaluation on the basis of non-material, minor deviations or reservations.

(xix) Evaluation of bids shall be made in strict adherence to the criteria specified in the bidding documents, and contracts shall be awarded to the qualified bidder offering the lowest evaluated and responsive bid.

(xx) A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents, or otherwise to modify the bid as originally submitted.

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

(xxii) The Borrower shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association and the Government, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, an Association-financed contract.

Suppliers and Contractors

(xxiii) Bidding documents and contracts under national competitive bidding procedures financed by the Association shall include a provision requiring suppliers and contractors to permit the Association to inspect their accounts and records relating to the bid submission and the performance of the supplier and/or contractor, as the case may be, and to have them audited by auditors appointed by the Association, if so required by the Association.

(xxiv) License for foreign contractors operation in Vietnam would be provided in a timely manner and will not be arbitrarily withheld.

Publication of the Award of Contract

(xxv) The Borrower shall publish the following information on contract award in Government Public Procurement Bulletin when established or on a free and open access website or on another means of publication acceptable to the Association: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, price it offered as well as the duration and summary scope of the contract awarded. This publication shall be updated quarterly.

Complaints by Bidders and Handling of Complaints

(xxvi) The national competitive bidding procedures for contracts financed by the Association shall include provisions, acceptable to the Association, for bidders to protest.

SCHEDULE 2

Implementation Program

Project Management

1. EVN shall, throughout the period of Project implementation, maintain:
 - (a) the Central Power Projects Management Board and the Southern Power Projects Management Board to be responsible for the management and execution of Sub-projects under Part A.1 of the Project within the central and northern regions of Vietnam, and the southern region of Vietnam, respectively; said Power Projects Management Boards to be under the direction of experienced and qualified managers, staffed with competent personnel in adequate numbers and provided with sufficient resources, all in a manner satisfactory to the Association; and
 - (b) a Project Management Board within its National Load Dispatch Center to be responsible for the management and execution of Part B of the Project; said Project Management Board to be under the direction of experienced and qualified managers, staffed with competent personnel in adequate numbers and provided with sufficient resources, all in a manner satisfactory to the Association.
2. Each of HCMC PC and PC3 shall maintain throughout the period of Project implementation, a Project Management Board to be responsible for the management and execution of Sub-projects under its Respective Parts of the Project; said Project Management Board to be under the direction of experienced and qualified managers, staffed with competent personnel in adequate numbers and provided with sufficient resources, all in a manner satisfactory to the Association.

Environmental Protection, Resettlement and Ethnic Minorities

3. EVN and the Power Companies shall:
 - (a) implement the Environmental Guidelines and the Environmental Assessments and Environmental Management Plans prepared pursuant thereto, in a manner satisfactory to the Association, and designed to ensure that their Respective Parts of the Project are implemented in accordance with sound environmental practices and standards;
 - (b) provide to the Association for its prior approval any revision proposed to be introduced into said Guidelines and any of said Environmental Management Plans in order to achieve their objectives, and thereafter introduce such revision into said Guidelines and plans as shall have been agreed with the Association; and

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

4. EVN and the Power Companies shall:

(a) implement the Resettlement Policy Framework in a manner satisfactory to the Association;

(b) wherever implementation of the Project or any part thereof, would give rise to Displaced Persons, prepare and provide to the Association for its approval a resettlement plan prepared in accordance with the principles and procedures set forth in said Framework and, thereafter, coordinate with the relevant Provincial authorities and implement in a manner satisfactory to the Association such resettlement plan as shall have been approved by the Association; and

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

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

5. EVN and the Power Companies shall:

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

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

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

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

Part A of the Project

6. By October 31 of each year, commencing in 2006, EVN shall prepare and furnish to the Association for its approval, the program of work for the next succeeding calendar year; said program to include: (a) a list of proposed transmission and distribution sub-projects selected from EVN's Fifth Power Master Plan or Sixth Power Master Plan, as the case may be; and (b) the feasibility studies for such sub-projects, including technical details, budget and funding sources, and procurement plan.

7. Any Sub-project in the work program referred to in paragraph 6 above is eligible for financing under the Project only on condition that:

- (a) EVN, HCMC PC or PC3, as the case may be, has:
 - (i) completed a feasibility study thereof providing evidence acceptable to the Association that such proposed Sub-project: (A) contributes to the fulfillment of the objectives of the Project; (B) meets international technical standards and best practices; (C) has been selected taking into account alternative designs and investments; and (D) has an economic rate of return of at least ten percent (10%) and a financial rate of return of at least six and one half percent (6.5%), calculated on the basis of a methodology acceptable to the Association;
 - (ii) prepared, as may be required under and in accordance with the Resettlement Policy Framework, the Ethnic Minorities Development Framework and the Environmental Guidelines, and publicly disclosed the respective Resettlement Action Plan and/or Ethnic Minorities Development Plan, and Environmental Management Plan, satisfactory to the Association;
 - (iii) obtained all necessary governmental approvals therefor, including environmental approvals from the Ministry of Natural Resources and Environment or the relevant provincial Department of Natural Resources and Environment, as the case may be; and
 - (iv) prepared financing, procurement and implementation plans for each proposed sub-project, acceptable to the Association; and

(b) the Association has completed its appraisal of the proposed sub-project and has communicated its no-objection to EVN.

Financial Covenants

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

(b) Before September 30 in each of its fiscal years, beginning fiscal year 2006, each of EVN, HCMC PC and PC3 shall, on the basis of forecasts prepared by it under terms of reference acceptable to the Association, review whether it would meet the requirements set forth in sub-paragraph (a) of this paragraph 8 in respect of such year and the next following year, and shall furnish to the Association a copy of such review upon its completion; and

(c) If any such review shows that EVN, HCMC PC or PC3 would not meet the requirements set forth in sub-paragraph (a) of this paragraph 8 for its fiscal years covered by such review, EVN, HCMC PC or PC3, as the case may be, shall promptly take all necessary measures on its part (including without limitation financial restructuring, private sector participation, promotion of efficiency and adjustments of tariffs, with the approval of the Borrower, if required) in order to meet such requirements.

9. Except as the Association may otherwise agree, EVN, HCMC PC and PC3 shall not incur any debt, if after the incurrence of such debt, its ratio of debt to equity shall be greater than 70 to 30.

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

11. For purposes of paragraphs 9 and 10 above:

(a) The term "debt" means any indebtedness of EVN, HCMC PC or PC3, as the case may be, maturing by its terms more than one (1) year after the date on which it is originally incurred.

(b) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms

of payment on the date of such contract, agreement or other instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

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

(d) The term “net revenues” means the difference between: (A) the sum of revenues from all sources related to operations and net non-operating income; and (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

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

(f) Whenever for the purposes of paragraphs 9 and 10 above, it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

Monitoring and Reporting

12. EVN, HCMC PC and PC3 shall:

(a) maintain policies and procedures adequate to enable them to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out 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: (i) on or about April 15 and October 15 of each year, beginning April 15, 2006, a consolidated semi-annual report; and (ii) on or about April 15, 2008 a consolidated mid-term report; in each case integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 12, on the progress achieved in the carrying out of the Project during the period preceding the date of each such report (or in the case of the last semi-annual report furnished for each calendar year, during the preceding two calendar semesters); and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) promptly review with the Association, each such report referred to in sub-paragraph (b) of this paragraph 12, and, thereafter, take all measures required to ensure the efficient completion 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.