

CONFORMED COPY

CREDIT NUMBER 4444-VN

Project Agreement

(Rural Distribution Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

**VIETNAM ELECTRICITY
POWER COMPANY 1
POWER COMPANY 2
POWER COMPANY 3
POWER COMPANY HẢI PHÒNG
POWER COMPANY HẢI DƯƠNG
POWER COMPANY ĐỒNG NAI**

Dated November 4, 2008

PROJECT AGREEMENT

Agreement dated November 4, 2008, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and VIETNAM ELECTRICITY (EVN), POWER COMPANY 1 (PC 1), POWER COMPANY 2 (PC 2), POWER COMPANY 3 (PC 3), POWER COMPANY HẢI PHÒNG (PC HẢI PHÒNG), POWER COMPANY HẢI DƯƠNG (PC HẢI DƯƠNG) and POWER COMPANY ĐÔNG NAI (PC ĐÔNG NAI) (each a “Project Implementing Entity” and, collectively, the “Project Implementing Entities”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the Socialist Republic of Vietnam (“Recipient”) and the Association. The Association and the Project Implementing Entities hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — PROJECT

- 2.01. Each Project Implementing Entity declares its commitment to the objectives of the Project. To this end, each Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the respective Project Implementing Entity shall otherwise agree, each Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III – TERMINATION

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

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The respective Representatives of the Project Implementing Entities are:

- (a) in respect of EVN, the General Director or a Deputy General Director;
- (b) in respect of Power Company 1, the Director or a Deputy Director;
- (c) in respect of Power Company 2, the Director or a Deputy Director;
- (d) in respect of Power Company 3, the Director or a Deputy Director;
- (e) in respect of Power Company Hải Phòng, the Director or a Deputy Director;
- (f) in respect of Power Company Hải Dương, the Director or a Deputy Director; and
- (g) in respect of Power Company Đồng Nai, the Director or a Deputy Director.

4.02. The Association's Address is:

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

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

4.03. The respective addresses of the Project Implementing Entities are:

Vietnam Electricity
18 Trần Nguyễn Hãn
Hanoi, Socialist Republic of Vietnam

Facsimile: (84) 4 – 2201 386

Power Company 1
20 Trần Nguyễn Hãn
Hanoi, Socialist Republic of Vietnam

Facsimile: (84) 4 – 9343 798

Power Company 2
72 Hai Bà Trưng, District 1
Hồ Chí Minh City, Socialist Republic of Vietnam
Facsimile: (84) 8 – 2200 352

Power Company 3
393 Trưng Nữ Vương
Đà Nẵng City, Socialist Republic of Vietnam

Facsimile: (84) 5113 – 625 071

Power Company Hải Phòng
9 Trần Hưng Đạo
Hải Phòng City, Socialist Republic of Vietnam

Facsimile: (84) 313 – 810 905

Power Company Hải Dương
33 Hồ Chí Minh Street
Hải Dương City
Hải Dương Province, Socialist Republic of Vietnam

Facsimile: (84) 3203 – 220 613

Power Company Đồng Nai
No. 1 Nguyễn Ái Quốc Road
Tân Hiệp Ward, Biên Hòa City
Đồng Nai Province, Socialist Republic of Vietnam

Facsimile: (84) 613 – 890 810

AGREED at Hanoi, Vietnam, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Martin Rama
Authorized Representative

VIETNAM ELECTRICITY

By: /s/ Nguyen Manh Hung
Authorized Representative

POWER COMPANY 1

By: /s/ Do Nguyet Anh
Authorized Representative

POWER COMPANY 2

By: /s/ Nguyen Thanh Duy
Authorized Representative

POWER COMPANY 3

By: /s/ Thai Van Phang
Authorized Representative

POWER COMPANY HẢI PHÒNG

By: /s/ Vu Duc Hoan
Authorized Representative

POWER COMPANY HẢI DƯƠNG

By: /s/ Pham Tuan Ngoc
Authorized Representative

POWER COMPANY ĐÔNG NAI

By: /s/ Nguyen Ngoc Thanh
Authorized Representative

SCHEDULE**Execution of the Project****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. In respect of its Respective Part of the Project, each Participating Power Company:
 - (a) shall implement and cause to be implemented its respective Project Implementation Plan in a manner satisfactory to the Association; and
 - (b) shall not amend, revise or abrogate any provision thereof without the prior concurrence of the Association.
2. In respect of each Sub-project proposed for financing under the Project, prior to initiating any civil works thereunder, each Participating Power Company shall:
 - (a) prepare and provide to the Association for its review and comments an implementation schedule and procurement plan, both in accordance with the provisions of its respective Project Implementation Plan;
 - (b) thereafter, implement in a manner satisfactory to the Association such implementation schedule and procurement plan as shall have been agreed with the Association; and
 - (c) not amend, revise or abrogate any provision of such implementation schedule or procurement plan without the prior concurrence of the Association.

B. Anti-Corruption

1. Each Project Implementing Entity shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. EVN and the Participating Power Companies shall:
 - (a) implement, and cause to be implemented, the Policy Framework for Resettlement Plans and the Phase I Resettlement Plans in a manner satisfactory to the Association;

(b) wherever implementation of the Respective Parts of the Project would further give rise to displaced persons, provide to the Association for its review, additional resettlement plans prepared in accordance with the principles and procedures set forth in said Policy Framework and, thereafter, prior to initiating civil works under the relevant Sub-project, implement in a manner satisfactory to the Association, such additional resettlement plans as shall have been approved by the Association;

(c) provide to the Association for its prior approval any revision proposed to be introduced into said Policy Framework, or any of said Phase I Resettlement Plans, or into any additional resettlement plan prepared pursuant to said Policy Framework, in order to achieve their respective objectives, and thereafter only introduce such revision into said Policy Framework or Phase I Resettlement Plan or additional resettlement plan as shall have been agreed with the Association; and

(d) maintain policies and procedures adequate to enable EVN and each Participating Power Company to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Policy Framework, Phase I Resettlement Plans and any additional resettlement plan, and the achievement of their respective objectives.

2. EVN and the Participating Power Companies shall:

(a) implement, and cause to be implemented, the Environmental Guideline and the Phase I Environmental Management Plans, in a manner satisfactory to the Association and designed to ensure that the Respective Parts of the Project are implemented in accordance with sound environmental practices and standards;

(b) as may be necessary in accordance with the requirements set forth in said Guideline and in a manner satisfactory to the Association, carry out additional environmental assessments, and prepare and implement additional environmental management plans acceptable to the Association in respect of Sub-projects;

(c) provide to the Association for its prior approval any revision proposed to be introduced into said Guideline, or Phase I Environmental Assessments and Environmental Management Plans, or additional environmental assessments and environmental management plans, as the case may be, in order to achieve their respective objectives, and thereafter only introduce such revision into said Guideline, or Phase I Environmental Assessments and Environmental Management Plans, or additional environmental assessments and environmental management plans as shall have been agreed with the Association; and

(d) maintain, policies and procedures adequate to enable EVN and each Participating Power Company to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Guideline, Phase I Environmental Management Plans and additional environmental management plans, and the achievement of their respective objectives.

3. EVN and the Participating Power Companies shall:

(a) implement, and cause to be implemented, the Strategy for Ethnic Minorities and the Phase I Ethnic Minorities Development Plans in a manner satisfactory to the Association and designed to provide meaningful consultation with, and the informed participation of ethnic minority groups within the areas of the Project, and to ensure that benefits under the Project are socially and culturally acceptable to such groups;

(b) whenever implementation of Sub-projects other than the Phase I Sub-projects would take place in areas which an ethnic minority community resides or lives in, cultivates or is otherwise dependent on for their livelihood, prepare and provide to the Association for its approval additional ethnic minorities development plans prepared in accordance with the principles and procedures set forth in said Strategy 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 additional ethnic minorities development plans as shall have been approved by the Association;

(c) provide to the Association for its prior approval any proposed revision of said Strategy, or Phase I Ethnic Minorities Development Plans, or additional ethnic minorities development plans, and thereafter only introduce such revision into said Policy Framework or said Plans or said additional plans as shall have been agreed with the Association; and

(d) maintain policies and procedures adequate to enable EVN and each Participating Power Company to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Strategy, Phase I Ethnic Minorities Development Plans and said additional ethnic minorities development plans, and the achievement of their objectives.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. EVN and the Participating Power Companies shall monitor and evaluate the progress of the Respective Parts of the Project, and prepare, or cause to be prepared, Project Reports in accordance with the provisions of Section 4.08 of

the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. (a) EVN and the Participating Power Companies shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of EVN and each Participating Power Company, including, in the case of each Participating Power Company, the operations, resources and expenditures related to the Respective Part of the Project.

(b) Without limitation to their respective obligations set forth in paragraph 1, Section II(A) of this Schedule, the Participating Power Companies shall prepare and furnish, and EVN shall cause the Participating Power Companies to prepare and furnish, to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
2. EVN and the Participating Power Companies shall have the financial statements referred to in paragraph 1 above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of such financial statements shall cover the period of one (1) fiscal year of EVN and the respective Participating Power Companies. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.
3. (a) Except as the Association may otherwise agree, EVN and each Participating Power Company shall produce, for each fiscal year, beginning fiscal year 2008, funds from internal sources equivalent to not less than twenty-five percent (25%) of the annual average of their respective capital expenditures incurred or to be incurred for said year, the previous year and the following year.

(b) Before September 30 in each of their fiscal years, beginning fiscal year 2008, EVN and each Participating Power Company shall, on the basis of forecasts prepared by each under terms of reference acceptable to the Association, review whether they each would meet the requirements set forth in sub-paragraph (a) of this paragraph 3, Section II(B) 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 or any Participating Power Company would not meet the requirements set forth in sub-paragraph (a) of this paragraph 3, Section II(B) for its fiscal years covered by such review, EVN or such Participating Power Company, 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 Recipient, if required) in order to meet such requirements.
4. Except as the Association may otherwise agree, EVN and the Participating Power Companies shall not incur any debt, if after the incurrence of such debt, the ratio of debt to equity of EVN, or of the relevant Participating Power Company, shall be greater than 70 to 30.
5. Except as the Association may otherwise agree, EVN and the Participating Power Companies shall not incur any debt unless a reasonable forecast of the revenues and expenditures of EVN, or of the relevant Participating Power Company, shows that the estimated net revenues of EVN, or of the relevant Participating Power Company, 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, or of the relevant Participating Power Company, in such year on all debt of EVN, or of the relevant Participating Power Company, including the debt to be incurred.
6. For purposes of paragraphs 4 and 5 of this Section II(B):
- (a) The term “debt” means any indebtedness of EVN or any Participating Power Company, as the case may be, maturing by its terms more than one (1) year after the date on which such debt 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 or a Participating Power Company, 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 4 and 5 of this Section II(B), it shall be necessary to value, in terms of the currency of the Recipient, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Respective Parts of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.