LOAN NUMBER 2128-VIE

LOAN AGREEMENT
(Ordinary Operations)

(Northern Power Transmission Sector Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 25 AUGUST 2005

LAL:VIE 32273

LOAN AGREEMENT
(Ordinary Operations)

LOAN AGREEMENT dated 25 August 2005 between the SOCIALIST REPUBLIC OF VIET NAM (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Borrower proposes to apply to Agence Française de Développement (hereinafter called AFD) or to another financing source (hereinafter called Other Financier) to finance a portion of the Project (hereinafter called the AFD Loan or the Other Financier Loan, as applicable);

(C) the Project will be carried out by Electricity of Viet Nam (hereinafter called EVN), and for this purpose the Borrower will make available to EVN the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and EVN.

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein (said Ordinary Operations Loan Regulations being hereinafter called the Loan Regulations).

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the Loan Regulations have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Electricity Law" means the Electricity Law passed by the Borrower's National Assembly on 10 November 2004 and effective 1 July 2005;

(b) "kV" means kilovolt (1,000 volts);

(c) "NLDC" means National Load Dispatch Center within EVN;

(d) "NPPMB" means the Northern Power Project Management Board within EVN;

(e) "OHL" means overhead line;

(f) "Project Executing Agency" means for the purposes of, and within the meaning of, the Loan Regulations means EVN which is responsible for the carrying out of the Project;

(g) "Project facilities" means the facilities, equipment and vehicles provided under the Project;

(h) "SBV" means the Borrower's State Bank of Viet Nam and any successor thereto;

(i) "SCADA" means supervisory control and data acquisition system;

(j) "sub-project" means a sub-project financed or to be financed under Part A or Part B, as described in Schedule 1 to this Loan Agreement; and

(k) "Subsidiary Loan Agreement" means the agreement between the Borrower and EVN referred to in Section 3.01 of this Loan Agreement.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred and twenty million U.S. dollars ($120,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a term of 25 years, including a grace period of 5 years, as provided in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of LIBOR and 0.60% as provided by Section 3.02 of the Loan Regulations.

Section 2.03. (a) The Borrower shall pay a commitment charge at the rate of three-fourths of one percent (0.75%) per annum. Such charge shall accrue on amounts of the Loan (less amounts withdrawn from time to time), during successive periods commencing sixty (60) days after the date of this Loan Agreement, as follows:

during the first twelve-month period, on $18,000,000;
during the second twelve-month period, on $54,000,000;
during the third twelve-month period, on $102,000,000; and
thereafter, on the full amount of the Loan.

(b) If any amount of the Loan is cancelled, the amount of each portion of the Loan stated in paragraph (a) of this Section shall be reduced in the same proportion as the cancellation bears to the full amount of the Loan before such cancellation.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1 June and 1 December in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

(i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;

(ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Floating Rate to a Fixed Rate, or vice versa; and

(iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan together with other funds required for the Project to EVN under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB.

(b) The Borrower shall cause EVN to apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The goods and services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such goods and services and other items of expenditure shall be in

accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 and Schedule 5 to this Loan Agreement. ADB may refuse to finance a contract where goods or services have not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The closing date for withdrawals from the Loan Account for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 2009 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause EVN to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and public utility practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 6 to this Loan Agreement.

Section 4.02. The Borrower shall make available to EVN, promptly as needed and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. The Borrower shall take all action which shall be necessary on its part to enable EVN to perform its obligations under the Project Agreement, including all financial obligations specified in paragraphs 7 through 9, inclusive, of Schedule 6 to this Loan Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

ARTICLE V

Suspension; Cancellation; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(l) of the Loan Regulations:

(a) EVN shall have failed to perform any of its obligations under the Subsidiary Loan Agreement; or

(b) the AFD Loan or Other Financier Loan shall have become liable for suspension or cancellation.

Section 5.02. The following are specified as additional events for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: either of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations:

(a) the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of EVN and shall have become fully effective and binding upon EVN in accordance with its terms.

(b) the AFD Loan Agreement or Other Financier Loan Agreement, in an amount of approximately fifty million U.S. dollars ($50,000,000), shall have been duly executed and delivered, and all conditions precedent to its effectiveness (other than a condition requiring effectiveness of this Loan Agreement) shall have been fulfilled or arrangements satisfactory to ADB shall have been made for the fulfillment thereof within a period of time satisfactory to ADB.

Section 6.02. The following is specified as additional matter, for the purposes of Section 10.02(d) of the Loan Regulations, to be included in the opinion or opinions

to be furnished to ADB: that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, EVN and is legally binding upon EVN in accordance with its terms.

Section 6.03. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VII

Delegation of Authority

Section 7.01. The Borrower hereby designates EVN its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02 and 3.03 of this Loan Agreement and under Sections 6.01, 6.02, 6.03 and 6.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by EVN pursuant to the authority conferred under Section 7.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 7.03. The authority conferred on EVN under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VIII

Miscellaneous

Section 8.01. The Governor of the State Bank of Viet Nam of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

State Bank of Viet Nam
47 - 49 Ly Thai To
Hanoi, Viet Nam

Facsimile Numbers:

(84-4) 8258-385
(84-4) 8250-612

For ADB

Asian Development Bank
P.0. Box 789
0980 Manila, Philippines

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

(632) 636-2444
(632) 636-2336

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIET NAM

By _____
LE DUC THUY
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____
BRADFORD R. PHILIPS
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Project

1. The objectives of the Project are to expand and strengthen EVN's power transmission system in the north of Viet Nam to improve system reliability and quality. The Project will also support the improvement of the efficiency of the power sector by promoting restructuring and commercialization of EVN. The Project will have the following components:

Part A: Transmission

(i) Expansion and upgrading of the 500kV and 220kV transmission systems to transfer additional power to improve system reliability and enhance efficient utilization of both existing and new power plants; and

(ii) Assistance to the NPPMB to strengthen its capacity for resettlement planning, implementation and monitoring.

Part B: NLDC Upgrade

(i) Upgrading and expansion of the supervisory control and data acquisition (SCADA) system through provision of remote terminal units (RTUs) for substations and power plants, software and hardware upgrades for national and regional load dispatch centers, and communications facilities linking three regional load dispatch centers (North, Central and South) as well as the NLDC in Hanoi with the RTUs in substations and power stations; and

(ii) Provision of implementation consulting services to assist NLDC.

2. The Project is expected to be completed by 30 June 2009.

SCHEDULE 2

Amortization Schedule

(Northern Power Transmission Sector Project)

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Payment Due		Installment Share (Expressed as a %)
1 June	2010	0.83
1 December	2010	0.87
1 June	2011	0.91
1 December	2011	0.96
1 June	2012	1.01
1 December	2012	1.06
1 June	2013	1.11
1 December	2013	1.16
1 June	2014	1.22
1 December	2014	1.28
1 June	2015	1.35
1 December	2015	1.42
1 June	2016	1.49
1 December	2016	1.56
1 June	2017	1.64
1 December	2017	1.72
1 June	2018	1.81
1 December	2018	1.90
1 June	2019	1.99
1 December	2019	2.09
1 June	2020	2.20
1 December	2020	2.31
1 June	2021	2.42
1 December	2021	2.54

Schedule 2

Payment Due		Installment Share (Expressed as a %)
1 June	2022	2.67
1 December	2022	2.80
1 June	2023	2.94
1 December	2023	3.09
1 June	2024	3.25
1 December	2024	3.41
1 June	2025	3.58
1 December	2025	3.76
1 June	2026	3.94
1 December	2026	4.14
1 June	2027	4.35
1 December	2027	4.57
1 June	2028	4.79
1 December	2028	5.03
1 June	2029	5.29
1 December	2029	5.54
	Total	100.00

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date

following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of goods, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Taxes

2. No withdrawals from the Loan Account shall be made in respect of any local taxes.

Percentages of ADB Financing

3. Except as ADB may otherwise agree the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

4. Notwithstanding paragraph 5 of this Schedule, any contract awarded to a local supplier after effective international competitive bidding or international shopping pursuant to the relevant provisions of Schedule 4 to this Loan Agreement shall be financed out of the proceeds of the Loan on the following basis:

(a) where the goods procured from a local supplier are manufactured locally, 100 percent of the ex-factory price of the goods supplied (exclusive of any taxes); and

(b) where the goods procured from a local supplier have been entirely imported, 100 percent of the foreign-currency component of the contract price.

Local Expenditure

5. (a) Loan proceeds up to the amount of $300,000 may be withdrawn from the Loan Account in foreign currency for the purposes of financing local expenditure.

(b) Except as provided in this paragraph or as ADB may otherwise agree, no withdrawals from the Loan Account shall be made in respect of any local expenditure on the Project.

Interest and Commitment Charge

6. The amount allocated to Category 3 is for financing interest and commitment charge on the Loan during the implementation period of the Project. ADB shall be entitled to

withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charge.

Reallocation

7. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table and subject to paragraph 5 of this Schedule,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Attachment 1 to Schedule 3

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Northern Power Transmission Sector Project)					
CATEGORY				PERCENTAGE OF BANK FINANCING	
Number	Item	Amount Allocated $ Category	Subcategory	Percentage	Basis for Withdrawal from the Loan Account
1	Equipment	89,900,000			
1A	Transmission Materials		71,790,000	100	percent of total expenditure (100% for foreign & 0% for local)
1B	SCADA & Telecommun. Materials		18,110,000	100	percent of total expenditure (100% for foreign & 0% for local)
2	Consulting Services	700,000			
2A	Resettlement - Foreign		200,000	100	percent of total expenditure (100% for foreign & 0% for local)
2B	Resettlement - Local		300,000	100	percent of total expenditure (0% for foreign & 100% for local)*
2C	SCADA & Telecommun. Implementation		200,000	100	percent of foreign expenditure
3	Interest during Construction and Commitment Charge	14,400,000		100	percent of amounts due
4	Unallocated	15,000,000			
	Total	120,000,000			

* Exclusive of local taxes

SCHEDULE 4

Procurement

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of goods and services to be financed out of the proceeds of the Loan. In this Schedule and the Attachment hereto, the term "goods" includes equipment and materials; the term "services" does not include consulting services.

2. Procurement of goods and services shall be subject to the provisions of the "Guidelines for Procurement under Asian Development Bank Loans" dated November 2004 (hereinafter called the Guidelines for Procurement), as amended from time to time, which have been furnished to the Borrower.

3. Procurement of goods and services shall be made without any restriction against, or preference for, any particular supplier or contractor or any particular class of suppliers or contractors, except as otherwise provided in paragraph 6 below.

4. (a) Each supply contract for equipment or materials estimated to cost the equivalent of more than $500,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement.

(b) For contracts to be awarded on the basis of international competitive bidding, there shall be submitted to ADB, as soon as possible, and in any event not later than 90 days before the issuance of the first invitation to bid for the Project, a General Procurement Notice (which ADB will arrange to publish separately) in such form and detail and containing such information as ADB shall reasonably request. ADB shall be provided the necessary information to update such General Procurement Notice annually as long as any goods remain to be procured on the basis of international competitive bidding.

(c) For contracts to be awarded on the basis of international competitive bidding, procurement actions shall be subject to review by ADB in accordance with the procedures set forth in Chapter IV of the Guidelines for Procurement. Each draft invitation to bid, to be submitted to ADB for approval under such procedures, shall reach ADB at least 21 days before it is issued and shall contain such information as ADB shall reasonably request to enable ADB to arrange for the separate publication of such invitation.

5. Each supply contract for equipment or materials estimated to cost the equivalent of $500,000 or less (other than minor items) shall be awarded on the basis of international shopping as described in Chapter III of the Guidelines for Procurement.

6. In comparing bids under international competitive bidding, a margin of preference may be provided, at the option of the Borrower and in accordance with the provisions of the Attachment to this Schedule, for

(a) goods manufactured in the territory of the Borrower, provided that the bidder offering such goods shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods; and

(b) civil works to be carried out by eligible domestic contractors, as defined by ADB.

7. Supply contract packages estimated to cost less than $100,000 or specialized and critical items, if any, required for the NLDC component of the Project may be procured directly from the manufacturers of the original equipment or their agents. Prior to such procurement, a list of individual items to be procured, an estimate of their costs, an indication of potential sources of supply and any related documents shall be submitted to ADB for approval. After award, three copies of each contract for such items shall be furnished to ADB.

8. Civil works and locally purchased goods not financed by the Loan proceeds will be procured using the Borrower's procurement procedures.

9. (a) The Borrower shall ensure that all ADB-financed goods and services procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all ADB-financed contracts for the procurement of goods and services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

Attachment to Schedule 4
(Page 1)

Preference for Domestically Manufactured Goods

1. In the procurement of goods through international competitive bidding, goods manufactured in the territory of the Borrower may be granted a margin of preference in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

(a) For application of domestic preference, all responsive bids shall first be classified into the following three categories:

Category I -- bids offering goods manufactured in the territory of the Borrower which meet the minimum domestic value added requirement;

Category II -- bids offering other goods manufactured in the territory of the Borrower; and

Category III -- bids offering imported goods.

(b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods.

(c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I or Category II is found to be the lowest, it shall be selected for the award of contract.

(d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category III, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category III by adding either

(i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such Category III bid; or

(ii) 15 percent of the CIF bid price of such goods if the customs duties and import taxes referred to above exceed 15 percent of the CIF bid price.

If, after such further comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category III shall be selected for the award.

2. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference, including the minimum domestic value added.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

SCHEDULE 5

Consultants

1. The services of consultants shall be utilized in the carrying out of the Project, particularly with regard to:

(a) assisting NLDC in evaluation of technical proposals for bidders for SCADA and telecommunications equipment, and for commissioning of hardware/software at load dispatch centers; and

(b) assisting NPPMB in preparing resettlement plans for sub-projects, guiding and supervising Resettlement Committees, and training NPPMB and Resettlement Committees.

The terms of reference of the consultants shall be as determined by agreement between ADB and EVN.

2. The selection, engagement and services of the consultants shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers" dated January 2005 (hereinafter called the Guidelines on the Use of Consultants), as amended from time to time, which have been furnished to the Borrower and EVN.

3. Selection and engagement of the consultants shall be made without any restriction against, or preference for, any particular consultants or any particular class of consultants.

4. The consultants shall be selected and engaged by EVN in accordance with the following procedures.

(a) A list of the candidates together with their qualifications and a draft contract shall be furnished to the Bank for approval before the selection of consultants.

(b) Promptly after the contract is signed, the Bank shall be furnished with the evaluation of the candidates and a brief justification for the selection, together with three copies of the signed contract.

(c) If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to the Bank for prior approval.

5. In addition, the services of local consultants shall be utilized for the purpose of monitoring resettlement. The terms of reference of the consultants shall be as determined by agreement between ADB and EVN.

6. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

SCHEDULE 6

Execution of Project and Operation of Project Facilities; Financial Matters; Other Matters

I. Implementation Arrangements

1. EVN as the Project Executing Agency shall be responsible for overall Project implementation. NPPMB shall act as the implementing agency for implementing Part A(i) as described in Schedule 1 of this Loan Agreement and NLDC shall act as the implementing agency for implementing Part B(i) as described in Schedule 1 of this Loan Agreement.

2. The Borrower shall ensure that all actions required by the Project Administration Memorandum (PAM), as agreed upon by EVN and ADB, and as amended from time to time, shall be implemented as specified in that PAM.

II. Sector Restructuring

3. Within six (6) months after the effective date of the Electricity Law, the Borrower shall have promulgated a decree or regulation establishing a regulatory authority as envisaged under the Electricity Law.

4. Within 12 months after the effective date of the Electricity Law, the Borrower shall have established the regulatory authority envisaged under the Electricity Law.

5. By no later than 30 June 2009 the Borrower shall have ensured that all EVN generation units have been corporatized such that each generation unit either: (i) has become an independent unit, including independent accounting; (ii) has become a single member limited liability company; or (iii) has been equitized such that ownership is held by EVN and by one or more other investors.

III. Financial Matters

6. The provisions in paragraphs 8 through 14, inclusive, of Schedule 6 of the Loan Agreement dated 25 November 1998 between the Borrower and ADB for the Central and Southern Viet Nam Power Distribution Project (Loan No. 1585-VIE(SF)) are hereby repealed and replaced by paragraphs 7 through 9, inclusive, of this Schedule to this Loan Agreement.

7. The Borrower shall perform all actions necessary to ensure that EVN, beginning 1 January 2005, achieves a self-financing ratio of at least 25 per cent. For purposes of this paragraph, the following provisions shall apply:

a. Except as ADB shall otherwise agree, EVN shall produce, for each of its fiscal years after its fiscal year ending on 31 December 2004, cash from internal sources equivalent to not less than 25 percent of the annual average of EVN's capital expenditures incurred, or expected to be incurred, for that year and succeeding fiscal years.

b. Before 30 June in each of its fiscal years, EVN shall, on the basis of forecasts prepared by EVN and satisfactory to ADB, review whether it would meet the

requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to ADB a copy of such review, upon its completion.

c. If any such review shows that EVN would not meet the requirements set forth in paragraph (b) for EVN's fiscal years covered by such review, the Borrower and EVN shall promptly take all necessary measures (including without limitation, adjustments of the structure or levels of EVN's rates (prices) or, upon establishment of the regulatory authority, filing applications seeking tariff/rate increase) in order to meet such requirements.

d. For the purposes of this paragraph:

i. The term "cash from internal sources" means the difference between:

A. the sum of cash flows from all sources related to operations, plus cash generated from consumer deposits and consumer advances of any kind, sale of assets, cash yield of interest on investments, and net non-operating income; and

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

ii. The term "net non-operating income" means the difference between:

A. revenues from all sources other than those related to operations, after making adequate provisions for uncollectible debts; 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 prepaid 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, excluding interest charged to construction and financed from loans.

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

viii. The terms "operations" or operating" refer to all operations of EVN.

ix. 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 ADB.

8. Except as ADB shall otherwise agree, the Borrower shall perform all actions necessary to ensure that EVN, beginning 1 January 2005, shall not incur any debt, unless the net revenues of EVN for the twelve months prior to the date of such incurrence shall be at least 1.5 times the estimated maximum debt service requirements of EVN for any succeeding fiscal year on all debt of EVN, including the debt to be incurred. For the purposes of this paragraph:

i. The term "debt" means any indebtedness of EVN 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, after making adequate provisions for uncollectible debts, adjusted to take account of EVN's rates in effect at the time of the incurrence of debt even though they were not in effect during the twelve-month period to which such revenues relate 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 (iii)(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. Interest charges which are incurred in financing capital expenditures during development should be excluded, if such charges are capitalized. However, if EVN's policy is to meet the cost from operating income, such interest charges should be included in "debt service requirements". Lease payments under finance leases should also be included.

vi. Whenever for the purposes of this paragraph 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 ADB.

vii. The terms "operations" or "operating" refer to all the operations of EVN.

9. Except as ADB shall otherwise agree, the Borrower shall perform all actions necessary to ensure that EVN, beginning 1 January 2005, shall not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 70 to 30. For purposes of this paragraph:

i. The term "debt" means any indebtedness of EVN 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 conditional sale or transfer or financing lease 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. Financial liabilities incurred by a borrower who is a lessee under finance leasing agreements may also be included as debt.

iii. The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of EVN not allocated to cover specific liabilities.

iv. Whenever for purposes of this paragraph 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 currency is, at the time of 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 ADB.

IV. Resettlement and Social Safeguards

10. NPPMB shall be responsible for the timely acquisition of the land required for each sub-project and for compensation and, if required, relocation, resettlement and rehabilitation of people affected by any sub-project of the Project. NPPMB shall be responsible

for preparing a new Resettlement Plan for any sub-project requiring one under the Resettlement Framework (i.e., for sub-projects not yet appraised and which will cause resettlement impacts) and shall submit such Resettlement Plan to ADB for its approval prior to its implementation. Each Resettlement Plan prepared shall follow completion of a detailed design prior to commencing resettlement planning activities and shall be prepared in full consultation with affected persons and disclosed to the affected persons prior to its submission to ADB. The Resettlement Plans shall include detailed measurement surveys, compensation unit rates for all categories of losses and allowances and a final database of affected persons. In preparing a Resettlement Plan for sub-projects not yet appraised, NPPMB shall specifically assess the sub-project's impact on any minority groups or ethnic minorities likely to be affected.

11. NPPMB shall be responsible for implementing approved Resettlement Plans for sub-projects previously appraised and which Resettlement Plans shall be updated prior to implementation of the sub-project and submitted to ADB for its approval prior to implementation. Each updated Resettlement Plan shall be prepared in full consultation with affected persons and disclosed to such affected persons prior to its submission to ADB. In preparing the updated Resettlement Plans, NPPMB shall undertake a detailed measurement survey and derive updated compensation unit rates for all categories of losses and allowances. NPPMB shall provide to ADB a final database of affected persons, a summary of the updated detailed measurement survey data and replacement cost tables for each sub-project. The updated Resettlement Plans must include any revisions to the entitlement matrix but such revisions are limited to inclusion of new entitlements to address impacts not previously recognized.

12. NPPMB shall be responsible for implementing sub-project land acquisition and resettlement programs through the resettlement committees in the relevant province and district and which committees shall be closely involved in resettlement implementation. With the assistance of an international resettlement specialist, NPPMB and its local consultants shall conduct training in compensation standards, procedures, entitlements, implementation, grievance processes, and monitoring procedures for the provincial and district resettlement committees.

13. NPPMB shall ensure that such land acquisition, compensation, relocation and resettlement is carried out in accordance with the approved Resettlement Plans and Resettlement Framework agreed upon between the Borrower and ADB, the Borrower's laws, regulations, procedures and ADB's requirements as defined in ADB's *Policy on Involuntary Resettlement*. In case of discrepancies between the Borrower's laws, regulations, and procedures and ADB's requirements, ADB's requirements shall apply. NPPMB shall provide EVN with monthly reports on land acquisition and resettlement. EVN shall provide ADB with quarterly status reports on the land acquisition and resettlement process as part of the progress reports required under Section 2.08 of the Project Agreement and paragraph 25 of this Schedule, and shall provide a report immediately following completion of Resettlement Plan implementation.

14. If, at any time after a Resettlement Plan has been approved, significant realignment of any part of a sub-project is required, NPPMB shall revise and update that Resettlement Plan for that sub-project to take into account the realignment. The updated Resettlement Plan shall be updated in accordance with ADB's *Policy on Involuntary Resettlement* and submitted to ADB for approval prior to commencement of any land acquisition activities for the realigned sub-project. Significant realignment occurs when the previously

approved alignment is moved entirely outside the construction corridor of the previous design over a distance greater than 100 meters.

15. EVN shall ensure that civil works contractors are not issued a notice of possession of site for any section of construction works unless NPPMB has (i) satisfactorily completed, in accordance with the approved relevant Resettlement Plan for that sub-project, compensation payment and relocation to new sites, and (ii) ensured that the rehabilitation assistance is in place and the area required for civil works is free of all encumbrances.

16 NPPMB shall ensure timely provision of counterpart funds for land acquisition, resettlement and monitoring activities specified in any agreed upon Resettlement Plan, and shall meet any unforeseen obligations in excess of the Resettlement Plan budget estimate in order to satisfy resettlement objectives. NPPMB shall ensure that counterpart funds for compensation and entitlements under any agreed upon Resettlement Plan are fully provided directly to affected people prior to their displacement from housing and prior to loss of land, livelihood, income or other assets.

17. NPPMB shall retain a resettlement consultant, prior to commencement of the resettlement process, to assist in preparing, updating and implementing the Resettlement Plans. The resettlement consultant shall: (i) assist NPPMB to prepare sub-project resettlement plans, (ii) guide and supervise provincial and district resettlement committees, and (iii) train NPPMB staff and the provincial and district resettlement committees.

18. NPPMB shall engage an Independent Monitoring Organization (IMO), acceptable to ADB and with terms of reference included in the approved Resettlement Plans, to monitor and evaluate implementation of all the Resettlement Plans. The IMO shall be engaged prior to commencement of the resettlement process. The budget provided to the IMO shall include funds sufficient, in the opinion of ADB, for the IMO to adequately perform its functions.

19. The Borrower shall provide to the IMO, at no cost, all documents required to monitor the resettlement process, specifically including the relevant Resettlement Plans, detailed measurement survey documents, and all associated documents which may be reasonably requested by the IMO.

20. The Borrower shall ensure that civil works contractors do not differentiate in wages between male and female workers and that no child labor is employed in the Project's construction activities and camps.

V. Sub-Project Appraisal

21. For all sub-projects selected for possible inclusion in the Project, EVN shall produce an appraisal report for approval by ADB and which report shall include (i) a technical feasibility study (including alternatives and indication it is the least cost solution, cost estimates, procurement packaging and implementation schedule) for each proposed sub-project, (ii) a Resettlement Plan meeting the requirements of the Resettlement Framework, and (iii) an environmental assessment prepared following the Environmental Assessment and Review procedures as specified in the Initial Environmental Examination. The Environmental Assessment and Review procedures and the Initial Environmental Examination are subject to ADB approval.

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VI. Environment

22. The Borrower shall ensure that the Government's laws and regulations governing environmental and social impact assessments, as well as ADB's *Environment Policy* (2002) are followed. If there is any discrepancy between the Government's laws and regulations, and ADB's requirements, then these discrepancies shall be identified during the sub-project appraisal process and resolved to ADB's satisfaction.

23. The Borrower and EVN shall ensure that the contract documents for all civil works under the Project include: (i) budgetary provisions for implementation of any specific mitigation measures and monitoring requirements that arise from the environmental assessment and review of sub-projects, and (ii) to give due consideration to prevention of damage to the natural environment in the design, construction, operation and maintenance of Project facilities.

24. The Borrower shall ensure that any Environmental Managements Plans, arising from the environmental assessment and review of sub-projects, are implemented under EVN's supervision in order to adequately monitor and mitigate environmental impacts.

VII. Reporting Requirements

25. Notwithstanding the generality of Section 2.08 of the Project Agreement, the Borrower shall ensure that NPPMB and NLDC each prepares regular progress reports for their respective Project components for submission to ADB on a quarterly basis and which reports include: (i) a narrative description of the Project's physical progress during the period; (ii) changes in the implementation schedule; (iii) performance of the Project implementation consultants; (iv) a description of problems encountered and anticipated with suggested corrective action; (v) a description of implementation of the Resettlement Plan including status of satisfactory completion of compensation, resettlement and rehabilitation activities (this shall be a compilation of the monthly reports required under paragraph 13 of this Schedule 6 and submitted by NPPMB); and (vi) a summary financial account for the implementing agency's Project component, including Project expenditures during the reporting period, year-to-date, and total expenditure to date.

VIII. Auditing

26. Notwithstanding the generality of Section 2.09 of the Project Agreement, the Borrower shall ensure that:

(i) Within six (6) months after the end of the fiscal year, EVN submits an audited (i) annual Project account (APA) and (ii) annual financial statement (AFS). The APA shall contain detailed descriptions of the sources of receipts and expenditures. The AFS shall consist of an income statement, balance sheet, statement of cash flows and related notes to financial statement. The AFS shall be consolidated for all of EVN's operations.

(ii) Except as otherwise agreed by ADB, EVN shall continue its practice of retaining external auditors satisfactory to ADB to audit its AFS and APA, together with the

memorandum of issues identified during the audit process (i.e., management letter) which shall be attached to the respective reports.

(iii) For future contracts or contract revisions with external auditors, the terms of reference of the external auditors shall be provided to ADB.

The accounts shall be prepared using International Financial Reporting Standards and the audit shall be carried out using International Standards of Auditing.

27. The auditors shall be required to provide an opinion on EVN's compliance with the financial covenants in this Loan Agreement and indicate the details of the actual calculations for all ratios, in conformity with the definitions contained in this Loan Agreement.