LOAN NUMBER 2225-VIE

LOAN AGREEMENT
(Ordinary Operations)

(Northern Power Transmission Expansion Sector Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 22 AUGUST 2006

LAL:VIE 38196

LOAN AGREEMENT
(ORDINARY OPERATIONS)

LOAN AGREEMENT dated 22 August 2006 between 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 Project will be carried out by the 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

(C) 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) "CPPMB" means the Central Power Projects Management Board established under EVN, or any successor thereto;

(b) "EMP" means, for the purpose of the Project, the Project's environmental management plan to be applied for the Project;

(c) "HQHPP" means the 560 MW Huoi Quang Hydropower Project financed and implemented by the Borrower and EVN;

(d) "IEE" means, for the purpose of the Project, the Project's initial environmental examination;

(e) "kV" means kilovolt;

(f) "NPPMB" means the Northern Power Projects Management Board established under EVN, or any successor thereto;

(g) "Project facilities" means, the facilities to be constructed, provided or maintained under the Project;

(h) "RF" means, for the purpose of the Project, the Project's resettlement framework developed and agreed between the Borrower, EVN and ADB;

(i) "RP" means, for the purpose of the Project, a resettlement plan prepared or to be prepared for a Subproject as defined hereunder, or any amendments thereto;

(j) "SLHPP" means the 2,400 MW Son La Hydropower Project financed and implemented by the Borrower and EVN;

(k) "Subproject" means, for the purpose of the Project, a subproject to be financed under the Project, the selection of which is more fully described in paragraphs 6 and 7 of Schedule 6 to this Loan Agreement;

(l) "Subsidiary Loan Agreement" means, for the purpose of the Project, a loan agreement to be concluded between the Borrower and EVN, as more fully described 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 three hundred sixty million dollars ($360,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 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 $54,000,000;
during the second twelve-month period, on $162,000,000;
during the third twelve-month period, on $306,000,000; 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 15 June and 15 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 for the Project to EVN under a Subsidiary Loan Agreement upon terms and conditions

satisfactory to ADB. Except as ADB may otherwise agree, the terms for relending the proceeds of the Loan shall include interest at a rate equal to the sum of the rate specified in Section 2.02 above plus onlending fee pursuant to the Borrower's regulations. Commitment fee to be incurred in accordance with Section 2.03 and any other charged shall be paid by EVN.

(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 allocation of amounts of the Loan towards different components of the Loan 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 2010 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 power transmission/distribution 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, 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 the establishment and maintenance of tariffs as stipulated in paragraph 4 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 is specified as an additional event 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: the Borrower or EVN shall have failed to perform any of their respective obligations under the Subsidiary Loan Agreement.

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

ARTICLE VI

EFFECTIVENESS

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan Regulations: the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and EVN, and shall have become effective and binding upon the Borrower and EVN in accordance with their terms, subject only to the effectiveness of this Loan Agreement.

Section 6.02. The following is specified as an 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: the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and EVN, and is legally binding upon the Borrower and EVN in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

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 as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.05 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 Number:

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

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2331.

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 _____
Ayumi Konishi
Country Director
Viet Nam Resident Mission

SCHEDULE 1

DESCRIPTION OF THE PROJECT

1. The objective of the Project is to strengthen the northern transmission network to improve system reliability and quality of supply, facilitate power transfers by removing transmission bottlenecks, reduce transmission losses, and facilitate efficient utilization of existing and planned power plants.

2. The Project consists of the following parts:

Part A: Construction, Expansion and Upgrading of 500 kV and 220 kV Transmission Lines

Construction, expansion and upgrading of selected subprojects.

Part B: Construction, Upgrading and Expansion of 500 kV and 220 kV Substations

Construction, upgrading and expansion of selected subprojects.

3. The Project also includes provision of consulting services.

4. The Project is expected to be completed by 30 June 2010.

SCHEDULE 2

AMORTIZATION SCHEDULE

(NORTHERN POWER TRANSMISSION EXPANSION 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.

Period	Payment Due	Installment Share (expressed as %)
1	15 Jun 2011	0.83
2	15 Dec 2011	0.87
3	15 Jun 2012	0.91
4	15 Dec 2012	0.96
5	15 Jun 2013	1.01
6	15 Dec 2013	1.06
7	15 Jun 2014	1.11
8	15 Dec 2014	1.16
9	15 Jun 2015	1.22
10	15 Dec 2015	1.28
11	15 Jun 2016	1.35
12	15 Dec 2016	1.42
13	15 Jun 2017	1.49
14	15 Dec 2017	1.56
15	15 Jun 2018	1.64
16	15 Dec 2018	1.72
17	15 Jun 2019	1.81
18	15 Dec 2019	1.90
19	15 Jun 2020	1.99
20	15 Dec 2020	2.09
21	15 Jun 2021	2.20
22	15 Dec 2021	2.31
23	15 Jun 2022	2.42
24	15 Dec 2022	2.52
25	15 Jun 2023	2.67
26	15 Dec 2023	2.80
27	15 Jun 2024	2.94
28	15 Dec 2024	3.09
29	15 Jun 2025	3.25
30	15 Dec 2025	3.41
31	15 Jun 2026	3.58

Period	Payment Due	Installment Share (expressed as %)
32	15 Dec 2026	3.76
33	15 Jun 2027	3.94
34	15 Dec 2027	4.14
35	15 Jun 2028	4.35
36	15 Dec 2028	4.57
37	15 Jun 2029	4.79
38	15 Dec 2029	5.03
39	15 Jun 2030	5.29
40	15 Dec 2030	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 (hereinafter called the Table) sets forth the Loan Components and the allocation of amounts of the Loan to each such Loan Component. (Reference to "Loan Component" in this Schedule is to a Loan Component listed in the Table.)

Interest and Commitment Charge

2. The amount allocated to Loan Component (iv) is for financing interest and committeemen 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

3. Notwithstanding the allocation of Loan proceeds set forth in the Table and subject to paragraph 3 of this Schedule,

(a) if the amount of the Loan allocated to any Loan Component appears to be insufficient to finance all agreed expenditures for that Loan Component, ADB may, by notice to the Borrower, reallocate to such Loan Component, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Loan Component but, in the opinion of ADB, are not needed to meet other expenditures; and

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

Attachment to Schedule 3

TABLE

ALLOCATION OF LOAN PROCEEDS

(Northern Power Transmission Expansion Sector Project)

Number	LOAN COMPONENT	AMOUNT ALLOCATED ($)
(i)	Subprojects – Construction, Expansion and Upgrading of Transmission Lines	270,984,000*
(ii)	Subprojects – Construction, Upgrading and Expansion of Substations	57,400,000*
(iii)	Project Administration and Consulting Services	316,000*
(iv)	Interest/Commitment Charge	31,300,000*
	TOTAL	360,000,000

* Exclusive of taxes and duties; 100% financed by ADB

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 and EVN.

3. (a) 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 sub-paragraph (b) below, and paragraph 6 below.

(b) The Borrower's State-owned enterprises shall only be eligible to bid for contracts if they are legally and financially autonomous, independently managed and operating on the basis of commercial practices, and if they are not in any way associated with the military forces.

4. (a) Each civil works contract estimated to cost the equivalent of more than $3,000,000 and each supply contract for equipment or materials estimated to cost the equivalent of more than $1,000,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement. Bidders for civil works contracts shall be prequalified before bidding.

(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 either the first prequalification invitation or 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.

(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 prequalification invitation and 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. (a) Each supply contract for equipment or materials estimated to cost the equivalent of $1,000,000 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.

(b) Each draft invitation to bid and related bid document shall be submitted to ADB for approval before they are issued.

(c) Notwithstanding paragraph 3.03(b) of the Guidelines for Procurement, any award of contract shall be subject to prior ADB approval.

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. Civil works contracts estimated to cost the equivalent of $3,000,000 or less may be awarded on the basis of local competitive bidding among prequalified contractors in accordance with the standard procurement procedures of the Borrower and EVN, and acceptable to ADB.

(a) For the first contract to be awarded on the basis of local competitive bidding, the first draft English language version of the bidding documents, as well as prequalification, selection and engagement of contractors shall be subject to the approval of ADB. As soon as the bids received have been evaluated, the proposal for award of contract shall be submitted to ADB for approval. For this purpose, ADB shall be furnished with three copies of (i) an account of the public opening of bids; (ii) a summary and evaluation of the bids; (iii) the proposal for award; and (iv) a draft contract or a draft letter of acceptance. Promptly after each contract is awarded, ADB shall be furnished with three copies of the contract as executed.

(b) For the subsequent contracts, bid evaluation and award of contracts shall be subject to post review by ADB.

8. Secondary equipment for expansion of existing 500 kV and 220 kV substations under operation using computerized control system may be procured on the basis of international shopping as outlined in paragraph 5 above, or through directly purchase as described in Chapter III of the Guidelines for Procurement, as appropriate. Where the equipment is procured directly, 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.

9. (a) The Borrower and EVN 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 and EVN 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.

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.

Domestic Preference for Turnkey Contracts and Supply-and-Installation Contracts

3. In single-responsibility turnkey (including design-build) contracts and supply-and-installation contracts for large and complex packages, procured through international competitive bidding and in which discrete items of goods are grouped into one contract package and where the CIF or ex-factory cost of goods to be used for or in the permanent works under such contracts is estimated, prior to bidding, to equal or exceed 60 percent of the total cost of such works, a margin of preference shall be applied to the domestically manufactured goods in accordance with the following provisions.

(a) The margin of preference shall not be applied to the whole package but only to the domestically manufactured goods within the package.

(b) Goods offered from outside the territory of the Borrower shall be quoted CIF and goods offered domestically shall be offered ex-factory or ex-works (free of sales and similar taxes).

(c) All other cost components, such as design as well as works installation, commissioning and supervision, shall be quoted separately, and shall not be subject to preference.

(d) In the comparison of bids (which should not be classified into Categories I, II or III as with the domestic preference for goods), only the CIF price in each bid of the goods offered from outside the territory of the Borrower shall be increased by the applicable duty and other taxes payable by a nonexempt importer or by 15 percent, whichever is less.

(e) If duties vary from item to item within a package, the appropriate tariff for each item shall apply.

(f) No margin of preference shall be applied to any associated services or works included in the package.

(g) Bidders shall not be permitted or required to modify the mix of domestic and foreign goods after bid opening.

4. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference.

(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.

Preference for Domestic Contractors

5. In the selection of civil-works contractors, single-responsibility turnkey (including design-build) contractors or supply-and-installation contractors where the CIF cost of goods to be used for or in the permanent works under such contracts is less than 60 percent of the total cost of such works, eligible domestic contractors, as defined below, through international competitive bidding may be granted a margin of preference in accordance with the following provisions.

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

Category I -- bids offered by domestic contractors and joint ventures eligible for the preference in accordance with the applicable criteria as set forth in paragraph 6 below; and

Category II -- bids offered by other contractors.

(b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves.

(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 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 II, 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 II by adding an amount equal to seven-and-one-half percent of the bid price. If, after such 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 II shall be selected.

6. (a) To be eligible for the preference set forth in paragraph 5 above, domestic contractors must meet the following criteria:

(i) firms are registered in the territory of the Borrower;

(ii) firms have majority ownership by nationals of the Borrower; and

(iii) firms will not subcontract more than 50 percent of the total value of their work to foreign contractors.

(b) A joint venture between a domestic contractor and its foreign partner shall be eligible for the preference only if it meets the following criteria:

(i) the domestic partner(s) is individually eligible for the preference according to the criteria stated above;

(ii) the domestic partner(s) would not qualify for the contract works on technical or financial grounds without the foreign participation; and

(iii) the domestic partner(s) will, under the arrangements proposed, carry out at least 50 percent of the contract works measured in terms of value.

(c) Contractors applying for the preference shall be required to provide, as part of the data for qualification, necessary information, including details of ownership, for determining whether, according to the applicable criteria, a particular firm or group of firms qualifies for the preference.

7. The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of firms for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above. Bidders applying for the preference shall provide such additional information in support of such eligibility as may be requested by the Borrower and ADB.

SCHEDULE 5

CONSULTANTS

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

(a) resettlement;
(b) environment; and
(c) social development and gender.

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, as amended from time to time, which have been furnished to EVN.

3. The international consultants whose areas of expertise are indicated in Paragraphs 1(a) and (b) above shall be selected and engaged by EVN in accordance with the following procedures.

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

(b) Promptly after the contract is signed, ADB 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 ADB for prior approval.

4. The domestic consultants whose areas of expertise are indicated in Paragraph 1(a) to (c) above shall be selected and engaged in accordance with procedures acceptable to ADB, and the selection and engagement of the consultants shall be subject to the approval of ADB with regard to their competence and experience for carrying out the assignment. As soon as the proposals received have been evaluated but before negotiations are started with the consultants selected for negotiations, ADB shall be furnished with three copies of (i) a list of consultants invited; (ii) an evaluation of the proposals (together with one set of the first-ranked proposal); and (iii) justification for the selection. After the conclusion of negotiations but before the signing of the contract, the contract as negotiated shall be furnished to ADB for approval. Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

5. 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

Project Management

1. EVN shall be the Project Executing Agency responsible for overall implementation of the Project. NPPMB and CPPMB shall be the Implementing Agencies responsible for day-to-day implementation of Project's activities for the construction, expansion and upgrading of the 500 kV and 220 kV substations and transmission lines.

Sector Restructuring

2. The Borrower shall ensure that all of the EVN's generation units, except for the multi-purpose power plants, have been transformed in such a manner that each generation unit either: (i) has become an independent unit, with its own independent accounting; (ii) has become a single member limited liability company as defined the Borrower's Enterprise Law; or (iii) has been equitized such that ownership is held by EVN and by one or more other investors.

Financial Ratios and Reporting

3. The Borrower shall ensure that EVN will achieve at all times a self-financing ratio of at least 25 percent, a debt service coverage ratio of at least 1.5 times, and a long-term debt-to-equity ratio of not more than 70:30 to maintain EVN's operating efficiency and financial sustainability. For the purpose 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 2005, 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) The net revenues of EVN for twelve months period shall be at least 1.5 times EVN's debt service requirements for such period.

(e) 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 ii. 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" means any indebtedness of EVN maturing by its terms more than one year after the date on which it is originally incurred, comprising such obligations as 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.

vii. 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.

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

ix. 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.

x. 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 ix. A. above.

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

xii. Whenever for the purposes of this paragraph it shall be necessary to value, in terms, of the currency of the Guarantor, 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.

4. The Borrower shall cause EVN to (a) maintain an internal audit function, so as to undertake timely audit of Project accounts in accordance with generally accepted accounting principles; and (b) submit to ADB its audited accounts and financial statements within 6 months of the end of each fiscal year.

Subproject Selection Criteria and Selection Procedures

5. Except as ADB may otherwise agree, the Borrower shall cause EVN to ensure that all the Subprojects to be financed under the Project meet the following criteria.

(i) Subprojects shall be technically feasible;

(ii) Subprojects shall be included in the revised Fifth Power Development Master Plan, approved by the Borrower's Prime Minister in 2003, or subsequent amendment or any replacement thereof;

(iii) Subproject shall not include those of category A, as defined in the ADB's Environment Policy in 2002; and

(iv) Subprojects shall not include transmission lines emanating from power generation stations.

6. The Borrower shall cause EVN to ensure that the Subprojects complied with the criteria in the preceding paragraph are selected and appraised in accordance with the following procedures.

(i) EVN shall carry out a technical feasibility study, which includes a detailed engineering design of the Subproject, cost estimates, procurement packaging and an implementation schedule;

(ii) EVN shall prepare a RP meeting the requirements of the approved RF;

(iii) EVN shall prepare a Subproject's environmental assessment following the environmental assessment and review framework as specified in the IEE; and

(iv) EVN shall submit an appraisal report, which include (i) to (iii) above, to ADB for approval.

Anti-Corruption

7. The Borrower shall cause EVN to ensure that its inspectorate department takes necessary action to prevent corruption by: (a) appropriately supervising the bidding process, bid evaluation and construction; (b) preventing any interference in the bidding and evaluation process; and (c) briefing NPPMB and CPPMB Management and local prosecutors' office on a regular basis, where warning about or information on corrupt practices can be assembled and discussed.

Land Acquisition and Resettlement

8. EVN, through NPPMB and CPPMB, shall engage and mobilize (a) resettlement specialist consultants to assist in preparing and implementing RPs and (b) an independent monitoring organization prior to commencement of any land acquisition activities.

9. The Borrower shall cause EVN to ensure that (a) the RPs are carried out promptly and efficiently in accordance with all Borrower's laws and regulations, ADB's Policy on Involuntary Resettlement (1995) and Policy on Indigenous Peoples (2003), and the approved RF; (b) all affected people are given adequate opportunity to participate in resettlement planning and implementation; (c) the affected people are compensated and assisted prior to displacement from their houses, land, assets such that they will be at least as well off as they would have been in the absence of the Project and the poorest affected people and vulnerable groups including ethnic minority affected people are assisted to help them improve their socio-economic status; (d) implementation of the RPs is monitored by NPPMB and CPPMB, concerned people's committees and independent monitors, and related reports are submitted to ADB and the Borrower as stipulated in the RPs; and (e) the RPs for Subprojects to be appraised under the Project will be prepared in accordance with the agreed RF, and submitted to ADB for review and approval prior to being disclosed to the affected people.

10. The Borrower shall cause EVN to ensure that (a) funds for land acquisition and resettlement are allocated and disbursed in a timely manner; (b) the RPs are updated and submitted to ADB within 3 months of completing the respective detailed measurement surveys; (c) EVN will promptly advise ADB of any substantial changes in the resettlement impacts and, if necessary, will submit a revised RP to ADB for concurrence; and (d) resettlement impacts on ethnic minority peoples in the subproject areas will be mitigated through specific measures included in the RF, RPs and the gender strategy prepared for the Project.

Schedule 6

SLHPP and HQHPP Land Acquisition and Resettlement

11. For SLHPP and HQHPP, the Borrower shall cause its Ministry of Agriculture and Rural Development and the resettlement committees of the concerned provinces to carry out the resettlement plans and sustainable livelihood programs in compliance with the Borrower's Prime Minister's Special Decision No. 459/2004, and acceptable to ADB

Social Unit

12. Within three (3) months of the Effective Date, the Borrower shall cause EVN to strengthen its Appraisal and Construction Management Department with an appropriate number of additional staff to handle resettlement matters on a full-time basis. The Appraisal and Construction Management Department shall be responsible for social and environmental issues particularly (i) resettlement planning and management, (ii) ethnic minority development planning and management, and (iii) sexually transmitted disease, HIV/AIDS awareness program, poverty and social impact assessments.

Environment

13. The Borrower shall cause EVN to ensure that (a) the Subprojects are designed, constructed, operated, and maintained in accordance with the environmental laws and regulations of the Borrower and the ADB's Environmental Policy; (b) prior to ADB's approval, an environmental assessment and review framework are applied for each future candidate Subproject under the Project; (c) the EMP and the mitigation measures included therein, as specified in the IEE prepared for the Project, are properly implemented; (d) for a category "B" sensitive subproject, as defined in ADB's Environment Policy in 2002, a summary IEE will be prepared and made available to the general public at least 120 days before the Subproject is approved; (e) no category "A" subprojects, as defined in ADB's Environment Policy, will be included in the Project for consideration; (f) any environmental permits, licenses and clearances are obtained in a timely manner; (g) any adverse impact on the environment that may arise from the Project implementation activities is promptly mitigated or minimized in accordance with the EMP; and (h) implementation of the EMP, including any safety breaches, violation of environmental standards and corrective measures taken thereto, is reported semi-annually to ADB.

EMP for SLHPP and HQHPP

14. The Borrower shall cause EVN to ensure that SLHPP and HQHPP are constructed and commissioned in compliance with the Borrower's environmental laws and regulations. EVN shall implement environmental management plans for SLHPP and HQHPP, including the downstream impacts management programs.

Poverty Reduction

15. The Borrower shall cause EVN, through NPPMB and CPPMB, to ensure that civil works contracts will have provisions to maximize employment of local poor persons, to the extent possible, who adequately meet the job and efficiency requirements for

construction of the transmission lines and substations. Such workers shall be provided with adequate on-the-job training.

Other Social Matters

16. The Borrower shall cause EVN to ensure that all civil works contracts under the Project incorporate provisions to the effect that contractors: (i) comply with all applicable labor laws and related international treaty obligations and do not employ child labor; (ii) provide safe working conditions for both male and female workers; (iv) operationalize the provisions set forth in the Gender Strategy prepared for the Project as agreed upon between the Borrower and ADB; and (v) carry out, in the campsites and corridors of influence, education and awareness campaign for HIV/AIDS and anti-trafficking of women and children, in coordination with international and national agencies working on this issue.

Counterpart Fund

17. Without prejudice to the generality of Section 4.02 of this Loan Agreement, the Borrower shall cause EVN to ensure all necessary counterpart funds for Project implementation, including but not limited to actual costs of resettlement, are provided in a timely manner.