Project Agreement

(Additional Financing for the Second Transmission and Distribution Project)

among

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT,

NATIONAL POWER TRANSMISSION CORPORATION,

and

VIETNAM ELECTRICITY

Dated May 31, 2011
PROJECT AGREEMENT

AGREEMENT dated May 31, 2011, entered into among INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"), NATIONAL POWER TRANSMISSION CORPORATION (NPT), and VIETNAM ELECTRICITY (EVN) (the latter two, collectively, “Project Implementing Entities”) ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between SOCIALIST REPUBLIC OF VIETNAM ("Borrower") and the Bank. The Bank and the Project Implementing Entities hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entities declare their commitment to the objectives of the Project. To this end, NPT shall carry out its Respective Part of the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and NPT shall otherwise agree, NPT shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. Each of the Project Implementing Entities’ Representative is its respective President.

3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America
2

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

3.03. The Project Implementing Entity’s Address is:

For NPT:

4, Nguyen Khac Nhu Street
Ba Dinh District
Hanoi
Vietnam

Facsimile:
84-4-2220-4455

For EVN:

18, Tran Nguyen Han Street
Hanoi
Vietnam

Facsimile:
84-4-824-9462
AGREED at Hanoi, Vietnam, as of the day and year first above written.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: /s/ Victoria Kwakwa

Authorized Representative

NATIONAL POWER TRANSMISSION CORPORATION

By: /s/ Pham Quoc Bao

Authorized Representative

VIETNAM ELECTRICITY

By: /s/ Dinh Quang Tri

Authorized Representative
SCHEDULE

Execution of NPT’s Respective Part of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. NPT shall be responsible for the management, implementation, including administrative and financial management, disbursement, and procurement, and monitoring and evaluation of its Respective Part of the Project in accordance with the institutional arrangements set forth below.

2. NPT shall be responsible for the implementation of Part C of the Project through the Department of Finance.

3. To this end, NPT shall maintain, throughout implementation of its Respective Part of the Project, the Department of Finance, with an adequate institutional framework, functions, and resources, including competent personnel in adequate numbers, as shall be required for purposes of implementation of NPT’s Respective Part of the Project.

Central and Southern Power Project Management Boards

4. NPT shall be responsible for the coordination of implementation of Part A.1 of the Project through the Central and Southern Power Project Management Boards in their respective geographical areas of coverage.

5. NPT shall be responsible for the day to day implementation of Part A.1 of the Project through the Project Management Units in their respective geographical areas of coverage.

6. To this end, NPT shall maintain, throughout implementation of its Respective Part of the Project, the Central and Southern Power Project Management Boards, including the Project Management Units, with an adequate institutional framework, functions, and resources, including competent personnel in adequate numbers, as shall be required for purposes of implementation of NPT’s Respective Part of the Project.
B. Anti-Corruption

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

C. Manual

1. NPT shall: (a) ensure that its Respective Part of the Project is carried out in accordance with the Project Operations Manual; and (b) except as the Bank shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

2. In the event of a conflict between the provisions of such Manual and those of this Agreement, the latter shall govern.

D. Annual Work Plans and Budgets

NPT shall:

(a) furnish to the Bank for approval as soon as available, but in any case not later than November 30 of each year, an annual work plan and budget for NPT’s Respective Part of the Project for each subsequent year of implementation of such Part of the Project, of such scope and detail as the Bank shall have reasonably requested and including a list of proposed Subprojects and feasibility studies for such Subprojects, including technical, budget, and funding details; and

(b) thereafter ensure that such Part of the Project is carried out in accordance with such plan and budget as approved by the Bank.

E. Subprojects

No proposed Subproject shall be eligible for financing under the Project unless, on the basis of a review and appraisal conducted in accordance with the provisions of this Part E and the Project Operations Manual, NPT has determined that the proposed Subproject satisfies eligibility criteria satisfactory to the Bank, described in the Project Operations Manual, which shall include the following:

(a) NPT has:
(i) carried out a feasibility study thereof providing evidence satisfactory to the Bank that the Subproject: (A) contributes to the fulfillment of the objectives of the Project; (B) meets international technical standards and best practices; (C) figures in the Borrower-approved master plan for power sector development applicable at the time; (D) has been selected taking into account alternative designs and investments; and (E) has an economic rate of return of at least ten percent (10%) and a financial rate of return of at least six and one half percent (6.50%), calculated on the basis of methodology satisfactory to the Bank;

(ii) prepared, agreed with the Bank, adopted, and publicly disclosed, as required pursuant to and in accordance with the Environmental Guidelines, the Resettlement Policy Framework, and the Ethnic Minorities’ Development Framework, any Environmental Management Plan, Resettlement Action Plan, and / or Ethnic Minorities’ Development Plan for the Subproject;

(iii) obtained all necessary Borrower approvals, including environmental approvals from the Ministry of Natural Resources and Environment, and / or the relevant Department of Natural Resources and Environment, as the case may be, for the Subproject; and

(iv) prepared financing, procurement, and implementation plans, in form and substance satisfactory to the Bank, for the Subproject; and

(b) the Bank has carried out an appraisal of the Subproject and communicated its non-objection in writing to the Borrower and NPT.

F. Safeguards

1. NPT shall ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Environmental Guidelines, any Environmental Management Plans, the Resettlement Policy Framework, any Resettlement Action Plans, the Ethnic Minorities’ Development Framework, and any Ethnic Minorities’ Development Plans, and, except as the Bank shall otherwise agree in writing, NPT shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.
2. In the event of a conflict between the provisions of any of such instruments and those of this Agreement, the latter shall govern.

3. Wherever required in terms of the Environmental Guidelines, the Resettlement Policy Framework, or the Ethnic Minorities’ Development Framework, as the case may be, NPT shall, for the purposes of any Subproject, and prior to implementation thereof, proceed to have an Environmental Management Plan, a Resettlement Action Plan, or an Ethnic Minorities’ Development Plan, as the case may be:

   (a) prepared in form and substance satisfactory to the Bank;

   (b) except as otherwise agreed with the Bank, submitted to the Bank for review and approval; and

   (c) thereafter, adopted and publicly disclosed.

4. NPT shall ensure that each contract for a Subproject includes the obligation of the respective contractor to implement and monitor and evaluate any Environmental Management Plan, Resettlement Action Plan, and Ethnic Minorities’ Development Plan, as the case may be.

5. NPT shall take all measures necessary on its part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with such Plans, giving details of:

   (a) measures taken in furtherance of such Plans;

   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Plans; and

   (c) remedial measures taken or required to be taken to address such conditions.

6. NPT shall be responsible for the oversight of implementation of the Environmental Guidelines and any Environmental Management Plans through the Central and Southern Power Project Management Boards, particularly the respective Department of Compensation, in their respective geographical areas of coverage, and oversight of implementation of the Resettlement Policy Framework, any Resettlement Action Plans, the Ethnic Minorities’ Development Framework, and any Ethnic Minorities’ Development Plans through the
Department of Investment and Construction, and preparation and adoption as applicable, implementation, and monitoring and evaluation of all such instruments through the Central and Southern Power Project Management Boards in their respective geographical areas of coverage.

7. NPT shall maintain, throughout implementation of its Respective Part of the Project, for purposes of independent monitoring and evaluation of implementation of such instruments, (a) consultant(s), with qualifications, experience, and terms of reference satisfactory to the Bank as shall be required for such purpose.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) NPT shall monitor and evaluate the progress of its Respective Part of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Borrower and the Bank not later than forty-five (45) days after the end of the period covered by such Report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

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<th>No.</th>
<th>Indicator</th>
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<tr>
<td><strong>Project Objectives</strong></td>
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<tr>
<td>1.</td>
<td>New generation capacity connected through 500 kV transmission system links financed under the Project</td>
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<td>2.</td>
<td>Number and duration of interruptions in 500 and 220 kV transmission systems (per 100-kilometer circuit of transmission lines)</td>
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<td>3.</td>
<td>Actual peak-hour minimum voltage at known transmission system weak points</td>
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<td><strong>Part A.1 of the Project</strong></td>
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<td>4.</td>
<td>Additional transmission system assets created under the Project:</td>
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<td>(a)</td>
<td>500 kV transmission lines (circuit kilometers)</td>
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<tr>
<td>(b)</td>
<td>220 kV transmission lines (circuit kilometers)</td>
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<tr>
<td>(c)</td>
<td>500 kV / 220 kV transformer capacity (MVA)</td>
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<tr>
<td>(d)</td>
<td>220 / 110 kV transformer capacity (MVA)</td>
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### Part C of the Project

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<td>5.</td>
<td>Improved mobilization of resources by NPT for the implementation of its investment plan</td>
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<td>6.</td>
<td>Improved debt management skills of NPT</td>
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<td>7.</td>
<td>Improved management of regulatory affairs by NPT</td>
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2. NPT shall provide to the Borrower not later than five (5) months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions, all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

**B. Semi-Annual Reviews**

NPT shall review jointly with the Borrower and the Bank, no later than one (1) month after the transmittal by NPT of each Project Report to the Bank, such Report, and thereafter take all measures required to ensure the efficient completion of NPT’s Respective Part of the Project and the achievement of the objectives of the Project, based on the conclusions and recommendations of such Report and the Borrower and the Bank’s views on the matter.

**C. Midterm Review**

NPT shall:

- (a) participate in the midterm review referred to in Section II.B of Schedule 2 to the Loan Agreement;

- (b) prepare and furnish to the Borrower and the Bank, at least three (3) months before such review, the report referred to therein, in scope and detail satisfactory to the Borrower and the Bank; and

- (c) participate in the review, jointly with the Borrower and the Bank, of the report referred to in subparagraph (b) of this Part C and thereafter collaborate with the Borrower in taking all measures required to ensure the efficient completion of NPT’s Respective Part of the Project and the achievement of the objectives of the Project, based on the conclusions and recommendations of said report and the Borrower and the Bank’s views on the matter.
D. Financial Management, Financial Reports and Audits

1. NPT shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of NPT, including the operations, resources, and expenditures related to its Respective Part of the Project.

2. Without limitation on the provisions of Part A of this Section, NPT shall prepare and furnish to the Borrower and the Bank, not later than forty-five (45) days after the end of each calendar quarter, interim un-audited financial reports for NPT’s Respective Part of the Project covering the quarter, in form and substance satisfactory to the Bank.

3. NPT shall have its financial statements referred to in paragraph 1 above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of NPT. NPT shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

4. NPT shall implement, throughout implementation of its Respective Part of the Project, in a manner satisfactory to the Bank, the Financial Improvement Plan.

5. (a) NPT shall produce, for each of its fiscal years after its fiscal year ending on December 31, 2010, funds from internal sources equivalent to not less than the following relative to the annual average of NPT’s capital expenditures incurred, or expected to be incurred, for that fiscal year: (i) twenty percent (20%) in its fiscal years 2011-12; and (ii) twenty-five percent (25%) in its fiscal years thereafter.

(b) Before December 31 in each of its fiscal years, NPT shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, 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 the Bank a copy of such review upon its completion.

(c) If any such review shows that NPT would not meet the requirements set forth in subparagraph (a) of this paragraph 5 for NPT’s fiscal years covered by such review, NPT shall promptly take all necessary measures (including, without limitation, financial restructuring, promotion of private sector participation, promotion of efficiency, adjustments of the
structure or levels of its tariffs, and making a request of financial assistance to EVN) in order to meet such requirements.

6. Except as the Bank shall otherwise agree in writing, NPT shall not incur any debt in its fiscal years 2011-13, if, after the incurrence of such debt, NPT’s ratio of debt to equity shall be greater than: (i) 80:20 in its fiscal year 2011; and (ii) 75:25 in its fiscal years thereafter.

7. Except as the Bank shall otherwise agree in writing, NPT shall not incur any debt unless a reasonable forecast of the revenues and expenditures of NPT shows that the estimated net revenues of NPT for each fiscal year during the term of the debt to be incurred shall be at least the following relative to the estimated debt service requirements of NPT in such year on all debt of NPT, including the debt to be incurred: (i) 1 time in its fiscal year 2011; (ii) 1.3 times in its fiscal year 2012; and (iii) 1.5 times in its fiscal years thereafter.

8. For the purposes of paragraphs 5, 6, and 7 above:

(a) The term “funds from internal sources” means the difference between:

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

(ii) 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 and other cash distributions of surplus, increase in working capital other than cash, and other cash outflows other than capital expenditures.

(b) The term “net non-operating income” means the difference between:

(i) revenues from all sources other than those related to operations; and

(ii) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (i) above.

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1 Consumer contributions in aid of construction may be made in cash or in kind. In the latter case, the amount to be included in fixed assets as the value of the contribution shall be included in both “funds from internal sources” (paragraph (d) (i) (A)) and “capital expenditures” (paragraph (d) (v)).
(c) 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.

(d) 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 (12) months, including accounts receivable, marketable securities, inventories, and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.

(e) 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 (12) months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(f) 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.

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

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

(i) The term “debt” means any indebtedness of NPT maturing by its terms more than one (1) year after the date on which it is originally incurred.

(j) 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.

(k) The term “equity” means the sum of the total unimpaired paid-up capital, retained earnings, and reserves of NPT not allocated to cover specific liabilities.
The term “net revenues” means the difference between:

(i) the sum of revenues from all sources related to operations and net non-operating income; and

(ii) 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.

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, except for interest charges incurred in financing capital expenditures during construction.

The term “reasonable forecast” means a forecast prepared by NPT not earlier than twelve (12) months prior to the incurrence of the debt in question, which both the Bank and NPT accept as reasonable and as to which the Bank has notified NPT of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of NPT.

Whenever for the purposes of paragraphs 5-7 it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

NPT shall promptly take all necessary measures (including, without limitation, financial restructuring, promotion of private sector participation, promotion of efficiency, adjustments of the structure or levels of its tariffs, and making a request of financial assistance to EVN) in order to meet the requirements set forth in paragraphs 4, 5, 6, and 7 of this Schedule.

EVN shall promptly take all measures necessary on its part, including the provision of financial assistance, to enable NPT to comply with said requirements.
Section III. **Procurement**

All goods, non-consulting services, works, and consultants’ services required for NPT’s Respective Part of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.