Development Credit Agreement

(Power Sector Rehabilitation and Expansion Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 11, 1995

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 11, 1995, between SOCIALIST REPUBLIC OF VIET NAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) Part A of the Project will be carried out by Power Company No.2 (PC2) and Part B of the Project will be carried out by Power Company No.3 (PC3), in each case with the Borrower’s assistance and, as part of such assistance, the Borrower will make available to PC2 and PC3 a portion of the proceeds of the Credit as provided in this Agreement; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith among the Association, PC2 and PC3;
NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I
General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Accounting Study" means the study of the financial and accounting system of the power companies in Viet Nam to be carried out by the Borrower with the assistance of a grant proposed to be made available to the Borrower by the Asian Development Bank.

(b) "Affected Person" means a person who on account of the execution of Parts A and B of the Project had or would have his: (a) standard of living adversely affected; or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) business, occupation, work or place of residence or habitat adversely affected, and "Affected Persons" means collectively all persons who qualify as an Affected Person.

(c) "Charters" means the Charters 147-TTg dated April 7, 1993 and 148-TTg, dated April 7, 1993 governing the organization and operation of PC2 and PC3 respectively.

(d) "Demand-side Management Study" means the study of issues and options for effective electricity demand-side management in the Socialist Republic of Viet Nam undertaken pursuant to Japanese Grant Agreement TF 22753, entered into between the Borrower and the Bank acting as Administrator of grant funds provided by Japan.

(e) "Distribution System Phase 1 RAP" means the Power Sector Rehabilitation and Expansion Project Resettlement Action Plan, dated March 27, 1995, approved by the Borrower for carrying out the compensation, resettlement and rehabilitation of each Affected Person, under Parts A.1 and B.1 of the Project, as such plan may be amended from time to time by agreement between the Borrower and the Association.

(f) "Distribution System Phase 2 (PC2) RAP" and "Distribution System Phase 2 (PC3) RAP" mean, respectively, the detailed resettlement action plan prepared by each of PC2 and PC3 pursuant to Section 2.02(b) of the Project Agreement, in each case as approved by the Borrower pursuant to Section 3.01(b) of this Agreement, and "Distribution System Phase 2 RAPS" means the Distribution System Phase 2 (PC2) RAP and Distribution System Phase 2 (PC3) RAP collectively.

(g) "EVN" means Electricity of Viet Nam, an enterprise established pursuant to Decree No. 14/Ttg of the Prime Minister of the Borrower.

(h) "Environment Assessment" means the Environmental Impact Assessment of the proposed conversion of Ba Ria Gas Turbines to Combined Cycle Operation prepared by the Borrower in February 1994.
(i) "Governing Laws" means (i) Decree No. 147/TTg, dated April 7, 1993 and Decree No. 148/TTg, dated April 7, 1993 governing the organization of PC2 and PC3, respectively, and (ii) Business Registration Certificate No. 102618, dated April 23, 1993 and Business Registration Certificate No. 104024, dated June 2, 1993 governing the operations and registration of PC2 and PC3, respectively.

(j) "MOE" means the Borrower’s Ministry of Energy, and any successor thereto.

(k) "MOE Special Account", "PC2 Special Account" and "PC3 Special Account" mean the accounts referred to in Section 2.02 (b) of this Agreement.

(l) "Project Agreement" means the agreement among the Association and PC2 and PC3, of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to such Agreement.

(m) "PC2 Subsidiary Loan Agreement" and "PC3 Subsidiary Loan Agreement" mean the agreements to be entered into between the Borrower and PC2 and PC3 respectively, pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to such agreements.

(n) "Power Development Program" means the Borrower’s ten-year power development program and the associated five-year implementation plan and financing plan in respect thereof, for the efficient expansion and development of its power generation and transmission systems.

(o) "Power Sector Institutional Strengthening Study" means the study of the institutional structure and commercial systems of the power companies in the Socialist Republic of Viet Nam undertaken pursuant to Japanese Grant Agreement TF 22753 entered into between the Borrower and the Bank acting as Administrator of grant funds provided by Japan.

(p) "Power Sector Reform and Restructuring Study" means the study proposed to be carried out by the Joint UNDP/World Bank Energy Sector Management Assistance Programme.

(q) "Special Accounts" means the MOE Special Account, the PC2 Special Account and the PC3 Special Account, collectively, and "Special Account" means any of the Special Accounts referred to in Section 2.02 (b) of this Agreement.

(r) "State Bank of Viet Nam" means the Central Bank of the Borrower, and any successor thereto.

(s) "Subsidiary Loan Agreements" means the PC2 Subsidiary Loan Agreement and the PC3 Subsidiary Loan Agreement, collectively, and "Subsidiary Loan Agreement" means either of the Subsidiary Loan Agreements.

(t) "Tariff Study" means the national tariff study to be carried out by the Borrower with the assistance of a grant proposed to be made available to the Borrower by the Asian Development Bank.

(u) "Transmission RAP" means the Power Sector Rehabilitation and Expansion Project Plan dated March 27, 1995, approved by the Borrower, for carrying out the compensation, resettlement and rehabilitation of each Affected Person under Part B.2 of the Project, as such plan may be amended from time to time by agreement between the Borrower and the Association.
The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred and ten million, six hundred thousand Special Drawing Rights (SDR 110,600,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars three separate special deposit accounts in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment, to be known as the MOE Special Account, the PC2 Special Account and the PC3 Special Account, respectively. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1999 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 1 and November 1 commencing November, 2005, and ending May 1, 2035. Each installment to and including the installment payable on May 1, 2015 shall be one percent (1%) of such principal amount, and
each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower’s gross national product per capita, as determined by the Association, shall have exceeded $790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower’s economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower’s economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III
Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

(i) shall carry out Part C of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Part of the Project; and

(ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause each of PC2 and PC3 to perform all their respective obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, and the adjustment of tariffs, necessary or appropriate to enable PC2 and PC3 to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall:

(i) promptly take all such actions as are necessary to ensure that all measures required under the Transmission RAP and the Distribution System
Phase 1 RAP are promptly adopted and carried out in a timely manner with respect to Affected Persons; and

(ii) furnish the Distribution Phase 2 RAPs in a timely manner to the Association for its approval and thereafter take all such actions as shall be required to ensure that the measures required under said Distribution Phase 2 RAPs, as approved by the Borrower and the Association, are carried out with respect to Affected Persons.

(c) The Borrower shall relend the amounts allocated from time to time to Categories (1) and (2) of the table set forth in paragraph 1 of Schedule (1) to this Agreement to PC2, and to Categories (4) and (5) thereunder to PC3 under subsidiary loan agreements to be entered into between the Borrower and each of PC2 and PC3, respectively, under terms and conditions which shall have been approved by the Association, which shall include: (i) interest at a rate of six point nine percent (6.9%) per annum on the principal amount so relent and withdrawn by PC2 or PC3, as the case may be, and outstanding from time to time; (ii) repayment over a period of twenty (20) years, including a grace period of five (5) years; and (iii) foreign exchange risk to be borne by PC2 or PC3, as the case may be.

(d) The Borrower shall exercise its rights under each Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreements or any provision thereof.

Section 3.02. Without limitation upon the provisions of Section 3.01 (a) and 6.01 of this Agreement, the Borrower shall (a) promptly notify the Association of any proposal to amend, suspend or repeal the Governing Laws or any provision thereof; (b) cause EVN to promptly notify the Association of (i) any other proposal to change the structure, organization, powers or responsibilities of PC2 and PC3 which may affect their ability to carry out their respective obligations under the Project Agreement or under their respective Subsidiary Loan Agreements; and (c) afford the Association, or shall cause EVN to afford the Association, as the case may be, an adequate opportunity to comment on any such proposal prior to taking any action thereon.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods and consultants’ services required for Part C of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan, of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project;

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking
into account the Association’s comments thereon.

Section 3.05. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Parts A and B of the Project and shall be carried out by PC2 and PC3 respectively, pursuant to Section 2.05 (a) of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part C of the Project of the departments or agencies of the Borrower responsible for carrying out said Part.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section and those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association, as soon as available, but in any case not later than nine months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Other Covenants

Section 5.01. Without limitation or restriction upon the provisions of Section 3.01 of this Agreement, the Borrower shall prepare and furnish to the Association:

(a) by December 31, 1995, for its review and comments, its proposed Power Development Program;

(b) by December 31 of each succeeding year, for its review and comments, (i) a review of the implementation of the Power Development Program during the preceding twelve months; (ii) its proposed implementation program for the next five years; and (iii) a review of the policy and levels of its electricity tariffs, which review shall include proposed adjustments to said tariffs to generate funds adequate to meet the requirements of the carrying out of the Power Development Program; and
thereafter carry out the Power Development Program, and implement said proposed adjustments to tariffs, in each case taking into account the Association’s comments thereon.

Section 5.02. The Borrower shall:

(a) promptly upon completion of each of the Tariff Study, the Power Sector Institutional Strengthening Study, the Demand Side Management Study and the Accounting Study, furnish to the Association for its review and comment: (i) the findings of each said study and (ii) its proposals for the implementation of said recommendations; and

(b) thereafter in each case implement said proposals in a timely manner, taking into account the comments of the Association.

Section 5.03. The Borrower shall discuss with the Association, within 90 days of its completion: (a) the findings and recommendations of the Power Sector Reform and Restructuring Study; and (b) its proposals for the implementation of said recommendations.

ARTICLE VI
Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) PC2 or PC3 shall have failed to perform any of their respective obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that either PC2 or PC3 (or both) will be able to perform its obligations under the Project Agreement.

(c) The Governing Laws or the Charters shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower or either of PC2 or PC3, as the case may be, to perform any of its respective obligations under this Agreement or under the Project Agreement, as the case may be.

(d) The Borrower, EVN or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PC2 or PC3 or for the suspension of their respective operations.

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 6.01 of this Agreement shall occur and shall continue for a period of at least (60) days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraph (c) and (d) of Section 6.01 of this Agreement shall occur.

ARTICLE VII
Effective Date; Termination

Section 7.01. The following events are specified as an additional condition to the effectiveness of the Development
Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Subsidiary Loan Agreements have been executed on behalf of the Borrower and PC2 and PC3 respectively.

Section 7.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by each of PC2 and PC3, and is legally binding upon each of PC2 and PC3 in accordance with its terms;

(b) that the PC2 Subsidiary Loan Agreement and the PC3 Subsidiary Loan has each been duly authorized or ratified by the Borrower and PC2 and PC3 respectively, and each is legally binding upon the Borrower and PC2 or PC3, as the case may be, in accordance with its terms; and

(c) that the Distribution System Phase 1 RAP and the Transmission RAP have been duly approved by the Borrower and all necessary actions have been taken to enable the Distribution System Phase 1 RAP and the Transmission RAP to be implemented in accordance with their respective terms.

Section 7.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

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 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

State Bank of Viet Nam
49 Ly Thai To Street
Hanoi
Socialist Republic of Viet Nam

Cable address: Telex:

VIETBANK 412248 NHTWVT
HANOI

For the Association:

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

Cable address: Telex:

INDEVAS 248423 (RCA)
Washington, D.C. 82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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

SOCIALIST REPUBLIC OF VIET NAM

By /s/ Cao Sy Kiem
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Russell Cheetham
Regional Vice President
East Asia and Pacific

SCHEDULE 1
Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Part A of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) under Part A.1 of the Project</td>
<td>20,100,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 50% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(b) under Part A.2 through A.4 of the Project</td>
<td>52,250,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 50% of local expenditures for other items procured locally</td>
</tr>
</tbody>
</table>
### Part B of the Project

#### (4) Goods

<table>
<thead>
<tr>
<th>Category</th>
<th>(Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) under Part B.1 of the Project</td>
<td>8,710,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 50% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(b) under Part B.2 through B.4 of the Project</td>
<td>13,400,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 50% of local expenditures for other items procured locally</td>
</tr>
</tbody>
</table>

#### (5) Consultants’ Services

<table>
<thead>
<tr>
<th>Category</th>
<th>(Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,010,000</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

#### (6) Unallocated

<table>
<thead>
<tr>
<th>Category</th>
<th>(Expressed in SDR Equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,700,000</td>
<td></td>
</tr>
</tbody>
</table>

### Part C of the Project

#### (7) Goods

<table>
<thead>
<tr>
<th>Category</th>
<th>(Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,350,000</td>
<td>100%</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 50% of local expenditures for other items procured locally</td>
</tr>
</tbody>
</table>

#### (8) Consultants’ Services

<table>
<thead>
<tr>
<th>Category</th>
<th>(Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
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<tbody>
<tr>
<td>1,010,000</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

#### (9) Unallocated

<table>
<thead>
<tr>
<th>Category</th>
<th>(Expressed in SDR Equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,010,000</td>
<td></td>
</tr>
</tbody>
</table>

**Total**

<table>
<thead>
<tr>
<th>Amount of the Credit</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>110,600,000</td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:
(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed SDR 3,400,000 may be made in respect of Categories (1)(b), (2), (4)(b), (5) and (8) on account of payments made for expenditures before that date but after August 23, 1994; and

(b) payments made for expenditures under: (i) Category 1(a), until the Borrower has furnished to the Association a Distribution Phase 2 (PC2) RAP satisfactory to the Association, together with a legal opinion of counsel acceptable to the Association stating that said RAP has been duly approved by the Borrower and is legally enforceable in accordance with its terms; and (ii) Category 4(a), until the Borrower has furnished to the Association a Distribution Phase 2 (PC3) RAP satisfactory to the Association, together with a legal opinion of counsel acceptable to the Association indicating that said RAP has been duly approved by the Borrower and is legally enforceable in accordance with its terms.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to assist the Borrower in optimizing its public investment decisions in the power sector and help meet demand growth; (b) to help improve the efficiency of the power sector by: (i) rehabilitating and reinforcing electrical transmission and distribution systems; (ii) converting power generating plants from open to combined cycle operation; and (iii) installing modern load dispatch centers; (c) to strengthen the planning, administrative and management capabilities of PC2 and PC3 through technical assistance and training; (d) to rationalize and strengthen the training systems for the power sector; and (e) to assist in the review of issues and options in the promotion of electricity energy efficiency and demand side management.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Power Sector Rehabilitation and Expansion in the Southern Region

1. Distribution rehabilitation and expansion in Ho Chi Minh City:

   Upgrading the existing electricity distribution system by (i) the extension and rehabilitation of MV and LV lines, including the provision of new feeders and other ancillary equipment and material; and (ii) the rehabilitation of and additions to MV and LV substations and distribution switching stations.

2. Generation upgrading: Converting three 37.5 MW open cycle
turbines to a 170MW combined cycle unit at Ba Ria.

3. Load dispatch upgrading: Upgrading the Southern Region Load Dispatch Center in Ho Chi Minh City by the provision and installation of equipment and the provision of system and application software.

4. Hydropower development: Carrying out an engineering study for a proposed Hydro Power Project at Dai Ninh.

5. Institutional strengthening: Upgrading the training facilities at the Southern Region Training Center by: (i) the expansion of facilities; (ii) the provision of laboratory, testing and other training equipment; and (iii) the provision of training.

6. Resettlement and rehabilitation: Resettling and rehabilitating Affected Persons under Part A.1 of the Project.

Part B: Power Sector Rehabilitation and Expansion in the Central Region

1. Distribution rehabilitation and expansion in Hue and Nhatrang: Upgrading the electricity distribution systems by: (i) the extension and rehabilitation of MV and LV lines, including the provision of new feeders and other ancillary equipment and material; and (ii) the rehabilitation of and additions to MV and LV substations and distribution switching stations.

2. Transmission and load dispatch upgrading: Upgrading transmission capabilities through: (i) construction of a 220 kV transmission line between Krongbuk and Nhatrang; (ii) the construction of a 220kV substation at each of Krongbuk and Nhatrang; (iii) the upgrading of the 110kV substations at Nhatrang, Cau Do and Lien Tri, and (iv) the establishment of a Central Region Load Dispatch Center in Danang through the construction of premises and provision and installation of equipment and the provision of system and application software.

3. Institutional strengthening: Upgrading the training facilities at the Central Region Training Center by (i) the expansion of facilities; (ii) the provision of laboratory, testing and other training equipment; and (iii) the provision of training.

4. Resettlement and rehabilitation: Resettling and rehabilitating Affected Persons under Parts B.1 and B.2 of the Project.

Part C: National Power Sector Rehabilitation and Expansion

1. Load dispatch upgrading: Upgrading the National Load Dispatch Center in Hanoi by the provision and installation of equipment and the provision of system and application software.

2. Hydropower development: Carrying out an engineering study for a proposed hydropower project at Son La.

3. Institutional strengthening: (i) Upgrading training facilities by the provision of training equipment for the National Training Center in Hanoi; (ii) undertaking a study for the organization, management and staffing of the power companies in Viet Nam; and (iii) undertaking a study on the development of a power sector demand-side management capacity.

* * *

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3
Procurement and Consultants’ Services

Section I.  Procurement of Goods

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDACredits" published by the Bank in May 1992 (the Guidelines), and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Association's prior review in accordance with the provisions of Part D.1 of this Section, the Association’s prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Socialist Republic of Viet Nam may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Special testing and measuring equipment estimated to cost the equivalent of $200,000 or less per contract, up to an aggregate amount equivalent of $1,200,000, may be procured under contracts awarded in accordance with procedures acceptable to the Association through limited international bidding procedures on the basis of evaluation and comparison of bids obtained from at least three qualified suppliers eligible under the Guidelines and in accordance with procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55, 2.56); provided, however, that such goods estimated to cost the equivalent of $50,000 or less per contract, up to an aggregate amount equivalent of $400,000, may be procured on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. With respect to each contract for goods, the procedures
set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of a Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the MOE Special Account in respect of such contract.

2. The figure of 15 % is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out Part C of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants’ services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

SCHEDULE 4

Special Accounts

1. For the purposes of this Schedule:

   (a) the term "eligible Categories" means: (i) for the PC2 Special Account, Categories (1) and (2); (ii) for the PC3 Special Account, Categories (4) and (5); and (iii) for the MOE Special Account, Categories (7) and (8), all as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

   (b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

   (c) the term "Authorized Allocation" means an amount equivalent to: (i) for the PC2 Special Account, $4,000,000; (ii) for the PC3 Special Account, $1,500,000; and (iii) for the MOE Special Account $600,000, all to be withdrawn from the Credit Account and deposited in the respective Special Accounts pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Accounts shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that a Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish said Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in said
Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the said Special Account, the Borrower shall furnish to the Association requests for deposits into said Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of said Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of a Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into a Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals in respect of any respective Parts of the Project should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for said Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for said Special Account, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the respective Parts of Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for said Special Account shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been
satisfied that all such amounts remaining on deposit in said Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of a Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into said Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into said Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in a Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in a Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.