Clean Technology Fund Project Agreement

(Distribution Efficiency Project)

among

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT / INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as an implementing entity of the Clean Technology Fund

VIETNAM ELECTRICITY
NORTHERN POWER CORPORATION
HANOI POWER CORPORATION

and

HO CHI MINH CITY POWER CORPORATION

Dated November 8, 2012
CLEAN TECHNOLOGY FUND PROJECT AGREEMENT

AGREEMENT dated November 8, 2012, entered into among INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT / INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting not in its individual capacity but solely in its capacity as an implementing entity of the Clean Technology Fund ("CTF"), VIETNAM ELECTRICITY, NORTHERN POWER CORPORATION, HANOI POWER CORPORATION, and HO CHI MINH CITY POWER CORPORATION (the latter four, 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 World Bank, acting not in its individual capacity but solely in its capacity as an implementing entity of the CTF. The World Bank and the Project Implementing Entities hereby agree as follows:

ARTICLE I — STANDARD CONDITIONS; DEFINITIONS

1.01. The Standard 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 Standard Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entities declares their commitment to the objectives of the Project. To this end, the Project Implementing Entities shall carry out the Power Corporations’ Respective Parts of the Project in accordance with the provisions of Article II of the Standard Conditions, and shall provide promptly as needed, the funds, facilities, services, and other resources required for the Power Corporations’ Respective Parts of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and the Project Implementing Entities shall otherwise agree, the Project Implementing Entities shall carry out the Power Corporations’ Respective Parts of the Project in accordance with the provisions of the Schedule to this Agreement. For greater clarity and the avoidance of doubt, it is noted that an amendment to this Agreement affecting only the Respective Part of the Project of one (1) or more Project Implementing Entities may be agreed in writing between the World Bank and the relevant Project Implementing Entity or Entities.
ARTICLE III — REPRESENTATIVES; ADDRESSES

3.01. The Project Implementing Entities' Representatives are as follows, namely, for Vietnam Electricity, its President and Chief Executive Officer, and for each of Northern Power Corporation, Hanoi Power Corporation, and Ho Chi Minh City Power Corporation, its respective General Director.

3.02. The World Bank's Address is:

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

Cable: INTBAFRAD Telex: 248423(MCI) or 1-202-477-6391
Facsimile: 64145(MCI)

3.03. The Project Implementing Entities' Addresses are:

For Vietnam Electricity:

18, Tran Nguyen Han Street
Hanoi
Vietnam

Facsimile:
84-4-2220-1386

For Northern Power Corporation:

20, Tran Nguyen Han Street
Hanoi
Vietnam

Facsimile:
84-4-825-5074
84-4-934-3798

For Hanoi Power Corporation:

69, Dinh Tiên Hoàng Street
Hanoi
Vietnam

Facsimile:
84-4-2220-0899

For Ho Chi Minh City Power Corporation:

Ho Chi Minh City Power Corporation
35, Ton Duc Thang Street
Ben Nghe Ward
District 1
Ho Chi Minh City
Vietnam

Facsimile:
84-8-2220-1155
84-8-2220-1166

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT /
INTERNATIONAL DEVELOPMENT
ASSOCIATION
acting as an implementing entity of the
Clean Technology Fund

By

[Signature]
Authorized Representative

Name: Victoria Kwalwala
Title: Country Director
VIETNAM ELECTRICITY

By

Authorized Representative

Name: Nguyen Tam Loc
Title: Vice President

NORTHERN POWER CORPORATION

By

Authorized Representative

Name: Do Nguyet Anh
Title: Deputy General Director

HANOI POWER CORPORATION

By

Authorized Representative

Name: Bui Duy Dung
Title: Deputy General Director
HO CHI MINH CITY POWER CORPORATION

By

Authorized Representative

Name: Pham Quoc Bao
Title: Vice President / Deputy General Director
SCHEDULE

Execution of the Power Corporations' Respective Parts of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

Vietnam Electricity

1. Vietnam Electricity shall be responsible for the overall coordination of the Power Corporations' Respective Parts of the Project, including coordination with the Borrower and the World Bank.

Power Corporations

2. The Power Corporations shall be responsible for the coordination, implementation, and monitoring and evaluation of their Respective Parts of the Project through project management units.

3. To this end, the Power Corporations shall maintain, throughout Project implementation, the project management units referred to in the preceding paragraph, with an institutional framework, functions, and resources, including competent personnel in adequate numbers, satisfactory to the World Bank for this purpose.

B. Anti-Corruption

The Project Implementing Entities shall ensure that the Power Corporations' Respective Parts of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Project Operations Manual

1. The Project Implementing Entities shall:

   (a) ensure that the Power Corporations' Respective Parts of the Project are carried out in accordance with the Project Operations Manual; and

   (b) except as the World 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 the Project Operations Manual and those of this Agreement, the latter shall govern.
D. Annual Work Plans and Budgets

The Power Corporations shall:

(a) furnish to the World Bank for review and approval as soon as available, but in any case not later than October 31 of each year, the annual work plan and budget for their Respective Parts of the Project for each subsequent year of Project implementation, of such scope and detail as the World Bank shall have reasonably requested, except for the annual work plan and budget for their Respective Parts of the Project for the first year of Project implementation, which shall be furnished not later than one (1) month after the Effective Date; and

(b) thereafter ensure that their Respective Parts of the Project are carried out in accordance with such plan and budget as agreed with the World Bank.

E. Sub-projects

1. No Sub-project shall be eligible for financing under the Project, nor shall a contract be awarded for the implementation thereof, unless it has been appraised by the World Bank and found to meet the following criteria:

(a) the Sub-project will contribute to the objectives of the Project;

(b) the Sub-project meets the Borrower’s relevant national technical standards;

(c) the Sub-project has an economic rate of return of not less than ten percent (10%) and a financial rate of return of not less than six percent (6%);

(d) any Additional Environmental Management Plans, Additional Resettlement Plans, and Additional Ethnic Minority Development Plans required for the Sub-project pursuant to the Environmental Management Framework, the Resettlement Policy Framework, and the Ethnic Minority Planning Framework, respectively, have been prepared in form and substance satisfactory to the World Bank, submitted to the World Bank for review and approval, and thereafter adopted and locally disclosed by the respective Power Corporation;

(e) the approvals and clearances required for the Sub-project pursuant to the Borrower’s laws and regulations have been obtained by the respective Power Corporation; and
implementation and procurement plans have been prepared for the Sub-
project in form and substance satisfactory to the World Bank and
adopted by the respective Power Corporation.

2. The Power Corporations shall:

   (a) (i) not later than twenty-four (24) months after the Effective Date,
       identify and prepare all Phase 2 Sub-projects, and have such Sub-projects
       approved and cleared by the relevant authorities of the Borrower and
       appraised by the World Bank; (ii) further, any proceeds of the Loan
       earmarked for any such Sub-projects that are not ready for
       implementation by the time of the review referred to in Section II.B (a)
       of Schedule 1 to the Loan Agreement may be applied toward other
       activities under the Project; and

   (b) finance any contracts for Phase 2 Sub-projects concluded later than forty-
       eight (48) months after the Effective Date exclusively out of their own or
       other resources, and not out of the proceeds of the Loan.

F. Safeguards

1. The Project Implementing Entities shall carry out the Power Corporations’
   Respective Parts of the Project in accordance with the provisions of the
   Safeguards Instruments, and, except as the World Bank shall otherwise agree in
   writing, the Project Implementing Entities 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 the Safeguards Instruments
   and those of this Agreement, the latter shall govern.

3. The Power Corporations shall, for the purposes of Phase 2 Sub-projects, and
   prior to the award of (a) contract(s) for the implementation thereof, carry out a
   screening of said Sub-projects for any potential environmental or social impacts
   and have any Additional Environmental Management Plans required under the
   Environmental Management Framework, any Additional Resettlement Plans
   required under the Resettlement Policy Framework, and/or any Additional
   Ethnic Minority Development Plans required under the Ethnic Minority Planning
   Framework:

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

   (b) submitted to the World Bank for review and approval; and

   (c) thereafter adopted and locally disclosed.
4. The Project Implementing Entities shall ensure that any contract for works under the Power Corporations' Respective Parts of the Project includes the obligation of the respective contractor to implement the Safeguards Instruments as applicable.

5. The Project Implementing Entities shall:

(a) take all necessary actions to minimize to the extent possible any Involuntary Resettlement; and

(b) in the event that any Subproject activities give rise to Project Affected Persons, prior to taking possession of any land, commencing Involuntary Resettlement, or awarding any contract for the implementation of any works which would result in Involuntary Resettlement, ensure that all Project Affected Persons have been compensated and provided with applicable resettlement and rehabilitation benefits in accordance with the provisions of the Resettlement Policy Framework and the relevant Resettlement Plan or Additional Resettlement Plan.

6. The Power Corporations shall finance exclusively out of their own or other resources, and not out of the proceeds of the Loan, and provide, promptly as needed, the resources needed for the following: (a) all land acquisition required for the purposes of their Respective Parts of the Project; and (b) resettlement and rehabilitation payments and other assistance to Project Affected Persons in accordance with the provisions of the Resettlement Policy Framework, Resettlement Plans, and any Additional Resettlement Plans.

7. Without limitation upon their other reporting obligations under Section II.A.1 (a) of this Schedule, the Power Corporations shall take all measures necessary to regularly collect, compile, and submit to the Borrower, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, providing details of:

(a) measures taken in furtherance of said Instruments;

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

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

8. The Power Corporations shall carry out independent monitoring and evaluation of the implementation of social safeguards under the Project, and to this end, shall appoint, in accordance with the provisions of Section III of this Schedule, not later than three (3) months after the Effective Date or prior to the award of
the first contract for works under the Project, whichever is later, and maintain throughout Project implementation, a consultant with qualifications, experience, and terms of reference satisfactory to the World Bank, and cause such consultant to prepare and furnish to the Borrower and the World Bank quarterly reports during the construction phase and semi-annual reports during the operation phase, in form and substance satisfactory to the World Bank, on the implementation of social safeguards under the Project.

Section II.  Project Monitoring, Reporting and Evaluation

A.  Project Reports

1.  (a) The Power Corporations shall monitor and evaluate the progress of their Respective Parts of the Project and prepare Project Reports for their Respective Parts of the Project in accordance with the provisions of Section 2.06 (b) (i) of the Standard Conditions and on the basis of the indicators set forth below in subparagraph (b) of this paragraph. Each such Project Report shall cover the period of one (1) calendar year, and shall be furnished to the Borrower and Vietnam Electricity not later one (1) month after the end of the period covered by such report for incorporation in and forwarding by the Borrower to the World Bank of the overall Project 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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<tbody>
<tr>
<td>1.</td>
<td>Reliability of electricity supply, as evidenced by the following for each of the Power Corporations’ in the Project area, calculated in accordance with the methodology set forth in the Vietnam Distribution Code:</td>
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<td>(a) system average interruption duration index</td>
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<td>(b) system average interruption frequency index</td>
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<tr>
<td>2.</td>
<td>Quality of electricity supply, as evidenced by each of the Power Corporations’ voltage excursion outside + / -5% in relation to 110 Kilovolt and medium voltage transformers in the Project area</td>
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<td>3.</td>
<td>Total distribution losses, as evidenced by each of the Power Corporations’ losses in the Project area</td>
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4. Consumption reduction in relation to advanced metering infrastructure system customers of each of Northern Power Corporation, Central Power Corporation, Hanoi Power Corporation, and Ho Chi Minh City Power Corporation relative to business as usual

5. Avoided greenhouse gas emissions in relation to each of Northern Power Corporation, Central Power Corporation, Hanoi Power Corporation, and Ho Chi Minh City Power Corporation

Part A of the Project

6. Progress in construction and reinforcement of 110 kilovolt transmission lines of each of the Power Corporations

7. Progress in construction and reinforcement of 110 kilovolt substations of each of the Power Corporations

8. Progress in construction and reinforcement of medium and low voltage transmission lines of each of the Power Corporations

9. Progress in construction and reinforcement of medium and low voltage substations of each of the Power Corporations

Part B of the Project

10. Progress in introduction of advanced metering infrastructure systems for each of Northern Power Corporation, Central Power Corporation, Hanoi Power Corporation, and Ho Chi Minh City Power Corporation

11. Progress in introduction of supervisory control and data acquisition systems for each of the Power Corporations

Part C.2 of the Project

12. Progress in provision of technical assistance to the Power Corporations

2. The Power Corporations shall provide to the Borrower not later than five (5) months after the Closing Date, for incorporation in the report referred to in
Section 2.06 (c) of the Standard Conditions all such information as the Borrower or the World Bank shall reasonably request for the purposes of that Section.

B. Midterm Review

The Project Implementing Entities shall:

(a) participate in the review referred to in Section II.B (a) of Schedule 1 to the Loan Agreement;

(b) prepare and furnish to the Borrower and the World Bank, at least one (1) month before such review, a report, in scope and detail satisfactory to the World Bank and integrating the results of the monitoring and evaluation activities performed pursuant to Part A.1 (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review jointly with the Borrower and the World Bank the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Borrower’s and the World Bank’s views on the matter.

C. Financial Management, Financial Reports and Audits

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

2. Without limitation on the provisions of Part A of this Section, the Power Corporations shall prepare and furnish to the World Bank not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for their Respective Parts of the Project covering the quarter, in form and substance satisfactory to the World Bank.

3. The Power Corporations shall have their financial statements referred to above in paragraph 1 of this Part C audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards.
acceptable to the World Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Power Corporations. The Power Corporations shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower, the World Bank, and Vietnam Electricity 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 World Bank.

4. The Power Corporations shall, not later than twelve (12) months after the Effective Date:

(a) adopt a financial model, including an operational manual, in form and substance satisfactory to the World Bank, for the carrying out of financial analysis and planning and the establishment of key financial performance indicators; and

(b) carry out training of their core financial staff in relation to such model in a manner satisfactory to the World Bank.

Section III. Procurement

All goods, works, and services required for the Power Corporations’ Respective Parts 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.