
LOAN NUMBER 2517-VIE (SF)

LOAN AGREEMENT
(Special Operations)

(Renewable Energy Development and Network Expansion
and Rehabilitation for Remote Communes Sector Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 17 SEPTEMBER 2009

LAS:VIE 42182

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 17 September 2009 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 Power Company No. 1, Power Company No. 2 and Power Company No. 3 (hereinafter called "PC1", "PC2" and "PC3" respectively, or collectively called "the PCs"), and for this purpose the Borrower will make available to the PCs the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB;

(C) the Government of the Borrower has also applied to ADB for technical assistance to support the implementation of the Project, and ADB has agreed to provide technical assistance for this purpose in an amount equivalent to two million five hundred thousand Dollars (\$2,500,000); and

(D) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and PC1, PC2 and PC3.

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (the "Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Loan Regulations are applicable to this Loan Agreement, unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "Component 1" means, for the purpose of this Loan Agreement, the component of the Project for developing mini hydropower plants, as more fully described in Schedule 1 to this Loan Agreement;

(b) "Component 2" means, for the purpose of this Loan Agreement, the component of the Project carrying out grid extension, as more fully described in Schedule 1 to this Loan Agreement;

(c) "EARF" means the environmental assessment and review framework developed for the Project and agreed between the Borrower and ADB;

(d) "EMDF" means the ethnic minority development framework developed for the Project and approved by ADB;

(e) "EMDP" means an ethnic minority development plan to be developed in accordance with the EMDF and to be approved by ADB;

(f) "EVN" means Vietnam Electricity of the Borrower and any successor thereto;

(g) "Goods" means equipment and materials to be financed out of the proceeds of the Loan; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(h) "IEE" means the initial environmental examination to be carried out for the Project based on the EARF and approved by ADB;

(i) "MOIT" means the Borrower's Ministry of Industry and Trade and any successor thereto;

(j) "PMB" means the respective Project Management Board under each of the PCs;

(k) "Power Company No. 1" or "PC1" means EVN's 100%-owned subsidiary in charge of distribution of electricity in the northern part of Viet Nam and any successor thereto;

(l) "Power Company No. 2" or "PC2" means EVN's 100%-owned subsidiary in charge of distribution of electricity in the southern part of Viet Nam and any successor thereto;

(m) "Power Company No. 3" or "PC3" means EVN's 100%-owned subsidiary in charge of distribution of electricity in the central part of Viet Nam and any successor thereto;

(n) "Procurement Guidelines" means ADB's Procurement Guidelines (2007, as amended from time to time);

(o) "Procurement Plan" means the procurement plan for the Project dated 25 February 2009 and agreed between the Project Executing Agencies and ADB, as updated from time to time in accordance with Procurement Guidelines and other arrangements agreed with ADB;

(p) "Project Executing Agencies" for the purposes of, and within the meaning of the Loan Regulations, means the PCs, which are responsible for the carrying out of their respective component(s) of the Project;

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

(r) "Project provinces" means the provinces within the territory of the Borrower where the Project will be carried out;

(s) "Project safeguard documents" means documents required under ADB's safeguard policies including the Environment Policy (2002), Policy on Indigenous Peoples (1998) and Involuntary Resettlement Policy (1995);

(t) "REREPMB" means the Rural Electrification and Renewable Energy Project Management Board set up in MOIT and any successor thereto;

(u) "RF" means the resettlement framework developed for the Project and agreed between the Borrower and ADB;

(v) "RP" means a resettlement plan to be developed in accordance with the RF;

(w) "Special Program" means the Borrower's special program to support particular provinces in electrifying their rural areas under a mechanism applied for five provinces in the Central Highlands; provinces to be selected under the Special Program shall be decided by the Borrower's Prime Minister;

(x) "Subsidiary Loan Agreement" means a loan agreement between the Borrower and a PC, as described in Section 3.02 of this Loan Agreement; and

(y) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to one hundred two million one hundred sixty-one thousand Special Drawing Rights (SDR 102,161,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 March and 15 September in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall make the proceeds of the Loan to be used for Component 2 in provinces included in the Special Program available to the respective PCs upon terms and conditions satisfactory to ADB, and shall cause the respective PCs to apply such proceeds to the financing of expenditures on Component 2 of the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. (a) The Borrower shall relend the proceeds of the Loan to be used for (i) Component 1 to PC1 and PC3, and (ii) Component 2 to be carried out in provinces not included in the Special Program to PC1, PC2 or PC3, under the respective Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB.

(b) The Borrower shall cause the PCs to apply the proceeds of the Loan to the financing of expenditures on Component 1 or Component 2 in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.03. The Goods, Works and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.04. Withdrawals from the Loan Account in respect of Goods and Works shall be made only on account of expenditures relating to

(a) Goods which are produced in and supplied from and services which are supplied from such member countries of ADB as shall have been

specified by ADB from time to time as eligible sources for procurement, and

- (b) Goods and Works which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. Except as ADB may otherwise agree, all Goods and Works to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2016 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. 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 5 to this Loan Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works financed out of the proceeds of the Loan, and any relevant records and documents.

Section 4.03. The Borrower shall take all action which shall be necessary on its part to enable EVN and the PCs to perform their obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.04. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreements 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 Agreements shall be assigned, amended, or waived without the prior concurrence of ADB.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations:

- (a) any of the PCs shall have failed to perform any of its obligations under the respective Subsidiary Loan Agreement; and
- (b) any of the Subsidiary Loan Agreements or any provision thereof shall have been repealed, suspended or amended in any manner which in the reasonable opinion of ADB will or may adversely affect the carrying out of the Project or the operation of the Project facilities.

Section 5.02. The following are specified as additional events for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events 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 9.01(f) of the Loan Regulations: the execution and delivery of the Subsidiary Loan Agreements for Component 1 on behalf of PC1, PC3 and the Borrower shall have been duly authorized or ratified by all necessary corporate and governmental action.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Subsidiary Loan Agreements for Component 1 have been duly authorized by or ratified by, and executed and delivered on behalf of, PC1, PC3 and the Borrower, and are legally binding upon PC1, PC3 and the Borrower in accordance with their terms.

Section 6.03. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Delegation of Authority

Section 7.01. The Borrower hereby designates the PCs its agents for the purposes of taking any respective action or entering into any respective agreement required or permitted under Sections 3.03 and 3.05 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by the PCs 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 the PCs 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 Vietnam of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

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

Facsimile Numbers:

(84-4) 38250-612
(84-4) 38258-385

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 

NGUYEN VAN GIAU
Authorized Representative

ASIAN DEVELOPMENT BANK

By 

AYUMI KONISHI
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Project

1. The impact of the Project is expected to be to promote pro-poor and balanced economic development of remote mountainous communes and poor communes through the sustainable use of electricity and renewable energy in an affordable manner. The Project's outcome is provision of a reliable and affordable supply of electricity to remote mountainous and poor communes and replacement of thermal power generation with renewable energy.

2. The scope of the Project comprises:

Component 1: Developing Mini Hydropower Plants

Carrying out subprojects to be selected in accordance with the procedures and criteria as provided in paragraph 6 of Schedule 5 to this Loan Agreement, comprising the following activities:

- construction of mini hydropower plants,
- connection of such mini hydropower plants to the national grid, and
- extension of the low voltage network to supply the nearby un-electrified villages packaged as subprojects to be selected.

Component 2: Network Expansion and Rehabilitation for Poor Communes

Carrying out subprojects to be selected in accordance with the procedures and criteria as provided in paragraph 7 of Schedule 5 to this Loan Agreement, for the expansion of:

- medium voltage network by about 800 - 1,000 kilometers (km),
- 2,000 - 2,500 medium to low voltage substations totaling 35 - 40 megavolt-ampere, and/or
- 2,500 - 3,000 km of low voltage distribution lines

3. The Project is expected to be completed by 31 December 2015.

SCHEDULE 2

Amortization Schedule

**(Renewable Energy Development and Network Expansion
and Rehabilitation for Remote Communes Sector Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15-Sep-2017	2,128,354.00
15-Mar-2018	2,128,354.00
15-Sep-2018	2,128,354.00
15-Mar-2019	2,128,354.00
15-Sep-2019	2,128,354.00
15-Mar-2020	2,128,354.00
15-Sep-2020	2,128,354.00
15-Mar-2021	2,128,354.00
15-Sep-2021	2,128,354.00
15-Mar-2022	2,128,354.00
15-Sep-2022	2,128,354.00
15-Mar-2023	2,128,354.00
15-Sep-2023	2,128,354.00
15-Mar-2024	2,128,354.00
15-Sep-2024	2,128,354.00
15-Mar-2025	2,128,354.00
15-Sep-2025	2,128,354.00
15-Mar-2026	2,128,354.00
15-Sep-2026	2,128,354.00
15-Mar-2027	2,128,354.00
15-Sep-2027	2,128,354.00
15-Mar-2028	2,128,354.00
15-Sep-2028	2,128,354.00
15-Mar-2029	2,128,354.00
15-Sep-2029	2,128,354.00
15-Mar-2030	2,128,354.00
15-Sep-2030	2,128,354.00
15-Mar-2031	2,128,354.00
15-Sep-2031	2,128,354.00
15-Mar-2032	2,128,354.00
15-Sep-2032	2,128,354.00
15-Mar-2033	2,128,354.00
15-Sep-2033	2,128,354.00
15-Mar-2034	2,128,354.00
15-Sep-2034	2,128,354.00
15-Mar-2035	2,128,354.00
15-Sep-2035	2,128,354.00
15-Mar-2036	2,128,354.00
15-Sep-2036	2,128,354.00

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15-Mar-2037	2,128,354.00
15-Sep-2037	2,128,354.00
15-Mar-2038	2,128,354.00
15-Sep-2038	2,128,354.00
15-Mar-2039	2,128,354.00
15-Sep-2039	2,128,354.00
15-Mar-2040	2,128,354.00
15-Sep-2040	2,128,354.00
15-Mar-2041	2,128,362.00
Total	102,161,000.00

* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

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 and reference to "Loan Subcomponent" or "Loan Subcomponents" in this Schedule is to a Loan Subcomponent or Loan Subcomponents of a Loan Component.).

Interest Charge

2. The amount allocated to Loan Component 3 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Loan Component or Loan Subcomponent appears to be insufficient to finance all agreed expenditures in that Loan Component or Loan Subcomponent, ADB may, in consultation with the Borrower, reallocate to such Loan Component or Loan Subcomponent, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Loan Component or Loan Subcomponent 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 or Loan Subcomponent appears to exceed all agreed expenditures in that Loan Component or Loan Subcomponent, ADB may, by notice to the Borrower, reallocate such excess amount to any other Loan Component or Loan Subcomponent.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, and Works shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the PCs shall establish immediately after the Effective Date, the respective imprest accounts at commercial banks acceptable to ADB. The imprest accounts shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower, the PCs and ADB. The currency of the imprest account shall be Dollars. The maximum amount to be deposited into a particular imprest account shall not exceed the lower of, (i) the estimated expenditure for the six

months of Project implementation for the respective PC, or (ii) ten percent (10%) of the total amount to be onlent/granted to each respective PC.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures not exceeding the equivalent of \$100,000 per payment and to liquidate advances provided into the imprest account, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower, the PCs and ADB.

Condition of Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for carrying out Component 2 of the Project in a particular province:

(a) in case of a province under the Special Program, until the Borrower has issued a decision providing that such province has been included in the Special Program; and

(b) in case of a province which is not included in the Special Program, until the respective Subsidiary Loan Agreement has been signed in substance and form satisfactory to ADB, or ADB otherwise agrees.

TABLE

ALLOCATION OF LOAN PROCEEDS (Renewable Energy Development and Network Extension and Rehabilitation for Remote Communes Sector Project)			
Number	ITEM	Amount Allocated (SDR)	
		Loan Component	Loan Subcomponent
1	Component 1	40,966,000	
1A	Allocation to PC1		24,810,000
1B	Allocation to PC3		16,156,000
2	Component 2	60,444,000	
2A	Allocation to PC1		20,148,000
2B	Allocation to PC2		20,148,000
2C	Allocation to PC3		20,148,000
3	Interest	751,000	
	TOTAL	102,161,000	

SCHEDULE 4

Procurement of Goods and Works

A. General

1. All Goods and Works to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines.
2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines, as applicable.

B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding
Shopping

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. Domestic Preference. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.
5. National Competitive Bidding. The laws to be followed for national competitive bidding shall be those set forth in the Bidding Law No. 61/2005/QH11 of 26 November 2005 and the Construction Law No. 16/2003/QH11 of 29 November 2003 with the clarifications and modifications described in the Procurement Plan.

C. Condition for Award of Contracts

6. The Borrower shall not award any Works contracts financed under the Loan until the respective resettlement activities have been satisfactorily completed in accordance with the agreed resettlement plan.

D. Industrial or Intellectual Property Rights

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

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works 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.

E. ADB's Review of Procurement Decisions

8. All contracts procured under international competitive bidding procedures shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5**Execution of Project and Operation of
Project Facilities; Financial Matters****A. Project Management**

1. PC1 and PC3 shall be the Project Executing Agencies under both Components 1 and 2, while PC2 shall also be the Project Executing Agency under Component 2.

2. MOIT shall be responsible for overall coordination of Project implementation and shall set up a steering committee within three months of the Effective Date. The steering committee, chaired by a Vice Minister of MOIT, shall comprise representatives of EVN, the PCs and REREPMB, and shall be responsible for monitoring and providing guidance and direction to the Project's implementation.

3. The PMBs of PC1 and PC3, staffed with full time personnel and assisted by national and international consultants, shall be responsible for day-to-day implementation of Component 1 in their respective regions. For Component 2, the respective provincial units of the PCs and PMBs shall oversee and supervise overall project implementation and report its progress to MOIT, while each subproject shall be implemented by a provincial unit of the respective PC to be supported by international and national consultants.

B. Rural Electrification and Renewable Energy Policy

4. By the end of Project implementation, the Borrower shall take necessary administrative/regulatory measures (i) to establish simplified procedures for approval, licensing and connecting of embedded renewable generation projects connected to the medium voltage having a capacity less than 30 megawatts (MW), and (ii) to establish a transparent subsidy mechanism to promote renewable energy development and to electrify remote and difficult areas.

C. Financial Matters

5. The Borrower shall ensure, through appropriate tariff adjustments and other means, that EVN and the PCs maintain (i) a self-financing ratio of twenty-five percent (25%) or above, (ii) a debt service coverage ratio of 1.5 or above, and (iii) a long-term debt-equity ratio of 70:30 or less. The Borrower shall also ensure that adequate tariff increases are proposed by EVN and processed by the relevant authorities of the Borrower in a timely and effective manner.

D. Subproject Selection

6. Subprojects of Component 1 shall be selected in the following manner:

- (a) Unless otherwise agreed between the Borrower and ADB, a subproject shall have satisfied the following criteria:

- (i) a subproject shall be technically feasible and have a capacity less than 7.5MW and have institutional arrangements for ownership, project implementation and operation and maintenance acceptable to ADB;
 - (ii) a subproject shall be financially and economically viable after taking into account the cost of grid connection and grid extension to serve local communes. The financial internal rate of return shall exceed the weighted average cost of capital;
 - (iii) a subproject has strong support based on in-depth consultations with its beneficiaries;
 - (iv) a subproject shall be categorized as either Category B or C under ADB's Involuntary Resettlement Policy (1995);
 - (v) a subproject shall not involve transfer of water from one sub basin to another sub basin and shall not be located in environmentally sensitive areas such as national parks and protected areas. It shall be categorized as either Category B or C under ADB's Environment Policy (2002);
 - (vi) a subproject enables electrification of minimum of 100 households per MW of installed capacity; and
 - (vii) a poverty and social analysis of a subproject shall be undertaken and submitted to ADB as part of the subproject feasibility report. At least fifty percent (50%) of households receiving electricity through a subproject shall have an income level below the national poverty rate.
- (b) A subproject shall have been selected in accordance with the following procedures:
- (i) international consultants shall review the feasibility study of a subproject and their recommendations shall be incorporated in the feasibility study as appropriate;
 - (ii) the feasibility study report and Project safeguard documents including the Initial Environment Examination report and the resettlement plan as applicable shall be approved by PC1 or PC3 as the case may be;
 - (iii) the respective PCs shall submit the summary feasibility study report and Project safeguard documents to ADB; and
 - (iv) ADB shall approve each subproject.

7. Subprojects of Component 2 shall be selected in the following manner:

- (a) Unless otherwise agreed between the Borrower and ADB, a subproject shall have satisfied the following criteria:
 - (i) at least fifty percent (50%) of households receiving electricity through a subproject shall have an income level below the national poverty rate;
 - (ii) the average cost per electrified household in a subproject shall be less than \$1,500; and

- (iii) a subproject shall have been classified as Environment Category C under ADB's Environment Policy (2002).
- (b) A subproject shall have been selected in accordance with the following procedures:
 - (i) a PC, in consultation with the respective Provincial Peoples Committee, shall propose the list of communes where a subproject will be carried out;
 - (ii) MOIT shall approve, on a no objection basis, the list of such communes and submit the list to ADB; and
 - (iii) ADB shall approve the list of such communes.

E. Operation and Maintenance

8. The Borrower shall ensure that each PC will carry out the annual budget allocation which fully covers costs for the operation and maintenance of any Project facilities.

F. Resettlement and Environmental Issues

9. The Borrower and the PCs shall ensure that only subprojects that fall within Category C (no impacts) or Category B (not significant impacts) on involuntary resettlement and environment will be selected and implemented, as provided in paragraphs 6 and 7 of this Schedule. The screening and categorization of the subprojects shall be done in accordance with the RF and EARF. In the event that any resettlement impacts are unavoidable for a particular subproject, the Borrower shall prepare a resettlement plan for such subproject following the detailed design and in accordance with the agreed RF and ADB's Involuntary Resettlement Policy (1995).

10. The Borrower shall ensure that Project activities comply with (i) applicable laws and regulations of the Borrower; (ii) ADB's environment policies and regulations, specifically ADB's Environment Policy (2002); (iii) the EARF; and (iv) environmental mitigation measures and environmental monitoring plan as set out in the IEE to be approved by ADB. The Borrower shall also ensure that IEEs for subprojects categorized as Category B will be prepared in accordance with ADB's Environment Policy (2002).

11. RPs and IEEs shall be publicly disclosed in places accessible to all affected people prior to submission to ADB for its review and approval, all in accordance with ADB's Public Communications Policy (2005).

12. No award of civil works contract for a particular subproject of Category B shall be given until ADB approves the related RP and/or IEE. A notice of possession of site for construction work shall not be issued to civil works contractors for any subproject of involuntary resettlement Category B until (i) compensation payment and relocation to new sites for affected people have satisfactorily been completed in accordance with the RP; (ii) rehabilitation measures are in place; and (iii) the area required for civil works is free of all encumbrances.

G. Poverty

13. The Borrower shall ensure that the Project benefits accrue to the poorer segments of ethnic minority people living in the target provinces. The Borrower shall further ensure that poor households, as identified under the Special Program, are subsidized with electricity connection costs including house wiring for electricity bulbs and electricity socket up to \$40 equivalent or one-half of the actual connection cost, whichever is lower. The Borrower shall take appropriate measures that the poor households will be consulted on, and participate in, the Project during subproject implementation.

H. Ethnic Minority Development

14. The PCs shall undertake social analysis for all the subprojects to be included in Component 1, and for a sample of communes of each province to be included in Component 2. Based on the social analysis, the Borrower shall ensure that EMDPs are prepared for all subprojects under Component 1 and a provincial EMDP for each province included in Component 2 that have significant impacts on ethnic minorities in accordance with EMDF. The Borrower shall further ensure that EMDPs are submitted to ADB for its review and approval. Prior to the submission to ADB, EMDPs shall be disclosed to the affected ethnic minorities and posted on the respective Provincial Peoples Committee's website, all in accordance with the ADB's Public Communication Policy (2005). The poor ethnic minority households shall also be subsidized with electricity connection costs in a manner as set forth in paragraph 13 of this Schedule.

I. Gender

15. The Borrower shall ensure that the gender strategy to be provided in EMDP and Summary of Poverty Reduction and Social Strategy shall be properly implemented. The gender strategy shall include, but not be limited to, the following specific actions: (i) holding separate meetings for planning productive use of electricity component with representatives from women's unions and women community leaders in the Community Management Boards; (ii) carrying out capacity building training for women on productive use of electricity awareness raising campaign on safe electricity; (iii) subsidizing female headed poor ethnic minority households with electricity connection costs in a manner as set forth in paragraph 13 of this Schedule; and (iv) registering the replacement land in both the husband's and wife's names in cases where land acquisition has taken place.

J. Other Social Matters

16. The Borrower shall cause the PCs to: (a) have provisions in the civil works contracts to be financed under the Project to the effect that contractors (i) shall comply with all applicable labor laws and related international treaty obligations and do not employ child labor, and (ii) shall provide safe working conditions for both male and female workers; and (b) carry out, in the campsites and villages under subprojects, education and awareness campaign for HIV/AIDS and anti-trafficking of women and children, in coordination with the agencies working on national program of HIV/AIDS prevention.