CREDIT NUMBER 5876 -VN

Financing Agreement

(First Climate Change and Green Growth Development Policy Financing)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 25, 2016

FINANCING AGREEMENT

AGREEMENT dated July 25, 2016 entered into between SOCIALIST REPUBLIC OF VIETNAM ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a financing in an amount equivalent to sixty-three million five hundred thousand Special Drawing Rights (SDR 63,500,000) (variously, "Credit" and "Financing").

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are June 15 and December 15 in each year.

2.07. The principal amount of the Financing shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 4.08 of the General Conditions:

(a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Governor, or a Deputy Governor, of State Bank of Vietnam.

6.02. The Recipient's Address is:

State Bank of Vietnam
49 Ly Thai To
Hanoi, Vietnam

Cable address:	Telex:	Facsimile:
VIETBANK Hanoi	412248 NHTWVT	(84-4) 3825 0612

6.03. The Association's Address is:

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

Cable Address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

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

SOCIALIST REPUBLIC OF VIETNAM

By _____
Authorized Representative

Name: LE MINH HUNG

Title: Governor

INTERNATIONAL DEVELOPMENT ASSOCIATION

By _____
Authorized Representative

Name: Victoria Kwakwa

Title: Vice President

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. **Actions under the Program**

The actions taken by the Recipient under the Program include the following:

A. Improving Inter-sectoral Coastal Planning and Public Investment Finance Programming Across Key Sectors in support of Climate Change and Green Growth Action

1. The Recipient, through its Prime Minister, has issued Decision Numbe 914/QD-TTg, dated May 27, 2016, adopting the national coastal zone action plan setting priorities for the integrated management of coastal zones.

2. The Recipient, through its Prime Minister, has issued Decision Number 40/2015/QD-TTg, dated September 14, 2015, governing the principles, criteria and norms for allocation of state budget funds for development investment during the period of 2016 to 2020, and has submitted Socio-Economic Development Plan 2016-2020 to the Recipient's National Assembly to establish climate change and green growth as a priority under the said plan.

B. Developing and Safeguarding Selected Natural Resources Services

1. The Recipient, through its Prime Minister, has issued Decree Number 43/2015/ND-CP, dated May 06, 2015, regulating identification and management of water source protection corridors.

2. The Recipient, through its Minister of Ministry of Agriculture and Rural Development, has issued Ministerial Decision Number 1788/QD-BNN-TCTL, dated May 19, 2015, adopting an action plan to develop advanced irrigation and water saving for upland crops in support of the restructuring of water resources sector.

3. The Recipient, through its Ministry of Agriculture and Rural Development, has submitted to the Prime Minister, a draft decree governing the management, protection, restoration and development of coastal forests to address climate change.

4. The Recipient, through its Minister of Ministry of Agriculture and Rural Development, has issued Ministerial Decision Number 5414/QD-BNN-TCLN, dated December 25, 2015, approving the

guidelines for Provincial REDD+ Action Plan (PRAP) preparation to govern the preparation of provincial forest carbon action plans.

C. **Promoting Selected Cleaner Production Systems**

1. The Recipient, through its Prime Minister, has issued Decision Number 985a/QĐ-TTg, dated June 1, 2016, adopting the national air quality management plan.

2. The Recipient, through its Ministry of Transport, has issued Circular Number 33/2015/TT-BGTVT, dated July 24, 2015, promulgating the national technical regulation on Euro 4 standard for new assembled, manufactured, and imported vehicles, and, through its Ministry of Science and Technology, has issued Circular Number 22/2015/TT-BKHCN, dated November 11, 2015, on the issuance and implementation of national, technical regulations on gasolines, diesel fuel oils, and biofuels.

3. The Recipient, through its Minister of Ministry of Industry and Trade, has issued Ministerial Decision Number 13550/QD-BCT, dated December 10, 2015, announcing the minimum energy performance and labelling standards for non-ducted air conditioners.

4. The Recipient, through its Ministry of Industry and Trade, has issued: (a) Circular Number 29/2015/TT-BCT, dated August 31, 2015, governing contents, sequence and procedures for preparing, appraising and approving biomass energy development and utilization plans; (b) Circular Number 32/2015/TT-BCT, dated October 08, 2015, governing project development and standard power purchase agreements for power generation projects using solid wastes; and (c) Circular Number 44/2015/TT-BCT, dated December 9, 2015, governing project development, setting an avoided cost tariff, and standardized power purchase agreements for biomass power projects.

Section II. **Availability of Financing Proceeds**

A. **General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below:

Allocations	Amount of the Financing Allocated (expressed in SDR)
Single Withdrawal Tranche	63,500,000
TOTAL AMOUNT	63,500,000

C. Withdrawal Tranche Release Conditions

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient, and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposits of Financing Amounts

Except as the Association may otherwise agree:

1. the Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain a deposit account in Dollar ("Foreign Currency Deposit Account") on terms and conditions satisfactory to the Association. All withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Deposit Account; and

2. the Recipient shall ensure that upon each deposit of an amount of the Financing into the Foreign Currency Deposit Account, which forms part of the Recipient's official foreign exchange reserves, an equivalent amount in Vietnamese Dong is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.

E. Audit

Upon the Association's request, the Recipient shall:

1. have the Foreign Currency Deposit Account audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than four months after the date of the Association's request for such audit,

a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request; and

3. furnish to the Association such other information concerning the Foreign Currency Deposit Account and their audit as the Association shall reasonably request.

F. Excluded Expenditures

The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

G. Closing Date. The Closing Date is June 30, 2017.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Financing repayable (expressed as a percentage)*
On each June 15 and December 15:	
commencing December 15, 2021 to and including June 15, 2031	1.65%
commencing December 15, 2031 to and including June 15, 2041	3.35%

* The percentages represent the percentage of the principal amount of the Financing to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. "Excluded Expenditure" means any expenditure:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or

		silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party[, and any other goods designated as environmentally hazardous by agreement between the Recipient and the Association];

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

2. "Foreign Currency Deposit Account" means the account referred to in paragraph 1 of Section II.D of Schedule 1 to this Agreement.

3. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010 with the modifications set forth in Section II of this Appendix.

4. "Ministry of Agriculture and Rural Development" means the Recipient's Ministry of Agriculture and Rural Development, or any successor thereto.

5. "Ministry of Industry and Trade" means the Recipient's Ministry of Industry and Trade, or any successor thereto.

6. "Ministry of Natural Resources and Environment" means the Recipient's Ministry of Natural Resources and Environment, or any successor thereto.

7. "Ministry of Planning and Investment" means the Recipient's Ministry of Planning and Investment, or any successor thereto.

8. "Ministry of Science and Technology" means the Recipient's Ministry of Science and Technology, or any successor thereto.

9. "Ministry of Transport" means the Recipient's Ministry of Transport, or any successor thereto.

10. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated May 9, 2016 from the Recipient to the Association declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.

11. "Provincial REDD+ Action Plan" or the acronym "PRAP" means the action plan on reducing emissions from deforestation and forest degradation, sustainable management of forests and conservation and enhancement of forest carbon stocks at the provincial level, regulated under Ministerial Decision Number 5414/QD-BNN-TCLN dated December 25, 2015, issued by Minister of Ministry of Agriculture and Rural Development.

12. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

13. "Socio-Economic Development Plan 2016-2020" means a plan of development priorities for a period of five (5) years from 2016 to 2020 developed by the Ministry of Planning and Investment.

14. "Vietnamese Dong" means the lawful currency of the Socialist Republic of Vietnam.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (*Designated Accounts)* and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the subsequent Sections in Article II are renumbered accordingly.

3. Section 3.02 is modified to read as follows:

"Section 3.02. *Service Charge and Interest Charge*

(a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.

(b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months."

4. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.

5. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph [4] above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.

6. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph [4] above) is modified to read as follows:

"Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association's representatives to examine such records."

7. Paragraph (c) of Section 4.07 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows:

"Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing."

8. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term "Eligible Expenditure" is modified to read as follows:

"'Eligible Expenditure' means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement."

(b) The term "Financial Statements" and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term "Financing Payment" is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

(d) A new term called "Interest Charge" is added to read as follows:

""Interest Charge" means the interest charge specified in the Financing Agreement for the purpose of Section 3.02(b)."

(e) The term "Payment Date" is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

(f) The term "Project" is modified to read "Program" and its definition is modified to read as follows:

""Program" means the program referred to in the Financing Agreement in support of which the Financing is made." All references to "Project" throughout these General Conditions are deemed to be references to "Program".

(g) The term "Service Charge" is modified by replacing the reference to Section 3.02 with Section 3.02 (a).