CREDIT NUMBER 5176-VN

FINANCING AGREEMENT

AGREEMENT dated February 22, 2013, entered into between SOCIALIST REPUBLIC OF VIETNAM ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association 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 credit in an amount equivalent to one hundred thirty one million five hundred thousand Special Drawing Rights (SDR 131,500,000) (variously, "Credit" and "Financing") to assist in financing the program described in Schedule 1 to this Agreement ("Program").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 April 15 and October 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the objectives of the Program. To this end, the Recipient shall carry out the Program through the Ministry of Agriculture and Rural Development, Participating Provinces, and Other Implementing Entities, in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consist of the following, namely the Program has been modified or suspended so as to affect materially and adversely the ability of the Recipient to achieve the objectives of the Program.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Prime Minister has endorsed the Program Action Plan and has authorized MARD to approve the Operational Manual.

(b) The Operational Manual has been duly adopted by MARD.

(c) The TA Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

5.02. The Additional Legal Matter consists of the following, namely, the OM has been duly authorized by the Prime Minister and adopted by MARD, and is legally binding upon the Recipient in accordance with its respective terms.

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

5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years 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

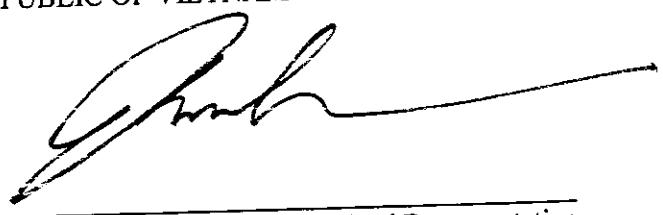
6.03. The Association's Address is:

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

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

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

SOCIALIST REPUBLIC OF VIETNAM

By 

Authorized Representative

Name: Governor Nguyen Van Binh

Title: State Bank of Vietnam

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Country Director Victoria Kwakwa

Title: Vietnam Country Office

SCHEDULE 1

Program Description

The objectives of the Program are to increase sustained access to water supply and sanitation services and improve sector planning, monitoring and evaluation in the Participating Provinces of the National Target Program ("NTP") for Rural Water Supply and Sanitation.

The Program consists of the following activities under the NTP to be carried out in the Participating Provinces from January 1, 2013 to December 31, 2017 in accordance with the Prime Minister's Decision Number 1256/TTg-QHQT dated August 23, 2012:

1. Increasing access to water supply services.

2. Increasing access to sanitation services.

3. Implementation support including capacity building, communication, supervision, monitoring and evaluation.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article IV of the General Conditions, the Recipient shall carry out the Program, and cause the Participating Provinces to carry out the Program, in accordance with financial management, procurement and environmental and social management systems acceptable to the Association ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual or potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

The Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Program Institutions

Without limitation on the generality of Part A of this Section I, the Recipient shall carry out the Program in accordance with the institutional and administrative arrangements set forth in NTP under the overall guidance and supervision of MARD and, except as the Association shall otherwise agree in writing, the Recipient shall not amend or waive any of such arrangements if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the Program's implementation or the achievement of the objectives thereof.

2. Additional Program Implementation Arrangements

Without limitation on the generality of Part A of this Section I, the Recipient shall:

(a) carry out the Program, and cause the Participating Provinces to carry out the Program, in accordance with the provisions of the OM;

(b) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the OM, or any provision thereof, without the prior written agreement of the Association; and

(c) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the OM.

3. In case of any inconsistency between the provisions of the OM and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Excluded Activities

The Recipient shall ensure that the Program shall include no activities which:

A. in the opinion of the Association are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve procurement of: (1) works, estimated to cost $50 million equivalent or more per contract; (2) goods, estimated to cost $30 million equivalent or more per contract; (3) non-consulting services, estimated to cost $20 million equivalent or more per contract; and (4) consultants' services, estimated to cost $15 million equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

1. The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Program Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than two (2) months after the end of the period covered by such report.

2. Without limiting the generality of the provisions of Part A.1 of this Section, the Recipient shall cause the State Audit of Vietnam:

(a) to undertake, at least once annually, a verification process, in accordance with terms of reference acceptable to the Association, for the fulfillment of the Disbursement Linked Results set out in the table in paragraph A.2 of Section IV of this Schedule 2; and

(b) to furnish to the Association corresponding verification reports, in form and substance acceptable to the Association, concurrently with each withdrawal application for the proceeds of the Financing submitted by the Recipient to the Association.

B. Program Financial Audits

Without limitation on the generality of Section I.A of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than seven (7) months after the end of such period.

C. Semestrial and Midterm Reviews

1. The Recipient shall review jointly with the Association, by no later than one (1) month after the transmittal of each Program Report to the Association, such Report, and thereafter take all measures required to ensure the efficient completion of the Program and the achievement of the objectives thereof, based on the conclusions and recommendations of such Report and the Association's views on the matter.

2. The Recipient shall: (a) carry out jointly with the Association, by no later than June 30, 2015, a midterm review to assess the overall progress in implementation of the Program; (b) prepare and furnish to the Association, at least three (3) months prior to such review, a report, in scope and detail acceptable to the Association, needed to undertake the review; and (c) review, jointly with the Association, the report referred to in subparagraph (b) above and thereafter take all measures required to ensure the efficient completion of the Program and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Association's views on the matter.

Section IV. Withdrawal of Financing Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Financing to finance the Program Expenditures: (a) in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association may specify from time to time by notice to the Recipient; and (b) on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Recipient, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"), as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies: (a) each category ("Category") setting forth a particular DLI; (b) each period covered by said DLI; (c) each DLR to be achieved on the basis of said DLI; and (d) the amount of the Financing allocated to each DLR, which may be withdrawn upon achievement of said DLR (up to a specified aggregate amount), subject to the provisions of Part B of this Section:

DLI Category	**Disbursement Linked Indicator**	**Disbursement Linked Result**	**Amount of the Financing Allocated (expressed in SDR)**
DLI 1.1	Period 1 First DLI: 1.1. Intentionally left blank. 1.2 Number of newly constructed Improved Household Sanitary Latrines.	Period 1 First DLR: 1.1. Intentionally left blank. 1.2 At least 15,000 new IHSLs.	1,972,500
DLI 1.2	Period 1 Second DLI: 2.1 Intentionally left blank 2.2 Number of people with access to Commune-Wide Sanitation.	Period 1 Second DLR: 2.1 Intentionally left blank 2.2 At least 250,000 new people.	3,287,500
DLI 1.3	Period 1 Third DLI: 3.1 Number of Provincial Annual Plans approved by Participating Provinces; and 3.2 Number of Program Reports disclosed to the public.	Period 1 Third DLR 3.1 Eight Provincial Annual Plans, one for each Participating Province; and 3.2 Nine Program Reports (one for each Participating Province and one consolidated Program Report from MARD).	1,643,750

DLI Category	Disbursement Linked Indicator	Disbursement Linked Result	Amount of the Financing Allocated (expressed in SDR)
DLI 2.1	Period 2 First DLI: 1.1 Number of new Functioning Water Supply Connections; and 1.2 Number of newly constructed Improved Household Sanitary Latrines.	Period 2 First DLR: 1.1 At least 80,000 new FWSCs; and 1.2 At least 15,000 new IHSLs.	17,752,500
DLI 2.2	Period 2 Second DLI: 2.1 Intentionally left blank 2.2 Number of people with access to Commune-Wide Sanitation.	Period 2 Second DLR: 2.1 Intentionally left blank 2.2 At least 250,000 new people.	3,287,500
DLI 2.3	Period 2 Third DLI: 3.1 Number of Provincial Annual Plans approved by Participating Provinces: and 3.2 Number of Program Reports disclosed to the public.	Period 2 Third DLR 3.1 Eight Provincial Annual Plans, one for each Participating Province; and 3.2 Nine Program Reports (one for each Participating Province and one consolidated Program Report from MARD).	1,643,750
DLI 3.1	Period 3 First DLI: 1.1 Number of new Functioning Water Supply Connections; and 1.2 Number of newly constructed Improved Household Sanitary Latrines.	Period 3 First DLR: 1.1 At least 90,000 new FWSCs; and 1.2 At least 30,000 new IHSLs.	21,697,500

DLI Category	Disbursement Linked Indicator	Disbursement Linked Result	Amount of the Financing Allocated (expressed in SDR)
DLI 3.2	Period 3 Second DLI: 2.1 Intentionally left blank 2.2 Number of people with access to Commune-Wide Sanitation.	Period 3 Second DLR: 2.1 Intentionally left blank 2.2 At least 250,000 new people.	3,287,500
DLI 3.3	Period 3 Third DLI: 3.1 Number of Provincial Annual Plans approved by Participating Provinces; and 3.2 Number of Program Reports disclosed to the public.	Period 3 Third DLR 3.1 Eight Provincial Annual Plans, one for each Participating Province; and 3.2 Nine Program Reports (one for each Participating Province and one consolidated Program Report from MARD).	1,643,750
DLI 4.1	Period 4 First DLI: 1.1 Number of new Functioning Water Supply Connections; and 1.2 Number of newly constructed Improved Household Sanitary Latrines.	Period 4 First DLR: 1.1 At least 100,000 new FWSCs; and 1.2 At least 40,000 new IHSLs.	24,985,000
DLI 4.2	Period 4 Second DLI: 2.1 Number of people with water supply connections from Sustainable Water Systems; and 2.2 Number of people with access to Commune-Wide Sanitation.	Period 4 Second DLR: 2.1 At least 425,000 new people; and 2.2 At least 250,000 new people.	14,465,000

DLI Category	Disbursement Linked Indicator	Disbursement Linked Result	Amount of the Financing Allocated (expressed in SDR)
DLI 4.3	Period 4 Third DLI: 3.1 Number of Provincial Annual Plans approved by Participating Provinces; and 3.2 Number of Program Reports disclosed to the public.	Period 4 Third DLR 3.1 Eight Provincial Annual Plans, one for each Participating Province; and 3.2 Nine Program Reports (one for each Participating Province and one consolidated Program Report from MARD).	1,643,750
DLI 5.1	Period 5 First DLI: 1.1 Number of new Functioning Water Supply Connections; and 1.2 Number of newly constructed Improved Household Sanitary Latrines.	Period 5 First DLR: 1.1 At least 70,000 new FWSCs; and 1.2 At least 30,000 new IHSLs.	17,752,500
DLI 5.2	Period 5 Second DLI: 2.1 Number of people with water supply connections from Sustainable Water Systems ; and 2.2 Number of people with access to Commune-Wide Sanitation.	Period 5 Second DLR: 2.1 At least 425,000 new people; and 2.2 At least 275,000 new people.	14,793,750

DLI Category	Disbursement Linked Indicator	Disbursement Linked Result	Amount of the Financing Allocated (expressed in SDR)
DLI 5.3	Period 5 Third DLI: 3.1 Number of Provincial Annual Plans approved by Participating Provinces; and 3.2 Number of Program Reports disclosed to the public.	Period 5 Third DLR 3.1 Eight Provincial Annual Plans, one for each Participating Province; and 3.2 Nine Program Reports (one for each Participating Province and one consolidated Program Report from MARD).	1,643,750
	TOTAL AMOUNT		**131,500,000**

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement; and

   (b) for any DLR referred to in the table in Part A.2 of this Section unless and until the Association is satisfied, based on evidence acceptable to the Association, that said DLR has been fully achieved.

2. Notwithstanding the provisions of Part B.1(b) of this Section, the Recipient may, from time to time, withdraw an amount of the Financing up to an aggregate amount not to exceed the equivalent of SDR 32,875,000 as an advance, provided, however, if any DLR set forth in the table in Part A.2 of this Section, in the opinion of the Association, has not been achieved (or has only been partially achieved) by the Closing Date, then the Recipient shall refund such advance(s) (or portion of such advance(s), as determined by the Association) to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.

3. Notwithstanding the provisions of Part B.1(b) of this Section:

(a) if the Association is satisfied that any DLR (except the Third DLR in each Category) has been partially achieved by the end of the respective Period corresponding to said DLR, then the Association may, at any time, by notice to the Recipient, decide, in its sole discretion, to authorize the withdrawal of such portion of the amount of the Financing then allocated to said DLR which corresponds, in the opinion of the Association, to the percentage of achievement of said DLR, provided that in case said DLR consists of two (2) separately specified results and such results have been achieved at different percentages, the lower of the two (2) percentages shall be applied for the purposes of this sub-paragraph (a);

(b) if the Association is not satisfied that any DLR has been fully achieved by the end of the period corresponding to said DLR, then the Association may, at any time, by notice to the Recipient, decide, in its sole discretion, to: (i) authorize the withdrawal of all or a portion of the unwithdrawn proceeds of the Financing then allocated to said DLR (except the Third DLR in each Category), at such later date (prior to the Closing Date) if and when the Association shall be satisfied, on the basis of evidence acceptable to the Association, that the DLR for any subsequent period (if applicable) in respect of the same DLI has been fully achieved; (ii) reallocate all or a portion of the proceeds of the Financing then allocated to such DLR to any other DLR(s); and/or (iii) cancel all or a portion of the proceeds of the Financing then allocated to such DLR; and

(c) if the Association is satisfied that any DLR (except the Third DLR in each Category) has been exceeded by the end of the Respective Period corresponding to said DLR, then the Association may, at any time, by notice to the Recipient, decide, in its sole discretion, to attribute all or part of such additional results to the respective DLR for any subsequent Respective Period(s) (if applicable).

4. The Closing Date is July 31, 2018.

5. Notwithstanding the foregoing provisions of this Section IV, if the Association establishes after the Closing Date that the Withdrawn Financing Balance exceeds the total amount paid for Program Expenditures, exclusive of any such amounts financed by any other financier or by the Bank or the Association under any other loan, credit or grant, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association shall cancel the refunded amount of the Withdrawn Financing Balance.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
commencing April 15, 2018 to and including October 15, 2027	1.65%
commencing April 15, 2028 to and including October 15, 2037	3.35%

* The percentages represent the percentage of the principal amount of the Credit 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. "Anti-Corruption Guidelines" means the Association's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing," dated February 1, 2012.

2. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

3. "Commune" means any of the government administrative areas established as such within a District in accordance with the Recipient's constitution and laws, or any successor thereto.

4. "Commune-Wide Sanitation" means a Commune which has achieved the following criteria with regard to sanitation services: (a) 100 percent of public kindergartens, and primary and secondary schools, in the Commune have access to clean water and hygienic sanitation facilities; (b) 100 percent of health centers in the Commune have access to clean water and hygienic sanitation facilities; (c) at least 70 percent of households in the Commune have hygienic sanitation facilities; and (d) 100 percent of households in the Commune have access to latrines of some kind. For the purposes of this definition, "clean water" shall be as defined by Standards Number QCVN 02: 2009/BYT issued under the Recipient's Ministry of Health's Circular Number 05/2009/TT-BYT dated June 17, 2009, and "hygienic sanitation facilities" shall be as defined by Standards Number QCVN 01: 2011/BYT issued under the Recipient's Ministry of Health's Circular Number 27/2011/TT-BYT dated June 24, 2011, in each case as in effect at the relevant date.

5. "Disbursement Linked Indicator" or "DLI" means an indicator set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of which a DLR is to be measured and "Disbursement Linked Indicators" or "DLIs" means, collectively, more than one, or all said indicators (as the context may require).

6. "Disbursement Linked Result" or "DLR" means a result set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Financing allocated to said result may be withdrawn in accordance with the provisions of said Section; and "Disbursement Linked Results" or "DLRs" means, collectively, more than one, or all said results (as the context may require).

7. "District" means any of the government administrative areas established as such within a Province in accordance with the Recipient's constitution and laws, or any successor thereto.

8. "Functioning Water Supply Connections" or "FWSCs" means water supply connections which provide water 24 hours per day, 365 days per year (366 days in a leap year), allowing for up to a maximum 10% failure rate on a monthly average.

9. "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.

10. "Improved Household Sanitary Latrines" or "IHSLs" means household latrines which meets the hygienic standards established by Standards Number QCVN 01:2011/BYT issued under the Recipient's Ministry of Health's Circular Number 27/2011/TT-BYT dated June 24, 2011, as in effect at the relevant date.

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

12. "National Target Program for Rural Water Supply" or "NTP" means the Recipient's National Target Program for Rural Water Supply and Sanitation (2012 to 2015) approved by the Prime Minister's Decision Number No: 366/QD/TTCP dated March 31, 2012, whose objective is to implement the Recipient's National Strategy on Rural Water Supply and Sanitation (2010 to 2020) and to improve the living conditions of the Recipient's rural population by increasing access to water supply and sanitation, awareness raising, changing sanitation behavior and mitigation of environmental pollution.

13. "Non-Revenue Water" means the difference in percentage between the volume of water that enters the distribution system and the volume that is billed to customers. It is measured on a monthly basis.

14. "Operational Manual" or "OM" means the document referred to in paragraph 2 (a) of Section I.C of Schedule 2 to this Agreement, which sets forth guidelines, policies, procedures and requirements for the implementation of the Program including additional measures to strengthen the Recipient's procurement, financial management, anticorruption, environmental and social systems, as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such manual.

15. "Other Implementing Entities" means, collectively, the Recipient's government entities or government owned enterprises at the central or provincial levels involved in the implementation of the Program other than the Ministry of Agriculture and Rural Development, including the Ministry of Health, the Ministry of Education, the Ministry of Finance, the Ministry of Natural Resources and Environment, the Ministry of Planning and Investment, Vietnam

Bank for Social Policies, Provincial Peoples' Committees and their respective Provincial Departments, or any successor to any such entities.

16. "Participating Provinces" means the Recipient's provinces of Phu Tho, Quang Ninh, Ha Noi, Hung Yen, Bac Ninh, Ha Nam, Vinh Phuc and Thanh Hoa, or any successor to any such provinces, and such other additional provinces as may be mutually agreed to in writing by the Recipient and the Association at any time and from time to time, and a "Participating Province" means any one of such Provinces.

17. "Period 1" means the calendar year of 2013 starting on January 1, 2013 and ending on December 31, 2013.

18. "Period 2" means the calendar year of 2014 starting on January 1, 2014 and ending on December 31, 2014.

19. "Period 3" means the calendar year of 2015 starting on January 1, 2015 and ending on December 31, 2015.

20. "Period 4" means the calendar year of 2016 starting on January 1, 2016 and ending on December 31, 2016.

21. "Period 5" means the calendar year of 2017 starting on January 1, 2017 and ending on December 31, 2017.

22. "Prime Minister" means the Prime Minister of the Socialist Republic of Vietnam, the highest ranking official in the executive branch of the Recipient's government.

23. "Program Action Plan" means the action plan to be authorized by the Prime Minister and which is part of the OM, referred to in Section 5.01 of this Agreement, designed to strengthen the the Program Fiduciary, Environmental and Social Systems.

24. "Program Fiduciary and Environmental and Social Systems" means the Recipient's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.

25. "Province" means any of the government administrative areas established as such in accordance with the Recipient's constitution and laws or any successor thereto; and "Provinces" mean, collectively, more than Province.

26. "Provincial Annual Plan" means a plan, in form and substance acceptable to the Association, to be prepared and approved by each Participating Province on annual basis, setting forth the status of water supply and sanitation services in the

respective province including, among other things, information on access to water supply and sanitation services, water quality data, poverty data, and a detailed five-year investment plan, as such plan may be amended from time to time with the prior written agreement of the Association.

27. "Respective Period" means either of Period 1, Period 2, Period 3, Period 4, or Period 5.

28. "State Audit of Vietnam" or "SAV" means the government entity established by the Recipient's National Assembly pursuant to Law Number 37/2005/QH11 on State Audit, dated June 14, 2005, or any successor thereto.

29. "Sustainable Water Systems" means those which, two years after the start of operation (defined as the month in which the first water is supplied, billed and paid for by customer households), satisfy the following characteristics: (a) provide clean water, as defined by Standards Number QCVN 02: 2009/BYT issued under the Recipient's Ministry of Health's Circular Number 05/2009/TT-BYT dated June 17, 2009, or any successor thereto, including, if necessary, specific control and measures for arsenic; (b) the system is operating under a recognized management model; (c) at least 85 percent of the number of planned system connections are working (providing water 24 hours per day, 365 days per year (366 days in a leap year) and allowing for 10% failure rate on a monthly average) and have had bills issued and paid; (d) Revenue from Tariffs is sufficient to cover operation and maintenance costs; and (e) Non-Revenue Water is less than 25 percent the month before verification is conducted.

30. "TA Grant Agreement" means a grant agreement to be entered into between the Recipient and the Association as administrator a grant funds provided by the Australian Agency for International Development for the purposes of providing technical assistance to strengthen the Recipient's capacity to implement the Program.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to read "the Program Agreement", the term "Project Implementing Entity" is modified to read "the Program Implementing Entity", the term "Project Report" is modified to read "Program Report"; and the term "Eligible Expenditures" is modified to read "Program Expenditures".

2. In the Table of Contents, the references to Sections, Section names and Section numbers shall be modified to reflect the substantive amendments set out below.

3. Section 2.02, *Special Commitment by the Association*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

4. In Section 2.02 (originally numbered as Section 2.03), the heading "*Applications for Withdrawal or for Special Commitment*" shall be replaced with "*Applications for Withdrawal*", and the phrase "or to request the Association to enter into a Special Commitment" shall be deleted.

5. The section originally numbered as Section 2.05, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed "Program Expenditures" in accordance with paragraph 1 of this Section II), is modified to read: "(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;".

7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: "To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing specified in the Financing Agreement, as required to ensure consistency with such policy of the Association."

8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read: "Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.

9. 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."

10. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

11. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

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

12. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

13. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).

14. Section 6.01, *Cancellation by the Recipient*, is modified to read: "The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance."

15. Paragraph (d) of Section 6.03, *Cancellation by the Association*, is deleted, and subsequent paragraphs are relettered accordingly.

16. Section 6.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association*, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.

17. In the Appendix, *Definitions*, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, paragraph 50 ("Special Commitment") is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.