CREDIT NUMBER 3767-VN
CREDIT NUMBER 4863-VN

Financing Agreement

(AMENDED AND RESTATED DEVELOPMENT CREDIT AGREEMENT)

(Public Financial Management Reform Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 07, 2011

CREDIT NUMBER 3767-VN
CREDIT NUMBER 4863-VN

FINANCING AGREEMENT

AGREEMENT, dated April 07, 2011, entered into between SOCIALIST REPUBLIC OF VIETNAM (the "Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association").

WHEREAS for the purpose of the Project, the Association had agreed to extend to the Recipient a Credit in an amount equivalent to thirty nine million nine hundred thousand Special Drawing Rights (SDR 39,900,000) (the "Original Credit") on the terms and conditions set forth or referred to in the Development Credit Agreement dated June 6, 2003 between the Recipient and the Association (the "Development Credit Agreement")

WHEREAS the Recipient has requested the Association to provide further additional assistance in support of the Project by increasing the amount made available under the Development Credit Agreement by an amount equivalent to nine million two hundred thousand Special Drawing Rights (SDR 9,200,000) (the "Additional Credit"); and

WHEREAS, the Association has agreed on the basis, inter alia, of the foregoing, to provide such additional financial assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the Association hereby agree to amend and restate the Development Credit Agreement to read 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 otherwise requires, 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 forty nine million one hundred thousand Special Drawing Rights (SDR 49,100,000) (variously, "Credit" and "Financing") to assist in financing the

project described in Schedule 1 to this Agreement (the "Project"), which Credit includes:

(a) an amount equivalent to thirty nine million nine hundred thousand Special Drawing Rights (SDR 39,900,000) (the "Original Credit"); and

(b) an amount equivalent to nine million two hundred thousand Special Drawing Rights SDR (9,200,000) (the "Additional Credit").

2.02. The Recipient may withdraw the proceeds of the Original Credit and the Additional Credit in accordance with Section IV of Schedule 2 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 Payment Dates are:

(a) in respect of the Original Credit: May 15 and November 15 in each year; and

(b) in respect of the Additional Credit: May 15 and November 15 in each year.

2.06. The principal amount of the Original Credit and the principal amount of the Additional Credit shall be repaid in accordance with the repayment schedule set forth in Section I and Section II, respectively, of Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

ARTICLE III – PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Finance 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 Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) the Recipient's Public Financial Management Reform Initiative shall have been amended, suspended, abrogated or repealed so as to affect materially and adversely the Recipient's ability to achieve the objectives of the Project; or

(b) the State Budget Law shall have been amended, suspended, abrogated or repealed so as to affect materially and adversely the Recipient's ability to achieve the objectives of the Project;

4.02. The Additional Events of Acceleration consist of the following, namely any event specified in paragraphs (a) and (b) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V - EFFECTIVENESS

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

5.02. 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 the State Bank of Vietnam.

6.02. The Recipient's Address is:

State Bank of Vietnam
49 Lý Thái Tổ
Hà Nội
Socialist Republic of Vietnam

Cable:	Telex:	Facsimile:
VIETBANK Hanoi	412248 NHTWVT	(84-4) 3 82 50 612

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the Recipient's capacity to plan, execute and report on its budget and to improve the transparency and accountability of the budgetary systems and processes.

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

PART A: Strengthen Treasury and Budget Management

Establish TABMIS to support budgeting, control, monitoring and accounting at central, provincial and local government levels, consisting of:

1. (a) Procurement, development, and deployment of TABMIS, and rolling-out of TABMIS deployment to all treasury and financial offices at central, provincial, and district levels and the MPI, including hardware, software, and services; (b) development and implementation of a plan for change management and training to enable the adoption and operationalization of said system; and (c) strengthening of institutional capacity for TABMIS implementation and operation.

2. (a) Implementation of budget allocation module at treasury offices and financial agencies from the central level to the district level, as well as ministries and government agencies; and (b) rolling out of budget allocation module to selected major supervising agencies at the central budget level.

3. Undertaking of further financial management rationalization and reform, including: (a) preparation for an effective cash management system including cash forecasting and operationalization of a treasury single account; and (b) preparation for establishment of state accounting general function.

4. Undertaking of preparation work towards a government financial management information system, including: (a) development of model, roadmap, technical requirements and bidding document for a portal providing access to TABMIS by spending units and planning and investment agencies at all levels; and (b) development of a model and roadmap for a government financial management information system.

PART B: Strengthen State Budget and Investment Planning

Carrying out a program to strengthen budget and investment planning capacity, consisting of:

1. (a) Development of a MTFF by MOF and MPI, to link national development goals and expenditures planning processes and to integrate planning of recurrent and capital expenditures; and (b) strengthening of their capacity to oversee the development of MTEFs at the sectoral and provincial levels.

2. Preparation of MTFFs and MTEFs in selected sectors and selected provinces to link spending at the sectoral or provincial level with national policy strategies.

3. Introduction of medium-term budget planning approach to relevant senior National Assembly deputies and government officials; and dissemination of the lessons of the pilot MTFFs and MTEFs to facilitate the roll-out of medium-term budget planning.

4. Preparation of guidelines for nationwide implementation of MTEF and MTFF.

5. Carrying out of feasibility study and development of technical requirements for a budget preparation system in line with the conclusion of the feasibility study.

PART C: Strengthen the Management of Public Debt and other Fiscal Risks

Carrying out a program to manage public debts and fiscal risks, consisting of:

1. Strengthening of the institutional capacity and instruments for public debt management and recording, and risk management, through the clarification of roles and reporting relationships among the relevant agencies; the development of a public debt strategy, including development of debt management objectives; adoption of a risk management framework; and the provision of debt recording, consolidation and management systems, and development of a strategy to develop future debt and risk management systems.

2. Strengthening of monitoring of the fiscal risks arising from liabilities of state-owned enterprises, through formulation of necessary legal framework and monitoring indicators; and enhancement of institutional capacity.

PART D: Project Implementation Support

Strengthen the Recipient's Project implementation capacity, including audit of Project accounts and activities, preparation of follow-on activities, and strengthening of the procurement and financial management capacity of the PMU.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain at all times during the implementation of the Project, the Steering Committee including: (a) representatives, *inter alia*, of the Ministry of Planning and Investment and the State Bank of Vietnam; and (b) at least one (1) representative of line ministries of the sectors selected for piloting the medium-term expenditure framework under Part B.2 of the Project, and one (1) representative of the provinces.

2. The Steering Committee shall be responsible for providing overall guidance and direction in the implementation of the Project and to ensure the Project activities are coordinated with other national initiatives for public administration reform.

3. The Recipient shall maintain at all times during the implementation of the Project, a PMU within MOF for overall Project management and administration; coordination among relevant departments within the MOF, and with other relevant agencies and line ministries; monitoring and evaluation of Project activities; said Unit to be under the direction of experienced managers, provided with sufficient resources, and staffed with competent personnel in adequate numbers, including without limitation, a Project director, a finance officer supported by an accountant, a cashier and assistant; procurement specialists and IT specialists; all under terms of reference acceptable to the Association.

4. The Recipient shall:

   (a) maintain a financial management manual satisfactory to the Association, to serve as reference and training manual to Project staff; said manual shall set forth, *inter alia*, the organizational structure and responsibilities in regard to financial management, fund flow arrangements, staffing and training requirements, financial accounting systems, internal control mechanisms, financial reporting requirements and procedures, auditing arrangements, and samples and forms; and

   (b) provide training to the PMU staff in financial management and disbursement in a manner satisfactory to the Association.

5. The Recipient shall:

(a) by no later than May 31 and November 30 of each year, furnish to the Association for its review and comments, a semi-annual work program; and

(b) thereafter implement said work program in a manner satisfactory to the Association, taking into consideration the Association's view thereon.

6. The Recipient shall:

(a) by no later than November 30 of each year, furnish to the Association for its prior concurrence, an annual plan for the maintenance and, if necessary, upgrade of the hardware and software, and the connectivity of said system, said annual plan to include the estimated costs therefor; and

(b) thereafter, carry out such plan in a manner satisfactory to the Association.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.

3. The Recipient shall have its 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such method may be used:

Procurement Method
Shopping

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Methods
(a) Quality-based Selection
(b) Least Cost Selection
(c) Selection based on Consultants' Qualifications
(d) Single Source Selection
(e) Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost the equivalent of $100,000 or more; (b) each contract for consultants' services provided by a firm estimated to cost the equivalent of $100,000 or more; (c) each contract for consultants service, regardless of its value, to be procured on the basis of Single Source Selection; and (d) each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Credit

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

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

Category	Amount of Original Credit Allocated (expressed in SDR Equivalent)	Amount of Additional Credit Allocated (expressed in SDR Equivalent)	Percentage of Expenditure to be Financed (inclusive of Taxes)
(1) Goods other than financial management information systems	130,000	0	95%
(2) Goods for the financial management information systems	32,380,000	5,835,000	95%
(3) Incremental Operating Costs:			
(a) for the TABMIS	6,600,000	280,000	95%
(b) for PMU	130,000	0	100%
(4) Consultants' Services/ Training/Workshops	660,000	3,085,000	100%
TOTAL:	**39,900,000**	**9,200,000**	

For the purposes of this Schedule:

(a) the term "Incremental Operating Costs" means the reasonable costs of incremental expenditures incurred by the Recipient in the implementation of the Project (which expenditures would not have been incurred absent the Project), including: (a) in regard to the TABMIS, the costs of hardware and software maintenance and the costs of connectivity; and costs related to training other than those for training services provided by TABMIS contractor; and (b) in regard to the PMU, the costs of travel, communications and utilities, and office consumables; but excluding salaries; and

(b) the term "Training and Workshops" means the reasonable costs of expenditure incurred by the Recipient in facilitating and conducting training and workshop activities under the Project including costs of material, equipment and venue rental, and per diem and transportation for those attending and training or the workshop, and study tours.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made: (a) with respect to amounts of the Original Credit, on accounts of payments made prior to June 6, 2003; or (b) with respect to amounts of the Additional Credit, on account of payments made prior to the date of this Agreement; except that withdrawals up to an aggregate amount not to exceed SDR 920,000 equivalent may be made for payments made prior to this date but on or after February 28, 2011 for Eligible Expenditures.

2. The Closing Date is February 28, 2013.

SCHEDULE 3
Repayment Schedule

Section I: The Original Credit

Date Payment Due	Principal Amount of the Original Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing November 15, 2013 to and including May 15, 2023	1%
commencing November 15, 2023 to and including May 15, 2043	2%

Section II: The Additional Credit

Date Payment Due	Principal Amount of the Additional Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
commencing May 15, 2021 to and including November 15, 2030	1.25%
Commencing May 15, 2031to and including November 15, 2045	2.5%

* The percentages represent the percentage of the principal amount of the Original Credit and of the Additional 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 "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 with the modifications set forth in Section II of the Appendix to this Agreement.

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

3. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004 and revised in October 2006 and May 2010.

5. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.

6. "IT" means information technology.

7. "MOF" means the Recipient's Ministry of Finance, and any successor thereto.

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

9. "MTEF" means a medium-term expenditure framework prepared by the Recipient for each pilot sector or pilot province under Part B.1 and 2 of the Project.

10. "MTFF" means a medium-term fiscal framework prepared by the Recipient under Part B.1 and 2 of the Project.

11. "National Assembly" means the Recipient's legislative branch established under the Recipient's Constitution, and any successor thereto.

12. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006 and May 2010.

13. "Procurement Plan" means the Recipient's procurement plan for the Project, dated December 31, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

14. "PMU" means the Project Management Unit to be established within the Ministry of Finance to manage the overall implementation of the Project, and referred to in paragraph 3 of Section I. A. of Schedule 2 to this Agreement.

15. "Public Financial Management Reform Initiative" means the program of actions approved by the Prime Minister's Decision No. 136/201/QD-TTg of September 2001 for the purposes of reforming and modernizing public financial management as part of Vietnam's Public Administration Reform Master Program for the period 2001-2010.

16. "SBV" and "State Bank of Vietnam" mean the central bank of Vietnam, and any successor thereto.

17. "State Budget Law" means the revised State Budget Law enacted by Vietnam's National Assembly in December 2002.

18. "Steering Committee" means the Steering Committee for the Modernization of Public Financial Management, established by the Recipient at the Ministry of Finance by Decision No. 683/QD-BTC dated June 6, 2001, and responsible for overseeing Vietnam's Public Finance Management Reform Initiative, referred to in paragraph 1 of Section I. A. of Schedule 2 to this Agreement.

19. "TABMIS" means the integrated Treasury and Budget Management Information System to be established under Part A of the Project.

Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

"... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

2. Section 11(a) is modified to read as follows:

"... (a) sanction in accordance with prevailing Bank's sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn14) or an

individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

Footnotes:

"13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank's sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

"14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines."

"15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank's website and otherwise be made known to staff and other stakeholders."