CREDIT NUMBER 4944-VN

Financing Agreement

(Second Public Investment Reform Development Policy Operation)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated , 2011

FINANCING AGREEMENT

AGREEMENT dated , 2011, 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 appropriate 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 credit in an amount equivalent to one hundred sixty seven million Special Drawing Rights (SDR 167,000,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are March 15 and September 15 in each year.

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

2.07. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end:

(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 Conditions of Effectiveness consist of the following:

(a) 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.

(b) The Loan 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 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 Lý Thái Tổ
Hà Nội
Socialist Republic of Vietnam

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

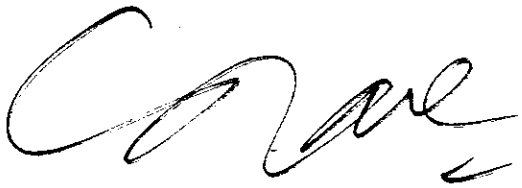
6.03. The Association's Address is:

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By 

Authorized Representative

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. **Actions Taken Under the Program**

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

1. The Recipient, through MPI and MOIT; has incorporated SEAs in the draft development master plans for four regions and one key sector.

2. The Recipient, through MONRE, has reviewed the experience with the implementation of SEAs and has designed actions to improve SEAs preparation and use.

3. The Recipient, through MPI, has issued a Circular, including technical guidelines, to implement the use of electronic procurement (e-procurement) in pilot provinces and agencies.

4. The Recipient has issued Decisions to transfer, from MOC, the right to exercise state ownership in two economic groups specialized in civil works, namely the Housing and Urban Development Group and Industrial Construction Group.

5. The Recipient has issued a Decree to clarify the rights and obligations of parties engaging in civil works contracts.

6. The Recipient has issued a Decree to mandate the timely preparation and review of SEAs and EIAs in order to inform preparation of master plans and feasibility studies for investment projects, respectively.

7. The Recipient, through MOF, has issued a Circular to mandate the sharing of independent audits of financial statements of ODA-funded projects with MOF and SAV.

8. The Recipient, through MOF, has issued Circulars to align with the market cost norms applied to translation fees, workshops and other costs related to the preparation and implementation of budget-funded projects.

9. The Recipient, through MOF and MONRE, has issued Circulars to define admissible expenses and sources of funding for the review of SEAs and EIAs.

10. The Recipient, through MOF, has issued a Circular to streamline payment procedures and clarify and simplify payment-supporting documents for ODA-funded projects.

11. The Recipient has issued a Decision to pilot the use of the PPP Framework.

12. The Recipient, through MPI, has issued Circulars to establish standard templates for project monitoring reports and to set up the required legal criteria for individuals and institutions to carry out investment evaluation.

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	167,000,000
TOTAL AMOUNT	**167,000,000**

C. Withdrawal Tranche Release Conditions.

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 appropriateness 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 presenting 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.

2. Upon each deposit of an amount of the Financing into the Foreign Currency Deposit Account, the Recipient shall ensure that 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 (4) 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 its 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 December 31, 2011.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing September 15, 2021 to and including March 15, 2031	1.25%
commencing September 15, 2031 to and including March 15, 2046	2.5%

* 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. "Circular" means a government regulation issued by a minister or the head of a ministerial level government agency and which is legally enforceable under the Recipient's legal system.

2. "Decree" means a government regulation issued by the government of the Recipient and signed by the Recipient's Prime Minister and which is legally enforceable under the Recipient's legal system.

3. "Decision" means a government regulation issued by: (a) the Recipient's Prime Minister and which is legally enforceable under the Recipient's legal system; or (b) a minister or the head of a ministerial level government agency on a specific issue under the legal mandate of relevant government agency which is legally binding upon such agency.

4. "EIA" means environmental impact assessment to be prepared for projects in accordance with the provisions of the Recipient's Law of Environmental Protection.

5. "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 sub-groups 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;

(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.

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

7. "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.

8. "Housing and Urban Development Group" means the state-owned economic group established pursuant to Prime Minister Decision Number 54/QD-TTg dated January 12, 2010 which is responsible for owning and operating companies in the housing and urban development business or any successor thereto.

9. "Industrial Construction Group" means the state-owned economic group established pursuant to Prime Minister Decision Number 52/QD-TTg dated January 12, 2010 which is responsible for owning and operating companies in the industrial construction business or any successor thereto.

10. "Loan Agreement" means the agreement between the Recipient and the Bank in support of the Program, of the same date as this Agreement, as such agreement may be amended from time to time. "Loan Agreement" includes all appendices, schedules and agreements supplemental to the Loan Agreement.

11. "MOC" means the Recipient's Ministry of Construction or any successor thereto.

12. "MOF" means the Recipient's Ministry of Finance or any successor thereto.

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

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

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

16. "ODA" means official development assistance which refers to development cooperation activities between the Recipient and foreign donors.

17. "OOG" means the Recipient's Office of Government or any successor thereto.

18. "PPP Framework" means the Public Private Partnership Framework adopted by the Recipient through Prime Minister Decision Number 71/QD-TTg dated November 9, 2010.

19. "Program" means the program of actions, objectives and policies designed to strengthen the selection, preparation, implementation and supervision of public investment projects and set forth or referred to in the letter dated April 20, 2011 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.

20. "SAV" means the State Audit of Vietnam or any successor thereto.

21. "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.

22. "SEA" means strategic environmental assessment for socio-economic development strategies and master plans in accordance with the Recipient's Law of Environmental Protection.

23. "Vietnamese Dong" means the lawful currency of the Recipient.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are 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 remaining Sections in Article II are renumbered accordingly.

3. 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.

4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.

5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 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."

6. Section 4.07 (renumbered as such pursuant to paragraph 3 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."

7. 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 "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".