CREDIT NUMBER 5817-VN

# Financing Agreement

**(Additional Financing for Urban Water Supply and Wastewater Project)**

**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"). This Agreement sets out the terms and conditions related to the Additional Financing for the Urban Water Supply and Wastewater Project.

WHEREAS for purposes of the Original Project, the Association had agreed to extend to the Recipient a Credit in an amount equivalent to one hundred twenty six million one hundred and forty thousand Special Drawing Rights (SDR126,140,000) on the terms and conditions set forth or referred to in the Original Financing Agreement (Credit Number 4948-VN) dated July 13, 2011 between the Recipient and the Association; and

WHEREAS the Recipient has requested the Association to provide further additional financial assistance in support of the Original Project; and 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 and the Loan Agreement, of even date herewith;

NOW THEREFORE 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, the Original Financing Agreement, the Loan Agreement 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 thirty-five million three hundred thousand Special Drawing Rights (SDR 35,300,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Parts 1(a)(i), 1(b)(i), 1(b)(ii), and 2(c) of Schedule 1 to the Loan Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to the Loan 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 1 and December 1 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 — PROJECT

3.01 The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out Part 2(c) of the Project through its MOC, and shall cause the Project Provinces to carry out their respective activities under Part 1 of the Project 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 — EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness consists of the following, namely, the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness have been fulfilled.

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

4.03. 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 years after the date of this Agreement.

## ARTICLE V — REPRESENTATIVE; ADDRESSES

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

5.02. The Recipient's Address is:

State Bank of Vietnam
49 Ly Thai To
Hanoi, Vietnam

| Cable Address: | Telex: | Facsimile: |
|---|---|---|
| VIETBANK<br>Hanoi | 412248<br>NHTWVT | (84-4) 3825 0612 |

5.03. 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<br>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: LE MINH HUNG

Title: Governor

INTERNATIONAL DEVELOPMENT ASSOCIATION

By _____
Authorized Representative

Name: Victoria Kwakwa

Title: Vice President

## SCHEDULE 1

### Project Description

The objective of the Project to increase access to sustainable water services and environmental sanitation in selected urban areas in the Project Provinces.

The Project consists of the Original Project but reflects modifications to Part 1 through the addition of a new Part 1(b)(ii), and to Part 2 through the addition of a new Part 2(c) as set out below as set forth in Schedule 1 to the Loan Agreement.

## SCHEDULE 2

**Section I. Implementation Arrangements**

**A. Institutional and Other Arrangements**

1. For purposes of:

   (a) Part 1(a)(i) and 1(b)(i) of the Project, the institutional and Sub-Project arrangements described in Sections I.A.1, 2, 4, 5, 6, and 7 and I.B of Schedule 2 to the **Original Financing Agreement**; and

   (b) Part 1(b)(ii) of the Project, the institutional arrangements described in Sections I.A.1, 2, 4, 5, 6 and 7 of Schedule 2 to the **Original Financing Agreement** and Section I.B of Schedule 2 to the **Loan Agreement,**

   are incorporated by reference herein and shall apply, *mutatis mutandis,* to this Financing and the Recipient hereby undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement, except that:

   (i) the term "Borrower" in Section I.B of Schedule 2 to the Loan Agreement shall be read as "Recipient";
   (ii) the term "Loan" in Section I.B of Schedule 2 to the Loan Agreement shall be read as "Financing";
   (iii) the term "Bank" in Section I.B of Schedule 2 to the Loan Agreement shall be read as "Association"; and
   (iv) the terms "this Agreement" in Section I.B of Schedule 2 to the Loan Agreement shall be read as "the Financing Agreement".

2. The Recipient shall exercise its rights under the Sub-Loan Agreement (Binh Duong Province) in such manner as to protect the interests of the Recipient and Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive said Sub-Loan Agreement (Binh Duong Province) or any of its provisions.

3. For greater clarity and the avoidance of doubt, in view of the above incorporation of Sections I. A. 1, 2, 4, 5, 6, 7, and I.B of Schedule 2 to the **Original Financing Agreement** in this Agreement, and Section I.B of Schedule 2 to the Loan Agreement, if the **Original Financing Agreement** and/or the **Loan Agreement** terminates prior to the termination of this Agreement, such termination shall have no effect for purposes of this Agreement, and the provisions of the **Original Financing Agreement** and/or the provisions of the **Loan Agreement** incorporated in this Agreement shall continue in full force and effect between the Recipient and

the Association for purposes of this Agreement following and notwithstanding such termination of the **Original Financing Agreement** and/or the **Loan Agreement.**

**B. Anti-Corruption**

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

**C. Safeguards**

1. The safeguards provisions in Section I. D. 1, 2, 3, 4 and 5. (d) of Schedule 2 to the **Original Financing Agreement** are hereby incorporated by reference in this Part C which shall apply, *mutatis mutandis*, to this Financing, and the Recipient hereby undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement.

2. Without limitation to any of its reporting obligations under Section II.A.1 of this Schedule, the Recipient shall, or shall cause MOC and the Project Provinces to, take all measures necessary on its part to regularly collect, compile, and submit to the Association, as part of the Project Reports, information on the status of compliance with Safeguards Instruments, giving details of:

   (a) measures taken in furtherance of the Safeguards Instruments;

   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and

   (c) remedial measures taken or required to be taken to address such conditions.

**Section II. <u>Project Monitoring, Reporting and Evaluation</u>**

**A. Project Reports**

1. The Recipient shall, or shall cause MOC and Project Provinces to, 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 acceptable to the Association and set out in the Operations Manual. 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.

2. The Recipient shall carry out jointly with the Association, not later than [twenty-four (24) months] after the Effective Date, or such other period as may be agreed by the Recipient, a midterm review to assess the status of Project implementation,

as measures against the performance indicators set forth in the Operations Manual. Such review shall include an assessment of: (i) the progress in implementation; (ii) the results of monitoring and evaluation activities; (iii) the progress on procurement and disbursement; (iv) compliance with safeguard requirements; (v) adequacy of implementation arrangements; and (vi) the need to make any adjustments to the Project to improve performance.

**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 quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause MOC and Project Provinces to have their respective 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 six (6) months after the end of such period.

**Section III. Procurement**

The provisions set forth in Section III of Schedule 2 to the Loan Agreement are incorporated by reference herein and shall apply, *mutatis mutandis,* to this Financing and the Recipient hereby undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement, except that:

(a) the term "Borrower" shall be read as "Recipient";

(b) the term "Loan" shall be read as "Financing"; and

(c) the term "Bank" shall be read as "Association".

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, Section IV.A.2 of Schedule 2

to the Loan Agreement, 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 Section IV.A.2 of Schedule 2 to the Loan Agreement.

2. The Closing Date is December 31, 2019.

## SCHEDULE 3

### Repayment Schedule

| Date Payment Due | Principal Amount of the Credit repayable (expressed as a percentage)* |
|---|---|
| On each June 1 and December 1: | |
| commencing June 1, 2021 to and including December 1, 2030; | **1.65%** |
| commencing June 1, 2031 to and including December 1, 2040 | **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. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.

2. "Loan Agreement" means the agreement between the Recipient and the Bank for the Project of the same date, as such agreement may be amended from time to time. "Loan Agreement" includes all appendices, schedules, and agreements supplemental to the Loan Agreement.

**Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. 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."

2. 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".

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

"32. "Interest Charge" means the interest charge specified in the Financing

Agreement for the purpose of Section 3.02(b)."

4. 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".

5. 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).