HC 4870

LOAN NUMBER 8612-VN

Loan Agreement

(Third Economic Management and Competitiveness Development Policy Operation)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 25, 2016

LOAN AGREEMENT

Agreement dated July 25, 2016, entered into between SOCIALIST REPUBLIC OF VIETNAM ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement, and (b) the Borrower's maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank 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 — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred fifty million Dollars ($150,000,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan").

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

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04 The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the

General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are May 15 and November 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with provisions of Schedule 2 to this Agreement.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROGRAM

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

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

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

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank 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 BANK

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

ARTICLE V — EFFECTIVENESS; TERMINATION

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

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

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Borrower'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

5.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(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 BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By _____
Authorized Representative

Name: Victoria Kwakwa

Title: Regional Vice President

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. **Actions under the Program**

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

A. Macroeconomic Stability

1. The Borrower, through State Bank of Vietnam, has publicly disclosed through its official website the level of non-performing loans in commercial banks by end of 2015 in accordance with Circular 02/2013/TT-NHNN dated January 21, 2013 on asset classification and provisioning as amended by Circular 09/2014/TT-NHNN dated March 18, 2014 as evidenced through a letter dated March 22, 2016 provided by State Bank of Vietnam to the Bank.

2. The Borrower, through the Ministry of Finance, has prepared an updated medium-term debt management program for the period 2016-20, with strengthened risk analysis based on additional scenarios and updated macroeconomic assumptions as evidenced through an official letter of Ministry of Finance and excerpt of Report 111/BTC-NSNN dated February 19, 2016.

3. The Borrower, through State Treasury, has implemented Treasury Single Account procedures in the State Bank of Vietnam, Vietcombank, and Agribank as evidenced through a number of official letters on implementation provided by the Ministry of Finance to the Bank.

B. Transparent, Efficient, and Accountable Public Sector

4. The Borrower, through the Ministry of Finance and State Economic Groups, has implemented divestment of eighty (80) percent of five high-risk, non-core businesses in six State Economic Groups consistent with Instruments on Restructuring of State Economic Groups, as evidenced through a report on implementation provided by the Ministry of Finance to the Bank.

5. The Borrower, through its Government, has implemented Decree Number 61/2013/ND-CP dated June 25, 2013 which has been replaced by Decree Number 87/2015/ND-CP dated October 6, 2015 adopting the audited reports on the public dissemination of the key financial performance of all State Economic Groups, as evidenced through a report on financial information disclosure provided by the Ministry of Finance to the Bank.

6. The Borrower, through its National Assembly, has adopted the Public Investment Law Number 49/2014/QH13 dated June 18, 2014 to establish a comprehensive legal framework to improve capital spending efficiency; reduce public investment fragmentation; and align public investments with national development plans and improve public disclosure and transparency.

C. Business Enabling Environment

7. The Borrower, through its Government has adopted Resolution 19/NQ-CP dated March 12, 2015, on key duties and solutions to improve business environment and national competitiveness in 2015 – 2016 and enhance the Borrower's business environment through the simplification of tax procedures for taxpayers.

8. The Borrower, through its Government, has adopted appropriate Implementation Instruments in accordance with the Amended Law on Procurement.

9. The Borrower, through its Government, has adopted Decree Number 60/2015/ND-CP dated June 26, 2015, eliminating limitations on foreign investors' participation in public companies in selected areas of the stock market.

Section II. Availability of Loan Proceeds

A. General. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts. The Loan (except for amounts required to pay the Front-end Fee) is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	**Amount of the Loan Allocated** (expressed in Dollars)
(1) Single Withdrawal Tranche	$149,625,000
(2) Front-end Fee	$375,000
TOTAL AMOUNT	**$150,000,000**

C. Withdrawal Tranche Release Conditions

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

D. Deposits of Loan Amounts. Except as the Bank may otherwise agree:

SCHEDULE 2

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	**Installment Share (Expressed as a Percentage)**
On each May 15 and November 15 Beginning May 15, 2026 through November 15, 2044	2.56%
On May 15, 2045	2.72%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

   (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

   (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the

principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX

Section I. Definitions

1. "Amended Law on Procurement" means the Borrower's Law Number 43/2013/QH13, dated November 26, 2013, and referred to in Section I.C.8 of Schedule 1 to this Agreement.

2. "Circular 02" means the Borrower's Circular Number 02/2013/TT-NHNN dated January 21, 2013 issued by State Bank of Vietnam on asset classification, risk provisioning and utilization of provisioning by credit institutions and foreign bank branches, as amended by Circular Number 09/2014/TT-NHNN dated March 18, 2014 issued by State Bank of Vietnam, and referred to in Section I.A of Schedule 1 to this Agreement.

3. "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 Bank has financed or agreed to finance, or which the Bank has financed or agreed to finance under another credit, grant or loan;

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

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 Borrower or international agreements to which the Borrower 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 Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

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

5. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

6. "Implementation Instruments" means Decree 63/2014/ND-CP dated June 26, 2014 detailing the implementation of a number of provisions under Law on Procurement on bidders selection, Decree 15/2015/ND-CP dated February 14, 2015 on Public Private Partnership Investment Form, dated February 14, 2015, Decree 30/2015/ND-CP dated March 17, 2015 detailing the implementation of a number of provisions under Law on Procurement on Investor Selection, Circular

01/2015/TT-BKHDT dated February 14 2015 detailing the preparation of Requests for expression of interest, Bidding documents, Dossiers of requirements for consultancy service, Circular 03/2015/TT-BKHDT dated May 6, 2015 detailing the preparation of construction and installation bidding documents, Circular 05/2015/TT-BKHDT dated June 16, 2015 detailing the preparation of bidding documents for procurement of goods, Joint Circular 07/2015/TT-BKHDT-BTC dated September 8, 2015 detailing the online supply and posting of procurement information and online contractor selection, Circular 10/2015/TT-BKHDT dated October 26, 2015 detailing contractor selection planning, Circular 11/2015/TT-BKHDT dated October 27 detailing the establishment of request for proposals in case of direct contracting and competitive offering, 2015, Circular 19/2015/TT-BKHDT dated November 27, 2015 detailing the establishment of assessment report during contractor selection process, Circular 23/2015/TT-BKHDT dated December 21, 2015 detailing the establishment of evaluation report of bidding documents, and Circular 02/2016/TT-BKHDT dated March 1, 2016 guiding the preliminary selection of projects, making, appraisal and approval of project proposals and feasibility report of public private partnership investment projects; as referred to in Section I. C.8 of Schedule 1 to this Agreement.

7. "Instruments on Restructuring of State Economic Groups" means Decision Number 320/QD-TTg dated February 8, 2013, Decision Number 1782/QD-TTg dated November 23, 2012, Decision Number 314/QD-TTg dated February 7, 2013, Decision Number 38/QD-TTg dated January 5, 2013, Decision Number 753/QD-TTg dated May 17, 2013, Decision Number 2097/QD-TTg dated December 28, 2012, and Decision Number 46/QD-TTg dated January 5, 2013.

8. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated April 6, 2016 from the Borrower to the Bank declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.

9. "Public Investment Law" means the Borrower's Law Number 49/2014/QH13 dated June 18, 2014.

10. "Single Withdrawal Tranche" means the amount of the Loan 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.

11. "State Bank of Vietnam" means the Borrower's central bank, or any successor thereto.

12. "State Economic Groups" means collectively Vietnam National Textile and Garment Corporation (VINATEX), Vietnam Rubber Group (VINARUBBER), Vietnam National Chemical Group (VINACHEM), Vietnam Oil and Gas Group

(PETROVIETNAM), Vietnam Military Telecommunications Group (VIETTEL), Vietnam National Coal-Mineral Industries Holding Corporation Limited (VINACOMIN), Vietnam Electricity (EVN), and Vietnam Posts and Telecommunications Group (VNPT).

13. "Vietcombank" means the Joint Stock Commercial Bank for Foreign Trade of Vietnam, a joint stock commercial bank established and operating under the laws of the Borrower, or any successor thereto.

14. "Agribank" means the Vietnam Bank for Agriculture and Rural Development, a state-owned commercial bank, established and operating under the laws of the Borrower, or any successor thereto.

15. "Vietnamese Dong" means the lawful currency of the Borrower.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

"Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

(PETROVIETNAM), Vietnam Military Telecommunications Group (VIETTEL), Vietnam National Coal-Mineral Industries Holding Corporation Limited (VINACOMIN), Vietnam Electricity (EVN), and Vietnam Posts and Telecommunications Group (VNPT).

13. "Vietcombank" means the Joint Stock Commercial Bank for Foreign Trade of Vietnam, a joint stock commercial bank established and operating under the laws of the Borrower, or any successor thereto.

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3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."