CREDIT NUMBER 5810-VN

Financing Agreement

(Results-based Operation for Local Bridge Construction and Road Asset Management)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 4, 2016

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance for the Credit 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 1 and October 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 4 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — OPERATION

3.01. The Recipient declares its commitment to the objective of the **Operation**. To this end, the Recipient shall cause the Ministry of Transportation and People's Committee of each Participating Province to carry out the **Operation**, all in accordance with the provisions of Article IV of the respective 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 **Operation** is carried out in accordance with the provisions of Schedules 2 and 3 to this Agreement, as applicable.

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 objective of the Program.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Legal Matter consists of the following, namely, the OM has been duly authorized by the Prime Minister and adopted by MOT, and the

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 Kwawa

Title: Regional Vice President

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article IV of the General Conditions, the Recipient shall carry out the Program, or cause the Program to be carried out, 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 **Program 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 and 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

Without limitation on the provisions of Part A of this Section, 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 for the Program.

C. Other 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 the National Strategy for Rural Transport Development and the Program for Local Bridge Construction.

(a) under the overall guidance and oversight of MOT and the People's Committee of each Participating Province;

(b) through MOT, cause the Directorate for Roads of Vietnam to be responsible for overall Program coordination activities; and

(c) 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

Conditions. Each Program Report shall cover the period of one calendar year, and shall be furnished to the Association not later than three (3) 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 independent auditor, as set forth in Section III.C of Schedule 2 to this Agreement :

(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, by no later than June 30 of each CY, corresponding verification reports, in form and substance acceptable 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. DLI Verification

The Recipient shall: (a) not later than six months after the Effective Date, cause an independent auditor, under terms of reference satisfactory to the Bank, to carry out the verification of compliance of the DLIs/DLRs which are set forth in the table in Section IV.A.2 of this Schedule; and (b) cause said independent auditor to, not later than thirty days after the verification of compliance of said DLIs/DLRs has been completed, prepare and furnish to the Recipient and the Bank, a report on the results of said verification of compliance process of such scope and in such detail as the Association shall reasonably request.

D. Annual 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

DLI Category	Disbursement Linked Indicator	Disbursement Linked Result	Amount of the Financing Allocated (expressed in SDR)
DLI 1.3	Increased amount in budget allocation for local road maintenance	VND380,000,000,000 By CY 2022	15,230,000
DLI 2.1	Number of bridges built or rebuilt	2,174 units By CY 2022	170,500,000
DLI 2.2	Percentage of Participating Provinces managing a bridge database	100% By CY 2022	7,250,000
	TOTAL AMOUNT		275,520,000

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;

   (b) for any DLR referred to in the table in Part A.2 of this Section until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved on terms and in a manner acceptable to the Association.

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 sixty-eight million eight hundred eighty thousand Special Drawing Rights (SDR 68,880,000)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 advances(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 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) the amount of the **Program Financing** to be withdrawn upon the verified achievement of any DLR shall be calculated in accordance with the DLR unit value per the actual target achieved, as set forth in the OM; and (b) if the Recipient has not furnished evidence

SCHEDULE 3

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall cause MOT to maintain throughout the implementation of the Project, the Directorate for Roads of Vietnam, which shall be responsible for the implementation of the Project, and under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers with qualifications, experience and under terms of reference acceptable to the Association.

2. The Recipient shall carry out the Project, and cause the Project to be carried out, in accordance with the Operations Manual setting forth guidelines and procedures for the implementation of the Project, in a manner and substance acceptable 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 for the Project.

C. Safeguards

The Recipient shall adopt terms of reference for consultants' services under such activities of the Project in accordance with the requirements of the Association's Safeguards Policies then in force and as applicable, all in a manner satisfactory to the Association.

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 the indicators included in the OM and acceptable to the Association. Each Project Report shall cover the period of one 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.

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

C. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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 100% (inclusive of Taxes) of Eligible Expenditures for the Project (including consulting services) in the total amount of three million two hundred eighty thousand Special Drawing Rights (SDR 3,280,000).

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is June 30, 2023.

Standard Bidding Documents

5. The standard bidding documents acceptable to the Association/Bank shall be used.

Bid Opening and Bid Evaluation

6. Bids shall be opened in public, immediately after the deadline for submission of bids, regardless of the number of bids received.

7. Evaluation of bids shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; merit points shall not be used in bid evaluation. No bid shall be eliminated from detailed evaluation on the basis of minor, non-substantive deviations. The evaluation of bidder's qualifications shall be conducted separately subsequent to the technical and commercial evaluation of the bid.

8. A contract shall be awarded, within the period of the validity of bids, to the bidder who meets the appropriate standards of capability and resources and whose bid has been determined (i) to be substantially responsive to the bidding documents and (ii) to offer the lowest evaluated cost. A bidder shall neither be required nor permitted, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted.

9. No bid shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without the Association's/Bank's prior written agreement.

Rejection of All Bids and Re-bidding

10. Rejection of all bids is justified when there is lack of effective competition, or all bids are not substantially responsive, or no bidder meets the specified qualification criteria, or the bid price of the lowest evaluated winning bid is substantially higher than the Recipient's updated estimated cost or available budget. All bids shall not be rejected or new bids solicited without the Association's prior written agreement.

Complaints by Bidders and Handling of Complaints

11. The Recipient shall implement an effective and independent protest mechanism, acceptable to the Association/Bank, allowing bidders to protest and have their protests handled in a timely manner.

APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines for the Program" means the Association's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing," dated February 1, 2012.

2. "Anti-Corruption Guidelines for the Project" means the Association's "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants," dated October 15, 2006.

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

4. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, revised July 2014.

5. "CY" means calendar year.

6. "Directorate for Roads of Vietnam" or "DRVN" means the Recipient's Directorate for Roads of Vietnam authorized by the Prime Minister pursuant to Decision Number 60/2013/QD-TTg dated October 21, 2013; or any successor thereto.

7. "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 said indicators (as the context may require).

8. "Disbursement Linked Result" or "DLR" 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 **Program 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).

9. "General Conditions" means the General Conditions for the Program or the General Conditions for the Project (as defined herein), as applicable.

10. "General Conditions for the Program" 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.

18. "Participating Provinces" means the provinces selected by the Recipient to participate in the carrying out of Program activities and "Participating Province" means any one of such provinces.

19. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011, revised July 2014.

20. "Procurement Plan" means the Borrower's procurement plan for the Project, dated March 11, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

21. "Program" means the activities described in Part I of Schedule 1 to this Agreement.

22. "Program Action Plan" or "PAP" means the action plan approved by the Prime Minister, pursuant to Official Letter Number 1396/VPCP-QHQT, dated March 04, 2016, which plan is part of the OM and is designed to strengthen the Program Fiduciary, Environmental and Social Systems, as said plan may be amended from time to time with the agreement of the Association.

23. "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.

24. "Project" means the activities described in Part II of Schedule 1 to this Agreement.

25. "Safeguards Policies" means Association's operational policies and procedures, set forth in the Association's operational manual and identified as OP/BP 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50, and 7.60, as said manual is published under www.Worldbank.org/opmanual.

26. "VND" means the lawful currency of the Recipient.

Section II. Modifications to the General Conditions for the Program

The modifications to the General Conditions for the Program 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".

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. 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."

11. Paragraph (d) of Section 6.03, Cancellation by the Association, entitled "Misprocurement", is deleted, and subsequent paragraphs are relettered accordingly.

12. 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.

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

14. 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".

15. 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)."

16. 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".

17. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service