LOAN NUMBER 8053-VN

Loan Agreement

(Second Public Investment Reform Development Policy Loan)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 15, 2011

LOAN AGREEMENT

AGREEMENT dated , 2011, 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 appropriate 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 eighty seven million three hundred thousand Dollars (USD 87,300,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 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 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 Variable 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(e) of the General Conditions.

2.05. The Payment Dates are March 15 and September 15 in each year.

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

2.07. (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 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 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 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.

(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.

2.08. Without limitation upon the provisions of Section 5.08 of the General Conditions (renumbered as such pursuant to paragraph 3 of Section II of the Appendix to this Agreement and relating to *Cooperation and Consultation*), the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.08 of the General Conditions:

(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 Conditions of Effectiveness consist of the following:

(a) 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.

(b) The Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower 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 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 Lý Thái Tổ
Hà Nội
Socialist Republic of Vietnam

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

6.03. 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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions Taken Under the Program

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

1. The Borrower, through MPI and MOIT; has incorporated SEAs in the draft development master plans for four (4) regions and one (1) key sector.

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

3. The Borrower, 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 Borrower has issued Decisions to transfer, from MOC, the right to exercise state ownership in two (2) economic groups specialized in civil works, namely the Housing and Urban Development Group and Industrial Construction Group.

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

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

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

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

12. The Borrower, 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 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 U.S. Dollars)
(1) Single Withdrawal Tranche	87,081,750
(2) Front-end Fee	218,250
TOTAL AMOUNT	**87,300,000**

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 appropriateness of the Borrower's macroeconomic policy framework.

D. Deposit of Loan Amounts.

1. The Borrower shall open, prior to furnishing to the Bank the first request for withdrawal from the Loan Account, and thereafter maintain a deposit account in Dollars ("Foreign Currency Deposit Account") on terms and conditions satisfactory to the Bank. All withdrawals from the Loan Account shall be deposited by the Bank into the Foreign Currency Deposit Account.

2. Upon each deposit of an amount of the Loan into the Foreign Currency Deposit Account, the Borrower shall deposit an equivalent amount in Vietnamese Dong into its budget management system, in a manner acceptable to Bank.

E. Audit. Upon the Bank's request, the Borrower shall:

1. have the Foreign Currency Deposit Account audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;

2. furnish to the Bank as soon as available, but in any case not later than four (4) months after the date of the Bank's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request; and

3. furnish to the Bank such other information concerning the Foreign Currency Deposit Account and its audit as the Bank shall reasonably request.

F. **Excluded Expenditures**. The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

G. **Closing Date**. The Closing Date is December 31, 2011.

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 March 15 and September 15 Beginning September 15, 2021 through September 15, 2035	3.33%
On March 15, 2036	3.43%

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 (2) 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. "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 Borrower's legal system.

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

3. "Decision" means a government regulation issued by: (a) the Borrower's Prime Minister and which is legally enforceable under the Borrower'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 Borrower'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 Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;

   (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 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.

6. "Financing Agreement" means the agreement between the Borrower and the Association in support of the Program, of the same date as this Agreement, as such agreement may be amended from time to time. "Financing Agreement"

includes all appendices, schedules and agreements supplemental to the Financing Agreement.

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

8. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 31, 2010 with the modifications set forth in Section II of this Appendix.

9. "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.

10. "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.

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

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

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

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

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

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

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

18. "PPP Framework" means the Public Private Partnership Framework adopted by the Borrower 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 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.

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

21. "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.

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

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

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 5.01 (*Project Execution Generally*), and 5.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.

4. Paragraph (a) of Section 5.05 (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 5.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

> "Section 5.06. *Plans; Documents; Records*
>
> ... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank's representatives to examine such records."

6. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

> Section 5.07. *Program Monitoring and Evaluation*
>
> ... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.

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 Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement."

(b) The term "Financial Statements" and its definition are deleted in their entirety.

(c) The term "Project" is modified to read "Program" and its definition is modified to read as follows (and all references to "Project" throughout these General Conditions are deemed to be references to "Program"):

> "'Program' means the program referred to in the Loan Agreement in support of which the Loan is made."