CREDIT NUMBER 6108 - VN
CREDIT NUMBER 6109 - VN

Financing Agreement

(Central Highlands Connectivity Improvement Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 27, 2017

CREDIT NUMBER 6108 - VN
CREDIT NUMBER 6109 - VN

FINANCING AGREEMENT

AGREEMENT dated December 27, 2017, entered into between SOCIALIST REPUBLIC OF VIETNAM ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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 or in the Appendix to this Agreement.

ARTICLE II — CREDIT

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 nine million four hundred thousand Special Drawing Rights (SDR 109,400,000) ("Credit"), comprised of the following amounts to assist in financing the project described in Schedule 1 to this Agreement ("Project"):

(a) an amount equivalent to one hundred two million five hundred thousand Special Drawing Rights (SDR 102,500,000) (the "Portion A of the Credit"); and

(b) an amount equivalent to six million nine hundred thousand Special Drawing Rights (SDR 6,900,000) (the "Portion B of the Credit").

2.02. The Recipient may withdraw the proceeds of the Credit in accordance with Section IV of Schedule 2 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to the following:

(a) one and thirteen hundredth percent (1.13%) per annum with respect to Portion A of the Credit; and

(b) one and a quarter percent (1.25%) per annum with respect to Portion B of the Credit.

2.06. The Payment Dates are May 1 and November 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 the Project through the Ministry of Transport 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 is that the Project Operations Manual has been duly adopted by the Ministry of Transport.

4.02. The Effectiveness Deadline is the date ninety (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 (20) 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

Facsimile:

(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

Facsimile:

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: Ousmane Dione

Title: Country Director

SCHEDULE 1

Project Description

The objective of the Project is to improve the connectivity, safety and climate-resilience of the National Highway 19.

The Project consists of the following parts:

Part 1: Road Improvements

(a) Supporting physical improvements of selected sections of the National Highway 19, through, *inter alia,* pavement rehabilitation, road/lane widening, improvement of intersections and bridges, reinforcement of road slopes, and other road safety features; and

(b) Supporting resettlement activities through assistance in financing for compensation and assistance to Displaced Person(s).

Part 2: Implementation Support

Providing technical support for Project implementation, including overall detailed engineering design, construction supervision, financial audits, environmental and social management, and monitoring and evaluation.

SCHEDULE 2

Project Execution

Section I. **Implementation Arrangements**

A. Institutional Arrangements.

1. The Recipient, through MOT, shall maintain, and cause to be maintained, the Project Management Unit (PMU) with composition, powers, functions, staffing, facilities and other resources satisfactory to the Association, for (a) the overall implementation, coordination, reporting, financial management, procurement and monitoring and evaluation of the Project; and (b) the coordination and monitoring of the implementation of the relevant Safeguards Instruments by the Project Provinces.

B. Annual Work Plans and Project Operations Manual

1. The Recipient shall, through MOT : (a) prepare and furnish to the Association by July 15 in each year, beginning in 2017, a draft Annual Work Plan for review and comment, summarizing the implementation progress of the Project for the said year and the Project activities to be undertaken in the following calendar year, including the proposed annual budget for the Project; (b) taking into account the Association's comments, finalize and furnish to the Association no later than December 31 in each year, beginning in 2017, the Annual Work Plan, satisfactory to the Association; and (c) thereafter ensure the implementation of the Project during the following calendar year in accordance with the Annual Work Plan agreed with the Association and in a manner satisfactory to the Association. The Recipient shall not amend, suspend, abrogate, or waive said Annual Work Plans or any provision thereof without the prior written agreement of the Association.

2. Throughout the implementation of the Project, the Recipient shall, through MOT, carry out the Project, in accordance with the Project Operations Manual in a timely and efficient manner satisfactory to the Association. The Recipient shall, through MOT, not amend, suspend, or waive said Project Operations Manual or any provision or schedule thereof, without the prior written agreement of the Association. In the event of any inconsistency between the provisions of the Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

C. Anti-Corruption

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

D. Safeguards

1. The Recipient shall carry out the Project in accordance with the Safeguards Instruments in a manner and substance satisfactory to the Association.

2. The Recipient, through MOT, shall, and shall cause the Project Provinces:

   (a) take all necessary actions to avoid or minimize to the extent possible any involuntary relocation of persons, or their loss of shelter, assets, or access to assets, or loss of income sources or means of livelihood, temporarily or permanently; and

   (b) where the acquisition of land or assets or the displacement of people is unavoidable, before initiating the implementation of any works which would result in such acquisition or displacement, make available to such people compensation and, as applicable, relocate and rehabilitate the Displaced Persons in accordance with the Resettlement Action Plans, and in a manner satisfactory to the Association.

3. The Recipient through MOT, shall, and shall cause the Project Provinces to provide, promptly as needed, the resources needed for the purposes of implementing the Safeguards Instruments, including: (a) all land acquisition required for the purposes of carrying out the Project; (b) resettlement and rehabilitation payments to Displaced Persons; and (c) all other costs associated with environmental and/or social mitigation measures set forth in the Safeguard Instruments.

4. The Recipient, through MOT, shall, and shall cause the Project Provinces:

   (a) carry out the Project, in accordance with the Environmental and Social Management Plan (including the ECOP), and the EMDP, and in a manner satisfactory to the Association; and

   (b) ensure that each contract for works under the Project includes the obligations of the work contractors and any sub-contractor to comply with the relevant provisions of the ESMP (including the ECOP), as the case may be.

5. The Recipient, through MOT, shall ensure, that all terms of references for any studies or technical assistance carried out under the Project are consistent with, and pay due attention to, the Association's Safeguards Policies.

6. The Recipient through MOT, shall, and shall cause the Project Provinces to:

(a) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the Safeguard Instruments or any provision of any one thereof, without the prior written agreement of the Association; and

(b) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the Safeguard Instruments.

7. In case of any inconsistency between the provisions of any of the Safeguard Instruments and this Agreement, the provisions of this Agreement shall prevail.

8. Without limitation to the provisions of paragraph 1 of Section II.A of this Schedule 2, the Recipient, through MOT, shall, and shall cause the Project Provinces to take all measures necessary on its part to regularly collect, compile, and furnish to the Association, as part of the Project Reports, and promptly in a separate report whenever the circumstances warrant, information on the status of compliance with the 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. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient, through MOT, 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 set forth in the Project Operations Manual. 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.

2. The Recipient, through MOT, shall carry out jointly with the Association not later than thirty (30) months after the Effective Date, or such other period as may be agreed by the Association, a midterm review to assess the status of Project implementation, as measures against the performance indicators set forth in the Project 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 not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.

3. The Recipient shall have its 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

All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provisions of the Procurement Plan.

Section IV. Withdrawal of the Proceeds of the Credit

A. General

1. The Recipient may withdraw the proceeds of the Credit 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 "Disbursement Guidelines for Investment Project Financing" dated February 2017, 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 paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Credit ("Category"), the allocations of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of Portion A of the Credit Allocated (expressed in SDR)	Amount of Portion B of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consulting services under the Project	90,100,000	6,900,000	100%
(2) Resettlement Compensation required for Part 1of the Project	12,400,000	0	100%
TOTAL AMOUNT	102,500,000	6,900,000	

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.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 1 and November 1:	
commencing November 1, 2022 to and including May 1, 2032	**1.65%**
commencing November 1, 2032 to and including May 1, 2042	**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. "Annual Work Plans" means each of the rolling plans for the Project to be prepared or updated by the Recipient, and approved by the Association, on an annual basis as provided for in Section I.B of Schedule 2 to this Agreement.

2. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

3. "Association's Safeguards Policies" means the operational policies and procedures for financing of development projects by the Association at the date of this Agreement and relating to Environmental Assessment, Natural Habitats, Pest Management, Indigenous Peoples (Ethnic Minorities), Physical Cultural Resources, Involuntary Resettlement, Forests, Safety of Dams, Projects on International Waterways, and Projects in Disputed Areas, as published under www.WorldBank.org/opmanual.

4. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

5. "Displaced Persons" means persons who, on account of implementation of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.

6. "Environmental Codes of Practices" or "ECOP" means the code included in the ESMP; setting out measures and procedures to avoid, minimize and/or mitigate any adverse environmental, social, health and safety impacts that may result from the implementation of the Project.

7. "Environmental and Social Management Plans" or "ESMPs" means the plans acceptable to the Association, referred to in Section I.D of Schedule 2 to this Agreement, dated May 29, 2017, which set forth the specific actions, measures and policies designed to maximize the benefit of the respective activities under the Project, as well as eliminate, offset or mitigate any adverse environmental and social impacts, or reduce such impacts to acceptable levels, along with administrative and monitoring arrangements to ensure the implementation of said

actions, measures and policies, as said ESMPs may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan.

8. "Ethnic Minority Development Plan" or "EMDP" means the plan, acceptable to the Association, referred to in Section I.D of Schedule 2 to this Agreement, dated May 29, 2017, which sets forth measures designed to ensure that ethnic minority communities affected by the Project receive culturally appropriate social and economic benefits, and if any potential adverse effects on such communities are identified, measures to ensure their effects are avoided, minimized, mitigated, or compensated for, as said EMDP may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan.

9. "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.

10. "Ministry of Transport" or "MOT" means the Recipient's ministry of transport, or any successor thereto.

11. "National Highway 19" means the Recipient's national highway number 19 connecting the Recipient's Quy Nhon Port to the Recipient's Le Thanh border gate.

12. "Portion A of the Credit" means the portion of the Credit referred to in Section 2.01(a) of this Agreement.

13. "Portion B of the Credit" means the portion of the Credit referred to in Section 2.01(b) of this Agreement.

14. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 30, 2017, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.

15. "Procurement Regulations" means the "World Bank Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016.

16. "Project Management Unit" or "PMU" means the unit established on March 2, 2012 within the Ministry of Transport, and referred to in paragraph 1 of Section I.A Schedule 2 to this Agreement; or any successor thereto.

17. "Project Operations Manual" means the project operations manual to be approved by the Ministry of Transport, as referred to in Section I.B.2 of Schedule 2 to this Agreement, which sets forth detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b)

disbursement and financial management; (c) procurement; (d) environmental and social safeguards management; (e) monitoring and evaluation, reporting and communication; (f) an integrity action plan; (g) performance indicators, (h) grievance redress mechanisms; and (i) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project; as the same may be amended from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules or amendments to such manual.

18. "Project Provinces" means the Recipient's provinces of Binh Dinh and Gia Lai, as each of them is represented by its respective Provincial People's Committee; and "Project Province" means any of such Project Provinces."

19. "Provincial People's Committees" means, collectively, the local governments of the Project Provinces at the Provincial level; and "Provincial People's Committee" means any one of the Provincial People's Committees in the Project Provinces.

20. "Resettlement Action Plans" or "RAPs" means the resettlement plans acceptable to the Association, referred to in Section I.D of Schedule 2 to this Agreement, dated June 20, 2017 with respect to Gia Lai province and June 20, 2017 with respect to Binh Dinh province; which set forth principles and procedures governing the acquisition of land and related assets, the compensation, resettlement, and rehabilitation of Displaced Persons, and the grievance redress mechanisms, as said plans may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan.

21. "Resettlement Compensation" means the costs of implementing the resettlement assistance and compensation measures required in accordance with the terms of the RAPs.

22. "Safeguards Instruments" means, collectively, the Environmental and Social Management Plans, the Environmental Codes of Practice, the Ethnic Minority Development Plan, and the Resettlement Action Plans.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified 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).