4236

CREDIT NUMBER 5175-VN

Financing Agreement

(Industrial Pollution Management Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 24th, 2012

CREDIT NUMBER 5175-VN

FINANCING AGREEMENT

AGREEMENT dated December 24th, 2012, 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 and modified 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 — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirty two million nine hundred thousand Special Drawing Rights (SDR 32,900,000) (variously, "Credit" and "Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.

2.06. The Payment Dates are April 15 and October 15 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 Natural Resources and Environment; the Ministry of Planning and Investment; and the Vietnam Environment Protection Fund, all 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 Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.02. 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

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

5.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By

Authorized Representative

Name: Nguyen Van Binh

Title: Governor

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Victoria Kwakwa

Title: Country Director

SCHEDULE 1

Project Description

The objective of the Project is to improve compliance with industrial wastewater treatment regulations in four of the most industrialized provinces in Vietnam.

The Project consists of the following:

Part 1: Environmental Policy, Monitoring, and Enforcement

(a) Policy Review and Revision: provision of support for a comprehensive review of the Recipient's legal and regulatory framework on pollution management, including reviewing and revising laws, regulations, and other legal documents at central and provincial levels.

(b) Environmental Monitoring and Enforcement: provision of support for the development of environmental monitoring infrastructure and the improvement in environmental enforcement activities, including: (i) acquisition of testing laboratory equipment, standard samples, monitoring equipment, protection gears, and vehicles; (ii) acquisition and installation of automatic water quality monitoring stations; (iii) monitoring of surface water quality, Industrial Zone wastewater discharge, and inspection and enforcement; and (iv) development and upgrade of the environmental monitoring information management systems of MONRE and Project Provinces.

(c) Information Disclosure and Public Participation: provision of support for the development of an industrial pollution information disclosure system, including: (i) development of an environmental performance rating methodology; (ii) disclosure of environmental monitoring, enforcement results, and public complaint records on a website; (iii) maintenance of close communication with CETP Investors to enable them to understand the rating system and ways to improve their ratings; (iv) disclosure of final performance ratings through various media outlets; (v) awareness raising activities and dissemination of relevant informational materials; and (vi) facilitation of communication with various media outlets.

Part 2: Performance-Based Centralized Effluent Treatment Plant Financing

Provision of Loans to finance the construction of new CETPs, the expansion of existing CETPs, and the improvement of other relevant infrastructure of industrial wastewater management in the Industrial Zones of the Project Provinces.

Part 3: Implementation Support

(a) Capacity Building: provision of support for capacity building, including: (i) facilitation of training on, among other things, environmental management, surface water quality monitoring, CETP operation and maintenance, and environmental information disclosure and public participation; (ii) facilitation of stakeholder consultation workshops; and (iii) participation in overseas training courses, international study tours, domestic study tours on industrial pollution management.

(b) Technical Assistance: provision of support for the improvement of knowledge on sound industrial pollution management in the Project's river basin context, including: (i) development of manuals; (ii) identification and demonstration of environmental management models with effective economic, administrative and technological instruments; (iii) development of strategies for sustainable development of Industrial Zones; (iv) establishment of site assessment and remediation strategies for relocation of Industrial Zones; (v) institutional capacity assessment of the Nhue-Day River Basin and Dong Nai River Basin within the scope of the Project, with a focus on the Project Provinces; (vi) development of CETP operation and maintenance manuals; (vii) strengthening of the capacity of VEPF to perform technical and financial appraisal of CETP proposals, verify relevant performance targets, and manage relevant credit risks; and (viii) strengthening of the capacity of CETP Investors to design and operate CETPs in a proper manner.

(c) Project Management: provision of support for the Project management and implementation, including: (i) monitoring and evaluation activities; and (ii) Incremental Operating Costs for the Project Management Units; and (iii) acquisition of a vehicle.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall maintain, throughout the implementation of the Project, a Project Steering Committee with composition and terms of reference satisfactory to the Association. The PSC shall be responsible for providing general technical and policy guidance for the Project.

2. The Recipient shall maintain within MPI, throughout the implementation of the Project, an MPI PMU under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers including, among others, a Project director, an accountant, a financial manager, a project officer, a Project coordinator, and a training officer, in each case with qualifications, experience and under terms of reference acceptable to the Association.

3. The MPI PMU shall be responsible for: (a) providing guidance and support to the overall Project implementation and management; (b) leading the implementation of Part 3 of the Project; (c) carrying out the review process of establishing and operating economic zones under Part 1 of the Project; (d) collecting the implementation progress information from the MONRE PMU and the Project Provinces' focal points, and preparing and submitting the combined Project progress reports to the Association; and (e) hiring a financial auditor to perform annual financial audits of the PMUs and VEPF following terms of reference acceptable to the Association.

4. The Recipient shall maintain within MONRE throughout the implementation of the Project, a MONRE PMU under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers including, among others, a Project director, an accountant, a procurement officer, a Project officer, a monitoring and evaluation officer, a Project coordinator, and an information technology officer, in each case with qualifications, experience and under terms of reference acceptable to the Association.

5. The MONRE PMU shall be responsible for leading the implementation of Part 1 of the Project, and the capacity building and technical assistance activities related to environmental management under Part 3 of the Project.

6. The Recipient shall maintain within VEPF throughout the implementation of the Project, a VEPF PMU under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers including, among others, a Project director, an accountant, a Project officer, a credit specialist, and an environmental and social safeguards specialist, in each case with qualifications, experience and under terms of reference acceptable to the Association.

7. The VEPF PMU shall be responsible for leading the implementation of Part 2 of the Project including: (a) collecting of CETP investment proposals from interested CETP Investors; (b) assisting VEPF in performing of proper technical and financial appraisal, evaluation of compliance with environmental and social criteria, and credit risk review of the submitted proposals; (c) reviewing and submitting for VEPF approval: (i) candidate investment proposals; and (ii) draft Loan Agreements; and (d) supporting VEPF in: (i) supervising the construction, commissioning, and operation of Project financed CETPs; and (ii) managing of Loans repayment.

8. The Recipient shall cause each Project Province to: (a) furnish to the Association an adequate commitment to provide sufficient counterpart funds to cover the costs of the respective Project Province's share in Project activities; (b) appoint and maintain, throughout the implementation of the Project, a focal person who shall be responsible for coordination of Project implementation activities within the respective Project Province; and (c) recruit and maintain, throughout the implementation of the Project, a Project officer with qualifications, experience and under terms of reference acceptable to the Association, who shall be responsible for supporting the focal person referred to in sub-paragraph (b) above in coordinating Project implementation activities within the respective Project Province.

9. The Recipient shall:

(a) carry out the Project, and cause the Project to be carried out, in accordance with the Project Implementation Manual setting forth guidelines and procedures for the implementation of the Project, including: (i) technical components; (ii) monitoring and evaluation arrangements; (iii) enforcement and monitoring activities protocols; (iv) environmental and social safeguards compliance; (v) policies, procedures and requirements under the Project in regard to financial management, flow of funds, definition of roles and responsibilities, internal control and reconciliation, record keeping, reporting and auditing; and (vi) guidelines and procedures for procurement consistent with the provisions of Section III of this Schedule 2, as well as the allocation of roles and responsibilities for procurement review and approval; and

(b) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of said PIM or any part thereof, without the prior written agreement of the Association.

B. Loan Agreements

1. The Recipient shall cause VEPF to provide Loans to eligible investments under Part 2 of the Project in accordance with the eligibility criteria, rules, procedures, and performance requirements set forth in the CETP Financing Operations Manual.

2. In respect of each eligible investment under Part 2 of the Project for which a CETP Investor requests a Loan using the proceeds of the Credit:

(a) VEPF and the respective CETP Investor shall enter into a Loan Agreement acceptable to the Recipient and the Association whereby VEPF obtains rights adequate to protect its interests, those of the Recipient and the Association, including requiring the CETP Investor to:

(i) carry out its investment activities with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to VEPF, the Recipient and the Association, including in accordance with the provisions of the respective OM and the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;

(ii) ensure that goods, works and services for said investments be procured at a reasonable price in accordance with approved investment proposal;

(iii) maintain a financial management system including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to VEPF, adequate to reflect its operations, resources and expenditures in respect of the investment;

(iv) maintain the records and documentation of all claims for payments to suppliers and contractors;

(v) maintain procedures and records adequate to enable VEPF to monitor and evaluate the progress of the carrying out of the investment and the achievement of its objectives;

(vi) prepare an Environmental Impact Assessment, including an Environmental Management Plan, acceptable to the Association, all in accordance with the guidelines, requirements and procedures set forth in the Environmental and Social Management Framework, and thereafter implement in a timely manner said EMP;

(vii) carry out measures adequate to address any gaps in the social aspects of the investment identified by VEPF or the Association in accordance with the requirements of the ESMF;

(viii) promptly enable VEPF by itself, or jointly with the Recipient and/or the Association, if the Association so requests, to inspect the investment, its operation and any relevant records and documents; and

(ix) prepare and furnish, in a timely manner, to VEPF, the Recipient and the Association all such information as VEPF, the Recipient or the Association shall reasonably request relating to the investment; and

(b) VEPF shall exercise its rights under each Loan Agreement with a CETP Investor in such manner as to protect its interests and the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Recipient and the Association shall otherwise agree, VEPF shall not assign, abrogate or waive, in whole in part, said Loan Agreements without the prior approval of the Recipient and the Association.

3. The Recipient shall not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of said OM or any part thereof, without the prior written agreement of the Association.

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. For construction of the automatic water quality monitoring stations under Part 1 of the Project, MONRE shall cause the contractors to adopt Environmental Codes of Practices, acceptable to the Association, all in accordance with the guidelines, requirements and procedures set forth in the ESMF, and thereafter ensure that said ECOPs are implemented in a timely manner.

2. The Recipient shall:

(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.

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

4. Without limitation to the provisions of paragraph 1 of Section II.A of this Schedule 2, the Recipient shall take all measures necessary on its part to regularly collect, compile, and submit to the Association, as part of the Project Reports, information on the status of compliance with 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.

E. Enforcement of Environmental Laws and Regulations.

1. In order to ensure that monitoring and enforcement activities under Part 1 of the Project are implemented in a manner designed to achieve the objective of the Project, and unless the Association shall otherwise agree in writing, the Recipient shall ensure that: (a) all Eligible Expenditures provided for monitoring and enforcement activities are used exclusively by the Recipient's PC49 for the sole purpose of enforcing the Recipient's environmental laws and regulations, and shall not be used for any military purposes, or the enforcement of any other non-environmental laws; and (b) the Financing shall not be used to purchase arms or ammunition or to train any personnel in the use of arms or ammunition.

2. Monitoring and enforcement activities to be supported under Part 1 of the Project shall be governed by detailed protocols set forth in the PIM and prepared in accordance with terms of reference satisfactory to the Association, including:

(a) memoranda of understanding, in form and substance satisfactory to the Association, which shall be entered into between MONRE and the

Project Provinces by no later than April 1, 2013 stating, among other things, the following:

(i) the priority use of the monitoring equipment provided to PC49 for Project activities;

(ii) the commitment of the Project Provinces to provide sufficient counterpart funding for proper operation and maintenance of all equipment supported by the Project; and

(iii) the scope, organizations, frequency, content, procedures, protocol, reporting, and reimbursement arrangements for enforcement activities supported by the Project.

(b) the inspection and enforcement activities are concluded by the team that has been properly trained in environmental regulations, monitoring and enforcement, and the operation of any equipment used in such activities.

3. The Recipient shall cause MONRE to disclose to the public through its internet website the results of the environmental monitoring and enforcement activities under Part 1 of the Project including public complaints records and compliance performance rating of Industrial Zones.

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

A. Project Reports

1. 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 set forth below in paragraph 2 of this Section II.A. Each Project Report shall cover the period of one calendar quarter, 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 performance indicators referred to in paragraph 1 above consist of the following:

(a) <u>Outcome Indicators:</u>

(i) At least eight (8) Project financed Industrial Zones in the Project Provinces, comprising of at least one (1) Industrial Zone in each Project Province, complied with effluent discharge standards; and

(ii) Fifty percent (50%) of non-Project-financed Industrial Zones in the Project Provinces complied with effluent discharge standards.

(b) **Intermediate Indicators:**

(i) for Part 1:

(A) Seven (7) key legal documents on industrial pollution management reviewed, revised, or adopted;

(B) One hundred percent (100%) of operating Industrial Zones in the Project Provinces under proper wastewater effluent monitoring;

(C) One hundred percent (100%) of Industrial Zones in the Project Provinces that are rated for their environmental performance; and

(D) Seventeen (17) automatic monitoring stations established and functioning.

(ii) for Part 2:

(A) At least eight (8) CETPs financing proposals received comprising of at least one (1) CETP financing proposal from each Project Province; and

(B) At least eight (8) CETPs financed by the Project completed and/or operational comprising of at least one (1) CETP in each Project Province.

(iii) for Part 3:

(A) Ninety percent (90%) of trainees with improved capacity after the Project financed training events;

(B) Seven (7) key technical assistance packages on sustainable industrial development and pollution baseline investigation completed; and

(C) Two thousand five hundred (2500) participants trained in Project financed capacity building activities.

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 quarter, interim unaudited financial reports for the Project covering the quarter, 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 (1) 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

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works, and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works, and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2
(b) Shopping
(c) Direct Contracting
(d) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Quality Based Selection
(b) Fixed Budget Selection
(c) Least Cost Selection
(d) Selection Based on Consultants' Qualification
(e) Single Source Selection of Consulting Firms
(f) Procedures set forth in Paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole-Source Procedures for the Selection of Individual Consultants
(h) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association

D. 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 one hundred percent (100%) (inclusive of Taxes) of Eligible Expenditures.

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, except that withdrawals up to an aggregate amount not to exceed an amount equivalent to six million five hundred and eighty thousand Special Drawing Rights (SDR 6,580,000) may be made for payments made prior to this date but on or after July 20, 2012, for Eligible Expenditures.

2. The Closing Date is September 30, 2018.

ANNEX to SCHEDULE 2

National Competitive Bidding: Additional Procedures

The procedures to be followed for the procurement of goods, non-consulting services, and works under contracts awarded on the basis of National Competitive Bidding shall be those set forth in: (a) Article 18 on Open Bidding of the Recipient's Law on Procurement No. 61/2005/QH11 dated November 29, 2005; (b) the Recipient's Law No. 38/2009/QH12 Amending and Supplementing a Number of Articles of Laws Concerning Capital Construction Investment dated June 19, 2009; and (c) the Recipient's Decree No. 85/2009/ND-CP Guiding Implementation of the Law on the Procurement and Selection of Construction Contractors under the Construction Law dated October 15, 2009 (collectively, "National Procurement Laws"), subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the Procurement Guidelines and the following provisions:

Conflict of Interest

1. A bidder shall not have a conflict of interest. Any bidder found to have a conflict of interest shall be ineligible for award of a contract. The provisions on conflict of interest as stated under Section I of the Procurement Guidelines shall apply.

Eligibility

2. The eligibility of bidders shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Guidelines. Foreign bidders shall be eligible to participate in bidding under the same conditions as national bidders. In particular, no domestic preference over foreign bidders shall be granted to national bidders in bid evaluation, nor shall foreign bidders be asked or required to form joint ventures with or be subcontractors to national bidders in order to submit a bid.

3. Government-owned enterprises or institutions of the Borrower's country are eligible to bid in the Recipient's country only if they can establish that they; (i) are legally and financially autonomous, (ii) operate under commercial law, and (iii) are not dependent agencies of the Borrower or Sub-Borrower. Military or security units or enterprises established under, reporting directly or indirectly to, or owned wholly or partly by, the Ministry of Defense or the Ministry of Public Security shall not be permitted to bid.

Registration

4. Registration shall not be used to assess bidders' qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and, if determined to

be the lowest evaluated responsive bidder, shall be given reasonable opportunity of registering, without any let or hindrance. Bidding shall not be restricted to any particular class of contractors, and non-classified contractors shall also be eligible to bid.

Advertising; Time for Bid Preparation

5. The complete text of advertisement shall be published in a national newspaper of wide circulation or in the official gazette provided that it is of wide circulation, or on a widely used website or electronic portal with free national and international access. The Recipient may publish a shorter version of the advertisement text, including the minimum relevant information, in the national press provided that the full text is simultaneously published in the official gazette or on a widely used website or electronic portal with free national and international access. Notification shall be given to prospective bidders in sufficient time to enable them to obtain relevant documents.

6. The time allowed for the preparation and submission of bids shall not be less than thirty (30) days from the date of the invitation to bid or the date of availability of the bidding documents, whichever is later.

Standard Bidding Documents

7. Standard bidding documents acceptable to the Association shall be used.

Qualification Criteria

8. Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a pass or fail basis and merit points shall not be used. Such assessment shall only take into account the bidder's capacity and resources to perform the contract, specifically its experience and past performance on similar contracts, capabilities with respect to personnel, equipment, and construction and manufacturing facilities, and financial capacity. The evaluation of the bidder's qualifications shall be conducted separately subsequent to the technical and commercial evaluation of the bid.

Bid Submission, Bid Opening, and Bid Evaluation

9. Bidders may submit bids, at their option, either in person or by courier service or by mail, as required in the bidding documents. Bids shall be opened in public, immediately after the deadline for submission of bids, regardless of the number of bids received. Bids received after the deadline for bid submission shall be rejected and returned to the bidders unopened. A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids, and to the Association with respect to contracts subject to the Association's prior review.

(a) Bidding documents shall be sold to anyone who is willing to pay the required fee of the bidding documents which shall not exceed the costs of printing, reproduction, and delivery at any time prior to the deadline for bid submission, and no other conditions shall be imposed on the sale of the bidding documents.

(b) 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.

(c) 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. No negotiations shall be permitted. 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.

(d) No bid shall be eliminated from detailed evaluation on the basis of minor, non-substantive deviations.

(e) The comparison of all bids and the award of contract may be based on the total cost at destination including all taxes and duties.

(f) No bid shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without the Association'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. Lack of competition shall not be determined solely on the basis of the number of bidders. Even when only one bid is submitted, the bidding process may be considered valid, if the bid was satisfactorily advertised, the qualification criteria were not unduly restrictive, and prices are reasonable in comparison to market values. 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 allowing bidders to protest and have their protests handled in a timely manner. An independent protest mechanism shall provide for the review of complaints by an independent entity that is not involved in any aspect of the underlying procurement process (e.g., bid evaluation, contract approval, etc.).

Fraud and Corruption

12. The provisions on fraud and corruption as stated under Section I of the Procurement Guidelines shall apply. Each bidding document and contract financed out of the proceeds of the Financing shall include provisions on matters pertaining to fraud and corruption as defined in the Guidelines. The Association will sanction a firm or individual, at any time, in accordance with prevailing Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a Association-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier, or service provider of an otherwise eligible firm being awarded an Association-financed contract.

Right to Inspect / Audit

13. Each bidding document and contract financed from the proceeds of the Financing shall include a provision requiring bidders, suppliers, contractors, and subcontractors to permit the Association, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Bank's inspection and audit rights provided for in the Guidelines constitute an obstructive practice as defined in the Guidelines.

License

14. Foreign contractors shall be given a reasonable opportunity to apply for and obtain a work license, which shall not be arbitrarily withheld.

Publication of the Award of Contract

15. Within two weeks of receiving the Association's no objection to the award recommendation for contracts subject to the Association's prior review, and within two weeks of the Recipient's award decision for contracts subject to the Association's post review, the Recipient shall publish the following information on contract award in a national newspaper of wide circulation and/or in the official gazette provided that it is of wide circulation, or on a widely used website or electronic portal with free national and international access: (a) the name of each bidder which submitted a bid; (b) bid prices as read out at bid opening; (c) evaluated prices of each bid that was evaluated; (d) the names

of bidders whose bids were either rejected as non-responsive or not meeting qualification criteria, or not evaluated, with the reasons thereof; and (e) the name of the winning bidder, the final total contract price, as well as the duration and summary scope of the contract.

Contract Modifications

16. With respect to contracts subject to the Association's prior review, the Recipient shall obtain the Association's no objection before agreeing to: (a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (d) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Association.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
commencing April 15, 2018 to and including October 15, 2027	1.65%
commencing April 15, 2028 to and including October 15, 2037	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. "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.

2. "Ba Ria – Vung Tau Province" means the Recipient's province of Ba Ria – Vung Tau, under the direct jurisdiction of the Recipient's central government, and any successor thereto.

3. "Centralized Effluent Treatment Plant" or "CETP" means a wastewater treatment plant designed to collect and treat wastewater discharged from Industrial Zones.

4. "CETP Financing Operations Manual" or "OM" means the manual prepared and adopted by VEPF pursuant to Decision Number 09/QD-HDQL dated September 18, 2012 and referred to in paragraph 1 of Section I.B of Schedule 2 to this Agreement, which sets forth eligibility criteria, guidelines, rules, procedures, and performance standards for investments to be financed by Loans under Part 2 of 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 to such manual.

5. "CETP Investor" means an Industrial Zone developer or an entity assigned by an Industrial Zone developer which has received a Loan for the purpose of constructing and operating a Centralized Effluent Treatment Plant under Part 2 of the Project.

6. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.

7. "Dong Nai Province" means the Recipient's province of Dong Nai, under the direct jurisdiction of the Recipient's central government, and any successor thereto.

8. "Dong Nai River Basin" means the river basin of Dong Nai river in the Recipient's territory including Dong Nai Province and Ba Ria - Vung Tau Province.

9. "Environmental Code of Practices" or "ECOP" means the standardized requirements and practices to be adopted by a contractor, and referred to in paragraph 1 of Section I.D of Schedule 2 to this Agreement, to be followed in the implementation of Project activities to ensure compliance with certain

environmental aspects of the Project, as said code of practices 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 code of practices.

10. "Environmental Impact Assessment" or "EIA" means the report to be prepared and adopted by an CETP Investor, and referred to in paragraph 2(a)(vi) of Section I.A of Schedule 2 to this Agreement, which provides the assessment of the impacts on environment of the respective activities under the Project, and such report includes the relevant EMP.

11. "Environmental Management Plan" or "EMP" means, respectively, the plan, acceptable to the Association, to be prepared and adopted by an CETP Investor , and referred to in paragraph 2(a)(vi) of Section I.B of Schedule 2 to this Agreement, which sets 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 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 EMP 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.

12. "Environmental and Social Management Framework" or "ESMF" means the framework, acceptable to the Association, adopted by MPI through its Decision Number 1202/QD-BKHDT dated September 18, 2012 and referred to in the paragraph 2(a)(vi) of Section I.B of Schedule 2 to this Agreement, which sets forth the environmental protection measures in respect of the Project, including the preparation of EIAs, including EMPs, during the implementation of the Project, and administrative and monitoring arrangements to ensure the implementation of said framework, as said ESMF 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 framework.

13. "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.

14. "Ha Nam Province" means the Recipient's province of Ha Nam, under the direct jurisdiction of the Recipient's central government, and any successor thereto.

15. "Industrial Zone" means a land area set up and established by the Recipient through a decision by the Prime Minister, a Provincial Peoples' Committee, or a competent authority for the prime purpose of housing a number of industrial production facilities.

16. "Incremental Operating Cost" means the incremental operating costs under the Project incurred by the Recipient for purposes of Project management, implementation, and monitoring and evaluation, including office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, office space rental, building and equipment maintenance, travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salary and salary supplements of staff of the Recipient's civil service ("công chức" and "viên chức").

17. "Loan" means a loan made, or proposed to be made, by the Recipient through VEPF, out of a portion of the proceeds of the Financing, to a CETP Investor in accordance with a Loan Agreement, and referred to in Section I.B of Schedule 2 to this Agreement.

18. "Loan Agreement" means each agreement to be entered into between VEPF and a CETP Investor in respect of a Loan extended, or to be extended by VEPF to the CETP Investor for purpose of an eligible sub-project, and referred to in Section I.B of Schedule 2 to this Agreement; and "Loan Agreements" means, collectively, all such Agreements.

19. "Ministry of Natural Resources and Environment" or "MONRE" means the Recipient's Ministry of Natural Resources and Environment, or any successor thereto.

20. "MONRE PMU" means the unit established within MONRE pursuant to Decision Number 1948/QD-BTNMT dated November 14, 2012, and referred to in paragraphs 4 and 5 of Section I.A of Schedule 2 to this Agreement, as such unit may be reconstituted from time to time with the prior written agreement of the Association.

21. "Ministry of Planning and Investment" or "MPI" means the Recipient's Ministry of Planning and Investment, or any successor thereto.

22. "MPI PMU" means the unit established within MPI pursuant to Decision Number 1203/QD-BKHDT dated September 18, 2012 and referred to in paragraphs 2 and 3 of Section I.A of Schedule 2 to this Agreement, as such unit may be reconstituted from time to time with the prior written agreement of the Association.

23. "Nam Dinh Province" means the Recipient's province of Nam Dinh, under the direct jurisdiction of the Recipient's central government, and any successor thereto.

24. "Nhue-Day River Basin" means the river basins of the Nhue river and the Day river in the territory of the Recipient including Ha Nam Province and Nam Dinh Province.

25. "PC49" means the body established under the Recipient's Ministry of Public Security with the main mandate of investigating, preventing and cracking down of environmental crimes and violations to enforce environmental laws of the Recipient.

26. "Peoples' Committee" means the local government at the Province, district, or commune level, as the case may be, or any successor thereto.

27. "Prime Minister" means the Prime Minister of the Socialist Republic of Vietnam, the highest ranking official in the executive branch of the Recipient's government.

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

29. "Procurement Plan" means the Recipient's procurement plan for the Project, dated September 18, 2012 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.

30. "Project Management Units" or "PMUs" means collectively MPI PMU; MONRE PMU; and VEPF PMU.

31. "Project Implementation Manual" or "PIM" means the document, adopted by the Recipient through its Ministry of Planning and Investment pursuant to Decision Number 1201/QD-BKHDT dated September 18, 2012 for Parts 1 and Part 3 of the Project, and referred to in paragraph 9 of Section I.A of Schedule 2 to this Agreement, which sets forth guidelines, policies and procedures for the implementation of 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 to such manual.

32. "Project Provinces" means, collectively, the Recipient's Ha Nam Province, Nam Dinh Province, Dong Nai Province, and Ba Ria – Vung Tau Province, or any successors thereto.

33. "Project Steering Committee" or "PSC" means the committee established pursuant to MPI Decision Number 1205/QD-BKHDT dated September 19, 2012 for purposes of providing overall strategic guidance for Project implementation and referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement, as

such committee may be reconstituted from time to time with the prior written agreement of the Association.

34. "Province" means any of the government administrative areas established as such in accordance with the Recipient's constitution and laws, or any successor thereto.

35. "Safeguards Instruments" means, collectively, the Environmental and Social Management Framework, the Environmental Impact Assessments, the Environmental Management Plans, and the Environmental Codes of Practices.

36. "Training and Workshops" means the reasonable costs of expenditure incurred by the Recipient, based on annual work plans and terms of reference acceptable to the Association, in facilitating and conducting domestic and overseas training and workshop activities under the Project, including: costs of training or workshop materials; equipment and venue rental; and per diem, accommodation, and transportation for those attending the training or workshop; but excluding salary and salary supplements of Recipient's civil servants ("công chức" and "viên chức").

37. "Vietnam Environment Protection Fund" or "VEPF" means the government agency established pursuant to Prime Minister Decisions Number 82/2002/QD-TTg dated June 26, 2002, and Number 35/2008/QD-TTg dated March 3, 2008, to provide subsidized financial support from state budget to environmental protection activities.

38. "VEPF PMU" means the unit established within VEPF pursuant to Decision Number 1953/QD-BTNMT dated November 14, 2012 and referred to in paragraphs 6 and 7 of Section I.A of Schedule 2 to this Agreement, as such unit may be reconstituted from time to time with the prior written agreement of the Association.

39. "VN Dong" means Vietnamese Dong, the lawful currency of the Socialist Republic of Vietnam.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.05 is modified to read as follows:

"Section 2.05 Eligible Expenditure

(a) the payment is for the financing of the reasonable cost of goods (including vehicles), works, services, Loans, Incremental Operating Costs, or Training and Workshops required for the Project, and to be financed out of the proceeds of the

Financing and procured, all in accordance with the provisions of the Financing Agreement;"

2. 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."

3. 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".

4. 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)."

5. 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".

6. 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).