CREDIT NUMBER 5031-VN

Financing Agreement

(Medium Cities Development Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 12, 2012

FINANCING AGREEMENT

AGREEMENT dated January 12, 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 one hundred thirty two million five hundred thousand Special Drawing Rights (SDR 132,500,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to 1.25% per annum.

2.06. The Payment Dates are June 15 and December 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 Part A of the Project through Lao Cai Province, Part B of the Project through Ha Nam Province, and Part C of the Project through Nghe An Province 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 consists of the following, namely, the Prime Minister has approved the Resettlement Policy Frameworks.

4.02. The Additional Legal Matter consists of the following, namely, the Resettlement Policy Frameworks have been duly approved by the Prime Minister and are legally binding upon the Recipient in accordance with their respective terms.

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

4.04. 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 (20) twenty 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 Hanoi	412248 NHTWVT	(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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By 

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to increase access to improved urban infrastructure services in Lao Cai City, Phu Ly City, and Vinh City in a sustainable and efficient manner.

The Project consists of the following parts:

Part A: Support to Lao Cai City

1. Urban Basic Infrastructure Upgrading and Service Improvement: improving urban infrastructure and service conditions in existing or newly developed urban areas and resettlement areas, including construction and rehabilitation of basic infrastructure systems such as water supply and sanitation, drainage, power supply, lighting, roads, and schools.

2. Urban Water Supply and Environmental Sanitation: construction and rehabilitation of primary and secondary infrastructure for water supply, drainage, wastewater collection and treatment, and flood mitigation, including improving drainage and pavement of roads.

3. Urban Roads and Bridges: construction of roads and bridges.

4. Project Management Support and Technical Assistance: provision of support for: (a) project management and supervision; (b) independent social, environment and financial account monitoring; (c) urban planning, asset management, safeguards, and internal audit capacity building; (d) equipment and facilities including the acquisition of one car; (e) training and capacity building; and (f) management and administration.

Part B: Support to Phu Ly City

1. Urban Basic Infrastructure Upgrading and Service Improvement: improving urban infrastructure and service conditions in existing or newly developed urban areas including construction and rehabilitation of basic infrastructure systems such as water supply and sanitation, drainage, power supply, lighting, roads, schools.

2. Urban Environmental Sanitation: construction and rehabilitation of primary and secondary infrastructure for drainage, wastewater collection and treatment, and flood mitigation, including construction and rehabilitation of selected small lakes.

3. Urban Roads and Bridges: construction of roads and bridges.

4. Project Management Support and Technical Assistance: provision of support for: (a) project management and supervision; (b) independent social, environment and financial account monitoring; (c) urban planning, asset management, safeguards, and internal audit capacity building; (d) equipment and facilities including the acquisition of one car; (e) training and capacity building; and (f) management and administration.

Part C: Support to Vinh City

1. Urban Basic Infrastructure Upgrading and Service Improvement: improving urban infrastructure and service conditions in existing or newly developed urban areas and resettlement areas, including construction and rehabilitation of basic infrastructure systems such as water supply and sanitation, drainage, power supply, lighting, roads, and schools.

2. Urban Environmental Sanitation: construction and rehabilitation of: (a) primary and secondary infrastructure for drainage, wastewater collection and treatment, and flood mitigation, including constructions and rehabilitation of selected small lakes; and (b) infrastructure and drainage system around the city's ancient citadel.

3. Urban Roads and Bridges: construction of roads and bridges.

4. Project Management Support and Technical Assistance: provision of support for: (a) project management and supervision; (b) independent social, environment and financial account monitoring; (c) urban planning, asset management, safeguards, and internal audit capacity building; (d) equipment and facilities including the acquisition of one car; (e) training and capacity building; and (f) management and administration.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall cause each Project Province to maintain, throughout the implementation of the Project, a Provincial Steering Committee with composition and under terms of reference satisfactory to the Association to be headed by the Chairman or Vice-Chairman of the Provincial People's Committee of the respective Project Province.

2. Each PSC shall be responsible for providing strategic guidance for the overall implementation of the Project Province's Respective Part of the Project, including approval of Project implementation plans and reports, review of external audit reports, and providing guidance on policy and implementation issues.

3. The Recipient shall cause each Project Province to maintain throughout the duration of Project implementation a Project Management Unit under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers including, among others, a Project director, a technical staff, a financial management officer, a procurement officer, a contract management officer, a safeguard officer, and an accountant, in each case with qualifications, experience and under terms of reference acceptable to the Association.

4. Each PMU shall be responsible for managing and coordinating the implementation of its Respective Part of the Project including procurement, financial management, preparing detailed design and bidding documents, awarding and managing contracts, reviewing contractor's designs, supervising construction, and ensuring compliance with the environmental and social safeguard aspects of the Project, including, without limitation, the relevant Safeguards Instruments.

5. The Recipient shall cause each Project Province to:

   (a) adopt a Project Implementation Manual acceptable to the Association, setting forth guidelines and procedures for the implementation of the Project, including: (i) guidelines, 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; (ii) 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 (iii) the Governance and Transparency Action Plan;

(b) carry out its Respective Part of the Project in accordance with the PIM; and

(c) 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.

6. In case of any inconsistency between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

B. Subsidiary Agreement

1. To facilitate the carrying out of the water supply Sub-Project under Part A.2 of the Project, the Recipient, through MOF, shall make a portion of the proceeds of the Financing available to Lao Cai Clean Water Business One Member Limited Company by means of the Sub-Loan under the Subsidiary Loan Agreement, on terms and conditions acceptable to the Association, which shall include, *inter alia*, the following:

(a) the principal amount of the Sub-Loan made shall be denominated and repayable in Vietnamese Dong (determined as of the date or respective dates of withdrawal from the Designated Account or the Credit Account);

(b) interest shall be charged on the principal amount of the Sub-Loan withdrawn and outstanding from time to time at a rate acceptable to the Association and consistent with the Recipient's applicable laws or regulations in this regard;

(c) the principal amount of the Sub-Loan shall be repayable over a period not exceeding twenty-five (25) years from the date of the Sub-Loan Agreement, inclusive of a grace period not exceeding five (5) years;

(d) the Recipient shall obtain rights adequate to protect its interests and those of the Association, including the right to:

(i) suspend or terminate the right of the LAWACO to use the proceeds of the Sub-Loan, or obtain a refund of all or any part of the amount of the Sub-Loan then withdrawn, upon the LAWACO's failure to perform any of its obligations under the Subsidiary Loan Agreement; and

(ii) require the LAWACO, *inter alia*, to:

(A) carry out the Sub-Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including the provisions of the Resettlement Policy Framework, the Resettlement Action Plan, and the Environmental Management Plan for Lao Cai Province's Respective Part of the Project, and the provisions of the Anti-Corruption Guidelines applicable to recipients of loan or credit proceeds other than the Recipient;

(B) provide, promptly as needed, the resources required for the purposes of the Sub-Project, including counterpart funding;

(C) procure the goods, works, and services to be financed out of the Sub-Loan in accordance with the provisions of Section III of Schedule 2 to this Agreement;

(D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Sub-Project and the achievement of its objectives;

(E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-Project; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;

(F) enable the Recipient and the Association to inspect the Sub-Project, its operations, and any relevant records and documents; and

(G) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing; and

(e) the Recipient shall exercise its rights under the Sub-Loan Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Sub-Project;

(f) the LAWACO shall carry out the Sub-Project in accordance with the provisions of the Subsidiary Loan Agreement;

(g) the Recipient and the LAWACO shall not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of said Subsidiary Loan Agreement or any part thereof, without the prior written agreement of the Association; and

(h) in case of any inconsistency between the provisions of the Subsidiary Loan Agreement and those of this Agreement, the provisions of this Agreement shall prevail.

2. The Recipient shall cause Lao Cai Province to promptly take when and as needed, on terms and conditions acceptable to the Association, all measures necessary on its respective part, including the provision of financial assistance to the LAWACO to enable it to comply with the Subsidiary Loan Agreement repayment obligations under the requirements of the Subsidiary Loan Agreement.

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 cause each Project Province to:

(a) take all necessary actions to 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) in the event that Project activities give rise to Affected Persons, prior to the commencement of such activities: (i) implement the respective RAP already in place for such activities, if any, in accordance with its provisions and with the guidelines and procedures set forth in its respective Resettlement Policy Framework as approved by the

Association; or (ii) if a RAP is not already in place for such activities, then prepare, or cause to be prepared, a Resettlement Action Plan, acceptable to the Association, in accordance with the guidelines, requirements and procedures set forth in its respective Resettlement Policy Framework, and thereafter implement in a timely manner said RAP as approved by the Association.

2. The Recipient shall cause each Project Province to: (a) carry out its Respective Part of the Project in accordance with the provisions of its respective Environmental Management Plan already in place; or (b) if an EMP for a Project activity is not in place, then prepare, or cause to be prepared, an EMP in accordance with the guidelines, requirements and procedures acceptable to the Association, and thereafter implement in a timely manner said EMP as approved by the Association.

3. The Recipient shall cause Lao Cai Province to carry out its Respective Part of the Project in accordance with the provisions of the Ethnic Minorities Development Plan.

4. The Recipient shall cause Ha Nam Province to ensure that all persons who, on account of clearing the land necessary to build the three resettlement sites for people affected by Phu Ly City's investment projects including this Project, have experienced direct economic and social impacts caused by the involuntary taking of land resulting in: (a) relocation or loss of shelter; (b) loss of assets or access to assets; or (c) loss of income sources or means of livelihood, whether or not such persons must move to another location, shall be assisted in their efforts to improve their livelihoods and standards of living or at least to restore them, in real terms, to pre-displacement levels.

5. 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.

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

7. The Recipient shall ensure that the following are financed exclusively out of its own resources, and provide, promptly as needed, the resources needed for these purposes: (a) all land acquisition required for the purposes of carrying out the

Project; (b) resettlement and rehabilitation payments to Affected Persons; and (c) all other costs associated with environmental and/or social mitigation measures set forth in the Safeguard Instruments.

8. 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.

Section II. Project Monitoring, Reporting and Evaluation

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 (1) 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) Outcome Indicators:

(i) 35,000 people provided with access to improved water sources under the Project;

(ii) 191,000 people provided with access to improved sanitation under the Project;

(iii) 30% reduction in vehicle operating time on new roads; and

(iv) adoption by each Project Province of a comprehensive and sustainable urban asset management plan.

(b) Intermediate Indicators:

(i) for Lao Cai City:

(A) 37.5 kilometers of water supply pipeline laid (secondary and tertiary);

(B) 6,000 cubic meters per day of additional treated water supply capacity made available;

(C) 16.5 kilometers of waste water pipeline laid (secondary and tertiary);

(D) 3,600 cubic meters per day of additional wastewater treatment capacity made available;

(E) 12.5 kilometers of new roads constructed (including a bridge); and

(F) completed sanitation facilities in 18 schools and 4 public areas.

(ii) for Phu Ly City:

(A) 21.5 kilometers of water supply pipeline laid (secondary and tertiary);

(B) 11.5 kilometers of waste water pipeline laid (secondary and tertiary);

(C) 3,000 cubic meters per day of additional wastewater treatment capacity made available; and

(D) 5.5 kilometers of new roads constructed (including a bridge).

(iii) for Vinh City:

(A) 12.5 kilometers of water supply pipeline laid (secondary and tertiary);

(B) 19.5 kilometers of waste water pipeline laid (secondary and tertiary);

(C) 6 kilometers of drainage channels constructed or rehabilitated (including interceptors);

(D) 14.5 kilometers of new roads constructed (including 3 bridges); and

(E) 32 schools with completed sanitation facilities.

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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works, 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 and works. 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

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) Least Cost Selection
(b) Selection Based on Consultants' Qualification
(c) Selection of Individual Consultants
(d) Single Source Selection

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

1. 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 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 Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Eligible Expenditures under Part A of the Project	36,300,000	100%
(2) Eligible Expenditures under Part B of the Project	36,300,000	100%
(3) Eligible Expenditures under Part C of the Project	59,900,000	100%
TOTAL AMOUNT	**132,500,000**	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made:

   (a) prior to the date of this Agreement;

   (b) under Category (1) until Lao Cai Province has adopted its respective: (i) Project Implementation Manual, and (ii) Resettlement Action Plan; all in form and substance satisfactory to the Association;

(c) for the Sub-loan under Category (1) until the Recipient and the LAWACO shall have entered into and delivered the Subsidiary Loan Agreement, in form and substance satisfactory to the Association, and the conditions precedent to its effectiveness or to the right of the LAWACO to make withdrawals under it have been fulfilled;

(d) under Category (2) until Ha Nam Province has adopted its respective: (i) Project Implementation Manual; (ii) Resettlement Action Plan; and (iii) Environmental Management Plan; all in form and substance satisfactory to the Association; or

(e) under Category (3) until Nghe An Province has adopted its respective: (i) Project Implementation Manual; and (ii) Resettlement Action Plan; all in form and substance satisfactory to the Association.

2. The Closing Date is December 30, 2017.

Section V. Other Undertakings

1. The Recipient shall cause each Project Province to prepare and adopt, by no later than December 31, 2014, for each asset financed under the Project an Operation and Maintenance Plan, in form and substance satisfactory to the Association, prepared under terms of reference satisfactory to the Association, and shall thereafter implement in a timely manner such plan as approved by the Association.

2. The Recipient shall cause each of Lao Cai Province and Ha Nam Province, respectively, prior to the issuance of any bidding documents for civil works of a sanitation investment under their Respective Part of the Project, to prepare and adopt a Strategic Urban Sanitation Study, in form and substance satisfactory to the Association, prepared under terms of reference satisfactory to the Association, and shall thereafter implement in a timely manner such a strategy as approved by the Association.

ANNEX to SCHEDULE 2

National Competitive Bidding Procedures

The procedure to be followed for National Competitive Bidding shall be those set forth in Article 18 on *Open Bidding of the Law on Procurement 61/2005/QH11* dated November 29, 2005, Law 38/2009/QH12 dated June 19, 2009 on Amending and Supplementing a Number of Articles of Laws Concerning Capital Construction Investment, and *Decree 85/2009/ND-CP, Guiding Implementation of Law on Procurement and Selection of Construction Contractors under the Construction Law* dated October 15, 2009 (collectively, "National Procurement Laws") with due consideration to economy, efficiency and transparency as set forth in, and broad consistency with, Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Association in May 2004 and revised in October 2006 and May 2010 (the "Guidelines") and required by paragraphs 3.3 and 3.4 of the Guidelines. Whenever any procedure in the National Procurement Laws is inconsistent with the requirements of said paragraphs 3.3 and 3.4 of the Guidelines, the latter shall prevail, including the following:

Eligibility

1. The eligibility of bidders shall be as defined under Section I of the 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 national bidders in order to submit a bid. Bidders located in the same province or city as the procuring entity shall not be given preference over bidders located outside that city or province.

2. In addition to the foregoing requirements, equitized Government-owned enterprises in which the Recipient holds less than fifty percent of the shares are eligible to participate, *provided that* the procuring entity or investment owner does not own shares (or represent the Government's shares) in the enterprise and the governing Board and management team are autonomous from the procuring entity and the investment owner. 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

3. 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

4. Invitations to bid shall be advertised in at least one widely circulated national newspaper, allowing a minimum of thirty (30) days, from the date of the invitation to bid or the date of availability of the bidding documents, whichever is later, for the preparation and submission of bids, and potential bidders shall be allowed to purchase bidding documents up to any time prior to the deadline for the submission of bids. In addition, the Recipient is encouraged to advertise in the Government Public Procurement Newspaper and on a free and open access website.

Standard Bidding Documents

5. Standard Bidding Documents, acceptable to the Association, shall be used.

Qualification Criteria

6. 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 merits 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.

Bid Submission, Bid Opening and Bid Evaluation

7. Bidders may submit bids, at their option, either in person or by courier service or by mail. Bids shall be opened in public, immediately after the deadline for submission of bids. Bids received after the deadline for bid submission shall be rejected and returned to the bidders unopened.

(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, 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.

License

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

Publication of the Award of Contract

13. The Recipient shall publish the following information on contract award in the Government Public Procurement Newspaper or on a free and open access website or on another means of publication acceptable to the Association: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, price it offered as well as the duration and summary scope of the contract awarded. This publication shall be updated regularly.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 15 and December 15:	
commencing June 15, 2017 to and including December 15, 2026	1.65%
commencing June 15, 2027 to and including December 15, 2036	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. "Affected 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.

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.

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

4. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in May 2004 and revised in October 2006 and May 2010.

5. "Environmental Management Plan" or "EMP" means, respectively, the plan, acceptable to the Association: (a) prepared and adopted by: (i) Lao Cai Provincial Peoples' Committee Decision Number 2976/QD-UBND dated November 2, 2011 with respect to Lao Cai Province; and (ii) Nghe An Provincial Peoples' Committee Decision Number 4842/QD-UBND.DC dated November 8, 2011 with respect to Nghe An Province; or (b) to be prepared and adopted by a Project Province; and referred to in paragraph 2 of Section I.D of Schedule 2 to this Agreement, which sets forth the specific actions, measures and policies designed to maximize the benefit of 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.

6. "Ethnic Minorities Development Plan" or "EMDP" means the plan, acceptable to the Association, adopted by Lao Cai Provincial Peoples' Committee Decision Number 2917/QD-UBND dated October 27, 2011, and referred to in paragraph 3 of Section I.D of Schedule 2 to this Agreement, which sets forth measures designed to ensure that ethnic minority communities affected by the Project in

Lao Cai Province 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

7. "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.

8. "Governance and Transparency Action Plan" means the plan to be developed as part of each PIM and referred to in paragraph 5 (a)(iii) of Section I.A of Schedule 2 to this Agreement, which sets forth measures developed to reinforce Project governance, enhance transparency of Project activities, increase public accountability, and reduce opportunities for corruption, 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 plan.

9. "Lao Cai City" is the city of Lao Cai in Lao Cai Province, or any successor thereto.

10. "Lao Cai Clean Water Business One Member Limited Company" or "LAWACO" means the company established and operating in accordance with the laws of the Recipient and which provides water services in Lao Cai Province pursuant to Business Registration Number 1204000012 issued by the Bureau of Business Registration of the Lao Cai Department of Planning and Investment of Lao Cai Province, or any successor thereto.

11. "MOF" means the Recipient's Ministry of Finance, or any successor thereto.

12. "Operation and Maintenance Plan" means a plan, acceptable to the Association, to be prepared and adopted by each Project Province in accordance with paragraph 1 of Section V of Schedule 2 to this Agreement for assets financed under the Project.

13. "Phu Ly City" is the city of Phu Ly in Ha Nam Province, or any successor thereto.

14. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October 2006 and May 2010.

15. "Procurement Plan" means the Recipient's procurement plan for the Project, dated November 10, 2011 and referred to in paragraph 1.16 of the Procurement

Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

16. "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.

17. "Project Implementation Manual" or "PIM" means the document, including the Governance and Transparency Action Plan, to be adopted by each Project Province and referred to in paragraph 5 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.

18. "Project Management Unit" or "PMU" means, respectively, the unit established by each Project Province in accordance with the provisions of paragraph 3 of Section I.A of Schedule 2 to this Agreement and pursuant to: (a) Lao Cai Provincial Peoples' Committee Decision Number 3039/QD-UBND dated November 8, 2011 with respect to Lao Cai Province; (b) Phu Ly City Peoples' Committee Decision Number 1503/QD-UBND dated October 21, 2011 with respect to Ha Nam Province; and (c) Vinh City Peoples' Committee Decision Number 6021/QD-UBND dated November 7, 2011 with respect to Nghe An Province; to manage the overall implementation of said Project Province's Respective Part of the Project, as such unit may be reconstituted form time to time with the prior written agreement of the Association.

19. "Project Province" means, respectively, Lao Cai Province, Ha Nam Province, and Nghe An Province.

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

21. "Provincial Peoples' Committee" means the local government at the Province level, or any successor thereto

22. "Provincial Steering Committee" or "PSC" means, respectively, the committee established by: (a) Lao Cai Provincial Peoples' Committee Decision Number 3077/QD-UBND dated November 10, 2011 with respect to Lao Cai Province; (b) Ha Nam Provincial Peoples' Committee Decision Number 270/QD-UBND dated March 7, 2011 with respect to Ha Nam Province; and (c) Nghe An Provincial Peoples' Committee Decision Number 5813/QD-UBND.CN dated November 4, 2009 with respect to Nghe An Province; for purposes of providing overall strategic guidance for the implementation of the Project Province's

Respective Part of the Project; 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.

23. "Resettlement Action Plan" or "RAP" means the resettlement plan acceptable to the Association, referred to in paragraph 1 of Section I.D of Schedule 2 to this Agreement, to be prepared and adopted by each Project Province; which sets forth principles and procedures governing the acquisition of land and related assets, and the compensation, resettlement, and rehabilitation of Affected Persons in accordance with the guidelines and procedures set forth in RPF, as said plan 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.

24. "Resettlement Policy Framework" or "RPF" means the policy framework for resettlement and land acquisition acceptable to the Association, referred to in paragraph 1 of Section I.D of Schedule 2 to this Agreement, to be prepared and adopted by each Project Province, and to be adopted by the Recipient's Prime Minister; which sets forth mitigation, enhancement, monitoring and institutional measures, including capacity building through training, to carry out the acquisition of land and related assets under the Project and compensation, resettlement, and rehabilitation of Affected Persons, and the preparation of RAPs during the implementation of the Project, as said RPF 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.

25. "Respective Part of the Project" means: (a) Part A of the Project in respect of Lao Cai Province; (b) Part B of the Project in respect of Ha Nam Province; and (c) Part C of the Project in respect of Nghe An Province.

26. "Safeguards Instruments" means, collectively, the Environmental Management Plans, the Resettlement Policy Frameworks, the Resettlement Action Plans; and the Ethnic Minorities Development Plan.

27. "Strategic Urban Sanitation Study" means a strategy, acceptable to the Association, to be prepared and adopted by Lao Cai Province and Ha Nam Province, in accordance with paragraph 2 of Section V of Schedule 2 to this Agreement setting forth an approach to the delivery of urban sanitation services encompassing social, technical, institutional, and economic aspects for sustained services provision focusing on incentives, demand responsiveness, unbundling of service delivery, and availability of choice between a range of technical, financial, and management options.

28. "Sub-Loan" means the loan to be made by the Recipient, out of a portion of the proceeds of the Financing, to the LAWACO in accordance with the Subsidiary

Loan Agreement for financing the Sub-Project under Part A.2 of the Project, and referred to in paragraph 1 of Section I.B of Schedule 2 to this Agreement.

29. "Subsidiary Loan Agreement" means the agreement to be entered into between the Recipient and the LAWACO for purposes of implementing the Sub-Project under Part A.2 of the Project, and referred to in paragraph 1 of Section I.B of Schedule 2 to this Agreement, 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 agreement.

30. "Sub-Project" means the water supply investment project under Part A.2 of the Project to be financed by the Sub-Loan.

31. "Vietnamese Dong" means the lawful currency of the Recipient.

32. "Vinh City" means the city of Vinh in Nghe An Province, or any successor thereto.

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 cars), works, services, training and workshops, and the Sub-Loan under Part A of the Project, (as said capitalized terms are defined in the Financing Agreement) 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.* If the Financing Agreement provides for the payment of an 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 "Interest Charge" between the words "Service Charge" and "the Commitment Charge".

4. Paragraph 32 of the Appendix is modified by inserting the following definition of "Interest Charge" and the remaining paragraphs re-numbered accordingly:

"32. "Interest Charge" means the interest charge, if any, specified in the Financing Agreement for the purpose of Section 3.02(b)."

5. Paragraph 36 of the Appendix ("Payment Date") is modified by inserting the words "Interest Charge" between the words "Service Charges" and "the Commitment Charges".

6. Paragraph 49 of the Appendix ("Service Charge") is modified to refer to Section 3.02 (a).