IBRD 84791

CREDIT NUMBER 5739-VN

Financing Agreement

(Results-based Scaling up Rural Sanitation and Water Supply Program)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 10, 2016

CREDIT NUMBER 5739-VN

FINANCING AGREEMENT

AGREEMENT dated March 10, 2016, entered into between the SOCIALIST REPUBLIC OF VIETNAM ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — 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 forty two million five hundred thousand Special Drawing Rights (SDR 142,500,000) (variously, "Credit" and "Financing"), to assist in financing the program described in Schedule 1 to this Agreement ("Program").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.

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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 May 1 and November 1 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the objective of the Program. To this end, the Recipient shall carry out the Program through the Ministry of Agriculture and Rural Development, Participating Provinces and Other Implementing Entities, 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 Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following: (a) the Program has been modified or suspended; or (b) the Recipient has adopted a successor program to NTP ("Successor Program"); in either case, so as to materially and adversely affect the ability of the Recipient to achieve the objectives of the Program and/or perform any of its obligations thereunder.

ARTICLE V — EFFECTIVENESS; TERMINATION

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

5.02. 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 VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Governor or Deputy Governor of the State Bank of Vietnam.

6.02. The Recipient's Address is:

State Bank of Vietnam
49 Lý Thái Tổ
Hanoi
Vietnam

Cable address:	Telex:	Facsimile:
VIETBANK	412248	+84 4 3825 0612

6.03. 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 of the State Bank of Vietnam

INTERNATIONAL DEVELOPMENT ASSOCIATION

By _____
Authorized Representative

Name: Victoria Kwakwa

Title: Country Director

SCHEDULE 1

Program Description

The objective of the Program is to improve hygiene behavior, increase and sustain access to rural sanitation and water supply in rural areas in the Participating Provinces.

The Program consists of support to the National Target Program and the Successor Program, and the following activities to be carried out in the Participating Provinces from January 1, 2016 to July 31, 2021:

1. *Rural water supply*: (a) provision, operation and maintenance of hygienic sanitation, hand washing facilities and water supply in schools; (b) provision, operation and maintenance of water supply coverage in communities; and (c) provision of technical assistance for, *inter alia*, operation and maintenance procedures, tariff collection and accounting procedures at village/commune levels.

2. *Rural sanitation and hygiene:* (a) provision, operation and maintenance of hygienic sanitation, hand washing facilities and water supply in health clinics; and (b) scaling up hygiene and sanitation, through demand and supply interventions and latrine construction.

3. *Capacity building and implementation support*: capacity building, communication, supervision, monitoring, evaluation and verification of Program results.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article IV of the General Conditions, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Association ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

The Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Program Institutions

Without limitation on the generality of Part A of this Section I, the Recipient shall carry out the Program in accordance with the institutional and administrative arrangements set forth in NTP and the Successor Program under the overall guidance and supervision of MARD and, except as the Association shall otherwise agree in writing, the Recipient shall not amend or waive any of such arrangements if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the Program's implementation or the achievement of the objectives thereof.

2. Additional Program Implementation Arrangements

Without limitation on the generality of Part A of this Section I, the Recipient shall, and shall cause the Participating Provinces and Other Implementing Entities to:

(a) undertake the actions set forth in the PAP, in accordance with the instructions of the POM; and carry out the Program in accordance with the provisions of the POM;

(b) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the PAP and/or the POM, or any provision thereof, without the prior written agreement of the Association; and

(c) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the PAP and the POM.

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

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

A. in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve the procurement of: (1) works, estimated to cost US$ 50 million equivalent or more per contract; (2) goods, estimated to cost US$ 30 million equivalent or more per contract; (3) non-consulting services, estimated to cost US$ 20 million equivalent or more per contract; or (4) consultants' services, estimated to cost US$ 15 million equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

1. The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Program Report shall cover the period of one (1) calendar year, and shall be furnished to the Association not later than three (3) months after the end of the period covered by such report.

2. Without limiting the generality of the provisions of Part A.1 of this Section, the Recipient shall cause the State Audit of Vietnam:

(a) to undertake, at least once annually, a verification process, in accordance with terms of reference acceptable to the Association, for the fulfillment

of the Disbursement Linked Results set forth in the table of Schedule 4 to this Agreement; and

(b) to furnish to the Association, by no later than July 31 of each CY, corresponding verification reports, in form and substance acceptable to the Association.

B. Program Financial Audits

Without limitation on the generality of Section I.A of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than seven (7) months after the end of such period.

C. Annual and Midterm Reviews

1. The Recipient shall review jointly with the Association, by no later than one (1) month after the transmittal of each Program Report to the Association, such Report, and thereafter take all measures required to ensure the efficient completion of the Program and the achievement of the objectives thereof, based on the conclusions and recommendations of such Report and the Association's views on the matter.

2. The Recipient shall: (a) carry out jointly with the Association, by no later than June 30, 2018, a midterm review to assess the overall progress in implementation of the Program; (b) prepare and furnish to the Association, at least three (3) months prior to such review, a report, in scope and detail acceptable to the Association, needed to undertake the review; and (c) review, jointly with the Association, the report referred to in subparagraph (b) above and thereafter take all measures required to ensure the efficient completion of the Program and the achievement of the objectives thereof, based on the conclusions and recommendations of said report and the Association's views on the matter.

Section IV. <u>Withdrawal of Financing Proceeds</u>

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 may specify from time to time by notice to the Recipient to finance the Program Expenditures, on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Recipient,

as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"); as set forth in the table of Schedule 4 to this Agreement, and in table in paragraph 2 of this Part A, respectively.

2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the Disbursement Linked Indicators as applicable) ("Category"), and the allocation of the amounts of the Financing to each Category:

DLI Category	Disbursement Linked Indicator	Amount of the Financing Allocated (expressed in SDR)
DLI 1.1	Behavior Change Communication Plans implemented by Participating Provinces	14,250,000
DLI 1.2	New Communes achieving Commune-Wide Sanitation in the Participating Provinces	33,480,000
DLI 1.3	New or rehabilitated Functioning Water Supply Connections to households in the Participating Provinces	52,000,000
DLI 2.1	Households in the Participating Provinces with Sustainable Water Systems	17,810,000
DLI 2.2	Communes in the Participating Provinces, which have achieved Commune-Wide Sanitation two CY ago, where all public kindergarten, primary and secondary schools and health centers maintain Hygienic Status	10,700,000
DLI 3.1	Annual Program Plans and Program Reports disclosed	3,560,000
DLI 3.2	Approved Annual Capacity Development Plans implemented	10,700,000
	TOTAL AMOUNT	**142,500,000**

B. Withdrawal Conditions; Withdrawal Period

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

   (a) for payments for Program Expenditures made prior to the date of this Agreement; or

   (b) for any DLR until and unless the Recipient has furnished evidence satisfactory to the Association that said DLR has been achieved.

2. Notwithstanding the provisions of Part B.1(b) of this Section, the Recipient may withdraw an amount not to exceed SDR 35,625,000 as an advance under any DLI

Category; provided, however, that if the DLRs for the corresponding DLI Category in the opinion of the Association, have not been achieved (or have only partially achieved) by the date by which the said DLR is set to be achieved, the Recipient shall refund such advance to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.

3. Notwithstanding the provisions of Part B.1(b) of this Section, the amount of the Financing to be withdrawn upon the verified achievement of any DLR shall be calculated, in accordance with the Formula.

4. Notwithstanding the provisions of Part B.1(b) of this Section, if :

   (a) any of the DLRs corresponding to DLIs 1.1, 1.2, 1.3, 2.1, 2.2 or 3.2 has not been achieved by the date by which the said DLR is set to be achieved, the Association may, at any time, by notice to the Recipient, decide, in its sole discretion, to: (i) authorize the withdrawal of such lesser amount of the unwithdrawn Annual DLR Allocation which, in the opinion of the Association, corresponds to the extent of achievement of said DLR in the respective CY, said lesser amount calculated, in accordance with the Formula; (ii) reallocate all or a portion of Annual DLR Allocation to any other DLI; and/or (iii) cancel all or a portion of the Annual DLR Allocation; and

   (b) any of the DLRs corresponding to DLI 3.1 has not been achieved by the date by which the said DLR is set to be achieved, the Association may, at any time, by notice to the Recipient, decide, in its sole discretion, to: (i) reallocate all or a portion of the Annual DLR Allocation to any other DLI; and/or (ii) cancel all or a portion of the Annual DLR Allocation.

5. The Closing Date is July 31, 2021.

6. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Financing Balance does not exceed the total amount of Program Expenditures paid by the Recipient, exclusive of any such expenditures financed by any other financier or by the Association or the Association under any other loan, credit or grant, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association shall cancel the refunded amount of the Withdrawn Financing Balance.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit Repayable (expressed as a percentage)*
On each May 1 and November 1:	
Commencing May 1, 2021 to and including November 1, 2030	**1.65%**
Commencing May 1, 2031 to and including November 1, 2040	**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.

Schedule 4

Disbursement-Linked Results

DLI CATEGORY	DRLs TO BE ACHIEVED IN CY 2016	DLRs TO BE ACHIEVED IN CY 2017	DLRs TO BE ACHIEVED IN CY 2018	DLRs TO BE ACHIEVED IN CY 2019	DLRs TO BE ACHIEVED IN CY 2020
1.1	Each Participating Province has implemented, in a manner acceptable to the Association, its Behavior Change Communication Plan	Each Participating Province has implemented, in a manner acceptable to the Association, its Behavior Change Communication Plan	Each Participating Province has implemented, in a manner acceptable to the Association, its Behavior Change Communication Plan	Each Participating Province has implemented, in a manner acceptable to the Association, its Behavior Change Communication Plan	Each Participating Province has implemented, in a manner acceptable to the Association, its Behavior Change Communication Plan
1.2	50 new Communes have achieved Commune-Wide Sanitation in the Participating Provinces	150 new Communes have achieved Commune-Wide Sanitation in the Participating Provinces	200 new Communes have achieved Commune-Wide Sanitation in the Participating Provinces	140 new Communes have achieved Commune-Wide Sanitation in the Participating Provinces	140 new Communes have achieved Commune-Wide Sanitation in the Participating Provinces
1.3		25,000 households in the Participating Provinces have new or rehabilitated Functioning Water Supply Connections	80,000 households in the Participating Provinces have new or rehabilitated Functioning Water Supply Connections	90,000 households in the Participating Provinces have new or rehabilitated Functioning Water Supply Connections	60,000 households in the Participating Provinces have new or rehabilitated Functioning Water Supply Connections
2.1				25,000 households in the Participating	80,000 households in the Participating

DLI CATEGORY	DRLS TO BE ACHIEVED IN CY 2016	DLRS TO BE ACHIEVED IN CY 2017	DLRS TO BE ACHIEVED IN CY 2018	DLRS TO BE ACHIEVED IN CY 2019	DLRS TO BE ACHIEVED IN CY 2020
				Provinces have Sustainable Water Systems	Provinces have Sustainable Water Systems
2.2			All public kindergarten, primary and secondary schools and health centers maintain Hygienic Status in 45 Communes, which have achieved Commune-Wide Sanitation two CY ago in the Participating Provinces	All public kindergarten, primary and secondary schools and health centers maintain Hygienic Status in 125 Communes, which have achieved Commune-Wide Sanitation two CY ago in the Participating Provinces	All public kindergarten, primary and secondary schools and health centers maintain Hygienic Status in 170 Communes, which have achieved Commune-Wide Sanitation two CY ago in the Participating Provinces
3.1	(a) All Participating Provinces have disclosed the Annual Program Plans and Program Reports; and (b) MARD has disclosed a consolidated Program Report	(a) All Participating Provinces have disclosed the Annual Program Plans and Program Reports; and (b) MARD has disclosed a consolidated Program Report	(a) All Participating Provinces have disclosed the Annual Program Plans and Program Reports; and (b) MARD has disclosed a consolidated Program Report	(a) All Participating Provinces have disclosed the Annual Program Plans and Program Reports; and (b) MARD has disclosed a consolidated Program Report	(a) All Participating Provinces have disclosed the Annual Program Plans and Program Reports; and (b) MARD has disclosed a consolidated Program Report

DLI CATEGORY	DRLs TO BE ACHIEVED IN CY 2016	DLRs TO BE ACHIEVED IN CY 2017	DLRs TO BE ACHIEVED IN CY 2018	DLRs TO BE ACHIEVED IN CY 2019	DLRs TO BE ACHIEVED IN CY 2020
3.2	Each Participating Province has implemented, in a manner acceptable to the Association, its Annual Capacity Development Plan	Each Participating Province has implemented, in a manner acceptable to the Association, its Annual Capacity Development Plan	Each Participating Province has implemented, in a manner acceptable to the Association, its Annual Capacity Development Plan	Each Participating Province has implemented, in a manner acceptable to the Association, its Annual Capacity Development Plan	Each Participating Province has implemented, in a manner acceptable to the Association, its Annual Capacity Development Plan

APPENDIX

Section I. Definitions

1. "Annual Capacity Development Plan" means an annual plan prepared by each Participating Province and furnished to MARD and the Association for review, aimed at providing capacity building support to the Participating Province, including: (i) the topic for capacity building; (ii) the objective of the support in relation to Program results areas and DLIs; (iii) the intended outputs; (iv) the target audience for the activity; (v) the delivery modality; (vi) the timeline for the delivery of the activity; and (vii) the financial resources assigned for the activity; in accordance with guidelines prescribed in the POM.

2. "Annual DLR Allocation" means in respect to any DLR the amount of the Financing calculated as the product of the DLR Unit Price per the target expected to be achieved under the corresponding DLI in a given CY (as said target is set forth in the table of Schedule 4 to this Agreement).

3. "Annual Program Plan" means a plan, in form and substance acceptable to the Association, to be prepared and approved by each Participating Province and MARD on annual basis, setting forth the status of water supply and sanitation services in the respective province including, among other things, information on access to water supply and sanitation services, water quality data, poverty data, ethnic minority data, a projected five-year investment plan, the Annual Capacity Development Plan and the annual Behavior Change Communication Plan; as such plan may be amended from time to time with the prior written agreement of the Association.

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

5. "Behavior Change Communication Plan" means an annual plan prepared by each Participating Province, and furnished to the Recipient's Ministry of Health, MARD and the Association for review, aimed at promoting hygiene and sanitation, including: (i) an overall strategy for demand generation and supply chain support for the first three years of Program implementation; (ii) planned activities on an annual basis at the national, provincial, district, commune and village level; (iii) the link between the planned activities, the Program results, the DLIs and the overall strategy; (iv) the target audience for the planned activities; (v) the delivery modality; (vi) the timeline for the delivery of the planned activities; and (vii) the financial resources assigned for the planned activities; in accordance with guidelines prescribed in the POM.

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

7. "Commune" means any of the government administrative areas established as such within a District in accordance with the Recipient's constitution and laws, or any successor thereto.

8. "Commune-Wide Sanitation" means a Commune which has achieved the following criteria with regard to sanitation services: (i) at least 70 percent of households in the Commune have an Improved Latrine; (ii) at least 80 percent of households in the Commune have dedicated hand washing points (as described in the POM); and (iii) 100 percent of public kindergartens, primary and secondary schools, and health clinics in the Commune have Hygienic Status.

9. "CY" means calendar year.

10. "CY 2016" means the calendar year of 2016, starting on January 1, 2016 and ending on December 31, 2016.

11. "CY 2017" means the calendar year of 2017, starting on January 1, 2017 and ending on December 31, 2017.

12. "CY 2018" means the calendar year of 2018, starting on January 1, 2018 and ending on December 31, 2018.

13. "CY 2019" means the calendar year of 2019, starting on January 1, 2019 and ending on December 31, 2019.

14. "CY 2020" means the calendar year of 2020, starting on January 1, 2020 and ending on December 31, 2020.

15. "Disbursement Linked Indicator" or "DLI" means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

16. "Disbursement Linked Result" or "DLR" means the results/targets set forth in the table of Schedule 4 to this Agreement, in the columns entitled "DLRs to be achieved in CY 2016", "DLRs to be achieved in CY 2017", "DLRs to be achieved in CY 2018", "DLRs to be achieved in CY 2019", "DLRs to be achieved in CY 2020", on the basis of the achievement of which, the amount of the Financing allocated to the Category of the corresponding DLI of said result may be withdrawn in accordance with the provisions of said Section IV.

17. "DLR Unit Price" means in respect to any DLR the amount calculated as the product of the: (i) the total amount of the Financing allocated to a given Category

(including any portion of the proceeds of the Financing that the Association may reallocate to said DLR, in accordance with paragraph 4 of Section IV.B of Schedule 2 to this Agreement); and (ii) the total target expected to be achieved under the corresponding DLI between CY 2016 and CY 2020.

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

19. "Formula" means the measure for calculating disbursements against DLRs in a given CY, given by the product of the DLR Unit Price per the actual target achieved, as determined by the Association, under a given DLR in the respective CY.

20. "Functioning Water Supply Connections" means water supply connections which reliably provide clean water, as described in the POM.

21. "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.

22. "Hygienic Status" means the status of public kindergartens, primary and secondary schools, and health clinics, which have clean water (as defined by the applicable Recipient's standards set forth in the POM), water for hand washing (as defined by the applicable Recipient's standards set forth in the POM), and hygienic sanitation facilities (as defined by Recipient's Ministry of Health Circular QCVN 01: 2011/BYT).

23. "Improved Latrine" means a latrine that hygienically isolates human excreta from human contact and meets the criteria set forth in the POM.

24. "Ministry of Agriculture and Rural Development" and the acronym "MARD" mean the Recipient's Ministry of Agriculture and Rural Development, or any successor thereto.

25. "National Target Program" and the acronym "NTP" mean the third phase of the Recipient's National Target Program for Rural Water Supply and Sanitation (2012 to 2015) approved by the Prime Minister's Decision Number: 366/QD-TTg, dated March 31, 2012, whose objective is to implement the Recipient's National Strategy on Rural Water Supply and Sanitation (2010 to 2020) and to improve the living conditions of the Recipient's rural population by increasing access to water supply and sanitation, awareness raising, changing sanitation behavior and mitigation of environmental pollution.

26. "Non-Revenue Water" means the difference in percentage between the volume of water that enters the distribution system and the volume that is billed to customers. It is measured on a monthly basis.

27. "Other Implementing Entities" means, collectively, the Recipient's government entities or government-owned enterprises which are independent of Program provinces/cities/departments at the central, provincial, or city levels involved in the implementation of the Program other than the Ministry of Agriculture and Rural Development, including the Recipient's Ministry of Health, the Ministry of Education and Training, the Committee of Ethnic Minorities, the Ministry of Finance and the State Audit of Vietnam, and any successor thereto.

28. "Participating Provinces" means the Recipient's provinces of Dak Lak, Dak Nong, Gia Lai, Kon Tum, Lam Dong, Bac Can, Bac Giang, Cao Bang, Dien Bien, Ha Giang, Hoa Binh, Lai Chau, Lang Son, Lao Cai, Phu Tho, Son La, Thai Nguyen, Tuyen Quang, Yen Bai, Binh Thuan and Ninh Thuan, or any successor to any such provinces, and such other additional provinces as may be mutually agreed to in writing by the Recipient and the Association at any time and from time to time, and a "Participating Province" means any one of such provinces.

29. "Program Action Plan" or "PAP" means the action plan authorized by the Prime Minister, pursuant to Decision Number 1415/QD-TTg, dated August 20, 2015, which plan is part of the POM and is designed to strengthen the Program Fiduciary, Environmental and Social Systems.

30. "Program Fiduciary and Environmental and Social Systems" means the Recipient's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.

31. "Program Operational Manual" or "POM" means the manual adopted by MARD pursuant to Decision Number No. 3622/ QD-BNN-HTQT, dated September 7, 2015, which sets forth guidelines, policies, procedures and requirements for the implementation of the Program including the Program Action Plan, the protocol for the verification of the DLRs, and additional measures to strengthen the Recipient's procurement, financial management, anticorruption, environmental and social systems, 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. "State Audit of Vietnam" means the entity established by the Recipient's National Assembly pursuant to Law Number 37/2005/QH11 on State Audit, dated June 14, 2005, or any successor thereto.

33. "Successor Program" means a program on rural water supply and sanitation to be adopted by the Recipient after the termination of the NTP.

34. "Sustainable Water Systems" means those which, two years after the start of operation (defined as the month in which the first water is supplied, billed and paid for by customer households), satisfy the following characteristics: (i) provide clean water, as defined by the applicable Recipient's standards; (ii) the system is operating under a recognized management model; (iii) at least 80 percent of the number of planned system connections are Functioning Water Supply Connections; and (iv) the operating revenues are sufficient to cover the operation and immediate maintenance costs; all as set forth in the POM.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to read "the Program Agreement", the term "Project Implementing Entity" is modified to read "the Program Implementing Entity", the term "Project Report" is modified to read "Program Report"; and the term "Eligible Expenditures" is modified to read "Program Expenditures".

2. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

3. Section 2.02, *Special Commitment by the Association*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

4. In Section 2.02 (originally numbered as Section 2.03), the heading "*Applications for Withdrawal or for Special Commitment*" is replaced with "*Applications for Withdrawal*", and the phrase "or to request the Association to enter into a Special Commitment" is deleted.

5. The section originally numbered as Section 2.04, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed "Program Expenditures" in accordance with paragraph 1 of this Section II), is modified to read: "(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;".

7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: "To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing, as required to ensure consistency with such policy of the Association."

8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read: "Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.

9. 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."

10. Section 6.01, Cancellation by the Recipient, is modified to read: "The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance."

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

12. Section 6.04, Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.

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

14. Paragraph 28 of the Appendix ("Financing Payment") is modified by inserting the words "the Interest Charge" between the words "the Service Charge" and "the Commitment Charge".

15. The Appendix is modified by inserting a new paragraph 32 with the following definition of "Interest Charge", and renumbering the remaining paragraphs accordingly:

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

16. Renumbered paragraph 37 (originally paragraph 36) of the Appendix ("Payment Date") is modified by inserting the words "Interest Charges" between the words "Service Charges" and "Commitment Charges".

17. Renumbered paragraph 50 (originally paragraph 49) of the Appendix ("Service Charge") is modified by replacing the reference to Section 3.02 with Section 3.02 (a).