

CONFORMED COPY

CREDIT NUMBER 4402-VN

Financing Agreement

(Đà Nẵng Priority Infrastructure Investment Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 28, 2008

FINANCING AGREEMENT

AGREEMENT dated August 28, 2008, entered into between SOCIALIST REPUBLIC OF VIETNAM (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — 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 ninety-five million three hundred thousand Special Drawing Rights (SDR 95,300,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are May 15 and November 15 in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the City of Đà Nẵng 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 Conditions of Effectiveness consist of the following:
 - (a) Đà Nẵng has adopted a Project Implementation Plan in accordance with the provisions of paragraph 4, Section I(A) of Schedule 2 to this Agreement; and
 - (b) the PMU has engaged in accordance with the provisions of Section III of Schedule 2 to this Agreement, a consultant or consultants, with qualifications, experience and terms of reference acceptable to the Association, to carry out a wastewater management study under Part B of the Project.
- 4.02. The Additional Legal Matters consist of the following, namely that: (i) the Resettlement Policy Framework has been duly approved by the Recipient's Prime Minister and endorsed by Đà Nẵng, and the Resettlement Action Plan has been approved by Đà Nẵng; and (ii) both the Resettlement Policy Framework and the Resettlement Action Plan are legally binding upon the Recipient and Đà Nẵng in accordance with their respective terms.
- 4.03. The Effectiveness Deadline is the date ninety (90) days 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:	Telex:	Facsimile:
VIETBANK Hanoi	412248 NHTWVT	(84-4) 825 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) or 64145 (MCI)	(1-202) 477- 6391

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

SOCIALIST REPUBLIC OF VIETNAM

By: /s/ Nguyen Van Giau

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Martin Rama

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the efficiency, effectiveness and sustainability of urban services in the City of Đà Nẵng through urban upgrading, environmental infrastructure improvements, and strategic road access construction in selected areas, and institutional strengthening in investment planning and in the management of urban services.

The Project consists of the following parts:

Part A: Urban Area Upgrading

1. Carry out a program to improve living conditions in selected low-income areas of Đà Nẵng through the upgrading of tertiary infrastructure and provision of basic urban services.
2. Prepare three (3) resettlement sites for displaced persons under the Project, including construction of on- and off-site infrastructure, provision of social infrastructure and core housing.
3. Carry out a program to: (a) provide poor households in the selected low-income areas access to credit to improve their houses; and (b) strengthen the housing micro-finance system.
4. Carry out a program of compensation and rehabilitation for displaced persons under Part A of the Project.

Part B: Environmental Infrastructure

1. Carry out a program to improve environmental infrastructure in selected areas of Đà Nẵng, consisting of:
 - (a) improvements of the primary- and secondary-level drainage systems linked to the low-income areas undergoing upgrading under Part A of the Project; environmental improvement of the Phú Lộc River basin, including dredging, revetment of embankments, construction of drains and wastewater interceptor sewers, and installation of pumps; and improvements in the primary-level drainage system;
 - (b) expansion of the wastewater collection systems, including extension and/or construction of primary wastewater sewer systems, and installation/construction of house connections and tertiary-level wastewater sewers in the catchment area;
 - (c) construction of a new wastewater treatment plant in Cẩm Lệ District of Đà Nẵng; and
 - (d) undertaking of a study on wastewater management strategy, preparation of a hydraulic model of the city drainage system, preparation of feasibility studies and detailed design for Phase II of the Project.
2. Carry out a program of compensation and rehabilitation for displaced persons under Part B of the Project.

Part C: Urban Roads and Bridges

1. Construct strategic road links and bridges to support the development of the southern area of Đà Nẵng along the axes of: (a) Nguyễn Tri Phương - Trần Đại Nghĩa Roads, and (b) National Highway 1A - Trần Đại Nghĩa Road.
2. Carry out a program of compensation and rehabilitation for displaced persons under Part C of the Project.

Part D: Institutional Development; Project Implementation Support

1. Carry out a program of institutional development to enhance the capacity of selected municipal agencies and departments in the management of land and housing, of urban development, of urban engineering infrastructure, and municipal finance; and to strengthen the capacity of the Đà Nẵng Women's Union to manage the housing improvement micro-finance program under Part A of the Project.
2. Strengthen the implementation capacity of the PMU, including safeguard monitoring, Project outcome monitoring and evaluation, audit of financial accounts, and integrated implementation performance audit.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall cause Đà Nẵng to maintain, throughout the period of Project implementation, its Project Board of Management, under the direction of a vice-chair of Đà Nẵng People's Committee, with membership which includes representatives of, among others, Đà Nẵng's Departments of Planning and Investment, Natural Resources and Environment, Finance, Construction, and Transport and Public Works, and the Director of the Project Management Unit, and assisted by a secretariat; said Project Board of Management shall be responsible for providing overall direction for and supervision of the implementation of the Project, including ensuring that an adequate internal control framework and internal control processes are in effect, and ensuring coordination among the relevant municipal agencies.
2. The Recipient shall cause Đà Nẵng to maintain, throughout the period of Project implementation, the Project Management Unit to be responsible for managing and coordinating all Project activities; said Project Management Unit to be under the direction of qualified managers, provided with sufficient resources and staffed with competent personnel in adequate numbers, including a director, deputy directors, a chief accountant and staff members responsible for planning, financial management, environment, resettlement and technical matters, in all cases with qualifications, experience and terms of reference acceptable to the Association.
3. To assist the Project Management Unit, the Recipient shall cause Đà Nẵng to engage, prior to the award of any civil works contract and in accordance with the provisions of Section III of this Schedule 2, the services of a construction management consultant with qualifications, experience and terms of reference acceptable to the Association.
4. (a) To guide the implementation of the Project, the Recipient shall cause Đà Nẵng, through the PMU, to prepare and put into effect a Project Implementation Plan acceptable to the Association, setting forth procedures and guidelines for the implementation of the Project; in particular said Project Implementation Plan shall include: (i) a financial management manual establishing the policies, guidelines and procedures in respect of financial management and internal control, recording and reporting, and financial audit, consistent with the

provisions of Section II(B) of this Schedule 2; (ii) detailed guidelines and procedures for procurement, and roles and responsibilities in regard to procurement, consistent with the provisions of Section III of this Schedule 2 and the Procurement Plan; (iii) the Governance and Transparency Action Plan; and (iv) the Resettlement Policy Framework, the Resettlement Action Plan, the Environmental Assessment Guidelines and the Environmental Management Plan.

(b) The Recipient shall not amend, revise or waive the provisions of said Project Implementation Plan, or any part thereof, without the prior concurrence of the Association.

B. Flow of Funds

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to Đà Nẵng, under terms and conditions acceptable to the Association, which shall include the following: (a) the amount of proceeds allocated from time to time to Categories (1), (2) and (4) set forth in the table in paragraph 2, Section IV(A) of this Schedule 2, shall be made available to Đà Nẵng as a grant; (b) the amount of proceeds allocated from time to time to Category (3) shall be made available to Đà Nẵng as a loan, at a rate of four percent (4%) per annum and for a term of twenty (20) years including five (5) years grace.

C. Housing Improvement Loans

For purposes of Part A.3 of the Project:

1. The Recipient shall cause Đà Nẵng to enter into an Implementation Arrangement with the Đà Nẵng Women's Union acceptable to the Association, whereby:
 - (a) Out of the proceeds of the Credit allocated from time to time to Category (3) and made available as a loan to Đà Nẵng by the Recipient, Đà Nẵng shall extend a sub-loan to the Đà Nẵng Women's Union; and the Đà Nẵng Women's Union shall undertake to use the proceeds of said sub-loan for the purposes of providing Housing Improvement Loans, under terms and conditions satisfactory to the Association, to eligible low-income households.
 - (b) The Đà Nẵng Women's Union shall undertake to prepare and, thereafter, put into effect a Housing Improvement Loan Operations Manual satisfactory to Đà Nẵng and to the Association, setting out the policies, guidelines and procedures for the Housing Improvement Loans program, including: (i) eligibility criteria and terms and conditions of the Housing Improvement Loans; (ii) credit appraisal and approval; (iii) loan portfolio quality monitoring; (iv) financial management and analysis; (v) risk and liquidity management; (vi)

business planning for micro-finance; and (vii) monitoring and evaluation of said Housing Improvement Loan program.

(c) The Đà Nẵng Women's Union shall undertake to: (i) make Housing Improvement Loans to eligible low-income households in accordance with the Housing Improvement Loan Operations Manual; and (ii) not amend, revise or waive said Operations Manual, or any part thereof, without the prior concurrence of Đà Nẵng and of the Association.

(d) The Đà Nẵng Women's Union shall undertake to maintain a financial management system including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations, resources and expenditures in respect of the Housing Improvement Loans.

(e) The Đà Nẵng Women's Union shall take all necessary action to enable Đà Nẵng to have the financial statements, records and accounts referred to in sub-paragraph (d) above for each fiscal year audited, under terms of reference and by independent auditors acceptable to the Association and in accordance with consistently applied auditing standards acceptable to the Association.

2. The Recipient shall cause Đà Nẵng to: (i) exercise its rights under the Implementation Arrangement in such manner as to protect the interests of the Recipient, Đà Nẵng and the Association, and to accomplish the purposes of the Credit; and (ii) except as the Association shall otherwise agree, not assign, amend, abrogate or waive the Implementation Arrangement or any provision thereof.

D. Safeguards

1. The Recipient shall cause Đà Nẵng to:
 - (a) implement the Resettlement Policy Framework and the Resettlement Action Plan, in a manner satisfactory to the Association;
 - (b) wherever implementation of Phase II of the Project or any part thereof, would give rise to Displaced Persons, provide to the Association for its review, additional resettlement action plans, as may be necessary in accordance with the Resettlement Policy Framework, prepared in accordance with the principles and procedures set forth in said Resettlement Policy Framework and, thereafter, implement in a manner satisfactory to the Association, such additional resettlement action plans as shall have been approved by the Association; and not initiate any related construction activities until such additional resettlement action plans shall have been prepared and found satisfactory by the Association;

(c) provide to the Association for its prior approval any revision proposed to be introduced into said Policy Framework, or Action Plan, or any additional resettlement action plan prepared pursuant to said Policy Framework, in order to achieve their respective objectives, and thereafter introduce only such revision into said Policy Framework or Action Plan or additional resettlement action plan as shall have been agreed with the Association; and

(d) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Policy Framework, Action Plan and any additional resettlement action plan, and the achievement of their respective objectives.

2. The Recipient shall cause Đà Nẵng to:

(a) implement the Environmental Assessment Guidelines and the Environmental Management Plan in a manner satisfactory to the Association, and designed to ensure that the Project is implemented in accordance with sound environmental practices and standards;

(b) in regard to Phase II of the Project, carry out site-specific environmental impact assessments and prepare and implement additional environmental management plans, as may be necessary, in accordance with the requirements set forth in said Guidelines, all in a manner satisfactory to the Association; and not initiate any related construction activities until such environmental impact assessments shall have been completed and such environmental management plans shall have been prepared and found satisfactory by the Association;

(c) provide to the Association for its prior approval any revision proposed to be introduced into said Guidelines, or the Environmental Management Plan, or any additional environmental management plan, as the case may be, in order to achieve their respective objectives, and thereafter introduce only such revision into said Guidelines or Environmental Management Plan or additional environmental management plan as shall have been agreed with the Association; and

(d) maintain, policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Guidelines, Environmental Management Plan and additional environmental management plans, and the achievement of their respective objectives.

3. In respect of each low-income area selected for upgrading under Part A.1 of the Project, the Recipient shall cause Đà Nẵng to ensure that the respective Community Upgrading Plan, developed with the participation of the community of such area, include a Community Environmental Management Plan consistent

with the Environmental Assessment Guidelines; each such Community Environmental Management Plan setting forth environmental issues identified by the community itself, and the respective roles and responsibilities of the community and of Đà Nẵng in implementing and monitoring mitigation measures to address such environmental issues.

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 indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. The Recipient shall cause Đà Nẵng, in respect of each year of Project implementation, commencing with 2008, to: (a) ensure that an integrated Project implementation performance audit is carried out by an external performance auditor acceptable to the Association, under terms of reference satisfactory to the Association; and (b) provide to the Association for its review the report of each such audit not later than three (3) months after the end of the period so audited.
3. By no later than December 31, 2010, the Recipient and Đà Nẵng shall hold a mid-term review with the Association to evaluate the progress in Project implementation and in achievement of the Project objectives.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain and 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 II, the Recipient shall cause Đà Nẵng to 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. (a) 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 (1) fiscal year of the Recipient or such other period as shall have been agreed by the Association. 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.

(b) To this end, the Recipient shall engage, or cause to be engaged, an independent financial auditor with qualifications, experience and terms of reference acceptable to the Association, no later than six (6) months after the date hereof.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works 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 and Works

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

Domestic Preference. The provisions of paragraph 2.55 and 2.56 of the Procurement Guidelines and Appendix thereto, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and to domestic Contractors.

2. **Other Methods of Procurement of Goods and Works.** 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 procedures set forth in the Annex to this Schedule 2
(b) Shopping
(c) Commercial Practices 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) Least-Cost Selection
(b) Selection Based on Consultants’ Qualifications
(c) Single-Source Selection, subject to the Association’s prior agreement
(d) Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (i) all contracts for works estimated to cost the equivalent of \$300,000 or more; (ii) all contracts for goods estimated to cost the equivalent of \$150,000 or more; (iii) in respect of goods, the first contract procured on the basis of National Competitive Bidding and the first contract procured on the basis of Shopping; (iv) all contracts for consultants’ services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (v) all contracts for consultants’ services procured on the basis of single source selection.

In addition, the following prior review procedures shall apply to contracts for the employment of individual consultants (other than consultants to be selected on a sole source basis) estimated to cost the equivalent of \$50,000 or more: (a) the report on the comparison of the qualifications and experience of candidates, terms of reference and conditions of employment of the consultant shall be furnished to the Association for its prior review and approval; (b) the contract

shall be awarded only after the Association's approval shall have been given; and (c) the provisions paragraphs 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract. And the following prior review procedures shall apply to each contract for the employment of individual consultants to be selected on a sole source basis: (x) the qualifications, experience, terms of reference and conditions of employment of the consultant shall be furnished to the Association for its prior review and approval; (y) the contract shall be awarded only after the Association's approval shall have been given; and (z) the provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

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) Works under the Project (other than under Part A.3 of the Project)	82,190,000	80%
(2) Goods (other than under Part A.3 of the Project), consultants' services, training and study tours under the Project	11,230,000	100%
(3) Housing Improvement Loans under Part A.3 of the Project	630,000	100% of the amount of Housing Improvement Loans disbursed
(4) Refund of Project Preparation Advance	1,250,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	<u>95,300,000</u>	

For the purposes of this table, the term "Housing Improvement Loans" means small loans extended to eligible low-income households by the Đà Nẵng Women's Union pursuant to the terms of the Implementation Arrangement, and in accordance with the provisions of the Housing Improvement Loan Operations Manual.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section IV, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 9,380,000 equivalent

may be made for payments made prior to this date but on or after January 1, 2008, for Eligible Expenditures under Categories (1) and (2);

(b) under Category (3) until: (i) the Đà Nẵng Women's Union has completed the preparation of and adopted a Housing Improvement Loan Operations Manual acceptable to the Association; and (ii) Đà Nẵng and the Đà Nẵng Women's Union have entered into an Implementation Arrangement acceptable to the Association, in accordance with the provisions of paragraph 1, Section I(C) of this Schedule 2.

2. The Closing Date is June 30, 2013.

Section V. Other Undertakings

1. The Recipient shall cause Đà Nẵng to: (a) take all actions necessary to implement the cost recovery schedule for wastewater treatment as shall have been agreed with the Association, said schedule designed to enable TMDC to collect sufficient users' fees to cover its operating costs and the depreciation of its short-lived assets; and (b) not modify said schedule without the prior concurrence of the Association.
2. The Recipient shall cause Đà Nẵng to ensure that, throughout the period of Project implementation, TMDC shall maintain a system to monitor the quality of wastewater entering the sewerage system and produce periodic reports of such monitoring, in a manner satisfactory to the Association.
3. The Recipient shall cause Đà Nẵng to: (a) have TMDC's financial statements for each fiscal year, commencing with fiscal year 2008, audited by independent auditors acceptable to the Association and in accordance with consistently applied auditing standards acceptable to the Association; and (b) within six (6) months of the end of each such fiscal year of TMDC, furnish to the Association certified copies of such financial statements and an opinion on such statements by said auditors in scope and detail satisfactory to the Association.
4. The Recipient shall cause Đà Nẵng, through TUPWS: (a) by no later than October 31 of each year, commencing in 2008, to prepare and provide to the Association for its review and comments, a learning plan including all training programs, seminars, workshops, study tours and other learning events to be organized and/or attended under Part D.1 of the Project; and thereafter (b) carry out and cause to be carried out, in a manner satisfactory to the Association, such learning plan as shall have been agreed with 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 and *Decree 111/2006/ND-CP, Guiding Implementation of Law on Procurement and Selection of Contractor Bidder in Accordance with Law on Construction* dated September 29, 2006 (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 (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

(i) 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.

(ii) In addition to the foregoing requirements, equitized Government-owned enterprises in which the Recipient or procuring entity holds less than fifty percent of the shares are eligible to participate provided that the governing Board and management team are autonomous from the procuring entity. 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

(iii) 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

(iv) 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 Review and on a free and open access website.

Standard Bidding Documents

(v) Standard Bidding Documents, acceptable to the Association, shall be used.

Qualification Criteria

(vi) 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

(vii) 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.

(c) A contract shall be awarded to the technically responsive bid that offers the lowest evaluated price and no negotiations shall be permitted. A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted.

(d) A bidder shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

(e) No bidder shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without the Association's prior concurrence.

(f) A copy of the minutes of the public bid opening shall be promptly provided to all bidders who submitted bids, and to the Association with respect to contracts subject to prior review.

Rejection of All Bids and Re-bidding

(viii) All bids shall not be rejected or new bids solicited without the Association's prior written concurrence.

Complaints by Bidders and Handling of Complaints

(ix) The Recipient shall implement an effective and independent protest mechanism allowing bidders to protest and to have their protests handled in a timely manner.

Fraud and Corruption

(x) The Association shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, a contract financed by the Association.

Right to Inspect/Audit

(xi) Each bidding document and contract financed from the proceeds of a Credit shall include a provision requiring bidders, suppliers, contractors to permit the Association, at its request, 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.

License

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

Publication of the Award of Contract

(xiii) The Recipient shall publish the following information on contract award in the Government Public Procurement Review 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 May 15 and November 15:	
commencing November 15, 2018 to and including May 15, 2028	1%
commencing November 15, 2028 to and including May 15, 2048	2%

* The percentages represent the percentages 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

Definitions

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “Community Committee” means the committee to be established in respect of each low-income area selected for upgrading under Part A.1 of the Project, consisting of representatives of the administrative authorities of said area, of mass organizations such as the Women’s Union and the Youth Union among others, and of residents of the area, who will participate in the identification, planning and preparation of the infrastructure investments for the upgrading of such area.
4. “Community Environmental Management Plan” and “CEMP” mean, in respect of the infrastructure investments proposed for each low-income area selected for upgrading under Part A.1 of the Project, the environmental plan prepared in accordance with the Environmental Assessment Guidelines and with the participation of the respective Community Committee (as defined above), designed to ensure that such investments are implemented in accordance with sound environmental standards and practices, and referred to in paragraph 3, Section I(D) of Schedule 2 to this Agreement; and “Community Environmental Management Plans” and “CEMPs” mean, collectively, all such Plans.
5. “Community Upgrading Plan” and “CUP” mean, in respect of each low-income area selected for upgrading under Part A.1 of the Project, a plan developed by Đà Nẵng in close consultation with the respective Community Committee, and referred to in paragraph 3, Section I(D) of Schedule 2 to this Agreement; said plan setting out the physical details of the infrastructure investments to be undertaken for such area, the related costs, cost recovery arrangements and financial and implementation arrangements for operation and maintenance of such investments, and the Community Environment Management Plan in connection with such investments; and “Community Upgrading Plans” and “CUPs” mean, collectively, all such Plans.
6. “Đà Nẵng” means the City of Đà Nẵng, under the direct jurisdiction of the central government of the Socialist Republic of Vietnam, and any successor thereto.
7. “Đà Nẵng Women’s Union” means the Đà Nẵng branch of the Vietnam Women’s Union, a social organization established on October 20, 1950.

8. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) 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 person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons.
9. “DOC” means the Đà Nẵng Department of Construction, and any successor thereto.
10. “DOF” means the Đà Nẵng Department of Finance, and any successor thereto.
11. “Dong” and “VND” mean the national currency of the Socialist Republic of Vietnam.
12. “DONRE” means the Đà Nẵng Department of Natural Resources and Environment, and any successor thereto.
13. “DPI” means the Đà Nẵng Department of Planning and Investment, and any successor thereto.
14. “Environmental Assessment Guidelines” means the Guidelines approved by Da Nang People’s Committee in Decision 626/UBND-QLDTh of January 29, 2008, which set out principles and procedures for screening anticipated environmental impacts and, on the basis of such screening, for undertaking full environmental assessments as may be necessary, and for the preparation of Community Environmental Management Plans for low-income areas upgrading and of environmental management plans for other works during Phase II of the Project, referred to in paragraph 2, Section I(D) of Schedule 2 to this Agreement.
15. “Environment Management Plan” means the Environmental Management Plan dated January 18, 2008, satisfactory to the Association, prepared on behalf of Đà Nẵng in respect of Phase I of the Project.
16. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
17. “Governance and Transparency Action Plan” means the plan adopted by Đà Nẵng People’s Committee through Decision 920/UBND-QLDTh of February 18, 2008, and referred to in paragraph 4 (a)(iii), Section I (A) of Schedule 2 to this Agreement.
18. “Implementation Arrangement” means the agreement to be entered between Đà Nẵng and the Đà Nẵng Women’s Union in respect of the operation of the Housing

Improvement Loan program, referred to in paragraph 1, Section I(C) of Schedule 2 to this Agreement.

19. “Phase I of the Project” means activities under the Project ready for implementation during the period of approximately 2008 through 2010, set forth in the Attachment to the Appendix, as said Attachment may be revised from time to time with the mutual agreement of the Recipient and the Association.

20. “Phase II of the Project” means activities under the Project scheduled for implementation during the period of approximately 2009-2013, set forth in the Attachment to the Appendix, as said Attachment may be revised from time to time with the mutual agreement of the Recipient and the Association.

21. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.

22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 16, 2008, 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.

23. “Project Board of Management” means the board established by Decision 1087/QĐ-UBND of Đà Nẵng People’s Committee dated December 30, 2005, and referred to in paragraph 1, Section I (A) of Schedule 2 to this Agreement.

24. “Project Management Unit” and “PMU” mean the Project Management Unit established and maintained in accordance with the provisions of paragraph 2, Section I(A) of Schedule 2 to this Agreement.

25. “Resettlement Action Plan” means the resettlement action plan dated December 15, 2007, satisfactory to the Association, prepared on behalf of Đà Nẵng in respect of Phase I of the Project.

26. “Resettlement Policy Framework” and “RPF” mean the Resettlement Policy Framework approved by the Prime Minister under Decision 1587/TTg-NN of October 23, 2007 and endorsed by Đà Nẵng pursuant to Decision No. 8739/QĐ-UBND of November 1, 2007; said Framework sets out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement action plans as may be required for successive phases of civil works under the Project, as said Policy Framework may be revised from time to time with the prior concurrence of the Association.

27. “TMDC” means the Đà Nẵng Transportation Works Repair, Management and Drainage Company under the authority of TUPWS (as defined below) established and

operating pursuant to Decision 7994/QĐ-UBND of October 10, 2007 of the Đà Nẵng People's Committee, and any successor thereto.

28. "TUPWS" means the Đà Nẵng Department of Transport and Urban Public Works Services, and any successor thereto.

Attachment to Appendix

Part A- Urban Area Upgrading	
Phase 1 (2008 – 2010)	
1.	Upgrading LIA: Thanh Khe 1 + Xuan Hoa A
2.	Upgrading LIA: Thanh Khe 5
3.	Upgrading LIA: Chau Thanh
4.	Constructing Resettlement Area: Thanh Khe Tay RA,
5.	Constructing Resettlement Area: Hoa Quy RA
6.	Constructing Resettlement Area: Hoa Minh – Hoa Khanh RA
7.	Upgrading LIA: Trung Tam
Phase 2 (2009 – 2013)	
8.	Upgrading LIA Area 4-Nai Hien B, Binh Hien ward, Hai Chau district
9.	Upgrading LIAs Cam Bac 1 + Binh Thai 2 , Ha Tho Dong ward, Cam Le district
10.	Upgrading LIA residential area No.1 – Hoa Hiep Bac, Hoa Hiep Bac ward/ Lien Chieu district
11.	Upgrading LIA Residential area No.3 – Hoa Hiep Bac, Hoa Hiep Bac ward, Lien Chieu district
12.	Upgrading LIAs Binh An – Group 30, 31, 32, 33 Binh Thuan ward, Hai Chau district
13.	Upgrading LIA Triangle area 1-2 , Thac Gian ward, Thanh Khe district
14.	Upgrading LIA Tam Toa 1, from group 1-8, Tam Thuan ward/ Thanh Khe district
15.	Upgrading LIAs Thanh Vinh, Loc Phuoc, Quang Cu, Tho Quang ward, Son Tra district
16.	Upgrading LIAs An Don, An Tran, An Cu, An Hai Bac ward/ Son Tra district
17.	Upgrading LIAs An Thanh, An Trung Dong , An Hai Dong ward, Son Tra district
Part B - Environment Infrastructure	
Phase 1 (2008 – 2010)	
1.	Improving the environment of Phu Loc River (drainage and sewerage)
2.	Primary and secondary infrastructure related to drainage of LIAs Thanh Khe + Xuan Hoa A and Thanh Khe 5 – Group 29,30,34 and Chau Thanh
Phase 2 (2009 – 2013)	
3.	Trunk Drains for Flooding Prevention in Lien Chieu, Son Tra, and Central area (Thanh Khe Hai Chau) districts
4.	Expansion of wastewater system in Son Tra, Cam Le, Lien Chieu Districts.
5.	Additional sewers (tertiary and house connections)
6.	Primary and secondary infrastructure related to drainage of Trung Tam LIA
7.	External of Water Supply for LIAs

8.	Primary and secondary drains for LIAs in Phase 2
9.	Wastewater collection for expanding
10.	Additional tertiary sewers and house connections
	Hoa Xuan WWTP including Pumping stations and rising mains from Hoa Cuong and Ngu Hanh Son WWTPs

Part C - Urban Roads and Bridges

Phase 2 (2009 – 2013)	
1.	Nguyen Tri Phuong extended Road to Tran Dai Nghia Road (road and bridges)
2.	South City Road Section Highway 1A to Tran Dai Nghia (road and bridge)

Part D - Capacity Building and Project Implementation Support

Phase 1 & 2

1.	Capacity Building: GIS, Technical Assistance, Training, Computers and software, Study tours, City Master planning
2.	Project Implementation Support Incremental Operating Costs, Project Development Outcome Monitoring and Evaluation Services, Project Financial Auditing, Utility Financial Auditing, Performance Audit, Monitoring RAP, EMP