

CONFORMED COPY

CREDIT NUMBER 3648-VN

Development Credit Agreement

(Second Rural Finance Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 9, 2002

CREDIT NUMBER 3648-VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 9, 2002, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association)

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Bank for Investment and Development of Vietnam” and the acronym “BIDV” mean the state-owned bank established and operating pursuant to the Statute of the Bank for Investment and Development of Vietnam issued under Decision No. 349/QD-NH5 of the State Bank of Vietnam, dated October 16, 1997, or any successor thereto;

(b) “Beneficiary” means any MLF Beneficiary or any RDF II Beneficiary, and “Beneficiaries” means all of said Beneficiaries;

(c) “BIDV Additional Financing” means a loan in Dong or in Dollars made or proposed to be made by BIDV from its own resources to an RDF II Beneficiary for an RDF II Sub-project pursuant to paragraph 1 (b) (xii) of Section I of Schedule 5 to this Agreement;

(d) “BIDV Restructuring Plan” means the plan of actions adopted by the State Bank of Vietnam and BIDV, approved by the Borrower’s Prime Minister’s Decision No. 164/2001 QD-TTg dated October 23, 2001, as part of the Borrower’s State-owned Commercial Banks restructuring supported by the Development Credit Agreement for the Borrower’s Poverty Reduction Support Credit, entered into between the Borrower and the Association dated July 5, 2001, Credit No.3511-VN.

(e) “Category” means any of the Categories set forth in paragraph 1 of the table in Schedule 1 to this Agreement;

(f) “Dong” and “VND” mean the currency of the Borrower;

(g) “FRP Policy Manual” means the policy manual for the establishment and operation of the Fund for the Rural Poor, adopted by the Borrower, through the State Bank of Vietnam, pursuant to the provisions of Section 3.02 (a) of the Development Credit Agreement for Credit No. 2855-VN entered into between the Borrower and the Association dated July 19, 1996 (Rural Finance Project), as amended, and to be adopted and implemented by BIDV in accordance with Section 3.03 (b) of this Agreement;

(h) “Fund for the Rural Poor” and the acronym “FRP” mean the fund established by the Borrower in accordance with paragraph A.7 of Schedule 4 to the Development Credit Agreement for Credit No. 2855-VN entered into between the Borrower and the Association dated July 19, 1996 (Rural Finance Project), as amended, to be transferred to BIDV in accordance with Section 3.03 (a) of this Agreement;

(i) “Institutional Development Plan” and the acronym “IDP” mean the plan adopted by each BIDV, MFIs and PFIs, pursuant to paragraph 3 of Schedule 4 to this Agreement, including performance monitoring indicators and a time-table for the implementation of said indicators, all satisfactory to the Association;

(j) “MFI Additional Financing” means a loan in Dong made or proposed to be made by an MFI from its own resources to an MLF Beneficiary for an MLF Sub-project pursuant to paragraph 1 (b) (xiv) of Section I of Schedule 5 to this Agreement;

(k) “Micro-enterprise” means a privately-owned household-based business employing at least three (3) persons outside the immediate family established and operating in the Socialist Republic of Vietnam pursuant to the Borrower’s relevant laws;

(l) “Micro-Finance Institution” and the acronym “MFI” mean a state-owned or privately owned commercial bank and non-governmental organizations established and operating in the Socialist Republic of Vietnam pursuant to the Borrower’s relevant laws, legally authorized to make short-term and medium-term loans in the rural sector to a Micro-enterprise, and which is selected by BIDV in accordance with the accreditation criteria set forth in the MLF Policy Manual to provide MLF Sub-loans to MLF Beneficiaries under Part A.2 of the Project, out of the proceeds of an MLF Subsidiary Loan, and “Micro-Finance Institutions” and the acronym “MFIs” mean, collectively, all of said MFIs;

(m) “Micro Finance Loan Fund” and the acronym “MLF” mean the fund established by BIDV in accordance with paragraph 10 (a) of Schedule 4 to this Agreement;

(n) “MLF Free-limit Sub-loan” means a loan which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 1 (b) of Part A of Section III of Schedule 5 to this Agreement;

(o) “MLF Beneficiary” means an individual or a Micro-enterprise established and operating in the Socialist Republic of Vietnam pursuant to the Borrower’s relevant laws, and eligible to carry out an MLF Sub-project to be financed in part by an MLF Sub-loan pursuant to the MLF Policy Manual;

(p) “MLF Policy Manual” means the policy manual for the establishment and operation of the Micro Finance Loan Fund under Part A.2 of the Project to be adopted by the Borrower and BIDV in accordance with Section 3.02 (a) of this Agreement;

(q) “MLF Sub-loan” means a loan in Dong made or proposed to be made by a Micro Finance Institution to an MLF Beneficiary, out of the proceeds of an MFL Subsidiary Loan, to finance in part the carrying out of an MLF Sub-project, in accordance with the provisions of an MLF Sub-loan Agreement;

(r) “MLF Sub-loan Agreement” means the agreement to be entered into between a Micro Finance Institution and an MLF Beneficiary for purposes of providing an MLF Sub-loan pursuant to Parts A and C of Section III of Schedule 5 to this Agreement, as the same may be amended from time to time with the prior agreement of the Association, and “MLF Sub-loan Agreements” means, collectively, all of said MLF Sub-loan Agreements;

(s) “MLF Subsidiary Loan” means a loan in Dong made or proposed to be made by BIDV to a Micro Finance Institution, out of the proceeds of the On-lending Loan, in accordance with the provisions of an MLF Subsidiary Loan Agreement;

(t) “MLF Subsidiary Loan Agreement” means the agreement to be entered into between BIDV and a Micro Finance Institution for purposes of providing an MLF Subsidiary Loan pursuant to Part B of Section II of Schedule 5 to this Agreement, as the same may be amended from time to time with the prior agreement of the Association, and “MLF Subsidiary Loan Agreements” means, collectively, all of said MLF Subsidiary Loan Agreements;

(u) “MLF Sub-project” means a specific rural development project outside the municipal boundaries of Hanoi, Ho Chi Minh City, Hai-Phong, and Dan Nang to be carried out under Part A.2 of the Project by an MLF Beneficiary utilizing the proceeds of an MLF Sub-loan and a MFI Additional Financing and/or the MLF Beneficiaries own resources, all in accordance with the relevant provisions of Schedule 5 to this Agreement;

(v) “On-lending Loan” means the loan made by the Borrower to BIDV under the On-lending Loan Agreement;

(w) “On-lending Loan Agreement” means the agreement to be entered into between the Borrower and BIDV pursuant to Section 3.04 of this Agreement, as the same may be amended from time to time with the prior agreement of the Association;

(x) “Participating Financial Institution” and the acronym “PFI” mean a commercial bank, joint stock commercial bank, rural joint stock commercial bank and any other entity established and operating in accordance with the laws of the Socialist Republic of Vietnam authorized to make short-term, medium-term and long-term loans, respectively, in the rural sector, and which is selected by BIDV in accordance with the accreditation criteria set forth in the RDF II Policy Manual to provide RDF II Sub-loans to RDF II Beneficiaries under Part A.1 of the Project, and “Participating Financial Institutions” and the acronym “PFIs” mean, collectively, all of said PFIs;

(y) “PFI Additional Financing” means a loan in Dong or in Dollars made or proposed to be made by a PFI from its own resources to an RDF II Beneficiary for an RDF II Sub-project pursuant to paragraph 1 (b) (xiii) of Section I of Schedule 5 to this Agreement;

(z) “Project Management Unit” and the acronym “PMU” mean the unit established within BIDV in accordance with paragraph 1 of Schedule 4 to this Agreement;

(aa) “RDF II Beneficiary” means an individual or a privately-owned enterprise established and operating pursuant to the relevant laws of the Socialist Republic of Vietnam eligible to carry out an RDF II Sub-project;

(bb) “RDF II Free-limit Sub-loan” means a loan which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 1 (b) of Part A of Section III of Schedule 5 to this Agreement;

(cc) “RDF II Policy Manual” means the policy manual for the establishment and operation of the Rural Development Fund II under Part A.1 of the Project to be adopted by the Borrower and BIDV in accordance with Section 3.02 (a) of this Agreement, which Policy Manual includes the provisions of the RDF Policy Manual adopted by the Borrower, through the State Bank of Vietnam, pursuant to the provisions of Section 3.02 (a) of the Development Credit Agreement for Credit No. 2855-VN entered into between the Borrower and the Association dated July 19, 1996 (Rural Finance Project), as amended;

(dd) “RDF II Sub-loan” means a loan in Dong or in Dollars made or proposed to be made by a PFI to an RDF II Beneficiary, out of the proceeds of an RDF II Subsidiary Loan, to finance in part the carrying out of an RDF II Sub-project, in accordance with the provisions of an RDF II Sub-loan Agreement;

(ee) “RDF II Sub-loan Agreement” means the agreement to be entered into between a PFI and an RDF II Beneficiary for purposes of providing an RDF II Sub-loan pursuant to Parts A and B of Section III of Schedule 5 to this Agreement, as the same may be amended from time to time with the prior agreement of the Association, and “RDF II Sub-loan Agreements” means, collectively, all of said RDF II Sub-loan Agreements;

(ff) “RDF II Subsidiary Loan” means a loan in Dong or in Dollars made or proposed to be made by BIDV to a PFI, out of the proceeds of the On-lending Loan, in accordance with the provisions of an RDF II Subsidiary Loan Agreement;

(gg) “RDF II Subsidiary Loan Agreements” means the agreements to be entered into between BIDV and the PFIs, and the term “RDF II Subsidiary Loan Agreement” followed by the name of a PFI means the agreement to be entered into between BIDV and said PFI, and the term “RDF II Subsidiary Loan Agreements” followed by the name of a PFI means all the RDF II Subsidiary Loan Agreements entered into between BIDV and said PFI, all pursuant to Part A of Section II of Schedule 5 to this Agreement, as such RDF II Subsidiary Loan Agreements may be amended from time to time with the prior agreement of the Association;

(hh) “RDF II Sub-project” means a specific rural development project under Part A.1 of the Project to be located outside the municipal boundaries of Hanoi, Ho Chi Minh City, Hai-Phong, and Dan Nang, and to be carried out by an RDF II Beneficiary utilizing the proceeds of an RDF II Sub-loan, a BIDV Additional Financing, a PFI Additional Financing and the own resources of the respective RDF II Beneficiary, all in accordance with the relevant provisions of Schedule 5 to this Agreement;

(ii) “Rural Development Fund” and the acronym “RDF” mean the fund established by the Borrower in accordance with paragraph A.7 of Schedule 5 to the Development Credit Agreement for Credit No. 2855-VN entered into between the Borrower and the Association, dated July 19, 1996 (Rural Finance Project), as amended;

(jj) “Rural Development Fund II” and the acronym “RDF II” mean the fund established by BIDV in accordance with paragraph 10 (a) of Schedule 4 to this Agreement;

(kk) “Rural Finance Project” means the project of the Borrower described in Schedule 2 to the Development Credit Agreement entered into between the Borrower and the Association, dated July 19, 1996, Credit Number 2855-VN (Rural Finance Project);

(ll) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(mm) “State Bank of Vietnam” and the acronym “SBV” mean the Borrower’s central bank;

(nn) “Sub-loan” means any MLF Sub-loan or any RDF II Sub-loan, and “Sub-loans” means, collectively, all of said Sub-loans;

(oo) “Sub-loan Agreement” means any MLF Sub-loan Agreement or any RDF II Sub-loan Agreement, and “Sub-loan Agreements” means, collectively, all of said Sub-loan Agreements;

(pp) “Subsidiary Loan” means any MLF Subsidiary Loan or any RDF II Subsidiary Loan, and “Subsidiary Loans” means, collectively, all of said Subsidiary Loans;

(qq) “Subsidiary Loan Agreement” means any MLF Subsidiary Loan Agreement or any RDF II Subsidiary Loan Agreement, and “Subsidiary Loan Agreements” means, collectively, all of said Subsidiary Loan Agreements; and

(rr) “Vietnam Bank for Agriculture and Rural Development” and the acronym “VBARD” mean the state-owned bank established and operating pursuant to the Statute of the Vietnam Bank for Agriculture issued under Decision No. 250/QD of the State Bank of Vietnam, dated November 11, 1992, or any successor thereto.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred sixty million two hundred thousand Special Drawing Rights (SDR 160,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for:

(i) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Part B of the Project and to be financed out of the proceeds of the Credit; and

(ii) amounts paid (or, if the Association shall so agree, to be paid) by the Borrower on account of withdrawals made by: (A) an MLF Beneficiary under an MLF Sub-loan to meet reasonable cost of goods, works and services required for an MLF Sub-project in respect of which the withdrawal from the Credit Account is requested; and (B) an RDF II Beneficiary under an RDF II Sub-loan to meet reasonable cost of goods, works and services required for an RDF II Sub-project in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank, acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2008, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on May 15 and November 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 15 and November 15 commencing November 15, 2012, and ending May 15, 2042. Each installment to and including the installment payable on May 15, 2022, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Association shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall and shall cause BIDV to carry out the Project with due diligence and efficiency and in conformity with sound administrative, commercial banking, and financial practices, and social and environmental standards, with qualified and experienced management and personnel in sufficient numbers, and in accordance with the MLF Policy Manual and RDF II Policy Manual, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall cause BIDV to carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall, and shall cause BIDV to, adopt and thereafter apply the Financial Management Manual in a manner and substance satisfactory to the Association pursuant to the provisions of paragraph 15 of Schedule 4 to this Agreement.

Section 3.02. For purposes of carrying out Part A of the Project:

(a) the Borrower shall, and shall cause BIDV to, adopt and thereafter apply the MLF Policy Manual and the RDF II Policy Manual in a manner and substance satisfactory to the Association, each including provisions for: (i) accreditation criteria for MFIs and PFIs, respectively; (ii) eligibility criteria for MLF Beneficiaries and RDF II Beneficiaries; (iii) eligibility criteria for Sub-projects and its review; (iv) terms and conditions of Subsidiary Loans and Sub-loans; (v) terms and conditions of BIDV Additional Financing and PFI Additional Financing for RDF II Sub-projects; (vi) terms and conditions of MFI Additional Financing for MLF Sub-projects; (vii) guidelines for environmental screening of Sub-projects and compliance with laws and regulations of the Socialist Republic of Vietnam on environment; (viii) audit, supervision and reporting of the MFIs and PFIs; (ix) financial management system for BIDV and for each PFI and MFI accredited under the Project; (x) operation and management of the Rural Development Fund pursuant to Section 3.03 (b) of this Agreement; and (xi) operation and management of the Micro Finance Loan Fund and Rural Development Fund II, to be established pursuant to the provisions of paragraph 10 (a) of Schedule 4 to this Agreement; and

(b) the Borrower and BIDV further undertake not to abrogate, amend, assign, repeal, suspend or waive the provisions of the MLF Policy Manual and the RDF II Policy Manual without the prior agreement of the Association.

Section 3.03. The Borrower shall, all in a manner and substance satisfactory to the Association:

(a) through SBV, transfer to BIDV all the assets and liabilities of the Fund for the Rural Poor and the Rural Development Fund, which funds were established pursuant to the provisions of paragraph A.7 of Schedule 4 to the Development Credit Agreement for the Rural Finance Project;

(b) cause BIDV to operate and maintain the Fund for the Rural Poor and the Rural Development Fund and to that effect the Borrower shall cause BIDV to adopt and thereafter apply the FRP Policy Manual; and

(c) cause BIDV not to abrogate, amend, assign, repeal, suspend or waive the provisions of the FRP Policy Manual without the prior agreement of the Association.

Section 3.04. For purposes of carrying out the Project the Borrower shall, through the Borrower's Ministry of Finance (MOF), onlend to BIDV the proceeds of the Credit under the On-lending Loan Agreement to be entered into between the Borrower represented by MOF, and BIDV under terms and conditions satisfactory to the Association, including those set forth in Section I of Schedule 5 to this Agreement and the following principal onlending terms and conditions:

- (a) for purpose of carrying out Part A.1 of the Project:
- (i) the principal amount of the On-lending Loan shall be:
 - (A) the equivalent of the aggregate amount of the principal of all Sub-loans made in Dong and/or in Dollars out of the proceeds of the Credit allocated to Category 1(a) of the table in paragraph 1 of Schedule 1 to this Agreement; (B) onlent in Dong and in Dollars corresponding to the currency of the principal amount of the RDF II Sub-loans; (C) in respect of the principal of said Sub-loans made in Dong, repaid by BIDV in Dong in an amount equivalent at the time of withdrawal to the amounts withdrawn from time to time from the Credit Account under the above-mentioned Category (1)(a) in respect of such Sub-loans; and (D) in respect of the principal of said Sub-loans made in Dollars, repaid by BIDV in Dollars in an amount equivalent at the time of repayment to the value of the currency or currencies withdrawn from time to time from the Credit Account under the above-mentioned Category (1)(a) in respect of such Sub-loans;
 - (ii) interest on the principal amount withdrawn and outstanding made in Dong and in Dollar shall be payable by BIDV at a per annum fixed or variable rate of interest established in a manner satisfactory to the Association, which shall include a margin of at least two percent (2%) to cover full operating costs of BIDV in respect to the

Subsidiary Loans and BIDV Additional Financing, including provision for loan losses thereof;

- (iii) commitment charges shall be payable on the amount so on-lent but not yet withdrawn from time to time at the rate payable by the Borrower under Section 2.04 (a) of this Agreement; and
 - (iv) the principal amount shall be repaid in twenty five (25) years including a grace period of eight (8) years on the principal.
- (b) For purposes of carrying out Part A.2 of the Project:
- (i) the principal amount of the On-lending Loan shall be:
(A) the equivalent of the aggregate amount of the principal of all Sub-loans made in Dong out of the proceeds of the Credit allocated to Category 1(b) of the table in paragraph 1 of Schedule 1 to this Agreement;
(B) onlent in Dong corresponding to the currency of the principal amount of the MLF Sub-loans; and
(C) repaid by BIDV in Dong in an amount equivalent at the time of withdrawal to the amounts withdrawn from time to time from the Credit Account under the above-mentioned Category (1)(b) in respect of such Sub-loans;
 - (ii) interest on the principal amount withdrawn and outstanding made in Dong shall be payable by BIDV at a per annum fixed or variable rate of interest established in a manner satisfactory to the Association, which shall include a margin of at least two percent (2%) to cover full operating costs of BIDV in respect to the Subsidiary Loans, including provision for loan losses thereof;
 - (iii) commitment charges shall be payable on the amount so on-lent but not yet withdrawn from time to time at the rate payable by the Borrower under Section 2.04 (a) of this Agreement; and
 - (iv) the principal amount shall be repaid in twenty (25) years including a grace period of eight (8) years on the principal.

(c) For purposes of carrying out Part B of the Project the Borrower shall onlend to BIDV an amount out of the proceeds of the Credit, allocated from time to time to Categories (2) through (4) of the table in paragraph 1 of Schedule 1 to this Agreement under terms and conditions satisfactory to the Association.

Section 3.05. For purposes of carrying out Part A.1 of the Project, BIDV shall relend to each PFI an amount out of the proceeds of the Credit allocated from time to time to Category (1)(a), under a RDF II Subsidiary Loan Agreement to be entered into between BIDV and each PFI under terms and conditions satisfactory to the Association, which shall include those set forth in the RDF II Policy Manual and in Part A of Section II of Schedule 5 to this Agreement, and the following principal onlending terms and conditions:

(a) the principal amount of the RDF II Subsidiary Loan shall be: (i) equivalent to the aggregate amount of the principal of all RDF II Subsidiary Loans made out of the proceeds thereof by BIDV; (ii) onlent in Dong or in Dollars; (iii) in respect of RDF II Sub-loans made in Dong, repaid by the PFI in Dong in an amount equivalent at the time of withdrawal to the amounts withdrawn from time to time from the Credit Account under Category (1)(a) in respect of such RDF II Sub-loans; and (iv) in respect of RDF II Sub-loans made in Dollars, repaid by the PFI in Dollars in an amount equivalent at the time of repayment to the value of the currency or currencies withdrawn from time to time from the Credit Account under Category (1)(a) in respect of such RDF II Sub-loans;

(b) interest on the principal amount withdrawn and outstanding of a Subsidiary Loan made in Dong shall be payable at a per annum rate of interest established in a manner satisfactory to the Association;

(c) interest on the principal amount withdrawn and outstanding of a Subsidiary Loan made in Dollars shall be payable at the London interbank offered rate for six months deposits in Dollars plus a margin sufficient to cover full operating costs of BIDV in respect of the Subsidiary Loan, including provision for loan losses thereof;

(d) commitment charges shall be payable on the amount so on-lent but not yet withdrawn from time to time at the rate payable by the Borrower under Section 2.04 (a) of this Agreement; and

(e) the principal amount of such RDF II Subsidiary Loans shall be repaid in accordance with an amortization schedule which corresponds to the composite of the amortization schedules of such RDF II Subsidiary Loans.

Section 3.06. For purposes of carrying out Part A.2 of the Project, BIDV shall relend to each MFI an amount out of the proceeds of the Credit allocated from time to time to Category (1)(b), under an MLF Subsidiary Loan Agreement to be entered into between BIDV and each MFI under terms and conditions satisfactory to the Association, which shall include those set forth in the MLF Policy Manual and in Part B of Section II of Schedule 5 to this Agreement, and the following principal onlending terms and conditions:

(a) the principal amount of the MLF Subsidiary Loan shall be: (i) the equivalent of the aggregate amount of the principal of all MLF Subsidiary Loans made out of the proceeds thereof by BIDV to the relevant MFI; (ii) onlent in Dong; and (iii) be repaid by the MFI in Dong in an amount equivalent at the time of withdrawal to the amounts withdrawn from time to time from the Credit Account under Category (1)(b);

(b) interest on the principal amount withdrawn and outstanding of an MLF Subsidiary Loan made in Dong shall be payable at a per annum rate of interest established in a manner satisfactory to the Association;

(c) commitment charges shall be payable on the amount so on-lent and not yet withdrawn from time to time at the rate payable by the Borrower under Section 2.04 (a) of this Agreement; and

(d) the principal amount of such MLF Subsidiary Loans shall be repaid in accordance with an amortization schedule which corresponds to the composite of the amortization schedules of such MLF Subsidiary Loans.

Section 3.07. PFIs and MFIs shall make Sub-loans under terms and conditions satisfactory to the Association, which shall include those set forth in Section III of Schedule 5 to this Agreement

Section 3.08. Except as the Association shall otherwise agree: (a) procurement of goods, works and consultants' services required for the carrying out of Sub-projects under Part A of the Project and to be financed out of the proceeds of the Credit through a Sub-loan shall be governed by the provisions of paragraph 4 (b) and (c) of Part A of Section III of Schedule 5 to this Agreement; and (b) procurement of the goods and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.09. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan to ensure the sustainability of the Project, and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause BIDV to maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to the Project.

(b) The Borrower shall cause BIDV to:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with sound accounting practices, records and separate accounts reflecting such expenditures;
 - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made; and
 - (iii) enable the Association's representatives to examine such records.
- (d) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (c) (i) of this Section and those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
 - (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including a separate opinion by said auditors as to whether the Financial Monitoring Reports or statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
 - (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraphs 12, 13 and 14 of Schedule 4 to this Agreement, the Borrower shall, and shall cause BIDV to, prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and

- explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of BIDV or for the suspension of its operations, and such dissolution, disestablishment or suspension of operations shall materially and adversely affect the ability of the Borrower to carry out the Project or any part thereof, or to perform any of the obligations of the Borrower under this Agreement or to perform any of the obligations of the Borrower under the On-lending Loan Agreement.

(b) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of one or more of the MFIs or PFIs or for the suspension of the operations thereof, and such dissolution, disestablishment or suspension of operations shall materially and adversely affect the ability of the Borrower and BIDV to carry out the Project or any part thereof, or to perform any of its obligations under this Agreement or to perform any of its obligations under the respective Subsidiary Loan Agreements.

(c) Any part of the principal amount of any loan to BIDV, or to an MFI or PFI, having an original maturity of one year or more shall, in accordance with its terms,

have become due and payable in advance of maturity as provided in the related contractual instrument, or any security for any such loan shall become enforceable.

(d) A subsidiary or any other entity shall have been created or acquired or taken over by BIDV, or by one or more of the MFIs or PFIs, if such creation, acquisition or taking over would adversely affect the conduct of BIDV, or of the MFIs or PFIs' business or its financial condition or the efficiency of its management and personnel in carrying out the Project or any part thereof.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, any event specified in Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Financial Management Manual has been adopted by the Borrower, through the State Bank of Vietnam, and BIDV in accordance with Section 3.01 (c) of this Agreement;

(b) the MLF Policy Manual and the RDF II Policy Manual have been adopted by the Borrower, through the State Bank of Vietnam, and BIDV in accordance with Section 3.02 (a) of this Agreement;

(c) the Project Management Unit has been established, including the appointment of an accountant, in accordance with paragraph 1 of Schedule 4 to this Agreement;

(d) BIDV has adopted its Institutional Development Plan in accordance with paragraph 3 of Schedule 4 to this Agreement;

(e) the BIDV Restructuring Plan is being implemented in a manner and substance satisfactory to the Association, including the increase in BIDV's equity by the Borrower through its Ministry of Finance in an amount of not less than Dong 1.2 trillion;

(f) a Project Senior Advisor has been employed by BIDV in accordance with paragraph 2 of Schedule 4 to this Agreement;

(g) the On-lending Loan Agreement has been entered into between the Borrower and BIDV in accordance with Section 3.04 of this Agreement; and

(h) the operation and maintenance of the Fund for the Rural Poor and the Rural Development Fund, including all assets and liabilities thereof, have been transferred to BIDV, and BIDV has adopted the FRP Policy Manual in accordance with Section 3.03 of this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the On-lending Loan Agreement has been duly authorized or ratified by the Borrower and BIDV, and is legally binding upon the Borrower and BIDV in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Governor or any Deputy Governor of the State Bank of Vietnam of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

State Bank of Vietnam
49 Ly Thai To, Hanoi
Socialist Republic of Vietnam

Cable address:

Telex:

Facsimile:

VIETBANK
Hanoi

412248
NHTWVT

84-4-8250612

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

Facsimile:

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Le Duc Thuy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Andrew Steer

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDRs)</u>	<u>% of Expenditures to be Financed</u>
(1) Sub-loans:		
(a) under Part A.1 of the Project	132,710,000	100% of Sub-loan amount disbursed
(b) under Part A.2 of the Project	19,230,000	100% of Sub-loan amount disbursed
(2) Goods under Part B of the Project	4,490,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 65% of local expenditures for other items procured locally
(3) Consultants' services:		100% for foreign individual consultants and 93% for local individual consultants, local consulting firms, and foreign consulting firms
(a) under Part B of the Project	950,000	
(b) for audits of Project accounts	80,000	
(4) Training under Part B of the Project	2,740,000	100%
TOTAL	<u>160,200,000</u>	

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 1,680,000 may be made in respect of Categories (3) and (4) on account of payments made for expenditures before that date but after April 30, 2002;

(b) a RDF II Sub-loan, under Category (1) (a), to be made by a PFI unless BIDV shall have: (i) entered into a Subsidiary Loan Agreement with the respective PFI in accordance with Section 3.05 of this Agreement and Part A of Section II of Schedule 5 to this Agreement; and (ii) certified to the Association that the PFI is in compliance with the accreditation criteria set forth in the RDF II Policy Manual or its IDP, as the case may be;

(c) a MLF Sub-loan, under Category (1) (b), to be made by an MFI unless BIDV shall have: (i) entered into a Subsidiary Loan Agreement with the respective MFI in accordance with Section 3.06 of this Agreement and Part B of Section II of Schedule 5 to this Agreement; and (ii) certified to the Association that the MFI is in compliance with the accreditation criteria set forth in the MLF Policy Manual or its IDP, as the case may be;

(d) a Sub-loan under Category (1), unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Section III of Schedule 5 to this Agreement; and

(e) a Sub-loan under Category (1)(b) unless the State Bank of Vietnam has issued instructions, satisfactory to the Association, allowing MFIs to set the interest on the principal of their loans to their clients at rates sufficient to fully cover MFIs lending operating costs, including the costs of funds, provisioning for possible loan losses and a margin to enable further expansion of their lending operations to the poor.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$100,000 equivalent per contract; (b) contracts for the employment of consulting firms costing less than \$100,000 equivalent per contract; (c) contracts for the employment of individual consultants costing less than \$50,000 equivalent per contract; (d) training; and (e) Sub-loans in an amount of less than \$250,000 equivalent each, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in its efforts to develop the rural economy and improve the living conditions in the rural areas of the Socialist Republic of Vietnam, through: (a) encouraging investments of farm households and private rural entrepreneurs; (b) strengthening the banking system's capacity to better serve the rural economy; and (c) increasing access of the rural poor to financial services.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Credit Finance

1. Increase access by Beneficiaries to financial services through PFIs to finance Sub-projects through the provision of RDF II Sub-loans.
2. Increase access by Beneficiaries to financial services through MFIs to finance Sub-projects through the provision of MLF Sub-loans.

Part B: Institutional Strengthening

1. Strengthening the capacity of BIDV as a wholesale financial institution serving the rural areas through the provision of technical assistance, training, equipment and vehicles.
2. Strengthening the capacity of selected MFIs and PFIs through the provision of technical assistance and training for the carrying out and implementation of their respective IDPs, including the provision of vehicles for VBARD mobile banking operations.

* * *

The Project is expected to be completed by March 31, 2008.

SCHEDULE 3

Procurement

Section I. Procurement of Goods

Part A: General

Goods shall be procured in accordance with: (a) the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for vehicles under Part B of the Project shall be grouped in bid packages estimated to cost \$500,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods under Part B of the Project estimated to cost \$100,000 equivalent or more but less than \$200,000 equivalent per contract, up to an aggregate amount not to

exceed \$660,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) The procedures to be followed for National Competitive Bidding under this Paragraph 1, Part C, shall be those set forth in Decree No. 88/1999/ND-CP dated September 4, 1999, of the Government of the Socialist Republic of Vietnam, as amended and supplemented by Decree No. 14/2000/ND-CP dated May 5, 2000 (Decree No. 88/1999/ND-CP and Decree No. 14/2000/ND-CP, together “the Regulations”), with the clarifications set forth in the Annex to this Schedule 3 required to comply with the provisions of the Guidelines.

2. International Shopping

Goods under Part B of the Project estimated to cost \$50,000 equivalent or more but less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. National Shopping

Goods under Part B of the Project estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Procurement from UN Agencies

Vehicles under Part B of the Project for the PMU estimated to cost \$165,000 equivalent in the aggregate, may be procured from the Inter-Agency Procurement Services Office in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with

such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods under Part B of the Project estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods under Part B of the Project estimated to cost less than \$100,000 equivalent, the following procedures shall apply:

- (i) prior to the selection of any supplier of any contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract under Part B of the Project not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services under Part B of the Project shall be procured in accordance with: (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, (the Consultant Guidelines); and (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services under Part B of the Project shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services under Part B of the Project estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services for auditing of the Project accounts, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services under Part B of the Project for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under Part B of the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

Annex to Schedule 3

NATIONAL COMPETITIVE BIDDING

I. Eligibility

1. The definition of “National Competitive Bidding” in Article 3, Section 2 of the Regulations is hereby revised to read “National Competitive Bidding” is a procurement process where it is envisaged that foreign entities would not be interested in participating. However, foreign bidders are allowed to participate under National Competitive Bidding procedures without association with domestic firms.

2. Article 10 of the Regulations relate to International Competitive Bidding procedures and, pursuant to Section 3.02 of the Development Credit Agreement, are superseded by the provisions of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank on January 1995 and revised in January and August 1996, September 1997 and January 1999. Therefore, provisions in the Regulations relating to International Competitive Bidding shall not apply.

3. Paragraph 2 of Article 10, as amended, shall not apply.

4. The provisions of Article 23 of the Regulations are hereby clarified to mean that all pre-qualified bidders will be invited to bid.

II. Bidding Documents

1. The following sub-paragraph shall be added to paragraph 3 of Article 24:

“If bidders are invited to bid on the basis of post-qualification, then the bidding documents shall specify the post-qualification criteria, i.e. the minimum level of experience in similar contracts, technical capability and financial resources to effectively carry out the contract as offered in the bid.”.

2. The following sub-paragraph shall be added to paragraph 8 of Article 24:

“Bidding documents will also specify the relevant factors in addition to price to be considered in bid evaluation and the manner in which they will be applied for the purpose of determining the lowest evaluated bid. For goods and equipment, other factors which may be taken into consideration include, among others, costs of inland transport and insurance to the specified site, payment schedule, delivery time, operating costs, efficiency and compatibility of the equipment, availability of service and spare parts, and relating training, safety, and environmental benefits.”.

The factors other than price to be used for determining the lowest evaluated bid will, to the extent practicable, be expressed in monetary terms.”

III. **Advertising**

The second sentence of the first paragraph of the Article 4 of the Regulations is hereby modified to read that *“Procuring entity shall advertise Invitation for Bids for participation at least 10 days before issuing bidding documents in a newspaper of national circulation. Advertising should indicate that foreign bidders are eligible.”* The first and third sentences of this paragraph remain valid.

IV. **Time for Bid Preparation**

The first paragraph of the Article 12 is hereby modified to read that *“time allowed for bid preparation shall be at least 30 days for National Competitive Bidding from the availability of the bidding documents.”*

V. **Bid Opening**

1. The first paragraph of the Article 13 is hereby modified to read that *“Bids shall be opened immediately or promptly after the deadline for submission of bids, as specified in the Invitation for Bids.”*

2. The following sub-paragraph shall be added to the first paragraph of the Article 13:

“All bids shall be opened at the same time. Bids received after the time stipulated in the Invitation for Bids as well as those not opened and read out at the bid opening including any discounts, shall not be considered.”

VI. **Bid Evaluation**

In lieu of the provisions of Articles 13, 29, 30, 31, 40, 41 and 55 of the Regulations, bid evaluation shall be carried out in accordance with the following provisions:

“(a) The purpose of bid evaluation is to determine the cost to the Borrower of each bid in a manner that permits a comparison on the basis of their evaluated cost.

(b) If bidders have been invited to bid on the basis of having been pre-qualified, then the bid with the lowest evaluated cost shall be selected for award.

(c) If bidders have been invited to bid on the basis of post-qualification, then the Borrower shall determine whether the bidder whose bid has been determined to offer the lowest evaluated cost has the capability and resources to effectively carry

out the contract as offered in the bid. The minimum criteria to be met shall be set forth in the bidding documents, and if the bidder does not meet them, the bid shall be rejected. In such case the Borrower shall make a similar determination for the next lowest evaluated bidder. Bidders' technical and financial capacity shall be judged separately from the evaluation of bids and shall be conducted exclusively under a pass/fail basis. Experience, technical and financial capacity of the bidder to execute the contract shall not be considered for purposes of comparison of bids.

(d) The Borrower shall ascertain whether the bids: (i) have been properly signed; (ii) are accompanied by the required securities as specified in the bidding documents; (iii) are substantially responsive to the bidding documents; and (iv) are otherwise generally in order. If a bid is not substantially responsive, that is, it contains material deviations from or reservations to the terms, conditions, and specifications in the bidding documents, it shall not be considered further. The bidder shall not be permitted to correct or withdraw material deviations or reservations once bids have been opened.

(e) In the comparison of bids among bidders, no domestic or regional preferences to bidders shall apply and bids shall be compared on delivered price inclusive of any prevailing duties.

(f) The bid price and any discounts read out at the bid opening shall be adjusted to correct any arithmetical errors.

(g) Under works contracts, Contractors are responsible for all duties, taxes, and other levies, and bidders shall take these factors into account in preparing their bids. The evaluation and comparison of bids shall be on this basis. Bid evaluation for works shall be strictly in monetary terms. If time is a critical factor, the value of early completion to the Borrower may be taken into account according to criteria presented in the bidding documents, only if the conditions of contract provide for commensurate penalties for noncompliance.

(h) Award of the contract shall be to the lowest evaluated responsive bidder. Price negotiation with bidders shall not be undertaken before award except as provided for below.

(i) Bids may not be rejected for the sole purpose of obtaining lower prices. All bids shall not be rejected and new bids invited on the same specifications solely for the purposes of obtaining lower prices, except in cases where the lowest evaluated bid exceeds the cost estimates by a substantial amount. In such cases the Borrower may, as an alternative to re-bidding, negotiate with the lowest evaluated bidder to try to obtain a satisfactory contract, and failing a satisfactory response, with the next lowest evaluated bidder. Rejection of all bids may be permissible when bids are not substantially responsive or there is lack of effective competition.

(j) A bid evaluation report shall be prepared by the Borrower's department or agency requesting the bids setting out a record of all bids submitted, the reasons for disqualification of any bids, the criteria, weighting and evaluation of all responsive bids, the recommended award, and, if the recommended award is to other than the lowest price bidder, the reasons therefore."

VII. Award of Contract

Article 31 and Article 42 are hereby modified to read as follow:

"Eligible bidder having bid substantially responsive to the bidding documents and determined as lowest evaluated shall be recommended for award provided that the bidder has been determined to be qualified in accordance with pre-qualification or post-qualification criteria."

VIII Bid Security

1. Article 28 3(c) shall not apply.
2. The following sub-paragraph shall be added to paragraph 2 of Article 28:
"Bid Security shall be valid 30 days longer than bid validity."

IX Procurement of Smaller Contracts

Chapter V is not applicable.

SCHEDULE 4

Implementation Program

Project Management

1. The Borrower shall establish and thereafter maintain a Project Management Unit within BIDV, acceptable to the Association, headed by a qualified and experienced director, assigned with qualified staff in adequate numbers, and provided with such powers, responsibilities, organization and funding as shall be required for the implementation, supervision and monitoring of the Project, including sub-units for: (a) accreditation of MFIs and PFIs; (b) accounting and disbursement; (c) review of applications for Sub-loans; (d) monitoring and evaluation; and (e) environment and social standards and practices.

2. The Borrower shall cause BIDV to employ and thereafter assign to the PMU a Project Senior Advisor with qualifications and experience, terms of reference and selected in accordance with the provisions of Part C, Section II of Schedule 3 to this Agreement.

3. The Borrower shall cause BIDV, and each MFI and PFI, to adopt and thereafter implement their respective Institutional Development Plan in a manner and substance satisfactory to the Association, for purposes of ensuring the sustainability of BIDV, and each MFI and PFI's operations and improve the financial performance of these financial institutions. The Borrower shall cause BIDV, MFIs and PFIs to further undertake not to abrogate, amend, assign, repeal, suspend or waive the provisions of their respective IDP without the prior agreement of the Association.

Financial covenants

4. The Borrower shall cause BIDV to:

(a) set aside fifty percent (50%) from the principal amount repaid to BIDV for Subsidiary Loans by each MFI and PFI up to an aggregate amount of \$24,000,000 equivalent in an escrow account in the name of the Borrower; and

(b) convert into BIDV's equity, in the name of the Borrower, an amount equivalent to \$24,000,000 as set aside in accordance with sub-paragraph (a) of this paragraph or such any other amount as shall be necessary to achieve a capital adequacy ratio of 8% of the aggregate principal amount of the Sub-loans made under this Project and those under the Rural Finance Project.

5. By June 30 of each calendar year, commencing June 30, 2003, or such other date as the Association shall otherwise agree, the Borrower shall exchange views with BIDV and the Association on the level of interest rates charged on Subsidiary Loans and Sub-loans, and review, and cause to review, said rates as approved by the Association.

6. Except as the Association shall otherwise agree, the Borrower shall cause BIDV to achieve the following financial ratios: (a) ratio of equity to risk assets of not less than 5% by December 31, 2002; 6% by December 31, 2003; 6.5% by December 31, 2004; 7% by December 31, 2005; and, by December 31, 2006, achieve and thereafter maintain 8%; (b) ratio of net past due loans to equity of not more than 25% on fiscal year 2002, and not more than 15% on fiscal year 2003 and thereafter, all established in accordance with international accounting standards acceptable to the Association. For purposes of this paragraph:

- (i) the term “equity” means the sum of total unimpaired paid-up capital, retained earnings and reserves not allocated to cover specific liabilities such as dividends on preferred shares and/or common shares;
- (ii) the term “fiscal year” means the twelve (12)-month period corresponding to any of the Borrower’s financial years, which period commences on January 1 and ends on December 31 in each calendar year, and the term “fiscal years” means, collectively, each of said fiscal year;
- (iii) the term “net past due loans” means (A) loans deemed past due under regulations issued by SBV from time to time or which are more than one day in arrears, whichever have a shorter period of arrears, minus (B) total provisions for loan losses; and
- (iv) the term “risk assets” means total assets excluding cash, short-term deposits in banks, investment in government securities.

7. The Borrower shall, and shall cause BIDV to, limit retail of State Directed Loans as a percentage of total loans, to 15% by December 31, 2003, and to 10% by December 31, 2005, or to VND 8 trillion by December 31, 2003, and to VND 6.2 trillion by December 31, 2005, whichever is lower. For the purposes of this paragraph the term “State Directed Loans” means loans made or proposed to be made in accordance with instructions issued by the Borrower rather than by BIDV applying banking and commercial considerations and standards.

8. The Borrower shall cause BIDV to take all actions within its powers to distribute annual cash dividends on its common shares only after: (a) a ratio of equity to risk assets of not less than 8% as set forth in paragraph 6 (a) of this Schedule has been reached and maintained; and (b) adequate provisions have been made in accordance with BIDV's IDP for: (i) taxes; (ii) dividends on its preferred shares; (iii) possible loan losses, determined on the basis of its accounts audited in accordance with international auditing standards acceptable to the Association; (iv) adjustment to its equity caused by within-year inflation; and (v) retained earnings in an amount equal to at least one-seventh of the growth in its net MLF, RDF II and private sector loan portfolios.

9. By July 31, 2003, or such later date as the Association may so agree, the Borrower shall through its Ministry of Finance, increase BIDV's equity in an amount of not less than Dong 1.35 trillion.

Credit Finance

10. The Borrower shall cause BIDV:

(a) to establish and thereafter maintain the Micro Finance Loan Fund and the Rural Development Fund II each to be funded with the amount of principal, interest and other charges paid by the MFIs pursuant to the MLF Subsidiary Loan Agreements and PFIs pursuant to the RDF II Subsidiary Loan Agreements, respectively, which amounts are not required to meet BIDV's repayment obligations under the On-lending Loan Agreement;

(b) to use the proceeds of the Micro Finance Loan Fund and Rural Development Fund II exclusively, for purposes of providing new Subsidiary Loans to MFIs and PFIs, respectively, for further on-lending through Sub-loans to Beneficiaries to finance Sub-projects under the same terms and conditions as set forth in this Agreement, except for the prior and post approval by the Association provided therein, all in conformity with sound administrative, commercial banking, environment, social and financial standards and practices, and in accordance with the respective MLF Policy Manual and RDF II Policy Manual; and

(c) not to use the proceeds of the Micro Finance Loan Fund and the Rural Development Fund II to extend Sub-loans directly to Beneficiaries.

Institutional Strengthening

11. The Borrower shall cause BIDV to carry out the training under Part B of the Project in accordance with training programs satisfactory to the Association, and to this end, by November 30 of each calendar year, commencing on November 30, 2002, furnish

to the Association, for its review and approval, the proposed training programs for each forthcoming calendar year, and thereafter implement such training programs as so approved.

Monitoring and Reporting

12. The Borrower shall, and shall cause BIDV to:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Borrower and the Association, on or about November 30, 2005, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by January 31, 2006, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

13. Without limitation upon the provisions of Section 9.07 of the General Conditions, and except as the Borrower and the Association shall otherwise agree, the Borrower shall, and shall cause BIDV to, prepare, under terms of reference satisfactory to the Association, and furnish to the Association, for its review and comments, not later than 60 days after the end of each calendar quarter, commencing May 31, 2003, a report integrating the results and the progress achieved in the carrying out of Part A of the Project and training programs under Part B of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

14. The Borrower shall, and shall cause BIDV to, prepare under terms of reference satisfactory to the Association, and furnish to the Association, for its review and comments, by March 31 and September 30 of each calendar year, commencing September 30, 2003, a report integrating the results of the implementation by BIDV, PFIs and MFIs of their respective IDPs, including recommended actions to be taken for the

carrying out of said implementation, and finalize such report taking into consideration the comments of the Association.

15. The Borrower shall, by June 30, 2003: (a) cause an audit to be carried out of BIDV's internal control procedures to review BIDV's compliance with the provisions of the Financial Management Manual; (b) furnish to the Association, for its comments, the recommendations of said audit; and (c) promptly thereafter cause BIDV to carry out the recommendations of said audit taking into account the comments of the Association, if any.

SCHEDULE 5

Section I. Terms and Conditions of the On-lending Loan Agreement

1. The On-lending Loan Agreement shall include:

(a) the right of the Borrower to cancel the uncommitted funds of the On-lending Loan in the event that BIDV fails to comply with: (i) one or more of its obligations set forth in the MLF Policy Manual, the RDF II Policy Manual, the FRP Policy Manual, or its Institutional Development Plan; and (ii) the remedial actions therefor established by the Borrower in consultation with the Association.

(b) BIDV shall:

(i) take all such actions as shall be necessary to comply, at all times, with the provisions set forth in the MLF Policy Manual, the FRP Policy Manual, the RDF II Policy Manual and its Institutional Development Plan;

(ii) conduct its operations and affairs, in accordance with sound administrative, commercial banking, environmental, social and financial standards and practices, with qualified and experienced management and personnel in sufficient numbers, and provide, promptly as needed, the funds, facilities, services and other resources required for the Project;

(iii) select MFIs and PFIs established and operating in the Socialist Republic of Vietnam in accordance with the eligibility criteria set forth in the respective MLF Policy Manual or RDF II Policy Manual, as the case may be, for accreditation and the carrying out of lending operations under Part A of the Project and, thereafter, furnish to the Association, for its review and approval, a list of the MFIs and PFIs so selected, including: (A) the accreditation evaluation; (B) financial ratios; and (C) an Institutional Development Plan as the case may be; as the same may be amended from time to time with the prior agreement of the Association;

(iv) enter into Subsidiary Loan Agreements with accredited MFIs and PFIs on terms and conditions satisfactory to the Association, for purposes of providing MLF Subsidiary Loans to MFIs and

RDF II Subsidiary Loans to PFIs, including the provisions set forth in Section II of this Schedule;

- (v) unless the Association and the Borrower shall otherwise agree, make Subsidiary Loans in accordance with the procedures and on the terms and conditions set forth or referred to in Section II of this Schedule, the MLF Policy Manual, the RDF II Policy Manual, and the FRP Policy Manual;
- (vi) exercise, and cause each MFI and PFI to exercise, its rights in relation to each Subsidiary Loan or Sub-loan being financed, as the case may be, in such manner so as to: (A) protect the interests of the Borrower, BIDV, MFI, PFI and the Association; (B) comply with its respective obligations under the On-lending Loan Agreement, and respective Subsidiary Loan Agreement and Sub-loan Agreement; and (C) achieve the purposes of the Project;
- (vii) without limitation to the provisions of sub-paragraph (vi) of this paragraph, if at any time BIDV determines that an MFI or a PFI no longer meets the accreditation criteria set forth in the MLF Policy Manual, RDF II Policy Manual, or is not in compliance to its respective Institutional Development Plan: (A) promptly cancel the uncommitted portion of the MLF Subsidiary Loan(s) or RDF II Subsidiary Loan(s); (B) take all actions necessary to protect the interests of the Borrower, BIDV, MFI, PFI and the Association in relation to the committed portion of the respective Subsidiary Loan(s); and (C) notify the Borrower and the Association of all actions taken pursuant to clauses (A) and (B) of this sub-paragraph (vii);
- (viii) duly perform its obligations under the On-lending Loan Agreement and Subsidiary Loan Agreements and, except as the Borrower, BIDV and the Association shall otherwise agree, shall not take or concur in any action which would have the effect of abrogating, amending, assigning, repealing, suspending or waiving the On-lending Loan Agreement, any Subsidiary Loan Agreement, or any provisions thereof;
- (ix) at the request of either the Borrower or the Association, exchange views with the Borrower and the Association with regard to the progress of the Project, the performance of its

obligations under the On-lending Loan Agreement, and other matters relating to the purposes of the Credit;

- (x) furnish to the Borrower and the Association all such information as the Borrower and the Association shall reasonably request concerning the expenditures of the proceeds of Subsidiary Loans, Sub-loans, the relevant Sub-projects and Beneficiaries, all under Part A of the Project, as well as the activities under Part B of the Project, its administration, operations and financial condition. For this purpose BIDV shall:
 - (A) maintain procedures and records adequate to: (1) monitor and record the progress of Part A of the Project, including each Subsidiary Loan, each Sub-project financed by a Sub-loan, their cost and benefits to be derived from them; (2) monitor and record the progress of Part B of the Project; and (3) reflect in accordance with consistently maintained sound accounting practices the operations and financial conditions of BIDV, including its operations, resources and expenditures in respect of the Project or any part thereof;
 - (B) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited in accordance with sound auditing principles consistently applied by independent auditors acceptable to the Borrower and the Association; and
 - (C) furnish to the Association, as soon as available, but in any case not later than six (6) months after the end of each such year, (1) certified copies of its financial statements for such year as so audited and (2) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (3) furnish to the Association such other information concerning records, accounts and financial statements, as well as the audit thereof as the Association shall from time to time reasonably request.

- (xi) promptly inform the Borrower and the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the On-lending Loan, or the performance by BIDV of its respective obligations under the On-lending Loan Agreement;
- (xii) provide BIDV Additional Financing for the implementation of RDF II Sub-projects under terms and conditions satisfactory to the Association, including:
 - (A) appraisal of the respective RDF II Sub-project pursuant to paragraph 1 (b)(i) of Section I of this Schedule;
 - (B) an RDF II Sub-loan shall have been made to finance a portion of the total estimated costs of the respective RDF II Sub-project in an amount not to exceed sixty five percent (65%) of the total estimate Sub-project costs;
 - (C) the principal amount of the BIDV Additional Financing shall be in Dong or in Dollars, in accordance with the RDF II Policy Manual, and shall be in an amount not less than ten percent (10%) of the total estimated Sub-project costs;
 - (D) a PFI Additional Financing shall have been made to finance a portion of the total estimated costs of the respective RDF II Sub-project in an amount not less than ten percent (10%) of the total estimated RDF II Sub-project costs;
 - (E) securing from the RDF II Beneficiary a contribution in kind or in cash representing not less than fifteen percent (15%) of the total estimated RDF II Sub-project costs;
 - (F) repayment of the principal amount of the BIDV Additional Financing shall have the same maturity as that of the corresponding RDF II Sub-loan; and

- (G) payment of interest on the principal amount of the BIDV Additional Financing withdrawn and outstanding from time to time, at a rate equal to the rate applicable to the respective RDF II Sub-loan;
- (xiii) cause each PFI to provide a PFI Additional Financing for the implementation of an RDF II Sub-project under terms and conditions satisfactory to the Association, including those set forth in paragraph 1(b)(xii) of Section I of Schedule 5 to this Agreement;
- (xiv) cause each MFI to provide an MFI Additional Financing for the implementation of an MLF Sub-project under terms and conditions satisfactory to the Association, including:
 - (A) appraisal of the MLF Sub-project pursuant to paragraph 1 (b)(i) of Section I of this Schedule;
 - (B) an MLF Sub-loan shall have been made to finance a portion of the total estimated costs of the MLF Sub-project in an amount not to exceed seventy five percent (75%) of the total estimated MLF Sub-project costs;
 - (C) the principal amount of the MFI Additional Financing shall be in Dong and the MLF Beneficiary's contribution shall be in kind or in cash and both added shall represent not less than twenty five percent (25%) of the total estimated MLF Sub-project costs, in a proportion to be agreed between the MFI and the respective MLF Beneficiary;
 - (D) repayment by the MLF Beneficiary to the respective MFI of the principal amount of the MFI Additional Financing shall have the same maturity as that of the corresponding MLF Sub-loan; and
 - (E) payment of interest on the principal amount of the MLF Additional Financing withdrawn and outstanding from time to time, at a rate equal to the rate applicable to the relevant MLF Sub-loan;

- (xv) undertake all measures required, with the assistance of the PMU's environmental division, to ensure that MLF Sub-projects and RDF II Sub-projects eligible for financing utilizing the proceeds of the respective MLF and RDF II, shall have obtained all environmental clearances and permits as may be required under the laws and regulations of the Socialist Republic of Vietnam on environment; and
- (xvi) after compliance with the provision of paragraph 4 of Schedule 4 to this Agreement, use the proceeds from the repayment of the principal of Subsidiary Loans for further relending to MFIs and PFIs for the financing of Sub-projects in accordance with the provisions of the MLF Policy Manual and RDF II Policy Manual, as the case may be, and this Schedule, except for the provisions requiring the Association's prior approval.

Section II. Terms and Conditions of the Subsidiary Loan Agreements

Part A: RDF II Subsidiary Loan Agreements

1. Each RDF II Subsidiary Loan Agreement shall include:

- (a) the right of BIDV to cancel the uncommitted funds of the respective RDF II Subsidiary Loan in the event that the respective PFI fails to comply with: (i) one or more of the eligibility criteria set forth in the RDF II Policy Manual, or its IDP, as the case may be; and (ii) the remedial actions therefor established by BIDV in consultation with the Association;
- (b) each PFI shall:
 - (i) take all such actions as shall be necessary to comply, at all times, with the eligibility criteria set forth in the RDF II Policy Manual, or its respective Institutional Development Plan, as the case may be;
 - (ii) carry out its respective lending operations under Part A.1 of the Project and conduct its operations and affairs, in accordance with sound administrative, commercial banking, environmental, social and financial standards and practices, with qualified and experienced management and personnel in sufficient numbers, and provide, promptly as needed, the funds, facilities, services, and other resources required for Part A.1 of the Project;

- (iii) select RDF II Beneficiaries in accordance with the eligibility criteria set forth in the RDF II Policy Manual, for the carrying out of an RDF II Sub-project, including the provisions set forth in Parts A and B of Section III of this Schedule;
- (iv) enter into an RDF II Sub-loan Agreement with each RDF II Beneficiary on terms and conditions satisfactory to the Association, for purposes of providing RDF II Sub-loans, including the relevant provisions set forth in Section III of Schedule 5 to this Agreement;
- (v) unless the Association and BIDV shall otherwise agree, make RDF II Sub-loans in accordance with the relevant procedures and on the terms and conditions set forth or referred to in the RDF II Policy Manual and Parts A and B of Section III of this Schedule;
- (vi) exercise its rights in relation to each RDF II Sub-loan being financed, in such manner so as to: (A) protect the interests of the Borrower, BIDV, PFI and the Association; (B) comply with its obligations under the respective RDF II Subsidiary Loan Agreement and RDF II Sub-loan Agreement; and (C) achieve the purposes of the Project;
- (vii) duly perform its obligations under the respective RDF II Subsidiary Loan Agreement and RDF II Sub-loan Agreements, and, except as BIDV and the Association shall otherwise agree, shall not take or concur in any action which would have the effect of abrogating, amending, assigning, repealing, suspending or waiving any of said RDF II Subsidiary Loan Agreements or said RDF II Sub-loan Agreements, or any provisions thereof;
- (viii) at the request of either the Borrower, BIDV or the Association, exchange views with the Borrower, BIDV or the Association with regard to the progress of Part A.1 of the Project, the performance of its obligations under the respective RDF II Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit;
- (ix) furnish to BIDV or the Association, all such information as BIDV or the Association shall reasonably request concerning the expenditures of the proceeds under its respective RDF II Subsidiary Loan and RDF II Sub-loan; and its administration,

operations and financial condition. For this purpose each PFI shall:

- (A) maintain procedures and records adequate to: (1) monitor and record the progress of each RDF II Sub-project financed by the respective RDF II Sub-loan (including its cost and benefits to be derived from it); and (2) reflect in accordance with consistently maintained sound accounting practices the operations and financial conditions of the respective PFI, including the operations, resources and expenditures of said PFIs in respect of Part A.1 of the Project or any part thereof;
 - (B) have records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited in accordance with sound auditing principles consistently applied by independent auditors acceptable to BIDV and the Association; and
 - (C) furnish to BIDV or the Association, as soon as available, but in any case not later than six (6) months after the end of each such year: (1) certified copies of its financial statements for such year as so audited; (2) the report of such audit by said auditors, of such scope and in such detail as BIDV or the Association shall have reasonably requested; and (3) furnish to BIDV or the Association such other information concerning records, accounts and financial statements, as well as the audit thereof as BIDV or the Association shall from time to time reasonably request;
- (x) promptly inform BIDV and the Association of any condition which interferes or threatens to interfere with the progress of Part A.1 of the Project, the accomplishment of the purposes of its respective RDF II Subsidiary Loan and RDF II Sub-loan, or the performance of the respective PFI of its obligations under its respective RDF II Subsidiary Loan Agreement and RDF II Sub-loan Agreement; and
- (xi) provide a PFI Additional Financing for the implementation of an RDF II Sub-project under terms and conditions satisfactory to

the Association, including those set forth in paragraph 1 (b) (xiii) of Section I of this Schedule.

Part B: MLF Subsidiary Loan Agreements

1. Each MLF Subsidiary Loan Agreement shall include:

(a) the right of BIDV to cancel the uncommitted funds of the respective MLF Subsidiary Loan in the event that the respective MFI fails to comply with: (i) one or more of the eligibility criteria set forth in the MLF Policy Manual, or its IDP, as the case may be; and (ii) the remedial actions therefor established by BIDV in consultation with the Association;

(b) each MFI shall:

- (i) take all such actions as shall be necessary to comply, at all times, with the eligibility criteria set forth in the MLF Policy Manual, or its respective Institutional Development Plan, as the case may be;
- (ii) carry out its respective lending operations under Part A.2 of the Project and conduct its operations and affairs, in accordance with sound administrative, commercial banking, environmental, social and financial standards and practices, with qualified and experienced management and personnel in sufficient numbers, and provide, promptly as needed, the funds, facilities, services and other resources required for Part A.2 of the Project;
- (iii) select MLF Beneficiaries in accordance with the eligibility criteria set forth in the MLF Policy Manual, for the carrying out of an MLF Sub-project, including the respective provisions set forth in Parts A and C of Section III of this Schedule;
- (iv) enter into an MLF Sub-loan Agreement with each MLF Beneficiary on terms and conditions satisfactory to the Association, for purposes of providing MLF Sub-loans, including the relevant provisions set forth in Section III of Schedule 5 to this Agreement;
- (v) unless the Association and BIDV shall otherwise agree, make MLF Sub-loans in accordance with the relevant procedures and

on the terms and conditions set forth or referred to in the MLF Policy Manual and Parts A and C of Section III of this Schedule;

- (vi) exercise its rights in relation to each MLF Sub-loan being financed, in such manner so as to: (A) protect the interests of the Borrower, BIDV, MFI and the Association; (B) comply with its obligations under the respective MLF Subsidiary Loan Agreement and MLF Sub-loan Agreement; and (C) achieve the purposes of the Project;
- (vii) duly perform its obligations under the respective MLF Subsidiary Loan Agreement and MLF Sub-loan Agreements, and, except as BIDV and the Association shall otherwise agree, shall not take or concur in any action which would have the effect of abrogating, amending, assigning, repealing, suspending or waiving any of said MLF Subsidiary Loan Agreements or said MLF Sub-loan Agreements, or any provisions thereof;
- (viii) at the request of either the Borrower, BIDV or the Association, exchange views with the Borrower, BIDV or the Association with regard to the progress of Part A.2 of the Project, the performance of its obligations under the respective MLF Subsidiary Loan Agreement, and other matters relating to the purposes of the Credit;
- (ix) furnish to BIDV or the Association, all such information as BIDV or the Association shall reasonably request concerning the expenditures of the proceeds under its respective MLF Subsidiary Loan and MLF Sub-loan; and its administration, operations and financial condition. For this purpose each MFI shall:
 - (A) maintain procedures and records adequate to: (1) monitor and record the progress of each MLF Sub-project financed by the respective MLF Sub-loan (including its cost and benefits to be derived from it); and (2) reflect in accordance with consistently maintained sound accounting practices the operations and financial conditions of the respective MFI, including the operations, resources and expenditures of said MFIs in respect of Part A.2 of the Project or any part thereof;

- (B) have records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited in accordance with sound auditing principles consistently applied by independent auditors acceptable to BIDV and the Association; and
- (C) furnish to BIDV or the Association, as soon as available, but in any case not later than six (6) months after the end of each such year: (1) certified copies of its financial statements for such year as so audited; (2) the report of such audit by said auditors, of such scope and in such detail as BIDV or the Association shall have reasonably requested; and (3) furnish to BIDV or the Association such other information concerning records, accounts and financial statements, as well as the audit thereof as BIDV or the Association shall from time to time reasonably request;
- (x) promptly inform BIDV and the Association of any condition which interferes or threatens to interfere with the progress of Part A.2 of the Project, the accomplishment of the purposes of its respective MLF Subsidiary Loan and MLF Sub-loan, or the performance of the respective MFI of its obligations under its respective MLF Subsidiary Loan Agreement and MLF Sub-loan Agreement; and
- (xi) provide an MFI Additional Financing for the implementation of an MLF Sub-project under terms and conditions satisfactory to the Association, including those set forth in paragraph 1 (b)(xiv) of Section I of this Schedule.

Section III. Procedures for and Terms and Conditions of Sub-loans

Part A: Sub-loans

1. Without limitation on the provisions of Parts B and C of Section III of this Schedule and paragraph 3 of Schedule 1 to this Agreement, no expenditures for goods, civil works or services required for a Sub-project shall be eligible for financing out of the proceeds of the Credit unless:

(a) the Sub-loan shall have been approved by the Association and such expenditures shall have been made not earlier than one hundred twenty days prior to the date on which the Association shall have received the application and information required under paragraph 3 (a) of Part A of Section III of this Schedule in respect of such Sub-loan; or

(b) the Sub-loan shall have been a free-limit Sub-loan for which the Association has authorized withdrawals from the Credit Account and such expenditures shall have been made not earlier than ninety days prior to the date on which BIDV shall have received the request and information required under paragraph 3 (b) below in respect of such free-limit Sub-loan. For the purposes of this Agreement, a free-limit Sub-loan shall be a Sub-loan which shall not exceed the sum of \$150,000 equivalent when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Credit for such Sub-project, or such other sum as shall be established by the Association, from time to time, by notice to the Borrower and BIDV.

2. Except as the Association shall otherwise agree Sub-loans shall not finance land.

3. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Association for approval, BIDV shall furnish to the Association an application, in a form satisfactory to the Association, together with: (i) a description of the Beneficiary and an appraisal of the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan; provided, however, that: (A) for RDF II Sub-loans the information to be provided shall include the proposed principal amount of the BIDV Additional Financing and PFI Additional Financing; and (B) for MLF Sub-loans the information to be provided shall include the proposed principal amount of the MFI Additional Financing; and (iii) such other information as the Association shall reasonably request, including a copy of the relevant environmental impact assessment and certification issued by MOSTE or DOSTE, as the case may be, where required under the laws of the Borrower.

(b) Each request by the Borrower for authorization to make withdrawals from the Credit Account in respect of a free-limit Sub-loan shall contain: (i) a summary description of the Beneficiary and Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; (ii) the terms and conditions of the Sub-loan; provided, however, that: (A) for RDF II Sub-loans the information to be provided shall include the proposed principal amount of the BIDV Additional Financing and PFI Additional Financing; and (B) for MLF Sub-loans the information to be provided shall include the proposed principal amount of the MFI Additional Financing.

(c) Applications and requests made pursuant to the provisions of subparagraph (a) and (b) of this paragraph shall be presented to the Association on or before January 31, 2008.

4. Sub-loans shall be made on terms whereby a PFI or an MFI shall obtain, by written contract with an RDF II Beneficiary or MLF Beneficiary, as the case may be, or by other appropriate legal means, rights adequate to protect the interests of the Borrower, BIDV, MFI, PFI and the Association, as the case may be, including, in the case of any Sub-loan the right to:

(a) require the RDF II Beneficiary or the MLF Beneficiary to carry out and operate the respective Sub-project with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards and to maintain adequate records;

(b) require that goods and works under contracts estimated to cost the equivalent of \$1,000,000 or more per contract shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); provided, however, that the provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower, and with respect to all such contracts the procedures set forth in paragraph 2 of Appendix 1 to the Guidelines shall apply;

(c) goods, services and works, other than those set out in paragraph (b) above, shall be purchased at a reasonable price following the established commercial procedures, account being taken also of other relevant factors such as: (i) in the case of goods, timely delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefore; (ii) in the case of services, of their quality and the competence of the parties rendering them; and (iii) in the case of works, the technical quality and the competitive cost therefore, and with respect to all such contracts the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply;

(d) inspect, by itself or jointly with representatives of the Association, if the Association shall so request, such goods, works, plants and constructions and installations, as the case may be, included in the Sub-project, the operation thereof, and any relevant records and documents;

(e) require that: (i) each RDF II Beneficiary or MLF Beneficiary shall take out and maintain with responsible insurers such insurance, against such risks and in such

amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the RDF II Beneficiary or MLF Beneficiary, to replace or repair such goods;

(f) obtain all such information as BIDV, MFI, PFI, or the Association shall reasonably request relating to the foregoing and to the administration, operations and financial conditions of the RDF II Beneficiary or MLF Beneficiary, and to the benefits to be derived from the Sub-project; and

(g) suspend or terminate the right of the RDF II Beneficiary or MLF Beneficiary, to use of the proceeds of the Credit upon failure by such RDF II Beneficiary or MLF Beneficiary, to perform its obligations under its contract with the PFI or MFI, as the case may be.

Part B: RDF II Sub-loans

1. Without limitation on the provisions of Part A of Section III of this Schedule and paragraph 3 of Schedule 1 to this Agreement, RDF II Sub-loans shall be made to RDF II Beneficiaries by a PFI under the following terms and conditions:

(a) RDF II Sub-projects to be financed using the proceeds of an RDF II Sub-loan shall be appraised by the relevant PFI and financed in accordance with the criteria set forth in the RDF II Policy Manual and the provisions of this Agreement; and

(b) RDF II Sub-loans shall be made pursuant to the terms and conditions set forth in the RDF II Policy Manual, and the provisions of this Schedule, including:

(i) the principal amount of an RDF II Sub-loan shall be onlent in Dong or in Dollars and shall not exceed 65% of the total estimated RDF II Sub-project costs. The principal amount of an RDF II Sub-Loan made in Dong shall be repaid by an RDF II Beneficiary in Dong in an amount equivalent to the principal amount so onlent. The principal amount of an RDF II Sub-loan made in Dollars shall be repaid by an RDF II Beneficiary in Dollars in an amount equivalent to the principal amount so onlent; provided, however, that an RDF II Beneficiary may pay in Dong the equivalent of the principal amount of an RDF II Sub-loan made in Dollars at the prevailing selling exchange rate for Dollars applied by the respective PFI at the date of

repayment, provided further that an RDF II Sub-loan may be made in Dollars only if the RDF II Sub-project to be financed by such Sub-loan is designed to generate foreign exchange currency;

- (ii) repayment of the principal amount of the RDF II Sub-loan shall not exceed the shorter of the period projected for recovery of the respective RDF II Sub-project costs or fifteen (15) years, including a grace period determined on the basis of the respective RDF II Sub-project's cash flow projections and the RDF II Beneficiary's repayment capability, provided, however, that short term RDF II Sub-loans shall have a maturity not to exceed twelve (12) months; and
- (iii) payment of interest on the principal amount of the RDF II Sub-loan withdrawn and outstanding from time to time, at a fixed or variable rate per annum in accordance with the applicable interest rate set forth by the PFI.

2. Except as the Association shall otherwise agree:

(a) RDF II Sub-loans shall not finance RDF II Sub-projects for which the projected period for recovery of the RDF II Sub-project costs exceeds fifteen (15) years; and

(b) to qualify for an RDF II Sub-loan, an RDF II Beneficiary shall demonstrate:

- (i) that the RDF II Beneficiary meets all the eligibility criteria set forth in the RDF II Policy Manual including:
 - (A) being engaged in production, investment or related services for the rural economy, including farming, small and medium scale rural based industries, fisheries and rural services; and
 - (B) having the managerial and financial capability to service the principal, interest and other charges of the RDF II Sub-loan; and

- (ii) that the RDF II Sub-project for which the RDF II Sub-loan is being requested shall meet the following conditions:
 - (A) the total estimated RDF II Sub-project costs shall be covered by: (A) a minimum of fifteen percent (15%) from the RDF II Beneficiary's own resources; and (B) the balance, by the principal amount of the RDF II Sub-loan plus the principal amount of the BIDV Additional Financing and PFI Additional Financing, each of the latter in an amount not less than ten percent (10%) of the total estimated RDF II Sub-Project costs;
 - (B) for RDF II Sub-projects financed by an RDF II Sub-loan in an amount of \$150,000 equivalent or more, an environmental impact assessment and certification issued by MOSTE or DOSTE, as the case may be, where required under the laws of the Borrower; and
 - (C) for RDF II Sub-projects financed by an RDF II Sub-loan in an amount of \$50,000 equivalent or more, a financial plan including the RDF II Sub-project's cash flow, shall have been prepared.

Part C: MLF Sub-loans

1. Without limitation on the provisions of Part A of Section III of this Schedule and paragraph 3 of Schedule 1 to this Agreement, MLF Sub-loans shall be made to MLF Beneficiaries by the MFI under the following terms and conditions:

(a) MLF Sub-projects to be financed using the proceeds of an MLF Sub-loan shall be appraised by the relevant MFI and financed in accordance with the criteria set forth in the MLF Policy Manual and the provisions of this Agreement; and

(b) MLF Sub-loans shall be made pursuant to the terms and conditions set forth in the MLF Policy Manual, and the provisions of this Schedule, including:

- (i) the principal amount of an MLF Sub-loan shall be lent and repaid in Dong and shall not exceed 75% of the total estimated Sub-project costs or \$400 equivalent for individuals or \$1,000 equivalent for micro-enterprises, whichever is smaller;

- (ii) repayment of the principal amount of the MLF Sub-loan shall not exceed the shorter of the period projected for recovery of the respective MLF Sub-project costs or three (3) years, including a grace period determined on the basis of the respective MLF Sub-project's cash flow projections and the MLF Beneficiary's repayment capability, provided, however, that short term MLF Sub-loans shall have a maturity not to exceed twelve (12) months; and
 - (iii) payment of interest on the principal amount of the MLF Sub-loan withdrawn and outstanding from time to time, at a fixed or variable rate per annum in accordance with the applicable interest rate set forth by the MFI.
- 2. Except as the Association shall otherwise agree:
 - (a) MLF Sub-loans shall not be made in excess of \$400 equivalent to an individual and \$1,000 equivalent to a Micro-enterprise;
 - (b) MLF Sub-loans shall not finance MLF Sub-projects for which the projected period for recovery of the Sub-project costs exceeds three (3) years; and
 - (c) to qualify for an MLF Sub-loan, an MLF Beneficiary shall demonstrate:
 - (i) that the Beneficiary meets all the eligibility criteria set forth in the MLF Policy Manual including:
 - (A) being engaged in production, investment or related services for the rural economy, including farming, small and medium scale rural based industries, fisheries and rural services; and
 - (B) having the managerial and financial capability to service the principal, interest and other charges of the MLF Sub-loan; and
 - (ii) that the Sub-project for which the MLF Sub-loan is being requested shall meet the following additional condition hereby specified, namely, that the total estimated MLF Sub-project costs shall be covered by: (A) the aggregate principal amount of the MFI Additional Financing and MLF Beneficiary's contribution

shall represent not less than twenty five percent (25%) of the total estimated MLF Sub-project costs, in a proportion to be agreed between the MFI and the respective MLF Beneficiary; and (B) the balance, by the principal amount of the MLF Sub-loan.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount equivalent to \$20,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$10,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 32,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the Project, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with

respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.