

**CONFORMED COPY**

**CREDIT NUMBER 3767-VN**

# **Development Credit Agreement**

**(Public Financial Management Reform Project)**

**between**

**SOCIALIST REPUBLIC OF VIETNAM**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated June 6, 2003**

**CREDIT NUMBER 3767-VN**

**DEVELOPMENT CREDIT AGREEMENT**

AGREEMENT, dated June 6, 2003, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) 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

(B) the Borrower expects to receive from the United Kingdom of Great Britain and Northern Ireland, through its Department for International Development (DFID), a grant (the DFID Grant) in an aggregate principal amount of six million four hundred forty-eight thousand four hundred Pounds Sterling (£6,448,400) to assist in financing the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and the Association as Administrator of those grant funds received from DFID (the DFID Trust Fund Grant Agreement); 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) (the General Conditions), constitute an integral part of this Agreement.

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

(a) “Category” means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement.

(c) “IT” means information technology.

(d) “MOF” means the Borrower’s Ministry of Finance, and any successor thereto.

(e) “MPI” means the Borrower’s Ministry of Planning and Investment, and any successor thereto.

(f) “MTFF” means a medium-term fiscal framework prepared by the Borrower under Part B.1 of the Project.

(g) “MTEF” means a medium-term expenditure framework prepared by the Borrower for each pilot sector or pilot province under Part B.2 of the Project.

(h) “PMU” means the Project Management Unit to be established within the Ministry of Finance to manage the overall implementation of the Project, and referred to in paragraph 2 of Schedule 4 to this Agreement.

(i) “Public Financial Management Reform Initiative” means the program of actions approved by the Prime Minister’s Decision No. 136/201/QD-TTg of September 2001 for the purposes of reforming and modernizing public financial management as part of Vietnam’s Public Administration Reform Master Program for the period 2001-2010.

(j) “SBV” and “State Bank of Vietnam” mean the central bank of Vietnam, and any successor thereto.

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

(l) “State Budget Law” means the revised State Budget Law enacted by Vietnam’s National Assembly in December 2002.

(m) “Steering Committee” means the Steering Committee for the Modernization of Public Financial Management, established by the Borrower at the Ministry of Finance by Decision No. 683/QD-BTC dated June 6, 2001, and responsible for overseeing Vietnam’s Public Finance Management Reform Initiative, referred to in paragraph 1 of Schedule 4 to this Agreement.

(n) “TABMIS” means the integrated Treasury and Budget Management Information System to be established under Part A of the Project.

## 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 thirty-nine million nine hundred thousand Special Drawing Rights (SDR39,900,000).

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 expenditures made (or, if the Association shall so agree, to be made) 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.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank 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 5 to this Agreement.

Section 2.03. The Closing Date shall be February 28, 2009 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 semiannually 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, 2013 and ending May 15, 2043. Each installment to and including the installment payable on May 15, 2023 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 Bank 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 carry out the Project, through its Ministry of Finance, with due diligence and efficiency and in conformity with appropriate administrative, management, financial and budgetary practices, 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 carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit and of the DFID Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. 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 designed to ensure the continued achievement of the objectives 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 establish and maintain a financial management system, including records and accounts, and prepare financial statements in

a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account 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, records and accounts 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 and accounts, 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 paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, 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, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the 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.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 8 of Schedule 4 to this Agreement, the Borrower shall 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 FMR 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 FMR 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's Public Financial Management Reform Initiative shall have been amended, suspended, abrogated or repealed so as to affect materially and adversely the Borrower's ability to achieve the objectives of the Project;

(b) the State Budget Law shall have been amended, suspended, abrogated or repealed so as to affect materially and adversely the Borrower's ability to achieve the objectives of the Project;

- (c) (i) Subject to sub-paragraph (ii) of this paragraph (c):



(A) the right of the Borrower to withdraw the proceeds of the DFID Grant, or any other grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the DFID Trust Fund Grant Agreement or the agreement providing therefor, as the case may be; or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

- (ii) Sub-paragraph (i) of this paragraph (c) shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely the event specified in paragraph (c)(i)(B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c)(ii) of that Section.

## 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 DFID Trust Fund Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder have been fulfilled, except the effectiveness of the Development Credit Agreement;

(b) the Borrower has established the Project Management Unit and appointed thereto a Project director; a finance officer supported by an accountant, a cashier and assistant; procurement specialists and IT specialists, all in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement;

(c) the Borrower has: (i) adopted and put into effect a financial management manual; (ii) established a computerized financial management system for the purpose of producing the FMRs; and (iii) provided financial management and disbursement training to staff of the PMU; all in a manner satisfactory to the Association, in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement; and

(d) the Borrower has: (i) issued a Ministerial Instruction on Procurement for the Project; and (ii) established an evaluation committee; all in a manner satisfactory to the Association, in accordance with the provisions of paragraph 5 (a) and (b) of Schedule 4 to this Agreement.

Section 6.02. 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 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 Street  
Hanoi  
Socialist Republic of Vietnam

Cable address:	Telex:	Facsimile:
VIETBANK Hanoi	412248 NHTWVT	(84-4) 825 0612

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(1-202) 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/ Klaus Rohland

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 SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods other than financial management information systems	100,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(2) Goods for the financial management information systems	30,880,000	95%
(3) Incremental Operating Costs:		
(a) for the TABMIS	5,740,000	80%
(b) for the PMU	70,000	70%
(4) Unallocated	3,110,000	
<b>TOTAL:</b>	<b>39,900,000</b>	
	=====	

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;

(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; and

(c) the term “Incremental Operating Costs” means the reasonable costs of incremental expenditures incurred by the Borrower in the implementation of the Project (which expenditures would not have been incurred absent the Project), including (a) in regard to the TABMIS, the costs of hardware and software maintenance and the costs of connectivity; and (b) in regard to the PMU, the costs of travel, communications and utilities, and office consumables; but excluding salaries.

3. Notwithstanding the provisions of paragraph 1 above:

(a) no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement; and

(b) no withdrawals shall be made in respect of Category (2) until the Association has received a written report, satisfactory to the Association, of the independent bid evaluation carried out in respect of the procurement of the TABMIS under Part A of the Project in accordance with the provisions of paragraph 5(c)(ii) of Schedule 4 to this Agreement.

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 each; and (b) incremental operating costs; 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 strengthen the Borrower's capacity to plan, execute and report on its budget and to improve the transparency and accountability of the budgetary systems and processes.

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: Strengthen Treasury and Budget Management**

Establish an integrated treasury and budget management information system to support budgeting, control, monitoring and accounting at central, provincial and local government levels, consisting of:

1. Procurement and deployment of an integrated treasury and budget management information system (TABMIS), including hardware, software, and development and implementation of a strategy for change management and training to enable the adoption and operationalization of said system.
2. Rolling out of the deployment of the TABMIS, at: (a) the Treasury central office, the Ministries of Finance, and Planning and Investment; (b) the Treasury Offices of provinces and their respective districts; (c) the Departments of Finance and Departments of Planning and Investment of provinces, and selected related bureaus of their respective districts; and (d) selected large spending units.
3. Undertaking of further financial management rationalization and reform related to the deployment of the TABMIS, including operationalization of a treasury single account.

#### **PART B: Strengthen State Budget and Investment Planning**

Carrying out a program to strengthen budget and investment planning capacity, consisting of:

1. (a) Development of a medium-term fiscal framework by the Ministries of Finance, and Planning and Investment, to link national development goals and expenditures planning processes and to integrate planning of recurrent and capital expenditures; (b) strengthening of their capacity to oversee the development of medium-term expenditures frameworks at the sectoral and provincial levels.

2. Preparation of medium-term expenditures frameworks in selected sectors and selected provinces to link spending at the sectoral or provincial level with national policy strategies.
3. Dissemination of the lessons of the pilot medium-term expenditures frameworks to facilitate the roll-out of medium-term budget planning.
4. Design and implementation of a budget preparation system.

PART C: Strengthen the Management of Public Debt and other Fiscal Risks

Carrying out a program to manage public debts and fiscal risks, consisting of:

1. Strengthening of the institutional capacity for public debt recording and risk management through the clarification of roles and reporting relationships among the relevant agencies; the development of a public debt strategy, including development of debt management objectives; adoption of a risk management framework; and the provision of debt recording, consolidation and management systems.
2. Monitoring of the fiscal risks of contingent liabilities, through an inventory of different sources of fiscal risks, including those associated with state-owned enterprises, preliminary aggregate quantification and risk analyses.

PART D: Project Implementation Support

Strengthen the Borrower's Project implementation capacity, including audit of Project accounts and activities, preparation of follow-on activities, and strengthening of the procurement and financial management capacity of the Project Management Unit.

\* \* \*

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



### **SCHEDULE 3**

#### **Procurement**

Section I.      Procurement of Goods

Part A:        General

Goods shall be procured in accordance with 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 the following provisions of Section I of this Schedule.

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)      Two-stage bidding procedure

The bidding procedure for the integrated treasury and budget management information system under Part A of the Project shall be carried out in two stages in accordance with the provisions of paragraph 2.6 of the Guidelines and the Association’s standard document for Two-Stage Bidding for Supply and Installation of Information Systems.

(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.

(c)      Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. International or National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures, or national shopping procedures in the event that such goods are readily available from more than one source within the territory of the Borrower at competitive prices, all in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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 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

With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

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 Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, 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. Quality-based Selection

Services for (a) procurement management and independent validation and verification under Part A.1 of the Project, estimated to cost up to an aggregate amount not exceeding \$2,420,000 equivalent, and (b) for the development of follow-on activities under Part D of the Project, estimated to cost up to an aggregate amount not to exceed \$495,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection

Auditing services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications

Services for information system support and for monitoring of state-owned enterprises liabilities, under Part C of the Project, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

4. Single Source Selection

Services for procurement management and independent validation and verification under Part A.1 of the Project, estimated to cost up to an aggregate amount not exceeding \$2,420,000 equivalent, 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.

5. Individual Consultants

Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded 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

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000, the procedures set forth in paragraphs 2, 3 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 report on the comparison of the qualifications and experience of candidates, 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. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

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.

## **SCHEDULE 4**

### **Implementation Program**

#### Project Management

1. The Borrower shall:

(a) by no later than December 31, 2003, expand the composition of the Steering Committee to include (i) representatives of, inter alia, the Ministry of Planning and Investment and State Bank of Vietnam, and (ii) at least one representative of line ministries of the sectors selected for piloting the medium-term expenditures framework under Part B.2 of the Project, and one representative of the provinces; and

(b) throughout the period of Project implementation, maintain said Steering Committee, to provide overall guidance and direction in the implementation of the Project and to ensure that Project activities are coordinated with other national initiatives for public administration reform.

2. The Borrower shall establish and, thereafter throughout the period of Project implementation, maintain a Project management unit within the Ministry of Finance for overall Project management and administration; coordination among relevant departments within the Ministry of Finance, and with other relevant agencies and line ministries; monitoring and evaluation of Project activities; said Unit to be under the direction of experienced managers, provided with sufficient resources, and staffed with competent personnel in adequate numbers, including without limitation, a Project director, a finance officer supported by an accountant, a cashier and assistant; procurement specialists and IT specialists; all under terms of reference acceptable to the Association.

3. The Borrower shall:

(a) prepare and adopt a financial management manual satisfactory to the Association, to serve as reference and training manual to Project staff; said manual shall set forth, inter alia, the organizational structure and responsibilities in regard to financial management, fund flow arrangements, staffing and training requirements, financial accounting systems, internal control mechanisms, financial reporting requirements and procedures, auditing arrangements, and samples and forms;

(b) establish a computerized project financial management system adequate to produce financial management reports in substance and form satisfactory to the Association in accordance with Section 4.02 of this Agreement; and

(c) provide training to the PMU staff in financial management and disbursement in a manner satisfactory to the Association.

4. The Borrower shall, by no later than December 31, 2003, appoint an external auditor for the Project, with qualifications and experience and under terms of reference acceptable to the Association.

Project Implementation

5. To ensure transparency and objectivity in the selection and procurement of the integrated Treasury and Budget Management Information System under Part A of the Project, the Borrower shall:

(a) through the Minister or a Vice Minister of Finance, issue an instruction, satisfactory to the Association, for the procurement of said system, said instruction setting forth in detail the criteria and processes for the selection of said system and evaluation of the bids, including measures to ensure the confidentiality of the bid evaluation process; the specific acceptance criteria, and the process of validation and verification of the progress in the preparation and deployment of the system against such criteria;

(b) appoint an evaluation committee to be chaired by the Project director, and including technical specialists, and at least one such technical specialist from outside of MOF, with qualifications and experience acceptable to the Association, to undertake the evaluation of information systems proposals and formulate recommendations thereon; and

(c) to assist such evaluation committee with respect to the procurement of the TABMIS in particular, engage, in accordance with the provisions of Section II of Schedule 3 to this Agreement, the services of experts with qualifications and experience and under terms of reference acceptable to the Association to: (i) manage the procurement of said system; (ii) carry out an independent evaluation of the technical and financial responsiveness of the bids; and (iii) undertake independent validation and verification of progress in the delivery and deployment of said system against the acceptance criteria established in the Instruction of procurement referred to in clause (a) above, all in a manner satisfactory to the Association.

6. The Borrower shall:

(a) by no later than May 31 and November 30 of each year, commencing on November 30, 2003, furnish to the Association for its review and comments, a semi-annual work program, including therein, the program of training for staff of MOF, MPI and selected pilot line ministries and pilot provinces under Parts B and C of the Project; and

(b) thereafter implement said work program in a manner satisfactory to the Association, taking into consideration the Association's view thereon.

7. The Borrower shall:

(a) by no later than November 30 of each year, furnish to the Association for its prior concurrence, an annual plan for the maintenance and, if necessary, upgrade of the hardware and software, and the connectivity of said system, said annual plan to include the estimated costs therefor, provided that the first such annual plan shall be provided to the Association by no later than January 31, 2004; and

(b) thereafter, carry out such plan in a manner satisfactory to the Association.

#### Monitoring and Reporting

8. The Borrower shall:

(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 Association, on or about January 31 and July 31 of each year, commencing on January 31, 2004 a semi-annual report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 8, on the progress achieved in the carrying out of the Project during the preceding calendar semester (or in the case of the last such report furnished for each calendar year, during the preceding calendar year) 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;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about November 30, 2006, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 8, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out 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

(d) promptly review with the Association, each such report referred to in sub-paragraphs (b) and (c) of this paragraph 8 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.

## **SCHEDULE 5**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1), (2) and (3) 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 equal to \$2,000,000 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 equal to \$1,000,000 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 SDR12,000,000.
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, 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 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.