

CONFORMED COPY

CREDIT NUMBER 4698-VN

Financing Agreement

(Second Northern Mountains Poverty Reduction Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 25, 2010



FINANCING AGREEMENT

AGREEMENT dated May 25, 2010, entered into between SOCIALIST REPUBLIC OF VIETNAM (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to ninety six million six hundred thousand Special Drawing Rights Special Drawing Rights (SDR 96,600,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 15 and September 15 in each year.

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

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Planning and Investment and Project Provinces in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Recipient has adopted the Project Implementation Manual referred to under paragraph 14 of Section I.A of Schedule 2 to this Agreement.
 - (b) The Recipient, through MPI and Project Provinces, has adopted the capacity building plan referred to in paragraph 16 of Section I.A of Schedule 2 to this Agreement for the first eighteen (18) months of Project implementation. .
 - (c) The Recipient has issued the Financial Management Circular referred to in paragraph 17 of Section I.A of Schedule 2 to this Agreement.
- 4.02. The Additional Legal Matters consist of the following:
 - (a) The Resettlement Policy Framework has been duly approved by the Recipient's Prime Minister and is legally binding upon the Recipient in accordance with their respective terms.
 - (b) The Commune Development Boards have the legal powers to participate in the Project in accordance with the terms and conditions herein set

forth, and to enter into Sub-Project Agreements with the respective District Project Management Units.

- 4.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient’s Representative is the Governor, or a Deputy Governor, of the State Bank of Vietnam.
- 5.02. The Recipient’s Address is:

State Bank of Vietnam
49 Ly Thai To
Hanoi, Vietnam

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

- 5.03. The Association’s Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	(1-202) 477 6391

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

SOCIALIST REPUBLIC OF VIETNAM

By: /s/ Nguyen Van Giau

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Victoria Kwakwa

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to enhance the living standards of the Project Beneficiaries by improving: (i) their access to productive infrastructure; (ii) the productive and institutional capacities of local governments and communities; and (iii) market linkages and business innovations.

The Project consists of the following parts:

Part 1: District Economic Development

Provision of support for the implementation of District Socio-Economic Development Plans focusing on productive infrastructure for local employment and income generation, and diversification of the livelihoods of the rural poor; including:

- (a) provision of support for financing small and medium size investment project including, but not limited to, intra-commune roads, small-scale irrigation schemes, drinking water supplies and rural markets; and
- (b) provision of support to make supply side and market institutions work better for the poor including: (i) carrying out of research and analytical studies to identify market opportunities and create enabling environment; (ii) establishing partnerships with banks, nongovernmental organizations, private sector for providing dedicated linkage support to rural producers and microenterprises; and (iii) provision of Innovation Grants to promote innovative business ideas and unconventional approaches for business linkages for the rural poor.

Part 2: Commune Development Budget

Provision of Grants to finance Sub-Projects to support the implementation of the Commune Development Plans, including:

- (a) small scale communal infrastructure activities including, but not limited to, road repair, micro-irrigation systems, and markets;
- (b) livelihood support to the poor to assist them to form common interest groups, develop necessary skills and explore linkage with credit and markets; and
- (c) support for women's social and economic development activities.

Part 3: Capacity Building

Strengthening human resource capacity of all project stakeholders at central, Province, District, Commune, and Village levels, including capacity building for:

- (a) District and Commune staff to prepare socio-economic development plans and facilitate their process;
- (b) Commune and Village staff on project implementation and management;
- (c) central, Province, and District staff on project implementation and management
- (d) development of skills for local level employment opportunities; and
- (e) safeguarding assets of communes and households including understanding and mitigating natural disaster risks.

Part 4: Project Management

Provision of support for effective Project management, monitoring, and evaluation, including facilitation of implementation, coordination, communication, information sharing and learning, and quality enhancement efforts, in addition to internal and external supervision and auditing.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient, no later than June 30, 2010, shall cause the People's Committee of each Project Province to establish and maintain, throughout the duration of Project implementation a Provincial Steering Committee to be chaired by the chairperson or vice chairperson of Provincial People's Committee and to include the director of DPI as standing vice chair, directors of departments of finance, construction, transportation, trade and industry, ethnic committee, agriculture and rural development, natural resource and environment, education, labor, health, provincial state treasury, chairpersons of DPCs, and representatives of provincial Women's Union and Farmers Association.
2. Each PSC shall be responsible for overseeing the Project implementation in the respective Project Province and ensuring consistency and coordination with other projects and programs.
3. The Recipient, no later than June 30, 2010, shall cause the People's Committee of each Project District to establish and maintain, throughout the duration of Project implementation a Commune Supervision Board within each Project Commune with composition and terms of reference satisfactory to the Association.
4. Each CSB, as part of other Project monitoring arrangements, shall be responsible for monitoring the implementation and progress of Project activities within its respective Commune.
5. The Recipient shall maintain throughout the implementation of the Project a Central Project Coordination Office within MPI under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers including, among others, a director, a deputy director, a coordinator, two accountants, a planning and procurement officer, a safeguard officer, a management information system officer, a monitoring and evaluation officer, a capacity building officer, a livelihood officer, and a commune development budget officer, in each case with qualifications, experience and under terms of reference acceptable to the Association.
6. The CPO shall be responsible for the overall management and coordination of the Project, and monitoring and evaluation of Project achievements and impacts.

7. The Recipient shall cause the People's Committee of each Project Province to maintain, throughout the duration of Project implementation the Provincial Project Management Unit within the provincial Department of Investment and Planning under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers including, among others, a director, a coordinator, two (2) accountants, a planning and procurement officer, a safeguard officer, a management information system officer, a monitoring and evaluation officer, a capacity building officer, a livelihood officer, and a commune development budget officer, in each case with qualifications, experience and under terms of reference acceptable to the Association.
8. Each PPMU shall be responsible for managing and coordinating the implementation of Project activities within its respective Province, including preparing and implementing provincial annual work and procurement plans and budgets; managing procurement, financial management, and disbursement; coordinating and managing capacity building plans and training; and providing technical support and guidance to Districts, Communes, and Villages.
9. The Recipient shall cause the People's Committee of each Project Province to maintain, throughout the duration of Project implementation a District Project Management Unit within each Project District under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers including, among others, a director, two (2) accountants, a planning and procurement officer, a monitoring and evaluation officer, a community development budget officer, a livelihood officer, and community facilitators, in each case with qualifications, experience and under terms of reference acceptable to the Association.
10. Each DPMU shall be responsible for managing and coordinating the implementation of Project activities within its respective District, including preparing annual investment plans; supervising Sub-Projects under Part 2 of the Project including managing financial management and disbursement; and providing technical support and guidance to Communes.
11. The Recipient, no later than June 30, 2010, shall cause the People's Committee of each Project District to establish and maintain, throughout the duration of Project implementation a Commune Development Board in each Project Commune under the direction of qualified management provided with sufficient resources, and staffed with competent personnel in adequate numbers, and to be chaired by the chairperson or vice chairperson of the Commune People's Committee and include the head of Women Union as vice chair; and one commune accountant, one commune cadastral officer; and two representatives from each Village (one (1) woman and one (1) man).

12. Each CDB shall be responsible for: (a) undertaking a community-based participatory assessment and planning process in order to solicit and screen proposals on development priorities and Sub-Projects from the population of the Commune; and prepare a Commune Development Plan, and seek its authorization from approval from the respective DPMU; (b) undertaking an annual participatory review process to define the annual implementation program under the Commune Development Plan; (c) entering into Sub-Project Agreements on behalf of the Commune with the respective DPMU; and (d) managing the development and implementation of Sub-Projects under Part 2 of the Project including the review, approval, and supervision of Sub-Projects.
13. For each eligible Sub-Project or group of Sub-Projects included in a Commune Development Plan, the Recipient shall cause the respective Commune Development Board to enter into a Sub-Project Agreement with the DPMU in form and substance satisfactory to the Association, to record the mutual rights and obligations of the Commune Development Board on behalf of the respective Commune and the respective DPMU in regard to the execution of each Sub-Project, including the detailed design, engagement of contractors, contribution by beneficiaries and arrangement for the operation and maintenance of the Sub-Project after its completion.
14. The Recipient shall adopt a Project Implementation Manual in form and substance acceptable to the Association setting forth guidelines and procedures for the implementation of the Project including:
 - (a) participatory framework and a communication strategy to ensure that ethnic minorities meaningfully participate in and benefit from the Project including procedures for conducting community-based assessments and planning;
 - (b) guidelines for the development of Commune Development Plans, including processes of obtaining approval at the Village and Commune levels, and at the District and Provincial levels, and a process of review by an external panel;
 - (c) guidelines and procedure for the provision of Innovation Grants under Part 1 of the Project by DPMUs for recipients of the Innovation Grants;
 - (d) eligibility criteria for Sub-Projects, including the targeting of more vulnerable and disadvantaged groups within the Project Communes, and the assumption of responsibility for operation and maintenance;

- (e) guidelines and criteria for the operation of Part 2 of the Project and the approval of Sub-Projects by the Commune Development Boards;
 - (f) guidelines and procedure for operation and maintenance of properties, assets, and investments under the Project;
 - (g) procurement procedures;
 - (h) monitoring requirements and processes, including monitoring by Project Beneficiaries, and reporting; and
 - (i) a financial management manual setting forth, inter alia, fund flow arrangements, financial management, accounting, reporting, internal control and audit mechanisms and procedures, including the management, control and auditing of Project accounts.
15. The Recipient shall not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the Project Implementation Manual or any part thereof, without the prior concurrence of the Association. In case of any conflict between the provisions of this Agreement and those of the Project Implementation Manual, the provisions of this Agreement shall prevail.
 16. The Recipient shall develop and adopt a capacity building plan in form and substance satisfactory to the Association, including: (a) a strategy and action plan to develop and strengthen the management capacity of Project Communes, and at the Central, Provincial and District levels; and (b) mechanisms and processes for implementing the capacity building plans in support of the poor in the remote upland areas.
 17. The Recipient, through MOF, shall issue a Financial Management Circular in form and substance satisfactory to the Association setting forth the financial management framework of the Project to guide the implementing agencies at all levels in the financial management aspects of the Project.
 18. The Recipient, no later than December 1 of each year commencing December 1, 2011, shall prepare and cause Project Provinces to prepare, and submit to the Association for its review, annual implementation plans of the Project including a procurement plans and budget for the CPO and each Project Province.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The Recipient shall:

- (a) take, and cause to be taken, all necessary actions to minimize to the extent possible any involuntary relocation of persons, or their loss of shelter, assets, or access to assets, or loss of income sources or means of livelihood, temporarily or permanently;
- (b) in the event that Project activities give rise to Affected Persons, prior to the commencement of such activities, prepare, and cause to be prepared, a Resettlement Action Plan, acceptable to the Association, in accordance with the guidelines and procedures set forth in the Resettlement Policy Framework, and thereafter implement said Resettlement Action Plan as approved by the Association;
- (c) in the event that Sub-Projects give rise to Affected Persons, the Recipient Borrower shall ensure that the PPMU of the relevant Project Province, in coordination with the relevant Project District or Project Commune: (i) follow the principles, guidelines and procedures set forth in the Resettlement Policy Framework; (ii) prepare a Resettlement Action Plan satisfactory to the Association; and (iii) carry out such Resettlement Action Plan as so approved, prior to the commencement of any works under such Sub-Project;
- (d) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the Resettlement Policy Framework or the Resettlement Action Plan without the prior concurrence of the Association; and
- (e) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the said Resettlement Policy Framework and the Resettlement Action Plan.

2. The Recipient shall:

- (a) implement, and cause to be implemented, the Environmental Management Framework in a manner satisfactory to the Association and designed to ensure that the Project is implemented in accordance with sound environmental practices and standards;

- (b) as may be necessary in accordance with the requirements set forth in said Framework and in a manner satisfactory to the Association, carry out, and cause to be carried out, environmental assessments and prepare and implement, and cause to be prepared and implemented, Environmental Management Plans acceptable to the Association;
- (c) in respect of Sub-Projects, cause the relevant Project District or Project Province, as the case may be, to: (i) carry out an environmental screening and, if necessary on the basis of such screening, carry out a full environmental impact assessment, in accordance with the guidelines of the Environmental Management Framework; and thereafter: (ii) incorporate and carry out adequate mitigation measures into the relevant Sub-Project;
- (d) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the Environmental Management Framework and Environmental Management Plans without the prior concurrence of the Association; and
- (e) maintain, policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Framework and Environmental Management Plans, and the achievement of their respective objectives.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports and Review

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.
2. The Recipient shall, through MPI and Project Provinces, prepare and furnish to the Association annual internal audit reports in form and substance satisfactory to the Association covering all operational aspects of the Project. Each internal audit report shall cover the period of one (1) fiscal year of the Recipient, and shall be furnished to the Association not later than six (6) months after the end of such period.
3. Without limitations to the provisions of Section 4.08 of the General Conditions, the Recipient shall:

- (a) prepare, under terms of reference satisfactory to the Association, and furnish to the Association on or about November 30, 2012, a mid-term report on the progress achieved in carrying out 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 remainder of the project period; and
- (b) by no later than December 31, 2012, unless otherwise agreed by the Association, hold a mid-term review with the Association to evaluate the progress in Project implementation and in achievement of the Project objectives.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
- 2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
- 3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

- 1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
- 2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
- 3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of

particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

- 1. International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
- 2. Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2
(b) Direct Contracting
(c) Shopping
(d) Community Participation

C. Particular Methods of Procurement of Consultants’ Services

- 1. Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
- 2. Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Least Cost Selection
(b) Selection Based on Consultants’ Qualification
(d) Quality Based Selection
(c) Selection of Individual Consultants
(d) Single Source Selection

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) the first contract for works procured by each DPMU on the basis of Shopping; (b) the first contract for goods or works procured by each PPMU and CPO on the basis of National Competitive Bidding; (c) each contract for goods estimated to cost the equivalent of \$100,000 or more; (d) each contract for works estimated to cost the equivalent of \$300,000 or more; (e) each contract for goods or works regardless of its value procured on the basis of Direct Contracting; (f) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (g) each contract for consultants' services regardless of its value procured on the basis of Single Source Selection. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Grants	27,900,000	100% of amounts disbursed
(2) Innovations Grants	3,600,000	100% of amounts disbursed
(3) Works and Goods including Vehicles	33,000,000	95%
(4) Consultants Services and Training	11,300,000	100%
(5) Incremental Operating Costs	3,400,000	95%
(6) Unallocated	17,400,000	
TOTAL AMOUNT	96,600,000	

3. For purposes of the above table in Part A of this Section:
- (a) the term “Incremental Operating Costs” means the reasonable cost of incremental expenditure incurred by the Recipient in the implementation of the Project, which expenditures would not have been incurred absent the Project, namely the costs of office consumables, operation and maintenance of office equipments and vehicles; communication costs; transportation costs; and per diem for Project staff for purposes of Project management and supervision; the costs of information, education and communication campaigns and activities, including costs of printing, translation and interpretation, and media costs; and wages of contracted staff; but in all cases excluding the salaries and salary supplements of the Recipient’s civil servants; and
 - (b) the term “Training” means the reasonable costs of expenditure incurred by the Recipient in facilitating and conduction training activities under the Project including costs of training material, equipment and venue rental, and per diem and transportation for those attending and training,

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement; except that withdrawals up to an aggregate amount not to exceed SDR 970,000 may be made for payments made prior to this date but on or after January 1, 2010.
2. The Closing Date is June 30, 2015.

Section V. Other Undertakings

1. The Recipient shall, no later than June 30, 2010: (a) develop and install in the CPO, all PPMUs and DPMUs an accounting software program acceptable to the Association for purposes of Project operations and reporting; and (b) ensure that all accountants and financial management staff in the CPO, PPMUs, and DPMUs have been effectively trained in financial management aspects of the Project including in use of manuals, procedures, and use of said software program referred to in sub-paragraph (a) above.
2. The Recipient shall, no later than November 30, 2010 ensure that all accountants and financial management staff in the CDBs have been effectively trained in financial management aspects of the Project including the use of manuals and procedures.

ANNEX to SCHEDULE 2

National Competitive Bidding Procedures

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

Eligibility

1. The eligibility of bidders shall be as defined under Section I of the Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Guidelines. Foreign bidders shall be eligible to participate in bidding under the same conditions as national bidders. In particular, no domestic preference over foreign bidders shall be granted to national bidders in bid evaluation, nor shall foreign bidders be asked or required to form joint ventures with national bidders in order to submit a bid. Bidders located in the same province or city as the procuring entity shall not be given preference over bidders located outside that city or province.

2. In addition to the foregoing requirements, equitized Government-owned enterprises in which the Recipient holds less than fifty percent of the shares are eligible to participate, *provided that* the procuring entity or investment owner does not own shares (or represent the Government's shares) in the enterprise and the governing Board and management team are autonomous from the procuring entity and the investment owner. Military or security units or enterprises established under, reporting directly or indirectly to, or owned wholly or partly by, the Ministry of Defense or the Ministry of Public Security shall not be permitted to bid.

Registration

3. Registration shall not be used to assess bidders' qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid and, if determined to be the lowest evaluated responsive bidder, shall be given reasonable opportunity of

registering, without any let or hindrance. Bidding shall not be restricted to any particular class of contractors, and non-classified contractors shall also be eligible to bid.

Advertising; Time for Bid Preparation

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

Standard Bidding Documents

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

Qualification Criteria

6. Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a pass or fail basis and merits points shall not be used. Such assessment shall only take into account the bidder's capacity and resources to perform the contract, specifically its experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction and manufacturing facilities, and financial capacity.

Bid Submission, Bid Opening and Bid Evaluation

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

(a) Bidding documents shall be sold to anyone who is willing to pay the required fee of the bidding documents which shall not exceed the costs of printing, reproduction and delivery, and no other conditions shall be imposed on the sale of the bidding documents.

(b) Evaluation of bids shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; merit points shall not be used in bid evaluation.

(c) A contract shall be awarded to the technically responsive bid that offers

the lowest evaluated price and no negotiations shall be permitted. A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted.

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

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

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

Rejection of All Bids and Re-bidding

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

Complaints by Bidders and Handling of Complaints

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

Fraud and Corruption

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

Right to Inspect/Audit

11. Each bidding document and contract financed from the proceeds of a Credit shall include a provision requiring bidders, suppliers, contractors and subcontractors to permit the Association, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice.

License

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

Publication of the Award of Contract

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

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing September 15, 2020 to and including March 15, 2030	1.25%
commencing September 15, 2030 to and including March 15, 2045	2.50%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX**Section I. Definitions**

1. “Affected Persons” means persons who, on account of the execution of the Project, had or would have their: (a) standard of living adversely affected; (b) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Central Project Coordination Office” or “CPO” means the unit established within the Recipient’s Ministry of Planning and Investment by Decision Number 176/QD-BKH dated January 29, 2010 to coordinate and manage the overall implementation of the Project, and referred to in paragraph 5 of Section I.A Schedule 2 to this Agreement.
5. “Commune” means any of the government administrative areas established as such within a District in accordance with the Recipient’s constitution and laws or any successor thereto.
6. “Commune People’s Committee” means the local government at the Commune level or any successor thereto.
7. “Commune Development Board” or “CDB” means the unit to be established in each Project Commune which is responsible for developing, through participatory consultation with Project Beneficiaries, the Commune Development Plan, and for entering into Sub-Project Agreements, on behalf of Communes, and referred to in paragraph 11 of Section I.A of Schedule 2 to this Agreement.
8. “Commune Development Plan” means a plan of development priorities developed by each Project Commune from proposals submitted by community members and screened by the respective Commune Development Board, and from which specific Sub-Projects would be selected for financing under the Project.

9. “Commune Supervision Board” or “CSB” means a unit to be established in each Project Commune to carry out supervision of Project activities at commune level, and referred to in paragraph 3 of Section I.A of Schedule 2 to this Agreement.
10. “District” means any of the government administrative areas established as such within a Province in accordance with the Recipient’s constitution and laws or any successor thereto.
11. “District Project Management Unit” or “DPMU” means each of the units established within each Project District to manage the overall implementation of the Project within that said District, in accordance with the provisions of paragraph 9 of Section I.A of Schedule 2 to this Agreement and the following Decisions: 2068/QD-UBND, 2069/QD-UBND, 2070/QD-UBND and 2071/QD-UBND dated November 25, 2009 in respect of Project District in Dien Bien; 2635/QD-UBND, 2636/QD-UBND, 2637/QD-UBND, 2638/QD-UBND and 2639/QD-UBND dated December 25, 2009 in respect of Project District in Hoa Binh; 1978/QD-UBND, 1979/QD-UBND, 1980/QD-UBND and 1981/QD-UBND dated November 30, 2009 in respect of Project District in Lai Chau; 4015/QD-UBND, 4017/QD-UBND, 4018/QD-UBND and 4019/QD-UBND dated November 30, 2009 in respect of Project District in Lao Cai; 11/QD-UBND, 12/QD-UBND, 13/QD-UBND, 14/QD-UBND and 15/QD-UBND dated January 5, 2010 in respect of Project District in Son La; 1755/QD-UBND, 1756/QD-UBND, 1757/QD-UBND, 1758/QD-UBND and 1759/QD-UBND dated November 16, 2009 in respect of Project District in Yen Bai.
12. “District People’s Committee” or “DPC” means the local government at the District level or any successor thereto.
13. “DPI” means the Department of Planning and Investment within a Provincial People’s Committee or any successor thereto.
14. “District Socio-Economic Development Plan” means a plan of development priorities developed by each District for a period of five (5) years.
15. “Environmental Management Framework” or “EMF” means the framework adopted by the Recipient through its Ministry of Planning and Investment’s Decision No 116/QD-BKH dated January 22, 2010 and referred to in the paragraph 2 of Section I.C of Schedule 2 to this Agreement, which sets out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensue the implementation of said framework, as said Environmental Management Framework may be revised from time to time with the prior concurrence of the Association.

16. “Environmental Management Plan” or “EMP” means the plan to be developed and adopted by the Provincial People’s Committee and referred to in the paragraph 2 of Section I.C of Schedule 2 to this Agreement, which sets out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensue the implementation of said plan, as said Environmental Management Plan may be revised from time to time with the prior concurrence of the Association.
17. “Farmers’ Association” means Vietnam Farmers Association, a social organization established in October 4, 1930.
18. “Financial Management Circular” means a government regulation to be issued by the Recipient Ministry of Finance to guide the implementing agencies at all levels in the financial management aspects of the Project, and referred to in paragraph 17 of Section I.A of Schedule 2 to this Agreement.
19. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
20. “Grant” means a grant made, or proposed to be made, by the Recipient, out of the proceeds of the Financing, to a grant beneficiary for financing a Sub-Project under Part 2 of the Project in accordance with the relevant provisions of this Agreement and the Project Implementation Manual.
21. “Innovation Grant” means a grant made, or proposed to be made, by the Recipient, out of the proceeds of the Financing, to a grant recipient for financing activities under Part 1 (b)(iii) of the Project in accordance with the relevant provisions of this Agreement and the Project Implementation Manual
22. “MOF” means The Recipient’s Ministry of Finance or any successor thereto.
23. “Ministry of Planning and Investment” or “MPI” means the Recipient’s Ministry of Planning and Investment, or any successor thereto.
24. “People’s Committee” means the local government at the Province, District, or Commune level, as the case may be, or any successor thereto.
25. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
26. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 22, 2010 and referred to in paragraph 1.16 of the Procurement

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

27. “Project Beneficiaries” means individuals, households, groups of households, organizations, institutions, and other entities in any of the Project Provinces selected or to be selected to benefit from Project activities all in accordance with relevant provision of this Agreement.
28. “Project Communes” means collectively, those Communes within the Project Provinces selected by the Recipient to benefit from Project activities, and “Project Commune” means any of the Project Communes.
29. “Project District” means collectively, those Districts within the Project Provinces which have within their respective jurisdiction one or more Project Communes; and “Project District” means any of the Project Districts.
30. “Project Implementation Manual” means the manual to be adopted by the Recipient for the implementation of the Project, in accordance with the provisions of paragraph 14 of Section I.A of Schedule 2 to this Agreement, which include among others, financial management manual, procurement management procedures, safeguard policies and procedure, as said Project Implementation Manual may be revised from time to time with the prior concurrence of the Association.
31. “Project Province” means collectively, the Provinces of Lao Cai, Yen Bai, Son La, Hoa Binh, Dien Bien, and Lai Chau in the Recipient’s northern mountains region, and “Project Province” means any of such Provinces.
32. “Province” means any of the government administrative areas established as such in accordance with the Recipient’s constitution and laws or any successor thereto.
33. “Provincial People’s Committee” means the local government at the Province level or any successor thereto.
34. “Provincial Project Management Unit” or “PPMU” means the unit established by each Project Province in accordance with the provisions of paragraph 7 of Section I.A of Schedule 2 to this Agreement and pursuant to Decisions Numbers 2067/QD-UBND dated November 25, 2009 in respect of Dien Bien, 2634/QD-UBND dated December 25, 2009 in respect of Hoa Binh, 1977/QD-UBND dated November 30, 2009 in respect of Lai Chau, 4016/QD-UBND dated November 30, 2009 in respect of Lao Cai, 2092/QD-UBND dated July 30, 2009 and 10/QD-UBND dated January 5, 2010 in respect of Son La, and 1760/QD-UBND dated November 16, 2009 in respect of Yen Bai, to manage the overall implementation of said Project Province’s respective part of the Project.

35. “Provincial Steering Committee” or “PSC” means each of the committees to be established by each Project Province in accordance with the provisions of paragraph 1 of Section I.A of schedule 2 to this Agreement for purposes of overseeing implementation of the Project.
36. “Resettlement Action Plan” means an action plan adopted by a Project Province for land acquisition, resettlement, compensation, and rehabilitation of Affected Persons and referred to in paragraph 1 of Section I.C of Schedule 2 to this Agreement, as said Resettlement Action Plan may be revised from time to time with the prior concurrence of the Association.
37. “Resettlement Policy Framework” means the policy framework for resettlement and land acquisition dated January 29, 2010 approved and adopted by the Recipient’s Minister of Planning and Investment’s Decision No. 178/QD-BKH and referred to in paragraph 1 of Section I.C of Schedule 2 to this Agreement, which sets forth policies and procedures for land acquisition, resettlement, compensation, and rehabilitation of Affected Persons, and the preparation of Resettlement Action Plans during the implementation of the Project, as said Resettlement Policy Framework may be revised from time to time with the prior concurrence of the Association.
38. “Sub-Project” means a specific investments project to be financed under Part 2 of the Project for the construction of small-scale infrastructure within a Project Communes or a specific program of activities within a Project Commune to contribute to the achievement of the Project’s overall development objective thereof.
39. “Sub-Project Agreement” means an agreement to be entered into between a Commune Development Board and the respective District Project Management Unit for purposes of implementing a Sub-Project, and referred to in paragraph 13 of Section I.A of Schedule 2 to this Agreement.
40. “Village” means a group of households within a Commune.
41. “Women’s Union” means the Vietnam Women’s Union, a social organization established on October 20, 1950.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

Paragraph (a) of Section 2.05 is modified to read as follows:

“Section 2.05 Eligible Expenditure

(a) the payment is for the financing of the reasonable cost of goods, works, services, Training, Incremental Operational Cost, Grants, and Innovation Grants (as said capitalized terms are defined in the Financing Agreement) required for the Project, and to be financed out of the proceeds of the Financing and procured, all in accordance with the provisions of the Financing Agreement;”