

CONFORMED COPY

CREDIT NUMBER 3030 VN

Development Credit Agreement

(Debt and Debt Service Reduction Credit)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 12, 1998

CREDIT NUMBER 3030 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 12, 1998 , between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) The international banking community has responded favorably to the Borrower's request, dated January 20, 1997 and denominated "1996-97 Financing Plan" (the Financing Plan), for participation in a debt and debt service reduction program designed to support the Borrower's medium term macroeconomic objectives and policies, as a result of which the Borrower will: (i) purchase for cash the equivalent of approximately \$41,000,000 of Eligible Debt (as defined in the Financing Plan) with a discount of 56%; (ii) issue Discount Bonds in exchange for the equivalent of approximately \$50,000,000 of Eligible Debt; (iii) issue Par Bonds in exchange for the equivalent of approximately \$232,000,000 of Eligible Debt; (iv) pay the equivalent of \$15,000,000 in past due interest (PDI) on Eligible Debt and issue PDI Bonds in exchange for the equivalent of approximately \$281,000,000 in PDI on Eligible Debt; and

(B) The Borrower has requested the assistance of the Association in financing: (i) the purchase price of Eligible Debt to be purchased by the Borrower under the Financing Plan; (ii) a portion of the cost of the acquisition of collateral to secure principal and interest payments on the Discount Bonds to be issued in exchange for Eligible Principal under the Financing Plan; and (iii) a portion of the cost of the acquisition of collateral to secure principal payments on the Par Bonds to be issued in exchange for Eligible Principal under the Financing Plan; 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, with the modifications set forth in Schedule 3 to this Agreement (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 wherever used in this Agreement have the following meanings:

(a) "Collateral" means collateral pledged by the Borrower to secure: (i) principal and interest payments on the Discount Bonds; and (ii) principal payments on the Par Bonds, in accordance with agreements entered into pursuant to the Financing Plan and to be partially financed out of the proceeds of the Credit; and "Specific Collateral" means the specific portions of the Collateral which shall have satisfied the requirements set forth in Schedule 1 to this Agreement to be financed out of the proceeds of the Credit under the table set forth in paragraph 1 of said Schedule.

(b) "Collateral Pledge Agreement" means the agreement made by the Borrower in favor of the collateral agent selected under the Financing Plan (the "Collateral Agent"), with respect to the Discount Bonds and the Par Bonds to be issued pursuant to such Financing Plan, in accordance with which the collateral for the Discount Bonds and the Par Bonds is to be maintained.

(c) "Debt Purchase Offer" means the offer to purchase Eligible Debt made by the Borrower under the Financing Plan.

(d) "Discount Bond" means any collateralized 30-year discount bond issued by the Borrower under the Financing Plan.

(e) "Eligible Debt" has the meaning ascribed thereto in the Financing Plan.

(f) "Eligible Principal" has the meaning ascribed thereto in the Financing Plan.

(g) "Fiscal Year" means the fiscal year of the Borrower, which begins on January 1 and ends on December 31 of each year.

(h) "Par Bond" means any collateralized 30-year par bond issued by the Borrower under the Financing Plan.

(i) "Participating Lenders" means the commercial banks and other financial institutions holding Eligible Debt that have participated in the Financing Plan.

(j) "PDI" means past due interest.

(k) "PDI Bond" means any past due interest bond issued by the Borrower under the Financing Plan.

(l) "Purchase" means the aggregate of cash payments made by the Borrower to Participating Lenders under the agreements to be entered into pursuant to the Debt Purchase Offer and to be financed out of the proceeds of the Credit; and "Specific Purchase" means the specific portions of the Purchase which shall have satisfied the requirements set forth in Schedule 1 to this Agreement to be financed out of the proceeds of the Credit under the table set forth in paragraph 1 of said Schedule.

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 twenty five million two hundred thousand Special

Drawing Rights (SDR 25,200,000).

Section 2.02. 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 acquisition of Collateral or the Purchase of Eligible Debt required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be June 30, 1998 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 and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each February 15 and August 15 commencing February 15, 2008 and ending August 15, 2037. Each installment to and including the installment payable on August 15, 2017 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.

Section 2.09. (a) Without any limitation on Section 5.02 of this Agreement or Section 7.01 of the General Conditions, upon the occurrence of any of the following events, the Association, at its option, may, by notice to the Borrower, require the Borrower to repay, in advance of maturity, such portion of the principal amount of the Credit then outstanding as specified below together with all accrued charges thereon:

(i) the Association shall have determined at any time that any amount of the Credit has not been used for the purpose of the Project as set forth in Schedule 2 to this Agreement, in which case the amount of the Credit subject to prepayment shall be such amount as shall have been so determined;

(ii) any portion of the Collateral shall have been released to the Borrower and the acquisition cost of the remaining amount of the said Collateral shall be less than the amount of the acquisition cost of the Specific Collateral, in which case the amount of the proceeds of the Credit subject to prepayment shall be equal to: (A) the difference between: (1) the amount of the acquisition cost of the Specific Collateral; and (2) the acquisition cost of the said remaining amount of the Collateral; less (B) any amounts which have been previously prepaid pursuant to this Section 2.09(a)(ii) and any amounts which would have been subject to such prepayment but for the provisions of Section 2.09(b) of this Agreement.

(b) The provisions of subparagraph (a)(ii) above shall not apply if the Borrower establishes, to the satisfaction of the Association, that the acquisition cost of such Collateral so released has been or will be used, in a manner satisfactory to the Association, to support further debt or debt service reduction activities of the Borrower.

(c) The Borrower shall inform the Association of the occurrence of any of the events listed in paragraph (a) of this Section within seven (7) working days of the occurrence thereof.

(d) Prepayment of all or any portion of the Credit in accordance with paragraph (a) of this Section shall be made on a date and in the currency specified by the Association.

ARTICLE III

Financial Covenants

Section 3.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the payments made in respect of the Project and financed out of the proceeds of the Credit.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such

year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(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 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.

ARTICLE IV

Other Covenants

Section 4.01. The Borrower and the Association shall, from time to time, at the request of either party, exchange views on the Financing Plan.

Section 4.02. Without any limitation or restriction upon the provisions of Section 9.01 of the General Conditions and Section 2.09(c) of this Agreement, the Borrower shall:

(a) at all times keep the Association informed of all notices, certificates and confirmations issued to or received by the Borrower in respect of the Collateral; and

(b) provide to the Association copies of the monthly reports with respect to the Collateral to be delivered by the Collateral Agents to the Borrower pursuant to the provisions of the Collateral Pledge Agreement within fifteen (15) days of the receipt thereof.

ARTICLE V

Remedies of the Association

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

(a) that a situation has arisen which shall make it improbable, in the opinion of the Association, that the Financing Plan, or any significant part thereof, will be carried out; and

(b) that any event shall have occurred that, in the opinion of the Association, materially and adversely affects the maintenance of the Collateral under the agreements entered into by the Borrower pursuant to the Financing Plan.

Section 5.02. Pursuant to Section 7.01(d) of the General Conditions, the

following event is specified, namely that any event specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

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

(a) that the Borrower has confirmed, in form and substance satisfactory to the Association, the availability of resources which, together with the proceeds of the Credit, will be adequate to finance the implementation of the Financing Plan; and

(b) that the Borrower has entered, under terms and conditions satisfactory to the Association, into agreements with Participating Lenders for the exchange or purchase of Eligible Debt, under the Financing Plan.

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 of the Deputy Governors, 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:

VIETBANK
Hanoi

Telex:

412248 NH TWVT

For the Association:

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

Cable address:

INDEVAS

Telex:

248423 (MCI) or
64145 (MCI)

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

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Le Duc Thuy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Andrew Steer

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

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Category	Amount of the Credit Allocated Expressed in SDRs	% of Expenditures to be Financed	
(1) Specific Purchase	13,500,000	100% of foreign expenditures	
(2) Specific Collateral Discount Bonds and for Par Bonds	11,700,000	100% of foreign expenditures	for
Total	<u>25,200,000</u>		

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for the Specific Purchase or the acquisition of Specific Collateral.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to July 10, 1997; (b) any Specific Purchase, unless the Borrower has furnished to the Association a certificate in form and substance satisfactory to the Association to the effect that the agreement to be entered into pursuant to the Debt Purchase Offer in respect of which such Specific Purchase is to be made is in full force and effect; and (c) the acquisition of Specific Collateral unless: (i) the Borrower has furnished to the Association a certificate in form and substance satisfactory to the Association to the effect that the agreement to be entered into with respect to the exchange of Eligible Debt is in full force and effect; (ii) the Association shall have reviewed and approved the procedures for such withdrawals; and (iii) the Association shall have been satisfied, based on evidence satisfactory to the Association, with the arrangements made for the maintenance of the Collateral. Without limitation or restriction on the provisions of Section 5.03 of the General Conditions, if the Association shall so request in connection with one or more withdrawals from the Credit Account, the Borrower shall furnish to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association as to such matters as the Association may reasonably request.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for a Specific Purchase or the acquisition of Specific Collateral, under such terms and conditions as the Association shall specify by notice to the Borrower.

5. Withdrawals from the Credit Account for a Specific Purchase may be made not earlier than five (5) business days prior to the closing date for the Purchase, provided that the proceeds of the Credit so withdrawn shall be maintained until paid

to the Closing Agent (as defined in the Financing Plan) for the benefit of Participating Lenders in a trust account with an independent trustee (or similar arrangement satisfactory to the Association affording legal protection of the funds) acceptable to the Association, which trust account shall provide for the automatic refund to the Association of such proceeds in the event the conditions precedent to the Purchase are not satisfied or the implementation of the Financing Plan does not for any reason proceed.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Borrower's Financing Plan. Subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives, the Project consists of the following parts:

Part A:

The acquisition of Collateral for the purpose of securing the payment of: (1) principal and interest on the Discount Bonds; and (2) principal on the Par Bonds.

Part B:

The Purchase of Eligible Debt by the Borrower pursuant to one or more agreements entered into pursuant to the Debt Purchase Offer.

SCHEDULE 3

Modifications of General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

(a) The last sentence of Section 3.02 is deleted.

(b) Section 4.01 is modified to read:

"Section 4.01. Currencies in which Withdrawals are to be Made. Except as the Borrower and the Association shall otherwise agree, withdrawals from the Credit Account shall be made in the respective currencies in which the payments to be financed out of the proceeds of the Credit have been made or are to be made."

(c) The second sentence of Section 5.01 is modified to read: "Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made for the purpose of any payment to persons or entities if such payment, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(d) Section 5.02 is deleted.

(e) Section 5.03 is modified to read:

"Section 5.03. Applications for Withdrawal. When the Borrower shall desire to withdraw any amount from the Credit Account, the Borrower shall deliver to the Association a written application in such form, and containing such statements and agreements, as the Association shall reasonably request."

(f) Section 5.08 is deleted.

(g) Section 6.01 is modified to read:

"Section 6.01. Cancellation by the Borrower. The Borrower may, by notice to the Association, cancel any amount of the Credit which the Borrower shall not have withdrawn."

(h) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Association. If (a) the right of the Borrower to make withdrawals from the Credit Account shall have been suspended with respect to any amount of the Credit for a continuous period of thirty days, or (b) at any time, the Association determines, after consultation with the Borrower, that an amount of the Credit will not be required to finance the Project's costs to be financed out of the proceeds of the Credit, or (c) at any time, the Association determines, with respect to any Purchase or acquisition of Collateral to be financed out of the proceeds of the Credit, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Credit with respect to such Purchase or acquisition of Collateral, without the Borrower having taken timely and appropriate action satisfactory to the Association to remedy the situation, and establishes the amount of expenditures in respect of such Purchase or acquisition of Collateral which would otherwise have been eligible for financing out of the proceeds of the Credit, or (d) after the Closing Date, an amount of the Credit shall remain unwithdrawn from the Credit Account, the Association may, by notice to the Borrower, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Credit shall be canceled."

(i) Section 6.04 is deleted.

(j) Sections 9.03, 9.04 and 9.05 are deleted.

(k) Section 9.06 is modified to read:

"Section 9.06. Records and Reports.

(a) The Borrower shall: (i) maintain records and procedures adequate to record and monitor the progress of the Financing Plan (including its cost and the benefits to be derived from it), to identify the payments financed out of the proceeds of the Credit, and to disclose their use in the Financing Plan; (ii) enable the Association's representatives to examine the records and documents relevant to the performance of the obligations of the Borrower under the Development Credit Agreement; and (iii) furnish to the Association at regular intervals all such information as the Association shall reasonably request concerning the Financing Plan, its cost and, where appropriate, the benefits to be derived from it, and the payments financed out of the proceeds of the Credit.

(b) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the carrying out of the Financing Plan, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."

(l) Sections 9.07 and 9.08 are deleted.

