

Public Disclosure Authorized

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CREDIT NUMBER 4116-VN

Development Credit Agreement

(Vietnam Information and Communication Technology Development Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 1, 2006

CREDIT NUMBER 4116 - VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 1, 2006, 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

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 May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

"Section 5.08. Treatment of Taxes

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association's policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association."

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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) “CIO” means chief information officer.

(c) “Da Nang” means the Borrower’s city of Da Nang under the direct jurisdiction of the central government of the Socialist Republic of Vietnam, and any successor thereto.

(d) “Da Nang Special Account” means the account referred to in Section 2.02 (b)(iv) of this Agreement.

(e) “DPT” means a Borrower’s Department of Posts and Telematics at the provincial level.

(f) “E-government” and “Electronic government” mean the use of electronic technology in various aspects of government.

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

(h) “GSO” means the Borrower’s General Statistical Office, and any successor thereto.

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

(j) “Hanoi” means the Borrower’s city of Hanoi under the direct jurisdiction of the central government of the Socialist Republic of Vietnam, and any successor thereto.

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

(l) “Ho Chi Minh City” and “HCMC” mean the Borrower’s Ho Chi Minh City under the direct jurisdiction of the central government of the Socialist Republic of Vietnam, and any successor thereto.

(m) “HCMC Special Account” means the account referred to in Section 2.02(b)(v) of this Agreement

(n) “ICT” means information and communication technology and includes telecommunications, other electronic communications, as well as hardware, software and other information technologies and systems, and postal services.

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

(p) “MPT” means the Borrower’s Ministry of Posts and Telematics, and any successor thereto.

(q) “MPT Special Account” means the account referred to in clause (i) of Section 2.02(b)(i) of this Agreement.

(r) “National Information Technology Steering Committee” means the committee established pursuant to Decision 176/2002/QD-TTg of December 3, 2002 by the Prime Minister, under the chairmanship of a Deputy Prime Minister and the Minister of Posts and Telematics, and with high level representatives from other line ministries and State Bank of Vietnam, responsible for promoting, guiding and monitoring the development and uses of ICT in Vietnam, and any successor thereto.

(s) “PCU” means the Project Coordination Unit to be established and maintained within the Borrower’s Ministry of Post and Telematics, pursuant to the provisions of paragraph 3(a) of Schedule 4 to this Agreement.

(t) “PCU Special Account” means the account referred to in clause (i) of Section 2.02(b)(vi) of this Agreement.

(u) “PIU” means a Project Implementing Unit to be established and maintained, pursuant to the provisions of paragraph 3(b) of Schedule 4 to this Agreement; and “PIUs” means, collectively, all such PIUs.

(v) “Procurement Plan” means the Borrower’s procurement plan, dated August 9, 2005 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation.

(w) “Project Cities” means, collectively, the cities of Hanoi and Da Nang and Ho Chi Minh City, and any successor thereto; and a “Project City” means any of the Project Cities.

(x) “Project Steering Committee” means the committee to be established and maintained in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement.

(y) “Respective Part of the Project” means, in respect of: (i) MPT, Parts A and D of the Project; (ii) GSO, Part B of the Project; (iii) Hanoi, Part C (a) of the Project; (iv) Da Nang, Part C (b) of the Project; and (v) Ho Chi Minh City, Part C (c) of the Project.

(z) “SBV” means State Bank of Vietnam, the Borrower’s central bank, and any successor thereto.

(aa) “Special Accounts” means, collectively: (i) the MPT Special Account; (ii) the GSO Special Account; (iii) the Hanoi Special Account; (iv) the Da Nang Special Account; (v) the HCMC Special Account; and (vi) the PCU Special Account; and a “Special Account” means any of said Special Accounts.

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 this Agreement, an amount in various currencies equivalent to sixty million eight hundred thousand Special Drawing Rights (SDR 60,800,000).

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 open and maintain in US Dollars a separate special deposit account:

- (i) for purposes of Part A of the Project (the MPT Special Account);
- (ii) for purposes of Part B of the Project (the GSO special Account);
- (iii) for purposes of Part C (a) of the Project (the Hanoi Special Account);
- (iv) for purposes of Part C (b) of the Project (the Da Nang Special Account);
- (v) for purposes of Part C (c) of the Project (the HCMC Special Account); and
- (vi) for purposes of Part D of the Project (the PCU Special Account);

in each case, 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, each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2011, 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 March 1 and September 1 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 March 1 and September 1 commencing on March 1, 2016 and ending September 1, 2045. Each installment to and including the installment payable on September 1, 2025 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 Parts A and D of the Project through its Ministry of Posts and Telematics, Part B through its General Statistical Office, Part C through Hanoi, Da Nang and Ho Chi Minh City

respectively, in all cases with due diligence and efficiency and in conformity with appropriate administrative, management, financial and ICT 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. For purposes of Part C of the Project, the Borrower shall, through MOF, make the portions of the proceeds of the Credit allocated from time to time to Categories (3), (4) and (5) available to, respectively, Hanoi, Da Nang and Ho Chi Minh City for their Respective Parts of the Project, under terms and conditions acceptable to the Association.

Section 3.03. (a) Except as the Association shall otherwise agree, procurement of the goods and services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.04. 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 for 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 accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, 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 (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
 - (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, 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) retain, until at least one year after the Association has received the audit report for, or covering, 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;
 - (ii) enable the Association's representatives to examine such records; and
 - (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

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

Effective Date; Termination

Section 5.01. 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 Project Steering Committee, the PCU and at least three (3) out of the five (5) PIUs shall have been established in accordance with the provisions of paragraphs 2(a), 3(a) and 3(b) respectively of Schedule 4 to this Agreement.

(b) The PCU and each of the three (3) PIUs referred to in paragraph (a) above shall have:

- (i) adopted a financial management manual acceptable to the Association in accordance with the provisions of paragraph 5(a) of Schedule 4 to this Agreement;
- (ii) put into effect a financial management system, including computerized accounting software, satisfactory to the Association;
- (iii) completed the training of their procurement staff, in a manner satisfactory to the Association; and
- (iv) engaged consultants to provide procurement support in accordance with the provisions of paragraph 4 of Schedule 4 to this Agreement.

(c) The Borrower, through MOF, shall have entered into a written funding arrangement acceptable to the Association with each of Hanoi and Ho Chi Minh City, pursuant to Section 3.02 above.

Section 5.02. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Governor or any Deputy Governor of the State Bank of Vietnam is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

State Bank of Vietnam
49 Ly Thai To
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) 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, 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) For Part A of the Project:		
(a) Goods (including installation, operations and maintenance)	6,830,000	100%
(b) Training and workshops	2,800,000	100%
(c) Consultants' services	4,310,000	100%
(d) Unallocated	3,520,000	
(2) For Part B of the Project:		
(a) Goods (including installation, operations and maintenance)	3,490,000	100%
(b) Training and workshops	1,800,000	100%
(c) Consultants' services	4,240,000	100%
(d) Unallocated	440,000	
(3) For Part C (a) of the Project:		
(a) Goods (including installation, operations and maintenance)	9,380,000	100%
(b) Training and workshops	1,030,000	100%
(c) Consultants' services	2,230,000	100%
(d) Unallocated	1,050,000	
(4) For Part C (b) of the Project:		
(a) Goods (including installation, operations and maintenance)	8,120,000	100%
(b) Training and workshops	830,000	100%
(c) Consultants' services	2,400,000	100%
(d) Unallocated	600,000	

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(5) For Part C (c) of the Project:		
(a) Goods (including installation, operations and maintenance)	4,810,000	100%
(b) Training and workshops	490,000	100%
(c) Consultants' services	880,000	100%
(d) Unallocated	370,000	
(6) For Part D of the Project:		
(a) Goods (including installation, operations and maintenance)	140,000	100%
(b) Training and workshops	210,000	100%
(c) Consultants' services	690,000	100%
(d) Unallocated	140,000	
TOTAL	<u>60,800,000</u>	

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

(a) Expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR420,000, may be made in respect of Categories (1)(a), (b) and (c); (2)(a), (b) and (c); (3)(a), (b) and (c); (4)(a), (b) and (c); (5)(a), (b) and (c); and 6(a), (b) and (c), on account of payments made for expenditures before that date but after August 1, 2005.

(b) Expenditures under Category (1) set forth in the table of paragraph 1 of this Schedule until the Association shall have received evidence satisfactory to the Association that: (i) the PIU in MPT has been established in accordance with the provisions of paragraph 3(b) of Schedule 4 to this Agreement; and (ii) said PIU has: (A) adopted a financial management manual in accordance with the provisions of paragraph 5(a) of said Schedule 4; (B) put into effect a financial management system, including computerized accounting software in accordance with the provisions of paragraph 5(b) of said Schedule 4; (C) completed the training of its procurement staff; and (D) engaged consultants to provide procurement support in accordance with the provisions of paragraph 4 of Schedule 4 to this Agreement; all in a manner satisfactory to the Association;

(c) Expenditures under Category (2) set forth in the table of paragraph 1 of this Schedule until the Association shall have received evidence satisfactory to the

Association that: (i) the PIU in GSO has been established in accordance with the provisions of paragraph 3(b) of Schedule 4 to this Agreement; and (ii) said PIU has: (A) adopted a financial management manual in accordance with the provisions of paragraph 5(a) of said Schedule 4; (B) put into effect a financial management system, including computerized accounting software in accordance with the provisions of paragraph 5(a) of said Schedule 4; (C) completed the training of its procurement staff; and (D) engaged consultants to provide procurement support in accordance with the provisions of paragraph 4 of Schedule 4 to this Agreement; all in a manner satisfactory to the Association;

(d) Expenditures under Category (3) set forth in the table of paragraph 1 of this Schedule until the Association shall have received evidence satisfactory to the Association that: (i) the PIU in Hanoi has been established in accordance with the provisions of paragraph 3(b) of Schedule 4 to this Agreement; and (ii) said PIU has: (A) adopted a financial management manual in accordance with the provisions of paragraph 5(a) of said Schedule 4; (B) put into effect a financial management system, including computerized accounting software in accordance with the provisions of paragraph 5(a) of said Schedule 4; (C) completed the training of its procurement staff; and (D) engaged consultants to provide procurement support in accordance with the provisions of paragraph 4 of Schedule 4 to this Agreement; all in a manner satisfactory to the Association;

(e) Expenditures under Category (4) set forth in the table of paragraph 1 of this Schedule until the Association shall have received evidence satisfactory to the Association that: (i) the PIU in Da Nang has been established in accordance with the provisions of paragraph 3(b) of Schedule 4 to this Agreement; and (ii) said PIU has: (A) adopted a financial management manual in accordance with the provisions of paragraph 5(a) of said Schedule 4; (B) put into effect a financial management system, including computerized accounting software in accordance with the provisions of paragraph 5(a) of said Schedule 4; (C) completed the training of its procurement staff; and (D) engaged consultants to provide procurement support in accordance with the provisions of paragraph 4 of Schedule 4 to this Agreement; all in a manner satisfactory to the Association; and

(f) Expenditures under Category (5) set forth in the table of paragraph 1 of this Schedule until the Association shall have received evidence satisfactory to the Association that: (i) the PIU in Ho Chi Minh City has been established in accordance with the provisions of paragraph 3(b) of Schedule 4 to this Agreement; and (ii) said PIU has: (A) adopted a financial management manual in accordance with the provisions of paragraph 5(a) of said Schedule 4; (B) put into effect a financial management system, including computerized accounting software in accordance with the provisions of paragraph 5(a) of said Schedule 4; (C) completed the training of its procurement staff; and (D) engaged consultants to provide procurement support in accordance with the provisions of paragraph 4 of Schedule 4 to this Agreement; all in a manner satisfactory to the Association;

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$150,000 equivalent per contract; (b) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; and (d) training and workshops; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower (a) to accelerate the use of information and communication technology and support institutional development in order to increase the efficiency and effectiveness of public administration, increase transparency and availability of information and improve public services delivery to stakeholders, and (b) foster private sector development, in particular by facilitating increased adoption of information and communication technology by small and medium enterprises.

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: ICT Leadership and Modernization of the Ministry of Post and Telematics

Strengthen the capacity of MPT in the development, implementation and oversight of a national ICT strategy and policies, consisting of:

1. Development of E-government capability in MPT through the review and upgrade of the infrastructure, equipment and systems of MPT and selected DPTs; re-engineering of the flow of government processes; and design and roll-out of electronic services.
2. Development and activation of informational, interaction and transactional portals.
3. Establishment of a training program, and design and implementation of curricula for chief information officers to accelerate the progress of ICT implementation and improve ICT oversight and management.
4. Development of the capacity of MPT and DPT staff to formulate and implement ICT policies and regulations.
5. Development of the legal, regulatory and institutional framework for IT and telecommunications.
6. Development of a national ICT architecture and interoperability framework for E-government.

Part B: Modernization of the General Statistical Office

Carry out a program to support the implementation of the Borrower's strategic plan for the modernization and capacity building of GSO, for purposes of improving the quality, transparency, timeliness and dissemination of socio-economic and poverty-related data and information, consisting of:

1. Modernization of GSO ICT infrastructure and processes;
2. Improvement in the flow of data and statistical analyses; and
3. Development and expansion of GSO Intranet and portal.

Part C: E-Government

Carry out programs to enhance the ICT environment and support the deployment of E-government services in each of: (a) Hanoi; (b) Da Nang; and (c) Ho Chi Minh City, consisting of inter alia:

1. Development of ICT strategy, policies, architecture and interoperability framework; and review and upgrade of ICT infrastructure, equipment and systems;
2. Assessment of business processes and development and implementation of workflow solutions;
3. Development and expansion of electronic gateways and city portals;
4. Implementation of electronic applications in selected public services, including geographic information systems, electronic procurement, business and land registration, population management; and other government services;
5. Support for uptake of ICT by small and medium enterprises through ICT transaction centers; and
6. Development of human resources and awareness for ICT.

Part D: Project Coordination

Carry out through the PCU a program to enhance the coordination of Project activities, consisting of:

1. Coordination of all Parts of the Project with all PIUs;
2. Liaison and coordination with other entities of the Borrower through the National Information Technology Steering Committee on policy, legal and regulatory issues; and

3. Liaison and coordination with other development partners.

* * *

The Project is expected to be completed by December 31, 2010.

SCHEDULE 3

Procurement

Section I. General

A. All goods and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than \$150,000 equivalent per contract may be procured under contracts awarded on the basis of National Competitive Bidding and the additional provisions set forth in the Annex to this Schedule 3.

2. Shopping. Goods estimated to cost less than \$30,000 equivalent per contract and vehicles estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of Shopping.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods and services (other than consultants' services) procured on the basis of International Competitive Bidding; (b) the first contract procured by the PCU and each PIU in accordance with the provisions of paragraph B.1 or paragraph B.2 of Section II above; and (c) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more. In addition, 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 qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association.

All other contracts shall be subject to Post Review by the Association.

Annex to Schedule 3

National Competitive Bidding

The Borrower represents that the procedures to be followed for National Competitive Bidding shall be those set forth in the Decree 88/1999/ND-CP dated September 1999, as modified by Decree 14/2000/ND-CP dated May 2000 and Decree 66/2003/ND-CP dated June 2003; and, in order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the Guidelines (as required by paragraph 3.3 of the Guidelines), goods for which this Schedule allows procurement shall be procured in accordance with paragraphs 3.3 and 3.4 of the Guidelines and the following paragraphs.

Participation in bidding and preferences

(i) For clarification purposes, it is understood that the last sentence of the amended Paragraph (c), Section 2, Article 2 of Decree 88/1999/ND-CP which states that "All the procedures for submission, appraisal and approval of bidding results and bidder selection results shall follow the Procurement Regulation" means "Approvals of draft bidding documents, bid evaluation reports and proposals for award shall be obtained in accordance with the relevant rules and procedures of the Procurement Regulation".

(ii) Government-owned enterprises in Vietnam shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Borrower or the procuring entity. Military or security units, or enterprises which belong to the Ministry of Defense or the Ministry of Public Security shall not be permitted to bid.

(iii) Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders, and local bidders shall be given no preference (either in the bidding process or in bid evaluation) over foreign bidders, nor shall bidders located in the same province or city as the procuring entity be given any such preference over bidders located outside that city or province.

(iv) Bidders shall be allowed to participate in bidding without being listed in the Government Database on Bidder Information or in any other registration system.

(v) Prospective bidders shall be permitted to request bidding documents either in person or through the mail upon submission of a written application. Bidding documents shall be sold to anyone who is willing to pay the required fee of the bidding documents, and no other conditions shall be imposed on the sale of the bidding documents. The fee for the bidding documents should be reasonable and consist only of the cost of printing (or photocopying) the documents and their delivery to the purchaser. The bidding documents shall be delivered, at the prospective bidders' preference, either by hand or by mail/courier provided that the bidder is willing to pay the mail/courier

delivery charges which should be specified in the Invitation for Bids. Each bidder shall be allowed to purchase only one set of the bidding documents.

(vi) Foreign bidders shall not be required, in order to participate in bidding or as a condition of award of the contract or during execution of the contract, to enter into a joint venture with a local bidder, or to subcontract part of their contract to a local bidder.

(vii) If there is prequalification, *all* prequalified bidders shall be invited to bid.

(viii) If there is limited bidding because there are only a limited number of bidders who can meet the requirements of the bidding documents, *all* of these bidders shall be invited to bid.

(ix) Bidders shall not be required, as a condition of participation in the bidding, to provide suppliers' credits.

Advertising; time for bid preparation

(x) Invitations to bid shall be advertised in at least one widely circulated national newspaper. In addition, the Borrower is encouraged to advertise in the Government Public Procurement Bulletin and on a free and open access website. A minimum of 30 days for the preparation and submission of bids shall be provided, and potential bidders shall be allowed to purchase bidding documents up to 24 hours prior to the deadline for the submission of bids.

Standard Bidding Documents

(xi) The Borrower's standard bidding documents, acceptable to the Association, shall be used. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission and opening of bids. Bidders shall be allowed to submit bids by hand or by mail.

Qualification criteria and evaluation criteria

(xii) Qualification criteria shall be clearly specified in the bidding documents, *and* all criteria so specified, and *only* criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. When post qualification is applied, the assessment of bidders' qualifications shall be carried out only after the preliminary and detailed evaluation of bids has been completed by the Purchaser/Employer and, in doing so, the qualifications of the bidder who has submitted the lowest evaluated substantially responsive bid shall be assessed first. In carrying out the post-qualification assessment, the Employer/Purchaser shall exercise reasonable judgment in requesting, in writing, from a bidder only missing factual or historical supporting information related to the bidder's qualifications and shall provide a reasonable time period (that is, a minimum of 7 days) to the bidder to provide his response.

(xiii) Evaluation criteria shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. All evaluation criteria so specified, and only evaluation criteria so specified, shall be taken into account in bid evaluation. Merit points shall not be used in bid evaluation.

Bid opening, evaluation and award of contract

(xiv) Bids shall be opened in public, immediately after the stipulated deadline for submission of bids. Bidders or their representatives, shall be allowed to be present. The name of the bidder and total amount of each bid, including discounts, shall be read aloud and recorded. Immediately after completion of the bid opening proceedings, a copy of the bid opening record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the bid opening record shall be promptly provided to all bidders who submitted bids.

(xv) Bids received after the deadline for bid submission shall be returned to the bidders unopened.

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

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

(xviii) A bid containing material deviations from, or reservations to, the terms, conditions or specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened. Bidders shall not be eliminated from detailed evaluation on the basis of non-material, minor deviations or reservations.

(xix) Evaluation of bids shall be made in strict adherence to the criteria specified in the bidding documents, and contracts shall be awarded to the qualified bidder offering the lowest evaluated and responsive bid.

(xx) 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.

(xxi) There shall be no post-bidding negotiations with the lowest or any other bidder.

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

Suppliers and Contractors

(xxiii) Bidding documents and contracts under national competitive bidding procedures financed by the Association shall include a provision requiring suppliers and contractors to permit the Association to inspect their accounts and records relating to the bid submission and the performance of the supplier and/or contractor, as the case may be, and to have them audited by auditors appointed by the Association, if so required by the Association.

(xxiv) License for foreign contractors operation in Vietnam would be provided in a timely manner and will not be arbitrarily withheld.

Publication of the Award of Contract

(xxv) The Borrower shall publish the following information on contract award in Government Public Procurement Bulletin 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 quarterly.

Complaints by Bidders and Handling of Complaints

(xxvi) The national competitive bidding procedures for contracts financed by the Association shall include provisions, acceptable to the Association, for bidders to protest.

SCHEDULE 4

Implementation Program

Project Management

1. The Borrower shall, throughout the period of Project implementation, through the National Information Technology Steering Committee, provide overall strategic guidance and direction in the implementation of the Project within the context of national ICT development.

2. (a) The Borrower shall establish and, throughout the period of Project implementation, maintain a Project Steering Committee with such powers and responsibilities as to enable it to provide guidance and coordination in the implementation of the Project; said Project Steering Committee to be chaired by the Minister or a Vice Minister of MPT, assisted by the director of the PCU, with directors of the PIUs as members as such PIUs are established, and including representatives of relevant line ministries and agencies.

(b) To ensure the coordination of all Project activities, the Borrower shall ensure that the PCU and all PIUs, through their respective Directors, meet at least on a quarterly basis and from time to time as may be necessary, to review the implementation of the Respective Parts of the Project and provide guidance for the resolution of issues when they arise.

3. The Borrower shall establish, and thereafter maintain throughout the period of Project implementation, the following organizations, under the direction of experienced managers, staffed with experienced and qualified personnel in sufficient numbers and provided with sufficient resources, with terms of reference satisfactory to the Association:

(a) a Project Coordination Unit within MPT to be responsible for: aligning ICT strategies of the implementing entities; certain centralized procurement activities; managing the Project information system to implement progress monitoring and reporting requirements and facilitate information exchange; consolidating implementation, financial and auditing reports; facilitating experience and information sharing among the Project implementing entities; facilitating consultations and policy dialogue on ICT issues at the national level; and coordinating with development partners; and

(b) a Project Implementation Unit (with staff including, a project director, at least two procurement staff, and financial management and accounting staff) in each of: (i) MPT, (ii) GSO, (iii) Hanoi, (iv) Da Nang and (v) Ho Chi Minh City, to be responsible for the management and administration of their respective Project activities, including preparation and implementation of the training and capacity building plan; the annual work program; procurement; disbursement;

financial management and control; monitoring and reporting; and coordination with departments at the provincial level and PCU.

4. The Borrower shall engage, in accordance with the provisions of Schedule 3 to this Agreement, consultants with qualifications and international experience and under terms of reference acceptable to the Association, to assist each PIU in managing procurement in regard to their Respective Part of the Project.

Project Implementation

5. The Borrower shall, through the PCU and each PIU:

(a) prepare and adopt a financial management manual satisfactory to the Association, to serve as a reference and training manual to their respective 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 their respective staff in financial management and disbursement 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, 2006, through the PCU, prepare and provide to the Association for its review and comments, a consolidated semi-annual work program, including therein training and capacity building activities, for each of MPT, GSO and the Project Cities; and (b) thereafter, cause to be implemented such work program as shall have been agreed with the Association.

Common Information Technology architecture and standards

7. By September 30, 2007, the Borrower shall furnish to the Association for its review and comments, a draft information technology architecture and standards and thereafter, shall cause each of the PIUs: (a) to adopt said framework and standards, taking into account the Association's comments thereon; and (b) to apply the framework and standards when implementing their Respective Part of the Project.

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) through the PCU, prepare, under terms of reference satisfactory to the Association, and furnish to the Association, (i) on or about January 31 and July 31 of each year, commencing January 31, 2007, a consolidated semi-annual report; and (ii) by no later January 31, 2009, a consolidated mid-term report; in each case 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 each such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by March 31, 2009, or such later date as the Association shall request, each report referred to in sub-paragraph (b) 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 Accounts

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means in respect of each of the six (6) Special Accounts, the respective Categories set forth in the Annex to this Schedule.
 - (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, in respect of each of the six (6) Special Accounts, the respective amount set forth as the Authorized Allocation for such Special Account in the Annex to this Schedule, to be withdrawn from the Credit Account and deposited into such 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 set forth in the Annex to this Schedule as the “Initial Deposit” in respect of such Special Account 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 in regard to the Respective Part of the Project shall be equal to or exceed the equivalent of the amount set forth in said Annex as the “Aggregate Amount” in respect of such Special Account.
2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.
 - (b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective 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 respective 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 respective 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 respective 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 any 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 Accounts;

- (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 Category for the respective Special Account 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 Respective Part of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be

made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective Special Account as of the date of such notice will be utilized in making payment for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of any 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 respective 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 any 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 any 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 Accounts.

(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.

Annex To Schedule 5

<u>Special Account</u>	<u>Eligible Categories</u>	<u>Authorized Allocation (Expressed in US\$)</u>	<u>Initial Deposit (Expressed in US\$)</u>	<u>Aggregate Amount (Expressed in SDR)</u>
MPT Special Account	(1)	2,500,000	1,000,000	4,000,000
GSO Special Account	(2)	1,200,000	600,000	3,000,000
Hanoi Special Account	(3)	2,000,000	1,000,000	3,500,000
Da Nang Special Account	(4)	1,500,000	800,000	3,000,000
HCMC Special Account	(5)	900,000	500,000	1,600,000
PCU Special Account	(6)	160,000	160,000	Not applicable