

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4609-VN

Financing Agreement

(Local Development Investment Funds Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Public Disclosure Authorized

Dated August 12, 2009



CREDIT NUMBER 4609-VN

FINANCING AGREEMENT

AGREEMENT dated August 12, 2009, 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 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 one hundred twenty-seven million seven hundred thousand Special Drawing Rights (SDR 127,700,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 June 15 and December 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 Finance and Qualified Local Development Investment Funds 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 — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

- (a) any action has been taken for the dissolution, disestablishment or suspension of operations of a Qualified LDIF;
- (b) a Qualified LDIF has ceased to exist in the same legal form as that prevailing as of the date of its Subsidiary Loan Agreement with the Recipient;
- (c) in the opinion of the Association, the legal character, ownership or control of a Qualified LDIF has changed from that prevailing as of the date of its Subsidiary Loan Agreement with the Recipient so as to materially and adversely affect its ability to perform any of its obligations arising under or entered into pursuant to said Subsidiary Loan Agreement, or to achieve the objectives of the Project; or
- (d) the Association or the Bank has declared a Qualified LDIF ineligible to receive proceeds of credits or grants made by the Association or of loans made by the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that said Qualified LDIF has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a credit or grant made by the Association or of a loan made by the Bank.

- 4.02. The Additional Event of Acceleration consists of the following: namely any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of thirty (30) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Recipient through MOF has adopted a Project Manual satisfactory to the Association in accordance with the provisions of paragraph A.3, Section I of Schedule 2 to this Agreement; and
 - (b) the Recipient, through MOF, has executed Subsidiary Loan Agreements satisfactory to the Association with at least two (2) Qualified LDIFs, in accordance with the provisions of paragraph B.1(a), Section I of Schedule 2 to this Agreement.
- 5.02. The Additional Legal Matters consist of the following:
- (a) In respect of the two (2) Subsidiary Loan Agreements referred to in Section 5.01 above, said Subsidiary Loan Agreements have been duly executed and authorized or ratified by the Recipient and the respective Qualified LDIFs, and are legally binding upon the Recipient and the respective Qualified LDIFs in accordance with their respective terms; and
 - (b) The Resettlement Policy Framework has been duly approved by the Prime Minister and adopted by MOF, and is valid and enforceable in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. 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 VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Governor, or a Deputy Governor, of State Bank of Vietnam.

6.02. The Recipient's Address is:

State Bank of Vietnam
49 Lý Thái Tổ
Hà Nội
Socialist Republic of Vietnam

Cable:	Telex:	Facsimile:
VIETBANK Hanoi	412248 NHTWVT	(84-4) 3 825 0612

6.03. 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.	48423 (MCI)	(1-202) 477-6391

AGREED at Hà Nội, 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 improve the effectiveness of Qualified Local Development Investment Funds in leveraging private sector financing for municipal infrastructure, and to strengthen their financial and technical capability, and their capability for social and environmental safeguards management, through the operation of a credit facility to support the investments of such Investment Funds in eligible local development sub-projects.

The Project consists of the following parts:

Part I: Investment Capital

Establish a credit facility for Qualified LDIFs to support their investments in cost recovery-oriented municipal infrastructure sub-projects in partnership with the private sector.

Part II: Project Implementation Support

Provide Project implementation support, including support for the development of the regulatory and institutional capacity of the Project Management Unit, development of information and monitoring systems, and audit of Project accounts, for the purpose of assisting and strengthening Qualified LDIFs.

SCHEDULE 2**Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements**

1. Throughout the period of implementation of the Project, the Recipient shall maintain the Project Management Unit at the Ministry of Finance, to be responsible: (a) for general regulation and supervision of Qualified LDIFs under the Project, for overall management of Project activities and, more directly, of the Project management support activities under Part II of the Project; and (b) more specifically, for carrying out annually the qualification process by which LDIFs may be selected to participate in the Project or, as the case may be, to receive additional Subsidiary Loans for eligible Sub-projects; monitoring their implementation of Project activities and their compliance with the Qualification Criteria as well as the requirements set forth in the Project Manual; reviewing the eligibility of Sub-projects proposed for financing by LDIFs under the Project and overseeing the assessments by LDIFs of the financial and technical aspects of proposed Sub-projects. Said PMU shall be under the direction of appropriately qualified and experienced managers, provided with sufficient resources and staffed with competent personnel in adequate numbers and under terms of reference acceptable to the Association, including at least a part-time Chief Accountant and a full time accountant, and staff responsible for procurement, and for environmental and social safeguards.
2. To support the PMU, in particular in its monitoring functions, the PMU shall, in accordance with the provisions of Section III of this Schedule 2:
 - (a) unless otherwise agreed by the Association, by no later than January 29, 2010, engage a consultant or consultants with qualifications, experience and terms of reference satisfactory to the Association, to: (i) carry out independent monitoring of the compliance by Qualified LDIFs and the respective developers with the Environment and Social Safeguards Guidelines set forth in the Project Manual and evaluate the need for further action on the part of said LDIFs and developers; and (ii) assist the PMU in assessing the LDIFs' need for capacity development in this regard;
 - (b) unless otherwise agreed by the Association, by no later than March 31, 2010, engage a consultant or consultants with qualifications, experience and terms of reference satisfactory to the Association, to: (i) assist the PMU in carrying out the annual qualification process of LDIFs and monitor the continued compliance of Qualified LDIFs with the

Qualification Criteria; (ii) monitor the compliance of Qualified LDIFs with the provisions of the Project Manual, including in their assessment of proposed Sub-projects and their monitoring of the performance of said Sub-projects; and

- (c) unless otherwise agreed by the Association, by no later than March 31, 2010, engage a consultant or consultants with qualifications, experience and terms of reference satisfactory to the Association, to carry out periodic reviews of procurement activities under Sub-projects selected for financing under the Project.

3. The Recipient, through MOF, shall:

- (a) ensure that the Project is implemented in accordance with the Financial Management Manual and with the guidelines of the Project Manual in a manner satisfactory to the Association; including guidelines in said Project Manual on procurement, preparation and appraisal of Sub-projects, partnership with the private sector for municipal infrastructure development, corporate governance and monitoring, and the Environment and Social Safeguards Guidelines;
- (b) together with Association and the Qualified LDIFs, semi-annually review the application of the Project Manual, and assess the need for any revision to or amendment of said Manual in order to achieve the objectives of the Project; and
- (c) provide to the Association for its prior concurrence any revision proposed to be introduced into said Project Manual in order to achieve its objectives and, thereafter, introduce only such revisions to said Manual as shall have been agreed with the Association.

B. Subsidiary Loan Agreements

1. For purposes of Part I of the Project, the Recipient, through MOF, shall make part of the proceeds of the Financing available from time to time to Qualified LDIFs as Subsidiary Loans, under terms and conditions acceptable to the Association and in accordance with the provisions of the Project Manual; *provided* that the Recipient shall not provide a Subsidiary Loan to a Qualified LDIF, using the proceeds of the Credit, for purposes of a Sub-project unless and until:

- (a) the Recipient, through MOF, and said LDIF have entered into a Subsidiary Loan Agreement satisfactory to the Association whereby said LDIF undertakes to:

- (i) adopt the Project Manual and comply with the provisions thereof in regard to all investments in Sub-projects (including debt and/or equity) using the proceeds of the Credit;
- (ii) take all necessary action to maintain a sound financial position and ensure its financial viability, and for that purpose, at all times to meet the financial ratio set forth in Annex 2 to this Schedule 2;
- (iii) prepare and furnish to the Recipient, not later than thirty (30) days after the end of each calendar quarter, unaudited interim financial reports covering the quarter, in form and substance satisfactory to the Association, adequate to reflect its operations, resources and expenditures related to Sub-projects for which said LDIF has received a Subsidiary Loan or Loans from the proceeds of the Credit;
- (iv) have its annual financial statements covering all of its operations audited in accordance with International Auditing Standards by independent auditors acceptable to the Recipient and the Association; each audit of said LDIF's annual financial statements to cover the period of one (1) fiscal year and to be furnished to the Recipient and the Association not later than six (6) months after the end of such period;
- (v) (A) in respect of all Sub-projects for which said LDIF proposes to obtain, or has obtained, Subsidiary Loans from MOF using the proceeds of the Credit, make Sub-loans to the respective developers and/or, as the case may be, equity investments in said Sub-projects using the proceeds of said Subsidiary Loans, all under terms and conditions consistent with the provisions of the Project Manual; (B) exercise its right under all Sub-loan Agreements and/or, as the case may be, equity investment instruments, in such manner as to protect its interests and the interests of the Recipient and the Association and to accomplish the purposes of the Financing; and (C) not assign, abrogate or waive, in whole or in part, said Sub-loan Agreements or equity investment instruments, without the prior approval of the Recipient and the Association;
- (vi) carry out its obligation under the Subsidiary Loan Agreements with due diligence and efficiency, in accordance with sound economic, financial, managerial standards and practices satisfactory to the Recipient and the Association, including in accordance with the provisions of the Anti-corruption Guidelines

applicable to recipients of loan or credit proceeds other than the Recipient; and

- (vii) prepare and furnish, and/or cause to be prepared and furnished, to the Recipient and the Association all such information and documents as the Recipient or the Association shall reasonably request relating to its investments (including debt and/or equity);
 - (b) the financial management staff of said LDIF have completed training in financial management and disbursement in a manner satisfactory to the Association;
 - (c) the PMU has determined that said LDIF meets or, as the case may be, continues to meet, the Qualification Criteria of the Project Manual, as set forth in Annex 1 to this Schedule 2;
 - (d) the PMU has determined that said LDIF has adequate staff with appropriate qualifications in respect of social and environmental safeguards;
 - (e) the PMU has reviewed: (i) the eligibility of the proposed Sub-project in accordance with the provisions of the Project Manual, including alignment with municipal infrastructure priorities, cost-recovery capacity and potential for private sector participation; and (ii) the assessment by the LDIF of the financial, technical and environmental and social safeguards aspects of said Sub-project; and
 - (f) in the event an environmental screening pursuant to the Environment and Social Safeguards Guidelines of the Project Manual, identifies the Sub-project as subject to high risks, the Association has completed its prior review of the environmental assessment therefor and found it satisfactory; *provided that* all Sub-projects proposed for financing during the first year of Project implementation and the first Sub-project proposed by each Qualified LDIF shall be subject to prior review by the Association.
2. Each Subsidiary Loan extended by the Recipient, through MOF, to a Qualified LDIF for an eligible Sub-project, shall be under terms and conditions acceptable to the Association, which, unless otherwise agreed by the Association, shall include the following:
- (a) the principal amount repayable by said LDIF shall be the equivalent in VN Dong (determined as of the dates of withdrawal from the Credit Account or from the Designated Account, as the case may be) of the amount of currency or currencies withdrawn from the Credit Account for

purpose of the eligible Sub-project under Category (1) set forth in the table in paragraph A.2, Section IV of this Schedule 2;

- (b) said LDIF shall repay the Recipient the principal amount thus made available over a period of twenty-five (25) years as from the date of first drawdown, inclusive of a grace period of ten (10) years; and
 - (c) said LDIF shall pay interest on the principal amount withdrawn and outstanding from time to time at the rate of four percent (4%) per annum.
3. (a) The Recipient shall exercise its rights under each Subsidiary Loan Agreement with a Qualified LDIF in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing; and
- (b) Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Subsidiary Loan Agreement or any of its provisions without the prior concurrence of the Association.

C. Sub-projects and Sub-loan Agreements

1. In respect of each eligible Sub-project for which a Qualified LDIF requests a Subsidiary Loan using the proceeds of the Credit:
- (a) the LDIF and the respective developer shall enter into a Sub-loan Agreement (and/or, as the case may be, an equity investment instrument) acceptable to the Recipient and the Association whereby said LDIF obtains rights adequate to protect its interests, those of the Recipient and the Association, including requiring the developer to:
 - (i) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the LDIF, the Recipient and the Association, including in accordance with the provisions of the Environment and Social Safeguards Guidelines of the Project Manual and the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;
 - (ii) provide to the Qualified LDIF a procurement plan regarding the Sub-project, and ensure that goods, works and services for said Sub-project be procured at a reasonable price in accordance with the procurement guidelines of the Project Manual and the provisions of Section III of this Schedule;

- (iii) maintain a financial management system including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the LDIF, adequate to reflect its operations, resources and expenditures in respect of the Sub-project;
 - (iv) in respect of the Sub-project, provide the LDIF with records and documentation of all claims for payments to suppliers and contractors;
 - (v) prepare and furnish to the LDIF not later than one (1) month after the end of each calendar quarter, unaudited interim financial reports for the Sub-project covering the quarter, in form and substance satisfactory to the LDIF, the Recipient and the Association;
 - (vi) have its records, accounts and financial statements for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the LDIF, and provide to the LDIF, as soon as available, the report of such audit of such scope and in such detail as the LDIF shall have reasonably requested;
 - (vii) maintain procedures and records adequate to enable the LDIF to monitor and evaluate the progress of the Sub-project and the achievement of its objectives;
 - (viii) promptly enable the LDIF by itself, or jointly with the Recipient and/or the Association, if the Association so requests, to inspect the Sub-project, its operation and any relevant records and documents; and
 - (ix) prepare and furnish, in a timely manner, to the LDIF, the Recipient and the Association all such information as the LDIF, the Recipient or the Association shall reasonably request relating to the Sub-project;
- (b) the LDIF shall exercise its rights under each Sub-loan Agreement, or as the case may be equity investment instrument, with a developer in such manner as to protect its interests and the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Recipient and the Association shall otherwise agree, the LDIF shall not assign, abrogate or waive, in whole or in part, said Sub-loan Agreements or equity investment instruments, without the prior approval of the Recipient and the Association.

D. Anti-Corruption

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

E. Safeguards

1. The Recipient shall:

- (a) ensure that the Social Safeguard Guidelines and the Resettlement Policy Framework are implemented in a manner satisfactory to the Association;
- (b) wherever implementation of any eligible Sub-project would give rise to Displaced Persons, ensure that the respective LDIF and developer: (i) provide to the Association for its review, resettlement plan or plans, as may be the case, prepared in accordance with the principles and procedures set forth in said Policy Framework; and thereafter (ii) prior to initiating the related civil works, implement, and cause to be implemented, in a manner satisfactory to the Association, such resettlement plan(s) as shall have been approved by the Association;
- (c) ensure that the respective LDIF and developer provide to the Association for its prior approval any revision proposed to be introduced into any resettlement plan(s) prepared pursuant to said Policy Framework, in order to achieve its objectives, and thereafter only introduce, and allow to be introduced, such revision into said resettlement plan(s) as shall have been agreed with the Association; and
- (d) maintain, and cause to be maintained, policies and procedures adequate to enable the Recipient, and the respective LDIF and the developer, to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Policy Framework and any resettlement plan(s) prepared pursuant thereto, and the achievement of their respective objectives.

2. The Recipient shall:

- (a) ensure that the Environment Safeguard Guidelines are implemented in a manner satisfactory to the Association and that each eligible Sub-project is carried out in accordance with sound environmental practices and standards;
- (b) as may be necessary in accordance with the requirements set forth in said Environment Safeguard Guidelines, ensure that the respective LDIF and the developer: (i) carry out, and cause to be carried out, environmental assessments in a manner satisfactory to the Association; (ii) in the event

an environmental screening identifies a Sub-project as subject to high environmental risk, provide the environmental assessment therefor to the Association for its prior review; and (iii) prepare and implement, and cause to be prepared and implemented, environmental management plans consistent with said Environment Safeguard Guidelines and acceptable to the Association;

- (c) ensure that the respective LDIF and the developer provide to the Association for its prior approval any revision proposed to be introduced into said environmental assessment(s) or environmental management plan(s), in order to achieve their respective objectives, and thereafter only introduce, and allow to be introduced, such revision into said environmental assessment(s) and environmental management plan(s) as shall have been agreed with the Association; and
- (d) maintain, and cause to be maintained, policies and procedures adequate to enable it, and the respective LDIF and the developer, to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Environment Safeguard Guidelines and environmental management plans, and the achievement of their respective objectives.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 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 forty-five (45) days after the end of the period covered by such report.
- 2. Promptly after providing such report to the Association, the Recipient shall, and shall cause the Qualified LDIFs to, hold a semi-annual review with the Association to evaluate the progress in Project implementation and in the achievement of the Project objectives.

B. Financial Management, Financial Reports and Audits

- 1. The Recipient shall maintain, and 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 II, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, unaudited interim financial reports for the Project covering the quarter, in form and substance satisfactory to the Association, consolidating therein the interim unaudited financial reports submitted by the Qualified LDIFs to the Recipient.
3. The Recipient shall have the 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, or such other period as may be agreed by the Association. 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) for goods in respect of Part II of the Project estimated to cost less than \$300,000 equivalent per contract: National Competitive Bidding, subject to the additional provisions set forth in Annex 3 to this Schedule
(b) for goods in respect of Part II of the Project estimated to cost less than \$50,000 equivalent per contract: Shopping
(c) for works and goods for eligible Sub-projects under Part I of the Project: established private sector or commercial practices which have been found acceptable to the Association for works estimated to cost less than \$7,000,000 equivalent per contract, and for goods estimated to cost less than \$1,000,000 equivalent per contract.

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.

Short lists for consultants’ services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

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) Quality-Based Selection
(b) Selection based on the Consultants’ Qualifications
(c) Individual Consultants
(d) Single-Source Selection for consultants’ services under the circumstances described in paragraph 3.10 of the Consultant Guidelines
(e) for consultants’ services for eligible Sub-projects under Part I of the Project: established private sector or commercial practices acceptable to the Association for consultants’ services estimated to cost less than \$1,000,000 equivalent per contract

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) all contracts for goods and works procured under International Competitive Bidding; (b) all contracts for consultants' services procured under Quality- and Cost-based Selection; (c) regardless of the value thereof the first contracts for goods and for consultants' services procured under each procurement method by the PMU under Part II of the Project; (d) all contracts for consultants' services with consulting firms estimated to cost \$100,000 equivalent or more and with individual consultants estimated to cost \$50,000 equivalent or more; and (e) all contracts for consultants' services procured under 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 Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Sub-loans or equity investments made by Qualified LDIFs for eligible Sub-projects under Part I of the Project	124,300,000	100% of the amount of Sub-loans or equity investments disbursed
(2) Goods, consultants' services, workshops, training and incremental operating costs under Part II of the Project	3,400,000	100%
TOTAL AMOUNT	127,700,000	

For purposes of this paragraph A.2 of Section IV, the term “incremental operating costs” means the reasonable costs of incremental expenditures incurred under Part II of the Project (which expenditures would not have been incurred absent the Project), namely transportation costs and per diem for Project staff for purposes of Project management and supervision, office consumables, communication costs, costs of translation and interpretation, costs of equipment operation and maintenance, but in all cases excluding salaries and salary supplements for civil servants.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section IV, 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 \$500,000 equivalent may be made for payments made prior to this date but on or after May 19, 2009 for Eligible Expenditures under Category (2).
2. The Closing Date is December 31, 2014.

Annex 1 to Schedule 2**LDIF Qualification Criteria**

1. The Charter of the LDIF is consistent with the model LDIF charter established by MOF.
2. The charter capital of the LDIF is at least VND 100 billion.
3. The annual financial statements of the LDIF are audited within six (6) months of the end of its fiscal year.
4. The ratio of mobilized capital to charter capital of the LDIF is less than 6:1, with commitment from the respective Provincial People's Committee to inject additional capital in order to maintain the ratio; where "charter capital" is defined as paid-in capital plus retained earnings.
5. The LDIF has been in operation for at least two (2) years, with at least one (1) year of profitability.
6. Non-performing loans account for less than five percent (5%) of total assets.
7. The LDIF has at least two (2) Sub-projects in the pipeline, with a feasibility study completed for at least one (1) Sub-project.
8. The LDIF has at least five (5) full-time employees, including at least one (1) financial analyst.

Annex 2 to Schedule 2**LDIF Financial Ratios**

1. The aggregate value of all its equity investments does not exceed fifty percent (50%) of its paid-in equity capital.
2. The ratio of debt to equity does not exceed 6:1, where: (i) the term “debt” means any indebtedness incurred under (A) a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date and to the extent the amount of such debt has become outstanding pursuant to such contract, agreement or instrument, and (B) a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed amount is outstanding; and (ii) the term “equity” means paid-in capital plus retained earnings and reserves not allocated to cover specific liabilities.
3. The total value of its investment, consisting of debt and/or equity, in any single entity does not exceed twenty percent (20%) of its total capital including both debt and equity.
4. When using the proceeds of the Credit for an investment, the value of its equity investment in any entity does not exceed thirty percent (30%) of the paid-in capital of such entity.
5. When using the proceeds of the Credit for an investment (where the term “investment” includes the aggregate of loan and/or equity investments), the debt to equity ratio does not exceed 3:1; *or* the aggregate of investments in the form of loans does not exceed three-fourths (3/4) of the total cost of the relevant Sub-project.

Annex 3 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 and *Decree 58/2008/ND-CP, Guiding Implementation of Law on Procurement and Selection of Construction Contractors under the Construction Law* dated May 5, 2008 (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

(i) 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.

(ii) 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

(iii) 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

(iv) 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 Bulletin and on a free and open access website.

Standard Bidding Documents

(v) Standard Bidding Documents, acceptable to the Association, shall be used.

Qualification Criteria

(vi) 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

(vii) 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

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

Complaints by Bidders and Handling of Complaints

(ix) 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

(x) 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

(xi) 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

(xii) 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

(xiii) The Recipient shall publish the following information on contract award in the 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 regularly.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 15 and December 15: commencing December 15, 2019 to and including June 15, 2029	1%
commencing December 15, 2029 to and including June 15, 2049	2%

* 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

Definitions

1. “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.
2. “Category” means a category set forth in the table in paragraph A.2, Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Displaced Person” means a person who, on account of the execution of the Project or any Sub-project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons.
5. “Environment and Social Safeguards Guidelines” means together: (i) the Environment Safeguard Guidelines, (ii) the Social Safeguard Guidelines; and (iii) the Resettlement Policy Framework (in each case as defined further below).
6. “Environment Safeguard Guidelines” means the Guidelines in regard to screening, scoping, assessment of and public consultation on environmental impacts and preparation of environmental management plans, which are incorporated into the Environment and Social Safeguards Guidelines of the Project Manual.
7. “Financial Management Manual” means the Manual adopted by the Project Management Unit by Decision 01/BQLDA of May 14, 2009, to provide guidelines to Qualified LDIFs regarding disbursement of proceeds of the Credit and financial management reporting.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
9. “LDIFs” means local development investment funds wholly-owned by the Provinces, established and operating as specialized agencies pursuant to

decisions of the respective Provincial authorities and a charter approved by MOF, and responsible for mobilizing funds and investing in the development of priority municipal infrastructure in the respective Provinces; and an “LDIF” means any of said Funds.

10. “Ministry of Finance” and the acronym “MOF” mean the Recipient’s Ministry of Finance, and any successor thereto.
11. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
12. “Procurement Plan” means the Recipient’s procurement plan for Part II of the Project, dated May 20, 2009 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.
13. “Project Management Unit” and the acronym “PMU” mean the unit within MOF responsible for overall management and monitoring of Project activities, and referred to in paragraph A.1, Section I of Schedule 2 to this Agreement.
14. “Project Manual” means the manual referred to in paragraphs A.3 and B.1(a), Section I of Schedule 2 to this Agreement, which includes guidelines on financial management and procurement, on selection of private sector partners, on preparation and appraisal of Sub-projects, on corporate governance, on monitoring, and the Environment and Social Safeguards Guidelines.
15. “Qualification Criteria” means the criteria set forth in Annex 1 to Schedule 2 to this Agreement which each LDIF participating in the Project is required to meet as a condition to receiving from MOF a Subsidiary Loan using the proceeds of the Credit.
16. “Qualified LDIF” is any LDIF which has been assessed from time to time as having met the Qualification Criteria.
17. “Resettlement Policy Framework” and the acronym “RPF” mean the Framework approved by Prime Minister through Communication 597/TTg-KTN of April 21, 2009, adopted by MOF pursuant to Decision 987/QĐ-BTC of May 13, 2009, and incorporated into the Environment and Social Safeguards Guidelines in the Project Manual; said Policy Framework setting out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement plans as may be required for Project activities, as said Policy Framework may be revised from time to time with the prior concurrence of the Association.

18. “Social Safeguard Guidelines” means the Guidelines in regard to screening, scoping, assessment of and public consultation on social impacts and formulation of social impact mitigation measures, which are incorporated into the Environment and Social Safeguards Guidelines of the Project Manual.
19. “Sub-loan Agreement” means each agreement to be entered into between a Qualified LDIF and a developer in respect of a Sub-loan extended, or to be extended by said LDIF to the developer for purpose of an eligible Sub-project, and referred to in paragraph C.1, Section I of Schedule 2 to this Agreement; and “Sub-loan Agreements” means, collectively, all such Agreements.
20. “Subsidiary Loan Agreement” means each agreement to be entered into between the Recipient, through MOF, and a Qualified LDIF, and referred to in paragraph B.1(a), Section I of Schedule 2 to this Agreement; and “Subsidiary Loan Agreements” means, collectively, all such Agreements.
21. “Sub-project” means a municipal infrastructure investment project.
22. “VND” means Vietnamese Dong, the currency of the Socialist Republic of Vietnam.