

THE GOVERNMENT

No. 97/2018/ND-CP

SOCIALIST REPUBLIC OF VIETNAM

Independence – Freedom - Happiness

Hanoi, June 30, 2018

DECREE

**ON ON-LENDING OF THE GOVERNMENT’S ODA LOANS AND FOREIGN
CONCESSIONAL LOANS**

Pursuant to the Law on Organizing the Government dated June 19, 2015;

Pursuant to the Law on Public Dept Management dated November 23, 2017;

Pursuant to the Law on State Budget dated June 25, 2015;

Pursuant to the Law on Public Investment dated June 18, 2014;

At the request of the Minister of Finance;

The Government promulgates the Decree on on-lending of the government's ODA loans and foreign concessional loans.

Chapter I

GENERAL PROVISIONS

Article 1. Scope

This Decree provides regulations on managing, on-lending and recovering loans borrowed from the government's ODA loans and foreign concessional loans.

Article 2. Regulated entities

1. The end borrower that borrows the Government’s ODA loans and foreign concessional loans as prescribed in the Law on Public Dept Management.
2. The Ministry of Finance and the representative agencies authorized by the Ministry of Finance for on-lending the loans.
3. The agencies, organizations and individuals related to the process of managing, on-lending and recovering loans derived from the Government’s ODA loans and foreign concessional loans.

Article 3. Definitions

Aside from the terms defined in the Law on Public Debt Management, the terms of this Decree are construed as follows:

1. "Foreign loan agreement" means a capital-borrowing agreement, contract or deal concluded on behalf of the State or the Government with a foreign lender.
2. "On-lending agreement" means an on-lending contract or a loan sub-agreement signed between the Ministry of Finance or the duly-authorized intermediary and the end borrower regarding the on-lending.
3. "On-lending authorization contract" means a contract signed between the Ministry of Finance and the duly-authorized intermediary to on-lend loans, manage the on-lent loans and recover the debts, including the measure in term of the duly-authorized intermediary bears all the credit risks.
4. "Grace period" means a period of time when the end borrower already received the loan and has not paid back the principal but has paid enough interests and expenses as prescribed in the on-lending agreement.

Article 4. Setting a five-year on-lending limit

1. Set a five-year on-lending limit for the public sector entity and enterprise:

Before June 30 in the fifth year of the five-year-plan on borrowing loans and repaying public debts for these entities to register for the second five-year plan; the public sector entity and the enterprise (hereinafter referred to as "End borrower" shall submit to the Ministry of Finance the following documents:

- a. An evaluation report on the on-lending and disbursement of the loans specified in the agreement and on the total anticipated disbursement within the current period of 5 years.
- b. An application form for the disbursement of on-lent loans specified in the signed agreement and for the new five-year on-lending period, enclosed with a preliminary evaluation of the potential for repaying debts.
- c. A report on the opinions of the agency in charge about the application of the project managers requesting the disbursement for the enterprises and the public sector entities.

2. Setting a five-year on-lending limit for the People's Committees of the provinces.

Setting a five-year on-lending limit for the People's Committee of the province is part of the plan on borrowing loans and repaying debts within 05 years of the local government. The process for setting an on-lending limit shall comply with the regulations in the Decree on local government's debt management.

3. In consideration of indicators of public debt safety, total loan target and the local budget deficit specified in the five year financial plan on on-lent loans granted to the People's Committees of the provinces, the Ministry of Finance shall make a general report on the requests of the central or local departments and agencies, set a five-year on-lending limit, and send this general report and limit to the Government for the Government to forward them to the Standing Committee of the National Assembly and the National Assembly.

Article 5. Developing an on-lending plan and an annual on-lending limit

1. Develop an on-lending plan and set an annual on-lending limit for the public sector entity and enterprise:

Before July 20 every year to develop an on-lending plan and set an annual on-lending limit; the end borrower shall send the following documents to the Ministry of Finance:

a. An evaluation report on the on-lending process, disbursement value, repayment of annual on-lent loans and accumulation data from the time receiving the loans to the year before the plan year; unrealized value, details of each project and each year.

b. An anticipated report on the value will be used in the plan year and other on-lent loans specified in the signed agreement, and on-lent loans in the new agreement to be signed.

2. Developing an annual on-lending plan for the People's Committees of the provinces:

a. The development of the annual on-lending plan for the People's Committee of the province is part of the annual plan on borrowing loans and repaying debts of the local government. The process of developing the plan shall comply with the regulations in the Decree on local Government's debt management;

b. The contents of the annual on-lending plan for the People's Committee of the province shall include the loans, repayments for on-lent loans and the solvency of the local government.

3. Based on the five-year on-lending limit, the application of the end borrowers and project managers, and the indicators of public debt safety, the Ministry of Finance shall make a specific consolidated report on the annual on-lending plan and submit it to the Government for getting an approval for the total annual on-lending limit, then forward this report to the Prime Minister for consideration and approval for the plan of the Government on borrowing loans and repaying debts.

4. If the disbursement exceeds the annual on-lending plan, the Ministry of Finance shall make a consolidated report on this case and submit this report to the Government for making adjustments to the plan in order to ensure national principles.

a. If the Government on-lends the loans to public sector entities and enterprises, the project implementation schedule shall be followed.

b. If the Government on-lends the loans to the People's Committee of the province, the disbursement shall not exceed the annual loans which are approved by the National Assembly.

Article 6. On-lending currency and debt recovery currency

1. On-lending currency is the currency in which the external loan is borrowed by the Government.

2. Debt recovery currency is the currency in which the on-lent capital is denominated. If the end borrower repays the debt in Vietnam Dong, the intermediary shall apply the selling rate of this currency set by the Joint stock Commercial Bank for Foreign Trade of Vietnam at the time making the repayment in order to recover the debt.

Article 7. Repayment period and grace period

1. If the end borrower is the People's Committee of the province, the repayment period and the grace period shall comply with the regulations in the foreign loan agreement.

2. If the end borrower is the public sector entity or enterprise:

a. The repayment period shall be equal to the capital recovery period under the investment project (feasibility study report) which is approved by the competent authority, but shall not exceed the grace period specified in the foreign loan agreement.

b. The grace period shall be equal to the construction period, which will last until the project is put into operation as mentioned in the investment project (feasibility study report) approved by the competent authority, but shall not exceed the grace period specified in the foreign loan agreement. .

c. The repayment period and the grace period of on-lent loans shall start from the beginning of repayment period and grace period of foreign loans.

3. If there is any difference in the repayment period and the grace period between the foreign loans and the on-lent loans, the recovery of on-lent loans which are not paid to the foreign lender shall be included in the Accumulation Fund for Debt Payment.

Article 8. On-lending interest rate

The on-lending interest rate is specified in clause 5, Article 34 of the Law on Public Debt Management including the interest rate of loans borrowed from a foreign country of the Government, the charges specified in the foreign loan agreement, and the management charge of on-lent loans and loan-loss provision.

Article 9. The charges and relevant costs collected by foreign lender and the charges for domestic and foreign banks.

1. The end borrower shall take full responsibility for paying all the charges and relevant costs to the foreign lender as prescribed in the foreign loan agreement and all the service charges to domestic and foreign banks related to the on-lent loans. The charges specified in the foreign loan agreement shall include the capital arrangement fees, management fees, commitment fees, withdrawal fees, insurance premiums and other charges and costs as prescribed by laws (if any).
2. The end borrower shall pay the charges and costs to the foreign lender through the duly-authorized intermediary, and this intermediary in turn shall pay them to the Ministry of Finance. The end borrower shall pay the service charges directly to the banks which provide service to it.

Article 10. Management fees of on-lent loans.

1. The rate of management fees of on-lent loans shall be 0.25% per year, to be calculated based on the loan balance as follows:
 - a. The People's Committee of the province or city shall transfer the amount of money to the intermediary (Ministry of Finance) which is equal to 0.25% per year.
 - b. The enterprise and public sector entity shall pay for the duly-authorized intermediary an amount of 0.25% per year. The duly-authorized intermediary shall be entitled to 0.15% per year and shall transfer the payment of 0.1% per year to the Ministry of Finance.
2. The management and use of the on-lending charge shall comply with the financial mechanism of the duly-authorized intermediary. The management and use of on-lending charges of the Ministry of Finance shall be carried out in accordance with the regulations of the Prime Minister.

Article 11. Loan loss provision

1. The loan loss provision shall be carried out as follows:
 - a. The loan loss provision applied to the People's Committee of the province shall be equal to 0% per year per loan balance.
 - b. The loan loss provision applied to the public sector entities shall be equal to 1% per year per loan balance.
 - c. The loan loss provision applied to the enterprises shall be equal to 1.5% per year per loan balance.
2. Deductions for loan loss provision:
 - a. If the duly-authorized intermediary does not bear credit risks, the loan loss provision shall be paid to the Accumulation Fund for Debt Payment.
 - b. If the duly-authorized intermediary bears all the credit risks, the loan loss provision shall be submitted to this intermediary. The duly-authorized intermediary shall classify debts, deduct and

use the loan loss provision to handle credit risks according to the law on credits and other relevant legal documents.

Article 12. Late payment interest

1. If the end borrower does not repay the principal, interests and other relevant costs on time as prescribed by laws (if any), it shall pay for the late payment interest as prescribed in the regulations in clause 2, clause 3 of this Article.

2. If the late payment includes the principal, interests and costs specified in the foreign loan agreement, the late payment interest rate shall be determined in accordance with the regulations in the aforesaid agreement. If the foreign loan agreement does not specify the late payment interest rate, this rate shall be equal to 150% of the rate which the Government repays to the foreign lender.

3. As for the management fees of on-lent loans and loan loss provision, the late payment interest rate shall be equal to 150% of the management fees and loan loss provision specified in Article 10 and 11 hereof.

4. The number of days beyond limit shall be counted from expiration date of repayment period to the date before the date on which the repayment is received.

Article 13. The number of days within a year to be counted for determining the interests, charges and loan loss provision

The number of days within a year counted to determine the interests, late payment interest, charges paid to foreign lender, management fees of on-lent loans and loan loss provision shall comply with the regulations specified in the foreign loan agreement.

Article 14. Debt acknowledgement

The end borrower shall acknowledge the debts at the time the Government acknowledges the debts to the foreign lender.

Article 15. Order of priority for recovering loans

1. The end borrower shall repay the principal, interest and charges specified in the on-lending agreement before repaying its other debts.

2. If the end borrower can only pay one part of its debt on the due date, the order of priority for recovering loans shall be set as follows: management fees of on-lent loans, loan loss provision, late payment interest, overdue debt interest, due debt interest, other charges, overdue principal and due principal.

Article 16. Loan security

1. The end borrower shall use the asset-based lending method prescribed by law, except cases exempted from collateral as prescribed in clause 4 of this Article. The loan security shall be specified in the on-lending agreement.
2. The collateral shall include assets originating from the Government's on-lent loans and/or other legal assets of the end borrower. The collaterals shall be approved by the Ministry of Finance if the Government bears the credit risks or approved by the duly-authorized intermediary if this intermediary bears the credit risks.
3. The value of the collateral shall be equal to a minimum of 120% (one hundred and twenty percents) of the original value of an on-lent loan. If the value of the collateral is reduced to lower than 120 % of the remaining value of the loan, the end borrower shall add another collateral to ensure the above percentage.
4. If the People's Committee of the province applies for an on-lent loan or if the end borrower cannot not offer collateral for a loan as prescribed by law, it is not required to provide any collateral.
5. The duly-authorized intermediary and the end borrower shall complete the procedures for providing collateral as prescribed by the Law on secured transactions and collateral management.
6. The handling of collaterals for debt recovery shall be carried out in accordance with laws. If the duly-authorized intermediary does not bear the credit risks, the handling of guarantees for debt recovery shall be approved by the Prime Minister.

Article 17. Repayment on on-lent loans

1. The end borrower shall allocate budget from the financial plan or budget estimates of the end borrower in order to make full repayment on time as prescribed in the on-lending agreement. The repayment shall not depend on the progress of implementing the commercial contracts on on-lent loans.
2. The end borrower shall make a repayment on on-lent loans before repaying other debts.
3. The end borrower which is a public sector entity or enterprise shall open an account for collecting revenue earned from the on-lent project and other legal sources of revenue earned by the duly-authorized intermediary in order to prepare the repayment and maintain the minimum balance of the account as prescribed in Article 35 hereof. Such account shall be opened before disbursement of the on-lent loans.
4. When signing the on-lending agreement, the end borrower shall irrevocably authorize the duly-authorized intermediary to deduct any of its account in order to recover debt if it cannot make full repayment on time; it is an irrevocable authorization.
5. Within 2 working days from the date on which the repayment from the end borrower is received, the intermediary or the duly-authorized intermediary shall transfer the total repayment

(principal, interest, charges, etc.) to the Accumulation Fund for Debt Payment after deducting the management fees of on-lent loans as prescribed in clause 1, Article 10, hereof. As for the banks that have policy on authorization for on-lending multiple loans, the period making repayment to the Ministry of Finance shall be carried out monthly as prescribed in the Government's Decree on managing Accumulation Fund for Debt Payment.

Article 18. Pre-maturity payment

1. The end borrower may pay debt before maturity if it satisfies the requirements for pre-maturity payment as prescribed in the foreign loan agreement and if it is approved by the Ministry of Finance.
2. If there is no regulation on pre-maturity payment in the foreign loan agreement, the end borrower shall only make a pre-maturity payment when it is approved by the Prime Minister (if the duly-authorized intermediary does not bear the credit risks) or by the duly-authorized intermediary (if this agency bears the credit risks).
3. The end borrower shall send a request document to the Ministry of Finance and the duly-authorized intermediary within 90 days before the repayment due date in order to make a pre-maturity payment; the Ministry of Finance or the duly-authorized intermediary shall communicate with the foreign lender and report about this request to the competent authority for consideration and decision-making.
4. The end borrower shall pay all the charges and costs when making a pre-maturity payment.

Article 19. Handing over debt obligation

1. The end borrower shall only hand over and transfer the debt obligation incurred from on-lent loans if it is:
 - a. Approved by the Prime Minister when the duly-authorized intermediary does not bear the credit risks; or
 - b. Approved by the duly-authorized intermediary and the Ministry of Finance when this intermediary bears the credit risks.
2. When the end borrower is requested to hand over or transfer the debt obligation, it shall report and provide explanation about this request to the Ministry of Finance or the duly-authorized intermediary and take charge to implement the approval document from the competent authority mentioned in clause 1 of this Article.

Chapter II

ON-LENDING ODA LOANS AND FOREIGN CONCESSIONAL LOANS

Article 20. Eligibility conditions for receiving on-lent capital

The eligibility conditions for the People's Committees of the provinces, enterprises or public sector entities to borrow on-lent capital shall be approved in accordance with Article 36 of the Law on Public Debt Management.

Article 21. On-lent proportion

1. The on-lent proportion for the People's Committee of the province

a. The local jurisdiction having the rate of additional funding from the Central government budget to total local government budget expenditure equaling 70% or more shall be entitled to 30% of the on-lent capital derived from the ODA loan or concessional loan;

b. The local jurisdiction having the rate of additional funding from the Central government budget to total local government budget expenditure from 50% to below 70% shall be entitled to 40% of the on-lent capital derived from the ODA loan or concessional loan.

c. The local jurisdiction having the rate of additional funding from the Central government budget to total local government budget below 50% shall be entitled to 50% of the on-lent capital derived from the ODA loan or concessional loan.

d. The local jurisdiction having the rate of revenues regulated into central budget shall be entitled to 70% of the on-lent capital derived from the ODA loan or concessional loan.

Hanoi and Ho Chi Minh City shall be entitled to 100% of the on-lent capital derived from the ODA loan or concessional loan.

e. The Minister of Finance shall announce the rate of on-lent capital offered to each province or central-affiliated city prior to the first day of January of the first year during the budget stabilization period.

2. The on-lent proportion for the public sector entities:

a. The public sector entity which covers full recurrent expenditures and investment expenditures by its own budget shall be entitled to 100% of the on-lent capital derived from the ODA loan and concessional loan used for investment project.

b. The public sector entity which covers full recurrent expenditures and partial investment funding by its own budget shall be entitled to 50% of the on-lent capital derived from the ODA loan and concessional loan used for investment project.

3. The on-lent proportion for the enterprises:

The enterprises are eligible for receiving all of the on-lent capital derived from the ODA loan and concessional loan which are used for investment project, but this amount shall not exceed 70% of the total investment capital approved by the competent authority.

4. Article 21. Applying on-lent capital proportion:

- a. The on-lent rate prescribed in clause 1, 2, 3 of this Article shall apply to the principal repayment prescribed in the foreign loan agreement;
- b. The end borrower shall allocate from its budget to complete the repayment obligations including commitment fees, late payment interest, pre-maturity repayment fee and other charges incurred from the whole amount of ODA loan or concessional loan of the Government which are used for project investment.

Article 22. Defining the intermediary

1. If the Ministry of Finance on-lends directly the loans to the People's Committee of the province, the Ministry of Finance is the intermediary.

2. Defining the duly-authorized intermediary which does not bear the credit risks:

If the duly-authorized intermediary on-lends loans to a public sector entity or enterprise for carrying out the investment project of the State's investment plan, the Ministry of Finance shall make a report based on the characteristics of this project and send it to the Prime Minister for him to define that this duly-authorized intermediary is :

- a. The Vietnam Development Bank, as for the investment program or project; or
- b. The Vietnam Bank for Social Policies, as for the social agenda or project.

3. The duly-authorized intermediary which bears the credit risks:

a. Is the credit institution which satisfies the conditions prescribed in clause 3, Article 25 of the Law on Public Debt Management.

b. When suggesting the project, the agency in charge shall request the credit institution to become the duly-authorized intermediary and bear the credit risks if this institution agrees.

c. The credit institution has the authority and responsibility to give opinions to the agency in charge of the project or to the project manager during the development process or the process of approving the pre-feasibility report or feasibility report.

d. During the process of appraising the pre-feasibility report or feasibility report, if the credit institution determines that the project is ineffective and refuses to participate in this project, the agency in charge shall select another credit institution which satisfies the conditions for becoming the duly-authorized intermediary to bear the credit risks.

Article 23. Responsibilities and authority of the duly-authorized intermediary

1. The duly-authorized intermediary shall implement the regulations prescribed in clause 1, Article 40 of the Law on Public Debt Management.
2. Aside from the regulations prescribed in clause 1 of this Article, the duly-authorized intermediary bearing the credit risks shall:
 - a. Bear all the credit risks and take the responsibility to repay all debts to the Ministry of Finance on time and in all cases prescribed in the on-lending authorization contract.
 - b. Be entitled to receive the management fees of on-lent loans prescribed in the regulations in Article 10 hereof, and the whole loan loss provision.
 - c. Make decisions on the collateral given by the end borrower.
 - d. Make decisions on the pre-maturity payment from the end borrower (if any); make a decision to restructure the debt if the end borrower has difficulties in repaying it on time as prescribed by laws.

Article 24. On-lending appraisal agency

1. The Ministry of Finance is the agency which appraises the eligibility conditions for receiving on-lent loans of the People's Committees of provinces.
2. The Ministry of Finance shall authorize the duly-authorized intermediary to appraise the on-lending process of the enterprises or public sector entities.

Article 25. Matters to be appraised

1. The on-lending appraisal of the People's Committee of the province shall be carried out in accordance with clause 1, Article 38 of the Law on Public Debt Management; this appraisal is carried out to evaluate the ability to satisfy the eligibility conditions for on-lent loans as prescribed in clause 1, Article 36 of the Law on Public Debt Management.
2. The on-lending appraisal of public sector entities or enterprises shall be carried out in accordance with clause 2, Article 38 of the Law on Public Debt; this appraisal is carried out to evaluate:
 - a. The legal identity and the ability to satisfy the eligibility conditions for on-lent loans as prescribed in Article 26 of the Law on Public Debt Management.
 - b. The financial capacity and the debt situation of the end borrower.
 - c. The feasibility of the plan on using capital loan and repaying debts, and the plan on giving the collaterals.

d. The risks and the feasibility of the measures which are adopted to prevent and manage risks and are specified in the repayment plan of the end borrower.

Article 26. On-lending appraisal process

1. After the investment project (feasibility study report) gets approved by the competent authority, the authorized representative of the end borrower shall send an official dispatch to request for the on-lending appraisal, enclosed with the appraisal documents specified in Article 27 hereof to the appraisal agency and the Ministry of Finance. The person who makes the decision to invest in the project which receives on-lent loans derived from the ODA loan or concessional loan shall ensure that the repayment for the capital loan has high feasibility and legal basis.

2. If the Ministry of Finance is the intermediary, within 30 days from the date on which the completed documents are received, this Ministry shall send a report about the on-lending to the Prime Minister.

3. If the Ministry of Finance authorizes the duly-authorized intermediary, within 30 working days from the date on which the completed documents are received, the appraisal agency shall send the appraisal report to the Ministry of Finance. Within 15 working days from the date on which the completed documents are received, the Ministry of Finance shall report the appraisal result to the Ministry of Finance based on the appraisal report of the duly-authorized intermediary.

4. If the eligibility conditions for on-lent loans are satisfied by the end borrower, the Ministry of Finance shall report this result to the Ministry of Finance for approval for the on-lending; if the conditions are not satisfied, the Ministry of Finance shall report this result to the Prime Minister for him to refuse to sign the foreign loan agreement.

5. According to the on-lending approval decision of the Prime Minister, the Ministry of Finance shall negotiate and sign the loan agreement in accordance with the current regulations of the law on managing ODA loan capital and foreign concessional loan.

6. The appraisal agency shall take full responsibility for the on-lending appraisal result. The end borrower shall take full responsibility for the references and data specified in the application documents.

Article 27. Application for appraisal

1. The application documents for appraisal of the solvency of the local budget shall consist of:

a. A written consent of the Provincial People's Council or the Standing committee of People's Council to the mobilization of capital for investment or contribution of investment capital in a public-private partnership project under the Government's plan to on-lend of the Government's foreign capital and sources of funding for repaying debt.

b. A document proposing the approval for the policy of investment; Investment Decision, investment project document (or feasibility study report) which are approved by the competent authority and include the plan on using on-lent capital.

c. A report on the status of lending and repayment of the locality at the time of the loan proposal, including details of all occurred loans and outstanding loans; report on the loan balance of the local budget last year and estimate the current loan balance of the current year; the percentage of debt repayment on the local budget revenue is allocated according to decentralization in the last three years.

d. Annual budget estimates of the provinces approved by the Provincial People's Council; repayment plan and detailed explanation of the plan and sources of debt repayment, including capital recovered from the investment project itself (if any), capital disbursed from local budgets and other lawful capital sources approved by the competent authorities.

dd. Other relevant documents supporting the province's solvency (if any).

2. The application documents of the enterprises and public sector entities shall consist of:

a. A document proposing the approval for the policy of investment;

b. Investment project (feasibility study report) approved by the competent authority and enclosed with the Approval Decision for the investment project.

c. The plan on using capital loan and paying debt; The plan on owner's equity (for enterprises), counterpart funds; the plan on giving collaterals and relevant documents of this plan; the management plan and the plan on handling collaterals; a document providing explanation about the revenues – expenditures of the project which is approved by the investor.

d. An annual audited financial statement of the last 03 years to the date on which the appraisal application and the report on the status of lending, repayment and outstanding loans of the end borrower.

Article 28. Signing the on-lending agreement, on-lending authorization contract

1. After the foreign loan agreement is signed, within 30 working days, the Ministry of Finance shall rely on the decision on approving the on-lent capital borrowed from the ODA funds or concessional loans to sign:

a. The on-lending agreement with the People's Committee of the province, using the form in Appendix I, hereto; or

b. The on-lending authorization contract with the duly-authorized intermediary that does not bear the credit risks, using the form in Appendix II hereto; or

c. The on-lending authorization contract with the duly-authorized intermediary which bears the credit risks, using the form in Appendix III hereto.

2. Within 30 working days from the date on which the on-lending authorization contract is signed, the duly-authorized intermediary shall sign an on-lending agreement with the end borrower in order to manage the process of on-lending and recovering debts.

Chapter III

MANAGEMENT OF ON-LENT LOANS

Article 29. Management of the use of on-lent capital

1. The end borrower shall take full responsibility to use the capital loan effectively and with right purposes according to the approval decision on policy of investment, the investment decision of the competent authority, the approved project document, the signed on-lending agreement.

2. The duly-authorized intermediary shall take full responsibility to examine the use of on-lent loans by the end borrower by evaluating the document on disbursements for on-lent loans, except the cases where the disbursements are controlled by the State Treasury. The end borrower shall take full responsibility for providing valid and authentic documents for the duly-authorized intermediary. In case of need, the duly-authorized intermediary shall have the authority to request the end borrower to report to it about the use of capital loan and to prove that this loan is used with right purposes.

3. According to the disbursement announcement of the foreign lender and the announcement of the Ministry of Finance, the intermediary and the duly-authorized intermediary shall record a debit and submit a periodic report on debt data to compare with the end borrower's report.

4. The end borrower shall take charge to implement the measures for managing on-lent loans, purchase trade credit insurance and exchange rate risk insurance as prescribed by laws in order to reduce the credit risks and the exchange rate risks.

Article 30. Management of debt recovery

1. The end borrower shall pay off debts in full to the Ministry of Finance on time according to the on-lending agreement (if this Ministry on-lends loans to the People's Committee of province) or to the duly-authorized intermediary in order for these agencies to pay off the debt recovery in full and on time to the Accumulation Fund for Debt Payment.

2. If the duly-authorized intermediary bears the credit risks, this agency shall urge and collect debts in order to make full repayment to the Ministry of Finance on time and in accordance with the authorized on-lending contract.

3. Quarterly, the duly-authorized intermediary shall compare the debt data including the withdrawal amount, repayment amount and outstanding loans with the end borrower's data.

4. No later than 60 days from the last day of the previous year, the duly-authorized intermediary shall make an annual report on the debt situations of all the on-lent loans managed by it, compare this report with the report from the Ministry of finance including the total number of on-lending projects, disbursements, repayments and outstanding loans on the case-by-case basis.

Article 31. Management of collaterals

1. Within 30 days from the date on which the on-lending agreement is signed with the public sector entity or enterprise, the end borrower which is the duly-authorized intermediary shall sign the loan security contract.

2. Within 30 days from the date on which the loan security contract is signed, according to the law on secured transactions, the end borrower shall apply for the loan security to guarantee for the on-lent loans.

3. The parties related to the collateral shall be responsible to comply with the regulations on collaterals. The collateral shall be managed and used with right purposes. The handing over and transferring of collateral shall be approved by the Prime Minister if the duly-authorized intermediary does not bear the credit risks, or by the duly-authorized intermediary if this agency bears the credit risks.

4. The loan security contract shall end only if the end borrower completes all the debt obligations in accordance with the on-lending agreement.

5. The end borrower shall be responsible for buying risk insurance as prescribed by laws for the collateral given to the duly-authorized intermediary throughout the period of time having outstanding loan.

6. The duly-authorized intermediary shall manage and supervise the process of using the collateral; shall have the authority to hire an independent organization to appraise, evaluate, and supervise the collateral if being required to take compulsory measures as prescribed by laws and shall handle the collateral. The end borrower shall be responsible for paying all these charges.

Article 32. Reporting the status of on-lending and financial situation of the end borrower

1. The end borrower which is the People's Committee of the province shall send a report on the status of on-lending to the Ministry of Finance; if the borrower is a public sector entity or an enterprise, it shall send this report to the duly-authorized intermediary twice a year, the first time shall not be later than January 31 and the second time shall not be later than July 31 every year; the report shall be about:

a. The status of capital withdrawal, repayment and outstanding loans.

b. The fluctuation of the collateral.

c. The financial situation and the debt status of the end borrower including the outstanding loans, occurred late payments (if any) to any lender.

d. The performance, operation and development of the investment project; the process of managing and using the project's assets and collaterals.

2. The duly-authorized intermediary shall send a report about the contents specified in clause 1 of this Article to the Ministry of Finance twice a year, the first time shall not be later than February 28 and the second time shall not be later than August 31 every year, or report to it immediately if any problem occurs and affects the solvency of each on-lending project or end borrower.

3. Every year, the Ministry of Finance shall mention about the status of on-lending in the general report on public debt management.

4. The Ministry of Finance provides the report forms.

Article 33. Evaluation and supervision

1. The on-lending which complies with the regulations hereof shall be evaluated by the competent regulatory agencies as prescribed by laws.

2. The duly-authorized intermediary shall manage and supervise the on-lent loans, end borrower, the on-lending process, debt recovery process, fluctuations of the collaterals, development process, construction work process which is invested by using periodic on-lent loans, and shall carry out inspection for the end borrower and report this result to the Ministry of Finance.

3. The Ministry of Finance shall supervise the on-lending through the duly-authorized intermediary. According to the annual or sudden inspection plan, the Ministry of Finance shall carry out inspection for the duly-authorized intermediary and the end borrower.

4. During the inspection and supervision processes, if the end borrower does not comply with the commitment or obligations mentioned in the on-lending agreement, the duly-authorized intermediary or the Ministry of Finance shall handle this case in accordance with its authority. If the case is beyond its competence, the Ministry of Finance shall report this problem to the Prime Minister for him to decide the handling measures.

Chapter IV

DEBT CLASSIFICATION, RISK MANAGEMENT AND HANDLING OF ON-LENT LOANS

Article 34. Debt classification

1. The on-lent loans given to the public sector entities or enterprises shall be classified periodically by the duly-authorized intermediary and shall also be included in the debt

classification table of the public debt management program, which is created based on the end borrower's status of fulfilling debt obligations.

a. Group 1: The loans are paid in full and on time.

b. Group 2: The debt is overdue for 01 period.

c. The debt is overdue for 02 or 03 periods.

d. The debt is overdue for 04 periods or above.

dd. Group 5: The debt cannot be repaid.

2. The duly-authorized intermediary shall report about the debt classification process managed by it to the Ministry of Finance for this Ministry to make a final report on the debt classification of on-lent loan portfolio.

3. The debt classification is not applicable to on-lent loans given to the People's Committees of provinces.

4. The debt classification applied to on-lent loans when the intermediary bears the credit risks shall be carried out in accordance with the regulations of the State bank of Vietnam on classifying the assets, loan loss provision amounts and methods and the use of loan loss provision for handling risks during the operation process of the credit institution.

Article 35. Risk management

1. The Ministry of Finance shall apply the professional risk management based on the debt classification as follows:

a. As for debt which is overdue for 01 period or above: The end borrower shall report its revenue and expenditure process to the duly-authorized intermediary and state its commitment to allocate budget for repaying debts; new loans shall not be considered.

b. As for the debt which is overdue for 2 periods or above: The end borrower shall maintain a minimum balance, specified in clause 3, Article 17 hereof, in the account to pay for the next 02 periods within 15 days before the nearest period of repayment.

c. As for the debt which is overdue for 3 periods or above: The intermediary shall be authorized by the end borrower to request the borrower's banks to deduct money from its account for repaying debts as prescribed in clause 5, Article 17 hereof.

d. If the borrower cannot repay the debt: It shall implement the handling measures which are approved by the Prime Minister including handling collateral to recover debt.

2. The risk handling shall comply with the laws in reducing maximum risk for the State; the intermediary and the end borrower shall take responsibility for revoking and handling debts.

Article 36. Extending repayment period

1. If the end borrower has temporary difficulty in keeping up with the rate of the project's process, earning enough revenues to repay debts, and making repayment on time although it already applied remedial measures due to objective factors, natural disasters, enemy-inflicted devastation, changing of policy, economic background which causes a negative effect to the project.

a. The Minister of Finance shall consider and extend the repayment period and grace period of the on-lent loans, but these periods shall not exceed the repayment period of the foreign loans.

b. The Prime Minister shall extend the repayment period and grace period of the on-lent loans which exceed the repayment period and grace period of foreign loans.

2. At the request of the end borrower and the agency in charge of the end borrower, and according to the appraisal report on the solvency of the end borrower which is made based on the plan on extending repayment period and grace period of the duly-authorized intermediary, the consideration and decision for approving the extended period, repayment period and grace period shall be made.

3. In order to appraise the solvency based on the plan on extending repayment period and grace period, the end borrower shall submit the following documents to the duly-authorized intermediary:

a. The plan on extending repayment period.

b. An audited financial report of the last 03 years of the end borrower.

c. A report on the opinions of the agency in charge and the related agency on the reasons for having financial difficulties in repaying debt.

4. The credit institution shall consider extending the repayment period for the on-lent loans which are given when the intermediary bears the credit risks. In this case, the credit institution shall take full responsibility in repaying the capital loan to the Ministry of Finance in accordance with the on-lending authorization contract.

Article 37. Charging off debt

1. The on-lent loans given to a public sector entity or enterprise shall be charged off when the end borrower has difficulty for a long time in making repayment due to objective factors, natural disasters, enemy-inflicted devastation, changing in policy, economic background that causes a negative effect to the project leading to a financial loss in 3 consecutive years or more until the deadline date of the repayment making it difficult to repay other lenders, difficulty in ensuring

working capital to complete the obligations to the employees although the public sector entity or enterprise already applied remedial measures, however, it still cannot repay debts, when the end borrower has a scheme for finance restructuring which is approved by the competent authority based on the policy of investment.

2. The charge-off period shall not exceed 5 years.

3. During the charge-off period, the end borrower shall be exempted from interests and/or charges that may occur due to the charged-off obligations.

4. For the duly-authorized intermediary to appraise the solvency of the end borrower based on the charge-off plan, the aforesaid borrower shall submit:

a. A plan on making repayment after the period of charging off debt and/or budget expires.

b. An annual audited financial report of the last 03 years of the end borrower.

c. A report on the opinions of the agency in charge and the related agency on the reasons why the project has difficulties and has debts occurred and cannot make repayment.

d. A scheme for finance restructuring of the end borrower which is approved by the competent authority based on the policy of investment.

5. The Ministry of Finance shall forward the report on appraising the charge-off plan and the request from the duly-authorized intermediary to the Ministry of Finance for him to consider and make decision to charge off the on-lent loans.

6. If the on-lent loans are charged off by a credit institution which bears the credit risks, this institution shall repay the capital loan to the Ministry of Finance according to the on-lending authorization contract.

Article 38. Partial debt write-off

1. The partial debt write-off for interest, late payment interest and a partial on-lent capital shall be considered when the end borrower is a public sector entity or enterprise that has difficulty for a long time in making repayment due to objective factors, natural disasters, enemy-inflicted devastation, changing in policy, economic background that causes a negative effect to the project leading to a financial loss in 5 consecutive years or more until the deadline date of repayment making it difficult to repay other lenders, difficulty in ensuring working capital to complete the obligations to the employees although the public sector entity or enterprise already applied remedial measures, however, it still cannot repay debts, when at least one lender agrees to the principle on restructuring the debt; when the end borrower has a scheme for finance restructuring which is approved by the competent authority based on the policy of investment

2. For the duly-authorized intermediary to appraise the solvency of the end borrower based on the plan on writing off interest, late payment interest and a partial on-lent capital, the end borrower shall submit:

a. A plan on making repayment after the period of charging off debt and/or budget expires.

b. An annual audited financial report of the last 05 years of the end borrower.

c. A report on the opinions of the agency in charge and the related agency on the reasons why the project has difficulties and has debts occurred and cannot make repayment.

d. A report on the opinions of at least one lender who agrees to the principle on restructuring another relevant debt for the end borrower.

dd. A scheme on finance restructuring of the end borrower which is approved by the competent authority based on the policy of investment, applicable to the project using on-lent capital.

3. The Ministry of Finance shall forward the report on appraising the plan on writing off partial debt and the request from the duly-authorized intermediary to the Prime Minister for him to consider and make decision to write off partial debt of the on-lent loan.

4. The debt write off for the on-lent loan carried out in accordance with the measure in which the intermediary bears the credit risks shall be decided by the credit institution. In this case, the credit institution shall take full responsibility in repaying the capital loan to the Ministry of Finance in accordance with the on-lending authorization contract.

Article 39. Writing off full debts if the end borrower is an enterprise

1. If the end borrower is an enterprise that has been dissolved or has declared bankruptcy in accordance with the competent authority's decision, the debt recovery shall be carried out in accordance with the law on dissolution and bankruptcy.

2. As for the debt which cannot be recovered, after the Ministry of Finance completes the process mentioned in clause 1 of this Article (if any), it shall report this debt to the Prime Minister for getting a permission to write it off.

Article 40. Budget for settling debts

1. The end borrower shall repay debt to the Ministry of Finance by sending money to the Accumulation Fund for Debt Payment, and use this fund as a source to repay foreign debt. The Ministry of Finance shall repay debt in accordance with the regulations in the foreign loan agreement.

2. If the Ministry of Finance extends repayment period, charges off debt and writes off debt in accordance with the decisions of the competent authority, it shall use the Accumulation Fund for Debt Payment to handle these cases.

Chapter V

IMPLEMENTATION

Article 41. Entry into force

1. This Decree shall come into force from July 01, 2018. This Decree shall replace the Decree No. 78/2010/ND-CP dated July 14, 2010 and the Decree No. 52/2017/ND-CP dated April 28, 2017.

2. The finance mechanism, the eligibility conditions for on-lent loans of the programs or projects which are approved by the Prime Minister; the authorization contract and the on-lending agreement which had been signed before this Decree came into force shall continue to be implemented. If the specific eligibility conditions are not approved or changed by the Prime Minister, the Ministry of Finance shall report this case to the Prime Minister before negotiation.

Article 42. Implementation Responsibilities

The Ministers, heads of ministerial-level agencies, heads of government-attached agencies, chairpersons of People's Committees of the provinces or central-affiliated cities, and relevant enterprises, organizations and individuals shall implement this Decree.

**PP. THE GOVERNMENT
PRIME MINISTER**

Nguyen Xuan Phuc

APPENDIX I

ON-LENDING AGREEMENT FOR THE PEOPLE'S COMMITTEE OF PROVINCE OR
CENTRAL-AFFILIATED CITY

(Enclosed with the Government's Decree No. 97/2018/ND-CP dated June 30, 2018)

**SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness**

Hanoi, day month.....year

ON-LENDING AGREEMENT BETWEEN THE MINISTRY OF FINANCE AND THE PEOPLE’S COMMITTEE OF THE PROVINCE/CITY.....ON USING THE LOAN NO. OF..... TO INVEST IN THE PROJECT.....

Pursuant to the Law on Public Dept Management dated November 23, 2017;

Pursuant to the Law on State Budget dated June 25, 2015;

Pursuant to the Government's Decree No. 97/2018/ND-CP dated June 30, 2018 on on-lending of the Government’s ODA loans and foreign concessional loans.

Pursuant to the Foreign Loan Agreement No. signed on..... month.....year..... (hereinafter referred to as “Foreign Loan Agreement”) between the Government/State of Socialist Republic of Vietnam (hereinafter referred to as “Vietnam”) and (name of the foreign lender) for investing in the project (name of the Project) (hereinafter referred to as “Project”);

Pursuant to the Decision No./QD-TTg dated of the Prime Minister (on approving the policy of investment and the financial mechanism of the project);

Pursuant to the Decision No./QD-UBND datedof the Chairperson of the People’s Committee of province/city (on approving the Project);

Pursuant to other relevant documents.

The intermediary and the end borrower are:

1. The intermediary is: The Ministry of Finance which is represented by the Department of Debt Management and External Finance.

Address:.....

Tel:.....

Fax No.

And:.....

2. The end borrower is: People’s Committee of province/city:.....

Address:.....

Tel:.....

Fax No.

Agreed to sign this On-lending Agreement on terms and conditions set forth below:

Article 1. Definitions

The terms used in this On-lending Agreement all have the same meaning as the terms construed in the Foreign Loan Agreement.

Article 2. The terms and conditions of the On-lending Agreement

1. Terms and conditions for on-lending loans:

The intermediary on-lends a partial foreign loan/whole foreign loan in accordance with the Foreign Loan Agreement to the end borrower on the following conditions:

a. The on-lending currency and the debt recovery currency are:.....

b. The on-lending value is the total withdrawal capital which does not exceed.....

c. The on-lending term:.....includes the grace period.....from the day.....

d. On-lending interest rate:..... % per year based on the outstanding debts, including:

- External loan interest rate:% per year based on the outstanding debts.

- Management fees of on-lent loans are 0.25% per year based on the outstanding debts.

- Other charges specified in the Foreign Loan Agreement (including commitment fees, late payment interest, pre-maturity payment charge and other costs incurred from the whole amount of ODA loan or concessional loan, etc.)

dd. Late payment interest: If the end borrower cannot make repayment on principal, interest, fees and other relevant charges on time, it shall pay for the late payment interest which is equal to late payment interest rate specified in the Foreign Loan Agreement. If the Foreign Loan Agreement does not specify the late payment interest rate, this rate shall be determined as 150% of the on-lending interest rate specified in the Foreign Loan Agreement, applicable to the days overdue.

e. Interest and late payment interest shall be determined based on the actual number of days within a year which isdays (according to the regulations in the Foreign Loan Agreement).

g. The repayment date is set based on the repayment date specified in the Foreign Loan Agreement.

h. If Vietnam is responsible for implementing the provisions for quick repayment which are specified in the Foreign Loan Agreement, the terms and conditions specified in point c and d of this clause shall be adjusted accordingly.

The end borrower may repay the debt early if it satisfies the conditions for pre-maturity payment which are specified in the Foreign Loan Agreement, and the pre-maturity payment shall be

approved by the foreign lender. If the end borrower does not satisfy the conditions for pre-maturity payment which are specified in the Foreign Loan Agreement, it can only repay debt early if it is approved by the Prime Minister. The end borrower shall pay all charges and costs related to the pre-maturity payment. The end borrower shall submit the application for pre-maturity payment to the intermediary within 90 days before the expected due date of the payment.

k. The end borrower shall make direct payments for the charges collected by domestic banks.

l. The repayment on loans derived from ODA loans or concessional loans shall be made on time by the end borrower before it pays its other debts.

m. If the end borrower is only able to pay part of its due liabilities, the order of priority for debt reduction is as follows: management fees of on-lent loans, late payment interest, overdue debt interest, due debt interest, other charges, overdue principal and due principal.

n. The end borrower may use foreign currency to make repayment if it receives the revenues from the project in foreign currency or if it buys the foreign currency from the domestic commercial banks. If the end borrower repays the debt in Vietnam Dong, the exchange rate is the selling rate of this on-lending currency set by the Joint stock Commercial Bank for Foreign Trade of Vietnam at the time making repayment.

o. Repayment account:

The end borrower shall determine and pay off the principal, interest and charges of the on-lent loans in full and on time (if any) for the Ministry of Finance using the following account number:

- Name of the account: Department of Debt Management and External Finance (RECOVERING ON-LENT LOANS IN USD)

Account code: xxxx.x.xxxxxxx.xxxxx (if making repayment in USD); or

- Name of the account: DEPARTMENT OF DEBT MANAGEMENT AND EXTERNAL FINANCE (COLLECTING ON-LENT LOANS IN VND)

Account code: xxxx.x.xxxxxxx.xxxxx (if making repayment in VND).

- At Vietnam State Treasury.

Or another account specified in the written announcement of the Ministry of Finance.

2. The time of acknowledging debts:

The end borrower shall acknowledge debt of on-lent loan at the time the Government acknowledges debt with the foreign lender.

3. Comparing debts

The intermediary shall complete the procedures for recording a debit for the end borrower according to the disbursement announcement of the foreign lender.

Quarterly, the intermediary shall compare the debt data including the withdrawal amount, repayment amount and amount of outstanding loans with the end borrower.

Article 3. Responsibilities of both parties

1. Responsibilities of the end borrower:

a. The end borrower shall cooperate closely with the intermediary in carrying out its obligations as prescribed in this On-lending Agreement and in the regulations on responsibilities of the end borrower which are specified in the Government's Decree No. 97/2018/ND-CP dated June 30, 2018.

b. The end borrower shall allocate principals from the local budget and/or other lawful capital sources as prescribed by laws to pay off the debts of on-lent loans (principal, interest, charges) in full and on time.

c. The obligation to pay the signed on-lent loans shall be fully calculated when making annual budget estimates and local budget's medium-term financial plans.

d. The end borrower shall assign the Department of Finance of province/city to:

- Cooperate closely with the unit assigned to be the project manager, evaluate the capital management process of the Project, build a database on the provincial debt status, ensure that the on-lending is appropriate to the loan limit, and monitor and plan the repayment when it is due.

- Twice a year, the first time shall not be later than January 31 and the second time shall not be later than July 31 every year, the Department of Finance in the province/city.....shall send a report on the on-lending status and the debt situation of the end borrower to the Ministry of Finance as prescribed in clause 1, Article 32 of the Government's Decree No. 97/2018/ND-CP dated June 30, 2018.

2. Responsibilities of the project manager:

Quarterly and at least 15 days before the start of the repayment period prescribed in point g, clause 2, Article 2 hereof, the unit assigned to be the project manager by the end borrower shall make a report on the process and disbursement amount of the project and send it to both the Department of Finance and the end borrower in order for the Department of Finance in the province/city to determine the required interest, charges and principal which are allocated from the provincial budget to pay off debts for the intermediary.

3. Responsibilities of the intermediary:

The intermediary shall guarantee that it will take the responsibility specified in this On-lending Agreement and in the regulations on on-lending of the Government's ODA loans and concessional loans for the People's Committees of the provinces.

Article 4. Compensation and repayment

1. If the end borrower cannot fulfill its obligations in accordance with this On-lending Agreement, the intermediary may, at its sole discretion, to request the end borrower to comply with the regulations on sanctions and compensations; such actions shall include stopping the disbursements of foreign loans for the Project, stopping the disbursements for other projects which receive loans from the central budget and use these loans with right purposes or on-lend them to the budget of province/city, and stop considering the on-lent loans derived from other external loans .

2. None of regulations in the On-lending Agreement which harm or affect the rights of the Ministry of Finance including the right to compensation as prescribed by laws.

3. If the Vietnam's rights to loan disbursement which are prescribed in the Foreign Loan Agreement are now suspended or terminated due to any cause, the disbursement of on-lent loans which is prescribed in this On-lending Agreement shall be suspended or terminated immediately. The end borrower shall fulfill all obligations prescribed in this On-lending Agreement for the disbursed on-lent loans which are derived from external loans.

Article 5. Implementation

1. This On-lending Agreement shall come into effect from the date on which it is signed (or the date on which the Foreign Loan Agreement is signed, if it is used).

2. This On-lending Agreement shall be binding upon the organizations that succeed the People's Committee of the province/city in any form.

3. During the implementation process, both parties shall consider to supplement or amend this On-lending Agreement based on the actual situation or if it is necessary. All amended or added contents of this On-lending Agreement shall be made in writing and signed by both parties and be an integral part of this On-lending Agreement.

4. The On-lending Agreement shall be made into 02 original documents and both documents shall have similar legal validity. The intermediary shall keep 01 original and the end borrower shall keep 01 original.

This On-lending Agreement shall be signed at on the mentioned date above, through the authorized representative of each party.

PEOPLE'S COMMITTEE OF THE MINISTRY OF FINANCE

PROVINCE/CITY.....

Authorized representative Authorized representative
(Signature, full name, stamp) (Signature, full name, stamp)

APPENDIX II

ON-LENDING AUTHORIZATION CONTRACT IN TERM OF THE INTERMEDIARY NOT BEARING THE CREDIT RISKS
(Enclosed with the Government's Decree No. 97/2018/ND-CP dated June 30, 2018)

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

Hanoi, day month.....year

ON-LENDING AUTHORIZATION CONTRACT IN TERM OF THE INTERMEDIARY NOT BEARING THE CREDIT RISKS

The loan is derived from for the Project (Name of the project)

No.:...../ /UQCVL/BTC-QLN

Pursuant to the Law on Civil Code dated December 08, 2015;

Pursuant to the Law on Public Dept Management dated November 23, 2017;

Pursuant to the Government's Decree No. 97/2018/ND-CP dated June 30, 2018 on on-lending of the Government's ODA loans and foreign concessional loans.

Pursuant to the Foreign Loan Agreement signed on daymonth.....year between the State/Government of Socialist Republic of Vietnam and (name of the foreign lender) (hereinafter referred to as "Foreign Loan Agreement") for the Project.... (hereinafter referred to as "Project");

Pursuant to the Decision No. /QD-TTg dated of the Prime Minister (on approving the financial mechanism, eligibility conditions for on-lent loans of the Project);

Pursuant to the Decision on approving the Project No. day.....month.....year;

Ministry of Finance (hereinafter referred to as "Principal"), represented by the Department of Debt Management and External Finance.

Address: 28 Tran Hung Dao - Hanoi

Tel: 024-22202828

Fax No. 024-22208020 or 024-22202868 and

Name of the Credit Institution which is intermediary (hereinafter referred to as "Authorized Party")

Address:.....

Tel:.....

Fax:

The Parties hereby agree as follows:

Article 1. The Principal shall authorize the Authorized Party to on-lend the Government's loans prescribed in the Foreign Loan Agreement to (name of the end borrower) and/or any party that inherits all of rights and obligations of (name of the end borrower) under any form (hereinafter referred to as "end borrower) of the Project, with the following conditions:

1. The on-lending currency:
2. The on-lending value is the total withdrawal capital which does not exceed.....
3. The on-lending term:.....includes the grace period.....from the day.....
4. Interests of on-lent loans are 0.25% per year based on the outstanding debts including:
 - a. External loan interest rate:% per year based on the outstanding debts.
 - b. Management fees of on-lent loans are 0.25% per year based on the outstanding debts.
 - c. The loan loss provision for on-lending is% per year based on the outstanding debts.
 - d. The charges paid to the foreign lender as prescribed in the Foreign Loan Agreement.
5. Late payment interest is% per year based on the outstanding debts. The late payment interest shall be determined from the date on which the debt is due but cannot be paid to the date which is one day before the actual payment date.
6. The repayment date shall be set based on the repayment date specified in the Foreign Loan Agreement.
7. The end borrower shall take full responsibility for paying all charges and relevant costs that the Government must pay to the foreign lender as prescribed in the Foreign Loan Agreement,

including....., and other charges and costs. The end borrower shall pay off these charges to the Authorized Party and this Party shall pay them for the Principal.

8. The date of debt acknowledgement is the date on which the Government acknowledges debt with the foreign lender as prescribed in the Foreign Loan Agreement.

9. Repayment date: the end borrower shall pay off the principal and interest for the Authorized Party once every six months, on.....and on.....every year (as prescribed in the Foreign Loan Agreement). The semi-annual principal repayment shall be made consecutively, starts fromends on..... The interest shall be determined from the first day of the repayment period when the outstanding loan occurs.

10. The end borrower shall make a pre-maturity payment after sending a written notification to the Authorized Party and the Principal within 90 days before the date on which the pre-maturity payment is made, and after getting an approval from the Prime Minister for the conditions specified in the Government's Decree No. 97/2018/ND-CP dated June 30, 2018.

11. If the end borrower repays the debt in Vietnam Dong, the exchange rate shall be the transferred selling rate of this on-lending currency set by the Joint stock Commercial Bank for Foreign Trade of Vietnam at the time making the repayment.

12. The end borrower shall make direct payments for the charges collected by domestic banks.

13. The end borrower shall repay all of its debt obligations specified in this Agreement and in the On-lending Agreement before repaying any of its other debts.

14. The end borrower shall provide their collateral including assets originating from the on-lent loans and other legal assets which are approved by the Authorized Party and the Principal as prescribed in the Government's Decree No. 97/2018/ND-CP dated June 30, 2018. The regulations on collateral shall be specified in the On-lending Agreement and shall comply with the relevant provisions in the Decree.

15. The end borrower shall specify its commitments on gathering the revenues of the project to make repayment on time in the On-lending Agreement as prescribed in the Government's Decree No. 97/2018/ND-CP dated June 30, 2018; commit that it will not cancel the authorization given to the duly-authorized intermediary unexpectedly; and it shall allow this agency to automatically deduct any of its loans to collect debts if it cannot make the repayment.

Article 2. Responsibilities of the Principal

1. The Principal shall send the notifications of the disbursement of on-lent loans and the arising charges which are prescribed in the Foreign Loan Agreement to the Authorized Party, and this Party shall make an announcement on the debts of on-lent loans acknowledged with the end borrower.

2. The Principal may take charge or cooperate with the Authorized Party to inspect and supervise the use of and repayment on on-lent loans of the end borrower periodically or when it is necessary.

Article 3. Responsibilities of the Authorized Party

The Authorized Party shall comply with the regulations on responsibilities of the duly-authorized intermediary as prescribed in the Law on Public Debt Management and the Government's Decree No. 97/2018/ND-CP dated June 30, 2018, including but not restricting the following responsibilities:

1. Within 30 working days from the date on which this Contract and/or the On-Lending Agreement are signed in accordance with the conditions prescribed in Article 1. Within 15 days after signing the On-lending Agreement with the end borrower, the Authorized Party shall send 01 copy of this Agreement to the Principal for cooperation in supervising the process.

2. The Authorized Party shall rely on the notification of loan disbursement sent by the Principal to announce and acknowledge debts with the end borrower.

3. The Authorized Party shall recover and repay debts to the Principal within the period of time specified by the Government from the date on which the Authorized Party receives the principal, interest, charges of external loans and the charges required to be collected and specified in Article 1 from the end borrower, and after it being entitled to the management fees of on-lent loans which are specified in the Government's Decree No. 97/2018/ND-CP dated June 30, 2018.

4. The Authorized Party shall compare debts with the end borrower quarterly, including the disbursement amount, amount of acknowledged debt, repayment amount and amount of outstanding loans in a quarter and in an accumulation period.

5. Once every six months in June and December, the Authorized Party shall send a notification of the debt recovery plan and the implementation process to the Principal; the Principal shall include this plan and process in the annual plan and prepare to make repayment to the foreign lender.

6. At the time the State Budget estimates are made every year, the Authorized Party shall summarize the plan on requesting loans and repaying debts of the end borrower to make a final report and send it to the Principal; the Principal shall make an annual plan on the request for on-lent loans, repayment on on-lent loans and on-lending limit of the Government.

7. The Authorized Party shall manage the use of on-lent loans by controlling the disbursement of these loans and other management measures as prescribed by laws; It shall urge the borrower, recover debts and make repayment to the Principal in full and on time; appraise, apply and manage the collateral regarding the on-lent loans; report to the Principal about the fluctuations of the collateral every 6 months or suddenly as required, and at the same time propose the handling measures if there is any fluctuation in collateral.

8. The Authorized Party shall rely on the Government's Decree No. 97/2018/ND-CP dated June 30, 2018 to report quarterly or suddenly to the Principal about the information regarding the process of using and repaying on-lent loans, the debt status of the end borrower, the arising problems which affect the solvency of the end borrower, and the handling measures.

Article 4. Implementation

1. This contract shall be made into 02 original documents, the Principal shall keep 01 original, the Authorized Party shall keep 01 original; this contract shall come into force from the date on which it is signed (or the date on which the Foreign Loan Agreement comes into effect based on the regulations in the Foreign Loan Agreement or the Decision of the Prime Minister).

2. The Principal and the Authorized Party shall implement the above regulations. Any amendment (if any) made to this contract shall be included in the Appendix document and shall comply with the laws.

The On-lending Authorization Contract is signed on the date mentioned above, at.....by the authorized representative of each Party.

Representative of the Principal

Representative of Authorized Party

APPENDIX III

ON-LENDING AUTHORIZATION CONTRACT IN TERM OF THE INTERMEDIARY BEARING THE CREDIT RISKS
(Enclosed with the Government's Decree No. 97/2018/ND-CP dated June 30, 2018)

SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness

Hanoi, day month.....year

ON-LENDING AUTHORIZATION CONTRACT IN TERM OF THE DULY-AUTHORIZED INTERMEDIARY BEARING THE CREDIT RISKS

(Name of the loan) for the Project (Name of the Project)

No.:...../ /UQCVL/BTC-QLN

Pursuant to the Law on Civil Code dated December 08, 2015;

Pursuant to the Law on Public Dept Management dated November 23, 2017;

Pursuant to the Government's Decree No. 97/2018/ND-CP dated June 30, 2018 on on-lending of the Government's ODA loans and foreign concessional loans.

Pursuant to the Foreign Loan Agreement signed on date Between..... (name of the foreign lender) and..... (name of the Recipient)....for the Project (Name of the Project) (hereinafter referred to as Foreign Loan Agreement);

Pursuant to the Decision No. of the Government (on approving the financial mechanism and the eligibility conditions for receiving on-lent loans of the Project):

Pursuant to the Decision on approving the Project.

Ministry of Finance (hereinafter referred to as "Principal"), represented by the Department of Debt Management and External Finance.

Address: 28 Tran Hung Dao - Hanoi

Tel: 024-22202828

Fax No. 024-22208020 or 024-22202868

and

Name of the Credit Institution which is the intermediary (hereinafter referred to as "Authorized Party")

Address:.....

Tel:.....

Fax:

The Parties hereby agree as follows:

Article 1. The Principal shall authorize the Authorized Party to on-lend the loans to..... (name of the end borrower) and/or any party that inherits all of rights and obligations of (name of the end borrower) under any form (hereinafter referred to as "end borrower) of the foreign loan..... (name of the donor country/ organization) according to the Agreement.....with the following conditions:

1. The on-lending currency is:.....
2. The on-lending value is the total withdrawal capital which does not exceed.....
3. The on-lending term:.....includes the grace period.....from the day.....

4. On-lending interest rate:..... % per year based on the outstanding debts.
 - a. External loan interest rate:% per year based on the outstanding debts.
 - b. Management fees of on-lent loans are 0.25% per year based on the outstanding debts.
 - c. The loan loss provision for on-lending is% per year based on the outstanding debts.
 - d. The charges paid to the foreign lender as prescribed in the Foreign Loan Agreement.
5. Late payment interest is% per year (late payment interest rate is determined in accordance with the Decree) based on the amount of overdue debts. The late payment interest shall be determined from the date on which the debt is due but cannot be paid to the date which is one day before the actual payment date.
6. Interest and late payment interest shall be determined based on the actual days and the days within a year according to the Foreign Loan Agreement.
7. The end borrower shall take full responsibility for paying all charges and relevant costs to the foreign lender as prescribed in the Foreign Loan Agreement, including management fees, commitment fees, loan withdrawal fees, insurance fees and other fees and costs. The end borrower shall pay off these fees to the Authorized Party, and this Party shall pay them back to the Principal.
8. The date of debt acknowledgment is the date on which the Government acknowledges debt with the foreign lender as prescribed in the Foreign Loan Agreement.
9. Repayment date: the end borrower shall pay off the principal and interest for the Authorized Party once every six months, on.....and on.....every year (as prescribed in the Foreign Loan Agreement). The repayment for the principal shall be made consecutively, from the date..... , Ends on date
10. If the Foreign Loan Agreement provides regulations on pre-maturity payment, the end borrower shall make this payment after sending a written notification to the Authorized Party and the Principal within 90 days before the date on which the payment is made, and shall be approved by the Authorized Party and the Principal. If the Foreign Loan Agreement does not provide regulations on pre-maturity payment or the end borrower does not satisfy these regulations, the pre-maturity payment shall be approved by the Authorized Party.
11. If the end borrower repays the debt in foreign currency, the exchange rate is the transferred selling rate of this on-lending currency set by the Joint stock Commercial Bank for Foreign Trade of Vietnam at the time making the repayment.
12. The end borrower shall make direct payments for the charges collected by domestic banks.

13. The end borrower shall repay all of its debt obligations specified in this Agreement and in the On-lending Agreement before repaying any of its other debts.

14. The end borrower shall provide their collateral including assets originating from the on-lent loans and other legal assets which are approved by the Authorized Party and shall notify the Principal of these assets. The regulations on collateral shall be specified in the On-lending Agreement and shall comply with the relevant provisions in the Decree.

15. If the debt is due but the end borrower cannot repay a part of or the whole debt, the Authorized Party shall make repayment to the Principal on behalf of the end borrower on the due date according to this contract.

16. The end borrower shall specify its commitments on gathering the revenues of the project to make repayment on time in the On-lending Agreement as prescribed in the Government's Decree No. 97/2018/ND-CP dated June 30, 2018; commit that it will not cancel the authorization given to the duly-authorized intermediary unexpectedly; and it shall allow this agency to automatically deduct any of its loans to collect debts if it cannot make the repayment.

Article 2. Responsibilities of the Principal

1. The Principal shall notify the Authorized Party of the foreign lender's loan disbursement notification for this Party to complete the procedures for acknowledging debts with the end borrower regarding the on-lent loans.

2. The Principal shall send a notification of the charges specified in clause 7, Article 1 of this Contract (if any) to the Authorized Party; and this Party shall notify the end borrower for this end borrower to make debt repayment.

3. The Principal may take charge or cooperate with the Authorized Party to inspect and supervise the use of and repayment on on-lent loans of the end borrower periodically or when necessary.

Article 3. Responsibilities of the Authorized Party

1. Within 30 working days from the date on which this Contract is signed, the Authorized Party shall sign the On-lending Agreement with the end borrower in accordance with the conditions prescribed in Article 1. Within 15 days after signing the On-lending Agreement with the end borrower, the Authorized Party shall send 01 copy of this Agreement to the Principal for cooperation in supervising the on-lending process.

2. The Authorized Party shall complete the procedures for the end borrower to receive full debts based on the notification of loan disbursement sent by the Authorized Party or the foreign lender.

3. The Authorized Party shall fulfill all of its obligations and take relevant responsibilities in accordance with the regulations in clause 1, Article 40 of the Law on Public Debt Management,

Article 23 of the Government's Decree No. 97/2018/ND-CP dated June 30, 2018 and in this contract.

4. The Authorized Party shall recover debts to pay off the principal, interest, charges of external loans and management fees of on-lent loans for the Budget (after being entitled to the management fees of on-lent loans as prescribed in the Decree) and other charges specified in Article 1 (if any). The recovery of on-lent loans shall be carried out in accordance with the Government's Decree No./2018/ND-CP dated.....2018 on management and use of Accumulation Fund for Debt Payment.

5. The Authorized Party shall compare debts with the end borrower quarterly, including the disbursement amount, amount of acknowledged debt, repayment amount, and amount of outstanding loans in a quarter and an accumulation period.

6. a. Once every six months in June and December, the Authorized Party shall send a notification of the debt recovery plan and the implementation process to the Principal; the Principle shall include this plan and process in the annual plan and prepare to make repayments to the foreign lender.

b. The Authorized Party shall make a report on the on-lending process, the debt status of the end borrower and the relevant contents prescribed in the Government's Decree No. 97/2018/ND-CP dated June 30, 2018.

7. The Authorized Party shall carry out periodic or sudden inspection of the project's execution and the debt status of the end borrower in order to ensure the solvency of the end borrower.

8. If the End borrower does not make repayment on time:

a. After the Authorized Party uses sanctions or measures but still cannot recover debts of on-lent loans in full and on time from the end borrower including the principal, interest, charges and other relevant costs, it shall pay off the debts in full on behalf of the end borrower to the Principal within 02 working days after the due date specified in the On-lending Agreement; these amount shall be transferred to the Accumulation Fund for Debt Payment as prescribed in the On-lending Agreement and this contract.

b. The Authorized Party shall send a notification of these problems to the Principal when they occur.

Article 4. Implementation

1. This contract shall be made into 02 documents, the Principal shall keep 01 document, the Authorized Party shall keep 01 document; and this contract shall come into force from the date on which it is signed.

2. The Principal and the Authorized Party shall implement the above regulations. During the implementation process, any amendment to this contract shall be made into a document and shall be approved by both Parties.

Representative of the Principal

Representative of the Authorized Party

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