

MEMORANDUM OF UNDERSTANDING

between

The Government of the Socialist Republic of Viet Nam

and

The Government of the Kingdom of Belgium

concerning

the management and utilization of Belgian Concessional ODA Financing

The Government of the Socialist Republic of Viet Nam represented by the Ministry of Finance (hereafter named MoF) and the Government of the Kingdom of Belgium represented by the Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation and the Federal Public Service Finance (hereafter named 'Finexpo'), hereunder called the 'Signatories'.

With regard to the current and updated Vietnamese regulations on management and utilization of ODA and concessional loans of foreign donors.

With regard to the Royal Decree of the Kingdom of Belgium of 30 May 1997 enhancing the effectiveness of instruments for financial assistance for exports, to the Royal Decree of the Kingdom of Belgium of 15 July 1997 laying down the composition and the terms of reference of the Finexpo Committee, to article 457 of the Belgian program law of 24 December 2002, to the Royal Decree of 25 February 2003 on amending the Royal Decree of 15 July 1997 laying down the composition and working methods of the Committee on Financial Support for Export and to article 139 of the "*loi portant des dispositions diverses*" of 20 July 2006.

With regard to the OECD Arrangement on Officially Supported Export Credits.

1 – General Provision

The Signatories will endeavour, within the framework of their respective existing laws, regulations and policies as well as their international obligations to promote and expand financial co-operation.

2 – Support

To continue the cooperation between the Signatories and for the purpose of promoting and expanding financial co-operation, Finexpo is prepared to support the provision of tied aid credits on concessional terms.

3 – Overview of Belgian concessional financing – FINEXPO

MoF is aware that Finexpo can offer under its concessional program the following instruments with the obligation of obtaining infrastructure goods and services from a Belgian company:

- Grants: Finexpo provides a grant (equivalent to 35% of the contract amount) for the full payment of the Insurance Premium firstly and then for the partial payment of the contract price, the balance of the remaining contract price has to be provided in the form of commercial financing or be paid in cash”.
- Interest bonification with grant: the borrower benefits of an interest rate of 0% while Finexpo bears the full interest rate linked to the credit granted to the client. An additional grant will be added in order to make the reimbursement period shorter. This instrument has a 38% grant element.
- Mixed credit: a concessional State-to-State Loan (SSL) combined with a commercial credit. The ratio between the State-to-State loan and the commercial credit is 2/3 SSL and 1/3 commercial credit. The grant element of the total financing is 35%.
- Grant for technical assistance: can be granted in addition to an untied State to State loan or an interest stabilization in order to give a competitive advantage to Belgian companies participating in international competitive bidding procedures.
- Innovation instrument: Finexpo finances to 100% of the contract amount as grant in order to help Belgian SME’s showcase an innovative product.

Further information concerning the different financial instruments can be found in the Finexpo vademecum, which is attached to the Memorandum of Understanding as annex 1.

4 – Financial terms

The terms and conditions of the loans will be set in conformity with international obligations resulting from the ‘Arrangement on Officially Supported Export Credits’ under the auspices of the OECD. Accordingly, the concessionality level will be at least 35%.

Further information concerning the different financial terms of the different financial instruments can be found in the Finexpo vademecum, which is attached to the Memorandum of Understanding as annex 1.

5 - Borrower/lending

Export credits to be subsidised after approval by the Signatories will be provided by the Belgian commercial banks acting as Lender. The Borrower is the Ministry of Finance on behalf of the Government of the Socialist Republic of Viet Nam.



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