Development Credit Agreement

(Forest Protection and Rural Development Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 8, 1997

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated November 8, 1997, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

(B) the Government of the Netherlands (the Netherlands) has agreed to make available to the Borrower, through the Association, a grant (the Netherlands Grant) in the amount of ten million Netherlands Guilders (NLG 10,000,000) to assist in financing Parts A, B.1(a) and C.1(i) of the Project, on the terms and conditions set forth in a Letter of Agreement dated October 27, 1997, entered into between the Netherlands and the Association, which Letter of Agreement, inter alia, provides for the Association to administer the proceeds of the Netherlands Grant;

(C) pursuant to the Letter of Agreement mentioned in paragraph (B) above the Borrower and the Association, Acting as Administrator of Grant Funds provided by the Netherlands, have entered into an agreement of even date herewith (the Netherlands Grant Agreement); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this
NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I
General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

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

(b) The second sentence of Section 5.01 is modified to read:

“Except as the Association and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”

(c) Section 6.03 is modified to read:

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

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms wherever used in this Agreement have the following meanings:

(a) "Affected Person" means a person who on account of the execution of the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, or interest in or right to use any land (including premises, agricultural and grazing land) or right in annual or perennial crops and trees or any other fixed or movable asset, acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently, and "Affected Persons" means, collectively, all persons who qualify as an Affected Person;

(b) "Buffer Zone" means an area surrounding a national park or a nature reserve formed by the administrative boundaries of those Communes adjacent to the national park or reserve whose boundaries are located in part not more than 3
kilometers width from a national park or a nature reserve;

(c) “Cat Tien National Park” means the area comprising the Nam Cat Tien National Park, Cat Loc Nature Reserve and Tay Cat Tien Nature Reserve located in Dong Nai Province, Lam Dong Province and Binh Phuoc Province, respectively;

(d) “Commune” means the smallest administrative unit within the Borrower’s administrative system forming the Buffer Zone;

(e) “Commune Action Plans” means, collectively, the specific plans developed through the community participatory process under Part B.1(a) of the Project to implement a number of environmentally sustainable development sub-projects that contribute to a reduction of land-use pressures and in extraction of natural resources from the Cat Tien National Park and Chu Mom Ray Nature Reserve, and to be carried out by a Commune using the proceeds of a Social Support Grant, and the term “Commune Action Plan” means any one of such Action Plans;

(f) “Commune People’s Committees” mean, collectively, the local governments of the Project Provinces at the Commune level, and “Commune People’s Committee” means any one of the Commune People’s Committees in the Project Provinces;

(g) “Ethnic Minorities Development Plan” means the plan, satisfactory to the Association, approved by the Prime Minister’s Decision No. 4936/KTN dated October 3, 1997 and the Decision Nos. 1648 and 2564 NN-HTQT/DCDC/QD of the Borrower’s Minister of Agriculture and Rural Development dated July 11, 1997 and October 7, 1997, respectively, for purposes of carrying out Parts A and B of the Project with the informed participation of, and consultation with, communities with Ethnic Minorities, pursuant to the provisions of paragraph 10 of Schedule 4 to this Agreement, as such Development Plan may be amended from time to time by agreement between the Borrower and the Association, and the term “Ethnic Minorities” means social groups disadvantaged in the development process and with social and cultural identity distinct from those which constitute the predominant ethnic group in Vietnam;

(h) “Forest Protection Contract” means the contract to be entered into between an individual household or group of individual households in a Commune and the respective Commune Peoples’ Committees for purposes of joint protection of natural forests in the Buffer Zone, as the term is hereby defined, against human encroachment, human destruction by fire and illegal logging.

(i) “Management Plan for the Chu Mom Ray Nature Reserve” means the plan for the management of the Chu Mom Ray Nature Reserve, prepared by the Provincial People’s Committee of Kon Tum province in July 1995, as the said Management Plan shall be revised pursuant to paragraph 7 of Schedule 4 to this Agreement;

(j) “Management Plan for the Cat Tien National Park” means the plan for the management of the Cat Tien National Park, prepared by MARD in October 1994, as the said Management Plan shall be revised pursuant to paragraph 8 of Schedule 4 to this Agreement;

(k) “MARD” means the Borrower’s Ministry of Agriculture and Rural Development, and any successor thereto;

(l) “Policy Framework for Resettlement and Rehabilitation of Affected Persons” means the policy, satisfactory to the Association, approved by the Prime Minister’s Decision No. 4936/KTN dated October 3, 1997 and the Decision Nos. 1648 and 2564 NN-HTQT/DCDC/QD of the Borrower’s Minister of Agriculture and Rural Development dated July 11, 1997 and October 7, 1997, respectively, for carrying out the compensation, resettlement and rehabilitation of each Affected Person pursuant to paragraph 9 of Schedule 4 to this Agreement, as such Policy Framework may be amended from time to time by agreement between the Borrower and the Association;

(m) “Project Implementation Manual” means the time-bound action plan for the carrying out of the Project, including implementation responsibilities, procedures and guidelines and criteria for selection of rural infrastructure works, referred to in paragraph 3 of Schedule 4 to this Agreement and the Social Support Grants referred to in paragraph 5 of said Schedule;
ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to fifteen million nine hundred thousand Special Drawing Rights (SDR 15,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2004 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at
the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15 commencing April 15, 2008 and ending October 15, 2037. Each installment to and including the installment payable on October 15, 2017 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower’s per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association’s resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower’s economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semi-annual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower’s economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

 Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MARD, the Project Provincial People’s Committees and the Communes People’s Committees with due diligence and efficiency and in conformity with
appropriate administrative, financial, forest protection and management, engineering, agriculture, resettlement and rehabilitation of Affected Persons, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project, including source of funding and amounts required to cover recurrent costs; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV
Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

(ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association’s representatives to examine such
records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that:

(a) Subject to paragraph (b) of this paragraph the right of the Borrower to withdraw the proceeds of the Netherlands Grant made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Netherlands Grant Agreement;

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that: (i) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(d) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) the Project Steering Committee shall have been established in accordance with the provisions of paragraph 1(a) of Schedule 4 to this Agreement;

(b) each Provincial Project Steering Committee shall have been established in accordance with the provisions of paragraph 2(a) of Schedule 4 to this Agreement;

(c) the Project Management Unit shall have been established and its Manager appointed in accordance with the provisions of paragraph 1(b) of Schedule 4 to this Agreement;

(d) each Provincial Project Management Unit shall have been established and its Manager appointed in accordance with the provisions of paragraph 2(b) of Schedule 4 to this Agreement; and

(e) the Project Implementation Manual, satisfactory to the Association, shall have been approved by MARD.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the provisions of the Policy Framework for Resettlement and Rehabilitation of Affected Persons are legally valid and enforceable in accordance with Vietnamese law; and
(b) that the provisions of the Ethnic Minorities Development Plan are legally valid and enforceable in accordance with Vietnamese law.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Governor or any Deputy Governor of the State Bank of Vietnam is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

State Bank of Vietnam
49 Ly Thai To Street
Hanoi
Socialist Republic of Vietnam

Cable address: Telex:

VIETBANK 412248 NHTWVT
Hanoi

For the Association:

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

Cable address: Telex:

INDEVAS 248423 (MCI) or
Washington, D.C. 64145 (MCI)

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

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Le Duc Thuy,
Deputy Governor,
State Bank of Vietnam
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Andrew Steer,
Country Director for Vietnam
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works:</td>
<td></td>
<td>90%</td>
</tr>
<tr>
<td>(a) irrigation and road rehabilitation under Part B of the Project, other than the access road for Cat Tien National Park and Chu Mom Ray Nature Reserve</td>
<td>6,330,000</td>
<td></td>
</tr>
<tr>
<td>(b) access roads for Cat Tien National Park and Chu Mom Ray Nature Reserve under Part B of the Project</td>
<td>290,000</td>
<td></td>
</tr>
<tr>
<td>(2) Goods under Parts B and C of the Project</td>
<td>1,275,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(3) Training under Parts B.1 (except under Part B.1(a)) and C of the Project</td>
<td>287,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Consultants’ Services under Part B.1(f) of the Project</td>
<td>170,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Forest Protection Contracts</td>
<td>1,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Field activities, surveying and mapping in the Buffer Zone under Part B of the Project (except under Part B.1(a))</td>
<td>1,130,000</td>
<td>90%</td>
</tr>
<tr>
<td>(7) Social Support Grants</td>
<td>1,960,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(8) Incremental operating costs under Parts B and C of the Project:</td>
<td>1,213,000</td>
<td></td>
</tr>
<tr>
<td>(a) incurred during calendar years 1998, 1999 and 2000</td>
<td></td>
<td>80%</td>
</tr>
<tr>
<td>(b) incurred during calendar years 2001, 2002 and 2003</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>(9) Unallocated</td>
<td>1,545,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>15,900,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule:
   
   (a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;
   
   (b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and
   
   (c) the term “incremental operating costs” means incremental salaries and field allowances of Project staff, travel expenses, office consumables and expenses, communication expenses and incremental operations and maintenance costs of investments.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:
   
   (a) payments made for expenditures prior to the date of this Agreement; and
   
   (b) payments for expenditures under Category 1(a) until the Borrower shall furnish to the Association evidence satisfactory to the Association that the irrigation and road rehabilitation works under Part B of the Project have been selected in accordance with the criteria selection and guidelines set forth in the Project Implementation Manual.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for:
   
   (a) all goods under contracts costing less than $200,000 equivalent each;
   
   (b) all works under contracts costing less than $200,000 equivalent each;
   
   (c) services provided by consulting firms under contracts costing less than $100,000 equivalent each;
   
   (d) services provided by individual consultants under contracts costing less than $50,000 equivalent each; and
   
   (e) training, incremental operating costs and Forest Protection Contracts; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to protect and manage natural forests in Vietnam with high biodiversity, in particular the Chu Mom Ray Nature Reserve and the Cat Tien National Park.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

PART A: Chu Mom Ray Nature Reserve

1. Assessment and implementation of the Management Plan for the Chu Mom Ray Nature Reserve, including:
   
   (a) establishment and physical demarcation of the Nature Reserve boundaries to include an additional 8,800 hectares of surrounding natural forest with high biodiversity value;
   
   (b) establishment of management zones and implementation of management programs therefor;
(c) formulation of regulations for management of the Nature Reserve;

(d) possible expansion of the Nature Reserve to include about 85,000 hectares of natural forest to its West and South;

(e) construction of protection facilities, visitor center and improvement of roads and trails; and

(f) provision of communications equipment, vehicles and office equipment.

2. Carrying out research studies and surveys for monitoring and evaluation of the ecological integrity and management of the Chu Mom Ray Nature Reserve.

3. Formulation and implementation of public awareness campaigns to support conservation activities and to promote interaction between the Chu Mom Ray Nature Reserve staff and communities in the Buffer Zone thereof.


5. Development and implementation of training programs for Chu Mom Ray Nature Reserve staff in conservation management and visitor programs.

PART B: Buffer Zone Development

1. Implementation of rural development activities in the Buffer Zone of the Chu Mom Ray Nature Reserve and of the Cat Tien National Park to reduce communities’ dependency on resources thereof, including:

   (a) implementing community participatory planning processes to develop Commune Action Plans;

   (b) carrying out land allocation to households to promote sustainable land use and secure rural credit;

   (c) financing of Commune Action Plans through Social Support Grants;

   (d) developing and implementing a system for management and sustainable use of natural forests in the respective Buffer Zone, including entering into Forest Protection Contracts and undertaking a study on restructuring of State-owned forest enterprises;

   (e) providing agricultural support services to increase agriculture production; and

   (f) constructing and rehabilitating infrastructure facilities to improve agricultural yields and access to markets, through provision of goods, training and technical assistance.

PART C: Project Management and Institutional Development

1. Strengthening the capacity of the Borrower’s Project implementing agencies for implementing forest protection programs and for carrying out Parts A and B of the Project, through: (i) provision of technical assistance for Project administration, financial management and audits, supervision, and monitoring and evaluation of the activities under Parts A and B of the Project; and (ii) provision of staff training and associated equipment.

*     *     *

The Project is expected to be completed by December 31, 2003.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works
Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

   (a) Preference for Domestically Manufactured Goods

   The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

   (a) Except as otherwise provided in Parts C.5, C.6 and C.7 of this Section, works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

   (b) Except as otherwise provided in Parts C.2, C.3 and C.4 of this Section, goods estimated to cost less than $80,000 equivalent per contract up to an aggregate amount not to exceed $100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

   Goods, other than vehicles, estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $400,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

   Goods, which are of a proprietary nature costing $200,000 equivalent or less in the aggregate, may, with the Association’s prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement from UN Agencies

   Vehicles for the PMU may be procured from the Interagency Procurement Service Office of the United Nations in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Community Participation

   Works required under Part B of the Project and to be financed out of the proceeds of the Social Support Grants up to an aggregate amount not to exceed $2,830,000 equivalent may be procured in accordance with procedures acceptable to the Association.

6. Procurement of Small Works

   Works estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $2,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation
shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant "drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

7. Force Account

Works which meet the requirements of paragraph 3.8 of the Guidelines, and costing $200,000 equivalent or less in the aggregate, may, with the Association’s prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) contracts for goods to be procured under International Competitive Bidding procedures; (b) the first three contracts for works to be procured under National Competitive Bidding procedures regardless of their respective estimated costs and, thereafter, all works under contracts estimated to cost the equivalent of $200,000 or more; (c) the first contract for works to be procured under Community Participation procedures in each of the Project Provinces regardless of their respective estimated costs, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants’ services shall be procured in accordance with the provisions of the Introduction and Section IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants’ services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants’ Qualifications

Services for surveys, mapping and studies under Part B of the Project (except under Part B.1(a) of the Project) estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants
Services under Part B.1(b), B.1(c), B.1(e) and B.1(f) of the Project and commune extensions assistants may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants’ services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of $100,000 or more, but less than the equivalent of $200,000, the procedures set forth in paragraphs 1, 2 (other than the second sub-paragraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of $200,000 or more and each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultants Guidelines shall apply.

SCHEDULE 4
Implementation Program

1. The Borrower shall, through MARD, establish and thereafter maintain at all times during the implementation of the Project:

   (a) a Project Steering Committee chaired by a Vice-Minister of MARD and with representatives, inter alia, of the Borrower’s Ministry of Planning and Investment, Ministry of Finance, State Bank of Vietnam, General Department of Land Administration, State Committee for Ethnic Minorities and Mountainous Areas and the Vietnam Bank for Agriculture and Rural Development, assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for the overall coordination and oversight of Project implementation; and

   (b) a Project Management Unit, headed by a Manager with qualifications and experience satisfactory to the Association, with such functions, responsibilities and funds, satisfactory to the Association, and with competent staff in adequate numbers, as shall be required for the day-to-day implementation of the Project, including the preparation of Project reports, the maintenance of consolidated Project accounts, the implementation of procurement activities under International Competitive Bidding and National Competitive Bidding procedures, and the provision of guidance to the Provincial Project Management Units.

2. The Borrower shall ensure that each Project Provincial People’s Committee shall, for purposes of carrying out its Respective Parts of the Project, establish and thereafter maintain:

   (a) a Provincial Project Steering Committee chaired by a Vice-Chairman of the Provincial People’s Committee and with representatives, inter alia, of the Provincial
Agriculture and Rural Development Department, Provincial Land Administration Department, Forest Protection Branch, Provincial Planning and Investment Department, and Provincial Branch of Vietnam Bank for Agriculture and Rural Development, and assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for the coordination and oversight of the implementation of said Project People’s Committee’s Respective Parts of the Project at the Provincial and Commune levels; and

(b) a Provincial Project Management Unit, headed by a Manager with qualifications and experience satisfactory to the Association, with such functions, responsibilities, funds and competent staff in adequate numbers, satisfactory to the Association, as shall be required to coordinate the day-to-day Project activities under said Project People’s Committee’s Respective Parts of the Project, including preparation of Project reports, maintenance of Project accounts, implementation of procurement activities other than those referred to in paragraph 1 (b) of this Schedule, and monitoring and evaluation.

3. The Borrower shall, through MARD, adopt the Project Implementation Manual, satisfactory to the Association, and thereafter implement the Project in accordance with such Manual. The Borrower further undertakes not to amend, abrogate or waive the Project Implementation Manual or any provision therein without the prior concurrence of the Association.

4. Without limitation upon the provisions of Section 3.01(a) of this Agreement, the Borrower shall take all steps necessary to ensure that each of the Project Provincial People’s Committees and Project Communes People’s Committees shall carry out its Respective Parts of the Project and, to that end, shall make available to each of the Project Provincial People’s Committees and Project Communes People’s Committees the proceeds of the Credit and other funds allocated for such purposes, including the required counterpart funds.

5. The Borrower shall, through MARD, make Social Support Grants in accordance with the provisions of Schedule 6 to this Agreement and those of the Project Implementation Manual.

6. For purposes of carrying out Part B.1(d) of the Project, the Borrower shall, through the respective Commune Peoples’ Committees, enter into Forest Protection Contracts under terms and conditions satisfactory to the Association. For this purpose, by November 30, 1998, the Borrower shall, through the PMU, furnish to the Association, for its approval, a draft model Forest Protection Contract and, thereafter, cause the Commune Peoples’ Committees to enter into Forest Protection Contracts consistent with the said approved model.

7. By January 31, 1999, the Borrower shall, through MARD, prepare and furnish to the Association for its review and comments a draft revised Management Plan for the Chu Mom Ray Nature Reserve and, thereafter, taking into account the Association’s comments, adopt and implement such revised Management Plan.

8. By January 31, 1999, the Borrower shall, through MARD, furnish to the Association for its review and comments a draft revised Management Plan for the Cat Tien National Park and, thereafter, taking into account the Association’s comments, adopt and implement such revised Management Plan.

9. The Borrower shall ensure that Affected Persons shall be compensated, resettled and rehabilitated in accordance with the Policy Framework for Resettlement and Rehabilitation of Project Affected Persons. To that end, the Borrower shall, and shall cause each of the Project Provincial People’s Committees to, apply the said Policy Framework within their respective administrative boundaries, in a manner satisfactory to the Association.

10. The Borrower shall ensure that Parts A and B of the Project shall be implemented with due regard to the provisions of the Ethnic Minorities Development Plan. To that end, the Borrower shall, and shall cause each of the Project Provincial People’s Committees to, apply the said Development Plan within their respective administrative boundaries, in a manner satisfactory to the Association.

11. By June 30, 1999, the Borrower shall, through MARD, furnish to the Association
for its review and comments the results of the State-owned forest enterprises study under Part B 1(d) of the Project, including a time-bound action plan for the implementation of the results of the study.

12. The Borrower shall, through MARD, by August 31 of each year, commencing on August 31, 1998, furnish to the Association for its review and comments the proposed annual work program and budget for Project activities to be implemented in the following calendar year, including, without limitation on the provisions set forth in Part D, paragraph 1, Section I of Schedule 3 to this Agreement, a detailed annual procurement plan, and thereafter, taking into account the Association’s comments, take all such action, including provision of the required budgetary allocations, for carrying out such annual work program.

13. The Borrower shall:

(a) by December 31, 1998, establish and maintain operational procedures, satisfactory to the Association, to adequately monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof, including the impact of the Project on the various communities in the Project Provinces, in particular, those with Ethnic Minorities;

(b) not later than January 31 and July 31 of each year, commencing July 31, 1998, furnish to the Association semi-annual reports on the implementation of the Project, satisfactory to the Association;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date. The report should also identify the source of funding and amounts required to cover recurrent costs after the Project completion date; and

(d) review with the Association, by March 31, 2001, or such later date as the Association shall request, the report referred to in paragraph (c) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association’s views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories 1 through 8 set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount equivalent to $1,500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $700,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

   (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

       (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

   (a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

   (b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

   (c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

   (d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out
of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Procedures and Conditions of Social Support Grants

Except as the Association shall otherwise agree, the following procedures and conditions shall apply for purposes of implementing Part B.1 (c) of the Project.

1. The Borrower shall ensure that:

(i) each Social Support Grant shall be used to finance environmentally sustainable development sub-projects that contribute to a reduction of land-use pressures and in extraction of natural resources from the Cat Tien National Park and Chu Mom Ray Nature Reserve;

(ii) such sub-project shall be identified in the Commune Action Plan developed by the communities themselves and approved by the Provincial Project Management Unit; and

(iii) the cost of each sub-project shall not exceed US$20,000 equivalent.

2. Each grant shall be made under a written agreement between representatives of the Commune, the Cat Tien National Park Director or the Chu Mom Ray Nature Reserve Director, as the case may be, and the respective Provincial Project Management Unit Manager, under terms and conditions satisfactory to the Association, including the following:

(i) that the Commune carries out and operates the development sub-projects with due diligence and efficiency and in accordance with sound technical, environmental, financial, and managerial standards and to maintain adequate records;

(ii) that works, goods and services to be financed out of the proceeds of the grant shall be procured in accordance with the provisions of Section I, Parts C.2, C.5, C.6 and C.7 and Section II, Parts C.1 and C.2 of Schedule 3 to this Agreement, respectively; and such works, goods and services shall be used exclusively in the carrying out of the development sub-projects;

(iii) the right to inspect, by itself or jointly with representatives of the Association, if the Association shall so request, such goods and the sites, works, plants, and construction included in the sub-project, the operation thereof, and any relevant records and documents;

(iv) the right to obtain all such information as the Association or the Borrower shall reasonably request relating to the foregoing and to the benefits to be
derived from the sub-project; and

(v) the right to suspend or terminate the right to the Commune to the use of the proceeds of the Social Support Grant upon failure by the Commune to perform its obligations under its agreement with the respective Provincial Project Management Unit and the Director of the Cat Tien National Park or Chu Mom Ray Nature Reserve.