

CONFORMED COPY

CREDIT NUMBER 2785 VN

Development Credit Agreement

(Payment System and Bank Modernization Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 16, 1996

CREDIT NUMBER 2785 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 16, 1996, between SOCIALIST REPUBLIC OF VIET NAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications thereto 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 Association 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."

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

(a) "Bank for Foreign Trade of Viet Nam" and the acronym "Vietcombank" mean the State-owned bank established and operating pursuant to the Statute of the Bank for Foreign Trade of Viet Nam dated November 11, 1992, issued under the Decision No. 252/QD-NH5 of the State Bank of Viet Nam dated November 11, 1992;

(b) "Bank for Investment and Development of Viet Nam" and the acronym "BIDV" mean the State-owned bank established and operating pursuant to the Charter of the Bank for Investment and Development of Viet Nam dated March 21, 1995, issued under Decision No. 79/QD-NH5 of the State Bank of Viet Nam dated March 21, 1995;

(c) "Implementation and Onlending Agreement" means an implementation and onlending agreement to be entered into by the Borrower, through SBV, pursuant to Section 3.01 (b) of this Agreement, with Incombank, Maritimebank, Vietcombank, Eximbank, Agribank or BIDV, and such term includes all schedules to such Implementation and Onlending Agreement, and "Implementation and Onlending Agreements" means, collectively, all six of the Implementation and Onlending Agreements;

(d) "Industrial and Commercial Bank of Viet Nam" and the acronym "Incombank" mean the State-owned bank established and operating pursuant to the Statute of the Industrial and Commercial Bank of Viet Nam dated November 11, 1992, issued under the Decision No. 251/QD-NH5 of the State Bank of Viet Nam dated November 11, 1992;

(e) "Inter Bank Payment System" means the inter bank payment system referred to under Part A of the Project;

(f) "National Payments Council" and the acronym "NPC" mean the advisory council established within SBV by a Decision of the Governor of the State Bank of Viet Nam of July 1994, consisting of representatives of the SBV and the Participating Banks to provide advice on matters related to the payments systems in the financial sector;

(g) "Participating Banks" means, collectively, Agribank, BIDV, Eximbank, Incombank, Maritimebank and Vietcombank, and "Participating Bank" means any one of them;

(h) "Project Management Unit" and the acronym "PMU" mean the unit established within the SBV by Decision No. 269/QD-NH9 of the Governor of the State Bank of Viet Nam dated September 23, 1995 for purposes, inter alia, of coordinating day-to-day Project implementation activities and to recommend the issuance of required regulations for the efficient implementation of the systems under Parts A and B of the Project;

(i) "Respective Part of the Project" means, for each Participating Bank, the activities under Parts B and C of the Project related to it;

(j) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(k) "State Bank of Viet Nam" and the acronym "SBV" mean the central bank of the Borrower and any successor thereto;

(l) "Subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by a Participating Bank or by any one or more subsidiaries of a Participating Bank or by a Participating Bank and one or more of its subsidiaries;

(m) "Systems Contract" means the contract for the purchase of computer software and hardware, design, installation and initial operation of the systems under Parts A and B of the Project;

(n) "Viet Nam Bank for Agriculture" and the acronym "Agribank" mean the State-owned bank established and operating pursuant to the Statute of the Viet Nam Bank for Agriculture dated November 11, 1992, issued under the Decision No. 250/QD of the State Bank of Viet Nam dated November 11, 1992;

(o) "Viet Nam Export-Import Commercial Joint-Stock Bank" and the acronym "Eximbank" mean the joint-stock bank established and operating pursuant to the Charter of the Viet Nam Export-Import Commercial Joint-Stock Bank dated April 6, 1992, the Decision No. 140/CT dated May 24, 1989 of the Council of Ministers, and the Decision No. 0011/NH-GP dated April 6, 1992 of the State Bank of Viet Nam; and

(p) "Viet Nam Maritime Commercial Stock Bank" and the acronym "Maritimebank" mean the joint stock bank established and operating pursuant to the Charter of the Viet Nam Maritime Commercial Stock Bank dated April 4, 1991 and the Decision No. 0001/NH-GP dated June 8, 1991 of the State Bank of Viet Nam.

## 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 thirty two million nine hundred thousand Special Drawing Rights (SDR 32,900,000).

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 and services required for the Project 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 Vietcombank 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, 2000 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment date in that year specified in Section 2.06 of this Agreement.

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 1 and November 1 commencing May 1, 2006 and ending November 1, 2035. Each installment to and including the installment payable on November 1, 2015 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 gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years 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 terms of repayment of installments under paragraph (a) above by 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. If so requested by the Borrower, the Association may revise such modification 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.

(c) 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 SBV with due diligence and efficiency and in conformity with appropriate administrative, banking and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall, through SBV, enter into an implementation and onlending agreement with each of the Participating Banks, on terms and conditions satisfactory to the Association, under which: (i) the Participating Bank shall carry out its Respective Part of the Project in accordance with the provisions set out in Part B of Schedule 4 to this Agreement; and (ii) a portion of the proceeds of the Credit shall be on-lent to the Participating Bank in accordance with Section 3.02 of this Agreement.

(c) The Borrower shall: (i) take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable each of the Participating Banks to perform the obligations set forth in its respective Implementation and On-lending Agreement, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and

(ii) shall exercise its rights under each Implementation and Onlending Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Implementation and Onlending Agreements or any provision thereof.

(d) Without limitation upon the provisions of paragraphs (a) and (b) of this Section, and except as the Borrower and the Association shall otherwise agree, the

Borrower shall carry out the Project in accordance with Part A of the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. The Borrower shall onlend part of the proceeds of the Credit to the Participating Banks under Implementation and Onlending Agreements which shall include the following principal on-lending terms and conditions:

- (a) the principal amount on-lent to each of the Participating Bank shall be:
  - (A) for Agribank, \$ 10,000,000;
  - (B) for BIDV, \$ 7,750,000;
  - (C) for Eximbank, \$ 2,600,000;
  - (D) for Incombank, \$ 7,500,000;
  - (E) for Maritimebank, \$ 2,600,000; and
  - (F) for Vietcombank, \$ 5,350,000,

provided that such amounts shall be adjusted from time to time to reflect the amounts withdrawn from the Credit Account in respect of each Participating Bank's Respective Part of the Project and its pro-rata share of the cost of the Systems Contract and Part D of the Project, and the principal amount repaid shall be the equivalent in dollars at the time of withdrawal of the amounts so withdrawn.

(b) interest shall be payable by the Participating Banks on the principal amount so on-lent, withdrawn and outstanding from time to time at a rate of 6.25% per annum;

(c) commitment charges shall be payable by the Participating Banks on the principal amount so on-lent and not yet withdrawn from time to time at the rate payable by the Borrower under Section 2.04 (a) of this Agreement; and

(d) the principal amount so on-lent shall be repaid by the Participating Banks within 20 years, including five years of grace.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods 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 3.04. For purposes of Section 9.08 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; and

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

## 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 nine months after the end of each such year, a certified copy of 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, accounts and the audit thereof as the Association shall from time to time reasonably request.

## ARTICLE V

### Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) Any party to an Implementation and Onlending Agreement shall have failed to perform any of its obligations under such Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that either SBV or a Participating Bank will be able to perform its obligations under the respective Implementation and Onlending Agreement.

(c) The Statute or Charter of a Participating Bank, as the case may be, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial conditions of such Participating Bank or its ability to perform any of its obligations under its respective Implementation and Onlending Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of a Participating Bank or for the suspension of its operations.

(e) The Decision No 269/QD-NH9 dated September 23, 1995 or any part thereof shall have been amended, suspended, abrogated, repealed or waived so as to

adversely affect the carrying out of the Project or any Part thereof.

(f) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the National Payment Council or for the suspension of its advisory functions.

(g) A Subsidiary or any other entity shall have been created or acquired or taken over by a Participating Bank, if such creation, acquisition or taking over would adversely affect the conduct of such Participating Bank's business or such Participating Bank's financial condition or the efficiency of such Participating Bank's management and personnel in carrying out its Respective Part of the Project.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraphs (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and the respective Participating Bank; and

(b) any event specified in paragraphs (c), (d), (e), (f) or (g) of Section 5.01 of this Agreement shall occur.

## 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) that the Implementation and Onlending Agreements shall have been entered into between the Borrower and Agribank, BIDV, Eximbank, Incombank, Maritimebank and Vietcombank, respectively; and

(b) that the Borrower has furnished to the Association evidence satisfactory to the Association that SBV has established the participation criteria for settlement banks pursuant to the provisions of Part A.2 (b) of Schedule 4 to this Agreement.

Section 6.02. The following is specified as an additional matter, 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, namely, that the Implementation and Onlending Agreements shall have been duly authorized or ratified by the Borrower and Incombank, Maritimebank, Vietcombank, Eximbank, Agribank and BIDV, respectively, and are legally binding upon the parties thereto in accordance with their terms.

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

### Representatives of the Borrower; Addresses

Section 7.01. The Governor, State Bank of Viet Nam is designated as representative of the Borrower for the





(1)	Goods for Part D of the Project	60,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(2)	Consultants' Services under Parts C and D of the Project	4,100,000	100%
(3)	Systems Contract	25,440,000	95%
(4)	Unallocated	3,300,000	
	TOTAL	<u>32,900,000</u>	

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; and

(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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed SDR 3,300,000, may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after May 12, 1995.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to assist the Borrower in the development of a modern banking sector, through improved national payment processing, clearing and settlement services and strengthening of the institutional capabilities of the Participating Banks.

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:

Design and implementation of a national inter-bank payment clearing and settlement system, including:

(1) an inter-bank payment system to handle all domestic inter-bank payments comprised of: (a) a low value sub-system for credit transfers and pre-authorized debit transfers operating on a net settlement facility, and (b) a high value sub-system for credit transfers of individual time-critical payments operating on a real-time gross settlement facility; and

(2) a settlement account processing system.

Part B:

Design and implementation of an electronic intra-bank payment system for the Participating Banks to handle their domestic intra-bank payments.

Part C:

Institutional strengthening of the Participating Banks, through the undertaking of: (1) diagnostic reviews of their banking services needs, including customer accounting systems; and (2) diagnostic portfolio reviews and financial audits to determine their financial situation.

Part D:

Strengthening the PMU's Project management capabilities through provision of consultants' services, vehicles and office equipment.

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The Project is expected to be completed by June 30, 1999.

### SCHEDULE 3

#### Procurement and Consultants' Services

##### Section I. Procurement of Goods

###### Part A: General

Goods 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 (the Guidelines) and the following provisions of this Section, as applicable.

###### 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) Two-stage bidding procedure

The bidding procedure for the Systems Contract shall be carried out in two stages in accordance with the provisions of paragraph 2.6 of the Guidelines.

(b) 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 Shopping

Goods for Part D of the Project estimated to cost \$50,000 equivalent or less per contract and \$110,000 equivalent or less in the aggregate, 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.

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 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 all contracts for goods, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981. For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Association shall be used.

SCHEDULE 4

Implementation Program

Part A: Project Implementation

1. (a) The Borrower shall, and shall cause SBV to, maintain the National Payment Council with such membership, staffing, funds, functions and responsibilities as shall be required to enable NPC to provide advisory and policy guidance to SBV on matters relating to the payment systems in the financial sector.

(b) The Borrower shall, and shall cause SBV to, maintain the PMU headed by a qualified and experienced officer assisted by competent staff in adequate numbers and assigned with such functions and responsibilities, satisfactory to the Association, as shall be required to enable it to undertake the overall coordination and supervision of day-to-day Project implementation activities and to recommend the issuance of required regulations for the efficient implementation of the systems under Parts A and B of the Project.

2. (a) The Borrower shall: (i) prepare and furnish to the Association for its review and comments drafts of an SBV regulation on electronic funds transfer and operating procedures for the Inter Bank Payment System; (ii) issue such SBV regulation and such operating procedures by December 31, 1996, taking into account the Association's comments thereon; and (iii) thereafter, implement the Inter Bank Payment System in accordance with such regulations and operating procedures.

(b) The Borrower shall adopt and thereafter apply criteria, satisfactory to the Association, for banks to

participate in the Inter Bank Payment System.

(c) The Borrower shall establish and thereafter implement the pricing structure and fee schedule for all inter bank payment services under the Inter Bank Payment System in accordance with principles satisfactory to the Association.

3. For the purposes of carrying out Parts A and B of the Project, the Borrower shall take all such action as shall be necessary to cause its Viet Nam Post and Telecommunications (VNPT) to: (a) install and operate, in a timely and efficient manner, a nationwide X.25 data communications network reaching the sites required under the Project by September 30, 1996; and (b) by December 31, 1996, enter into a Service Agreement with each of SBV and the Participating Banks, on terms and conditions acceptable to the Association, for the efficient operation of the national inter-bank payment clearing and settlement system and intra-bank payment system, respectively, under Parts A and B of the Project.

4. Without limitation on the provisions of Section 9.06 (a) of the General Conditions, the Borrower shall, through the PMU, prepare and furnish to the Association semi-annual Project progress reports, by March 1 and September 1 in each year, commencing on March 1, 1996, covering the preceding six months ending December 31 and June 30, respectively, including: (a) financial information on expenditures planned, committed and disbursed; and (b) summary statistics on the implementation of the Inter Bank Payment System.

#### Part B: Implementation and On-lending Agreements

The Implementation and On-lending Agreements shall include provisions for the following undertakings by each Participating Bank:

1. Each Participating Bank shall carry out its Respective Part of the Project with due diligence and efficiency and in conformity with appropriate administrative, banking and financial practices and in accordance with the provisions of the Development Credit Agreement. The responsibilities of SBV for the carrying out of Part B of the Project shall also be set forth in each Implementation and Onlending Agreement.

2. Except as the Association shall otherwise agree, procurement of the consultants' services required for Parts B and C of 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.

3. Each Participating Bank shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of its Respective Part of the Project.

4. For purposes of carrying out Part B of the Project, each Participating Bank shall enter into a Service Agreement with Viet Nam Post and Telecommunications, on terms and conditions acceptable to the Association for the efficient operation of the intra-bank payment system, in accordance with Part A.3 (b) of this Schedule.

5. Except as the Association may otherwise agree, no Participating Bank shall:

(a) sell, lease, assign or otherwise dispose of any of its assets which shall be required for the efficient performance of its operations or which may prejudice its ability to perform satisfactorily any of its obligations under its respective Implementation and Onlending Agreement; or

(b) (i) amend, suspend or repeal any provision of its respective Statute or Charter, as the case may be; or (ii) make any change in its structure, organization, powers or responsibilities which may materially and adversely affect (A) its ability to perform any of its obligations under its respective Implementation and Onlending Agreement or (B) the operation of the facilities established under Part B of the Project.

6. Except as the Association shall otherwise agree, no Participating Bank shall take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Implementation and Onlending Agreement or any provision thereof.

7. Each Participating Bank shall, at the request of SBV and the Association, exchange views with SBV and the Association with regard to the progress of its Respective Part of the Project, the performance of its obligations under its respective Implementation and Onlending Agreement and other matters relating to the purposes of the Credit.

8. Each Participating Bank shall promptly inform SBV and the Association of any condition which interferes or threatens to interfere with the progress of its Respective Part of the Project, the accomplishment of the purposes of the Credit, or the performance by the Participating Bank of its obligations under its respective Implementation and Onlending Agreement.

9. Each Participating Bank shall carry on its operations and conduct its affairs in accordance with sound commercial banking, administrative and financial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

10. Each Participating Bank shall:

(a) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition;

(b) have its records, accounts and financial statements (its balance sheets, statements of income and expenses, cash flow and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(c) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year: (i) certified copies of its financial statements for such year as so audited; and (ii) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(d) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories 1 and 2 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 \$500,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 a deposit or deposits 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 in 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 each 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.