

CONFORMED COPY

Interim Fund Credit Number N-026-VN

Interim Fund Project Agreement

(Water Supply Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of the interim trust fund established with funds contributed by certain members of International Development Association pursuant to Resolution No. IDA 184 of the Board of Governors of International Development Association

and

HANOI WATER BUSINESS COMPANY  
HAIPHONG WATER SUPPLY COMPANY  
QUANG NINH WATER SUPPLY COMPANY  
DANANG WATER SUPPLY COMPANY

Dated July 7, 1997

INTERIM FUND CREDIT NUMBER N026-VN

INTERIM FUND PROJECT AGREEMENT

AGREEMENT, dated July 7, 1997, among the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) as administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. IDA 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996, and HANOI WATER BUSINESS COMPANY, HAIPHONG WATER SUPPLY COMPANY, QUANG NINH WATER SUPPLY COMPANY, DANANG WATER SUPPLY COMPANY (the Water Companies).

WHEREAS (A) by the Interim Fund Resolution, the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

WHEREAS (B) by the Interim Fund Development Credit Agreement of even date herewith between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and the Administrator, the Administrator has agreed to lend to the Borrower an amount in various currencies equivalent to seventy one million three hundred thousand Special Drawing Rights (SDR 71,300,000), on the terms and conditions set forth in the Interim Fund Development Credit Agreement, but only on condition that the Water Companies agree to undertake such obligations toward the Administrator as are set forth in this Agreement;

(C) by subsidiary loan agreements to be entered into between the Borrower and each of the Water Companies, the proceeds of the Interim Fund Credit provided for under the Interim Fund Development Credit Agreement will be made available to the Water Companies on the terms and conditions set forth in said subsidiary loan agreements; and

WHEREAS the Water Companies, in consideration of the Administrator's entering into the Interim Fund Development Credit Agreement with the Borrower, have agreed to

undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Interim Fund Development Credit Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

#### ARTICLE II

##### Execution of the Project

Section 2.01. (a) Each Water Company declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Interim Fund Development Credit Agreement, and, to this end, shall carry out the following Parts of the Project:

- (i) Hanoi Water Business Company, Parts A.1 and B.1;
- (ii) Haiphong Water Supply Company, Parts A.2 and B.2;
- (iii) Quang Ninh Water Supply Company, Parts A.3 and B.3; and
- (iv) Danang Water Supply Company, Parts A.4 and B.4;

all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, environmental, resettlement and rehabilitation of Affected Persons, and water supply practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Administrator and the Water Companies shall otherwise agree, each Water Company shall carry out its Respective Parts of the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. Except as the Administrator 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 Interim Fund Credit shall be governed by the provisions of Schedule 1 to this Agreement.

Section 2.03. (a) Each Water Company 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) in respect of the Project Agreement and its Respective Parts of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, each Water Company shall:

(i) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Administrator and such Water Company, a plan for the future operation of its Respective Parts of the Project; and

(ii) afford the Administrator a reasonable opportunity to exchange views with such Water Company on said plan.

Section 2.04. Each Water Company shall duly perform all its obligations under its respective Subsidiary Loan Agreement. Except as the Administrator shall otherwise agree, none of the Water Companies shall take or concur in any action which would have the effect of assigning, amending, abrogating or waiving its respective Subsidiary

Loan Agreement or any provision thereof. Section 2.05. (a) Each Water Company shall, at the request of the Administrator, exchange views with the Administrator with regard to the progress of its Respective Parts of the Project, the performance of its obligations under this Agreement and under its respective Subsidiary Loan Agreement, and other matters relating to the purposes of the Interim Fund Credit.

(b) Each Water Company shall promptly inform the Administrator of any condition which interferes or threatens to interfere with the progress of its Respective Parts of the Project, the accomplishment of the purposes of the Interim Fund Credit, or the performance by such Water Company of its obligations under this Agreement and under its respective Subsidiary Loan Agreement.

### ARTICLE III

#### Management and Operations of the Water Companies

Section 3.01. Each Water Company shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, environmental and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. Each Water Company shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public utility practices.

Section 3.03. Each Water Company shall take out and maintain with responsible insurers, or make other provision satisfactory to the Administrator for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) Each Water Company shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) Each Water Company shall:

(i) have its records, accounts and financial statements (balance sheets, statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;

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

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

Section 4.02. (a) Except as the Administrator shall otherwise agree, Hanoi Water Business Company and Haiphong Water Supply Company shall each produce for each of its Fiscal Years, total revenues equivalent to not less than the sum of its: (i) total operating expenses; and (ii) the amount by which debt service requirements exceed the provision for depreciation.

(b) By September 30 of each of its Fiscal Years, commencing in 1998, Hanoi Water Business Company and Haiphong Water Supply Company shall, on the basis of

forecasts prepared by such Water Company and satisfactory to the Administrator, review whether it would meet the requirements set forth in paragraph (a) of this Section in respect of such year and the next following fiscal year and shall furnish to the Administrator the results of such review upon its completion.

(c) If any such review shows that Hanoi Water Business Company or Haiphong Water Supply Company would not meet the requirements set forth in paragraph (a) of this Section for its Fiscal Years covered by such review, such Water Company shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its tariffs) in order to meet such requirements.

(d) For purposes of this Section:

(i) The term "total revenues" means the sum of total operating revenues and net non-operating income.

(ii) The term "total operating revenues" means revenues from all sources related to operations.

(iii) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(iv) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision of depreciation on a straight-line basis at a rate of not less than 5.65% per annum of the average current gross value of such Water Company's fixed assets in operation, or other basis acceptable to the Administrator, but excluding interest and other charges on debt.

(v) The average current gross value of such Water Company's fixed assets in operation shall be calculated as one half of the sum of the gross value of its fixed assets in operation at the beginning and at the end of the fiscal year, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Administrator.

(vi) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Administrator.

Section 4.03. (a) Except as the Administrator shall otherwise agree, Hanoi Water Business Company and Haiphong Water Supply Company shall each produce, for each of its Fiscal Years, funds from internal sources equivalent to: (i) after its Fiscal Year ending on December 31, 1997, not less than 3% of the annual average of such Water Company's capital expenditures incurred, or expected to be incurred, for that year and the next following fiscal years; and (ii) after its Fiscal Year ending on December 31, 2001, not less than 20% of such annual average.

(b) By September 30 of each of its Fiscal Years, commencing in 1998, Hanoi Water Business Company and Haiphong Water Supply Company shall each, on the basis of forecasts prepared by such Water Company and satisfactory to the Administrator, review whether it would meet the requirements set forth in paragraph (a) of this Section in respect of such year and the next following fiscal year and shall furnish to the

Administrator a copy of such review upon its completion.

(c) If any such review shows that Hanoi Water Business Company or Haiphong Water Supply Company would not meet the requirements set forth in paragraph (a) of this Section for its fiscal years covered by such review, such Water Company shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its tariffs) in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "funds from internal sources" means the difference between:

(A) the sum of revenues from all sources related to operations, consumer deposits and consumer contributions in aid of construction, net non-operating income and any reduction in working capital other than cash; and

(B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures.

(ii) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(iii) The term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each fiscal year.

(iv) The term "current assets excluding cash" means all assets other than cash which could in the ordinary course of business be converted into cash within twelve months, including accounts receivable, marketable securities, inventories and pre-paid expenses properly chargeable to operating expenses within the next fiscal year.

(v) The term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within twelve months, including accounts payable, customer advances, debt service requirements, taxes and payments in lieu of taxes, and dividends.

(vi) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(vii) The term "capital expenditures" means all expenditures on account of fixed assets, including interest charged to construction, related to operations.

(viii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Administrator.

Section 4.04. (a) Except as the Administrator shall otherwise agree, Hanoi Water Business Company and Haiphong Water Supply Company shall not incur any debt unless a reasonable forecast of the revenues and expenditures of such Water Company shows that the estimated net revenues of such Water Company for each Fiscal Year during the term of the debt to be incurred shall be at least 1.2 times the estimated debt service requirements of such Water Company in such year on all debt of such Water Company including the debt to be incurred.

(b) For the purposes of this Section:

(i) The term "debt" means any indebtedness of such Water Company maturing by its terms more than one year after the date on which it is originally incurred.

(ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.

(iii) The term "net revenues" means the difference between:

(A) the sum of revenues from all sources related to operations and net non-operating income; and

(B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.

(iv) The term "net non-operating income" means the difference between:

(A) revenues from all sources other than those related to operations; and

(B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

(v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

(vi) The term "reasonable forecast" means a forecast prepared by such Water Company not earlier than twelve months prior to the incurrence of the debt in question, which both the Administrator and such Water Company accept as reasonable and as to which the Administrator has notified such Water Company of its acceptability, provided that no event has occurred since such notification which has, or may reasonably be expected in the future to have, a material adverse effect on the financial condition or future operating results of such Water Company.

(vii) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Administrator.

Section 4.05. (a) Except as the Administrator shall otherwise agree, Quang Ninh Water Supply Company and Danang Water Supply Company shall each maintain, for each of its Fiscal Years, a ratio of total operating expenses to total operating revenues, which shall be: (i) after its Fiscal Year ending on December 31, 1997, not higher than 100%; (ii) after its Fiscal Year ending on December 31, 2001, not higher than 85%; and

(iii) after its Fiscal Year ending on December 31, 2004, not higher than 65%.

(b) By September 30 of each of its Fiscal Years, commencing in 1998, Quang Ninh Water Supply Company and Danang Water Supply Company shall, on the basis of forecasts prepared by each of them and satisfactory to the Administrator, review whether it would meet the requirements set forth in paragraph (a) of this Section in respect of such Fiscal Year and the next following Fiscal Year, and shall furnish to the Administrator the results of such review upon its completion.

(c) If any such review shows that Quang Ninh Water Supply Company or Danang Water Supply Company would not meet the requirements set forth in paragraph (a) of this Section for its Fiscal Years covered by such review, such Water Company shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its tariffs) in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a straight-line basis at the following per annum rates of the average current gross value of the Water Company's fixed assets in operation, or other basis acceptable to the Administrator, but excluding interest and other charges on debt: (A) for Quang Ninh Water Supply Company, 5.15% commencing from its Fiscal Year 1998 through 2002 and 2.43% thereafter; and (B) for Danang Water Supply company, 5.65% commencing on its Fiscal Year 1998.

(ii) The term "total operating revenues" means revenues from all sources related to operations.

(iii) The average current gross value of the Water Company's fixed assets in operation shall be calculated as one half of the sum of the gross value of the Water Company's fixed assets in operation at the beginning and at the end of the fiscal year, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Administrator.

#### ARTICLE V

Effective Date; Termination  
Cancellation and Suspension  
Designation of Administrator

Section 5.01. This Agreement shall come into force and effect on the date upon which the Interim Fund Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Administrator and of the Water Companies thereunder shall terminate on the earlier of the following two dates:

(i) the date on which the Interim Fund Development Credit Agreement shall terminate; or

(ii) a date twenty years after the date of this Agreement.

(b) If the Interim Fund Development Credit Agreement terminates before the date specified in paragraph (a) (ii) of this Section, the Administrator shall promptly notify the Water Companies of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

Section 5.04 In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim

Fund pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution and such decision of said Executive Directors, as of a date to be notified by the Administrator to the Borrower.

## ARTICLE VI

### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other addresses as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association and the Administrator:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

For Hanoi Water Business Company:

Director  
Hanoi Water Business Company  
44 Yen Phu Avenue  
Hanoi, Vietnam

For Haiphong Water Supply Company:

Director  
Haiphong Water Supply Company  
54 Dinh Tien Hoang Street  
Haiphong, Vietnam

For Quang Ninh Water Supply Company:

Director  
Quang Ninh Water Supply Company  
Nguyen Van Cu Avenue  
Halong City, Vietnam

For Danang Water Supply Company:

Director  
Danang Water Supply Company  
25 Pasteur Street  
Danang, Vietnam

Section 6.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of:

(a) Hanoi Water Business Company may be taken or executed by its Director, or by such other person or persons as Hanoi Water Business Company shall designate in writing, and Hanoi Water Business Company shall furnish to the Administrator sufficient evidence of the authority and the authenticated specimen signature of each such person.



(b) Haiphong Water Supply Company may be taken or executed by its Director, or by such other person or persons as Haiphong Water Supply Company shall designate in writing, and Haiphong Water Supply Company shall furnish to the Administrator sufficient evidence of the authority and the authenticated specimen signature of each such person.

(c) Quang Ninh Water Supply Company may be taken or executed by its Director, or by such other person or persons as Quang Ninh Water Supply Company shall designate in writing, and Quang Ninh Water Supply Company shall furnish to the Administrator sufficient evidence of the authority and the authenticated specimen signature of each such person.

(d) Danang Water Supply Company may be taken or executed by its Director, or by such other person or persons as Danang Water Supply Company shall designate in writing, and Danang Water Supply Company shall furnish to the Administrator sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator of the interim trust fund established with  
funds contributed by certain members of  
International Development Association pursuant to  
Resolution No. IDA 184 of the Board of Governors of  
International Development Association

By /s/ Bradley Babson  
Authorized Representative

HANOI WATER BUSINESS COMPANY

By /s/ Bui Van Mat  
Authorized Representative

HAIPHONG WATER SUPPLY COMPANY

By /s/ Dam Xuan Luy  
Authorized Representative

QUANG NINH WATER SUPPLY COMPANY

By /s/ Le Minh  
Authorized Representative

DANANG WATER SUPPLY COMPANY

By /s/ Ho But  
Authorized Representative

#### SCHEDULE 1

#### Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Subject to the eligibility restrictions set forth in Section III of this Schedule, 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 this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works 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 and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Prequalification

Bidders for supply and install contracts shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 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.

(c) Dispute Review Board

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.12 of the Guidelines.

(d) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

International or National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$890,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Administrator 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 Administrator 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 Administrator, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for supply and install contracts, and with respect to each contract for goods estimated to cost \$100,000 or more, 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

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: Review by the Administrator 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 Administrator 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 Administrator, and with the provisions of said paragraph 1.

#### 2. Prior Review

(a) With respect to each contract 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 subparagraph 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 Consultant Guidelines shall apply.

## Section III. Eligibility Restrictions

1. Notwithstanding the provisions of paragraph 1.6 of the Guidelines, the proceeds of the Interim Fund Credit may only be withdrawn on account of expenditures for goods and works provided by nationals of, and produced in or supplied from, Participating Countries; consequently, nationals of countries that are not Participating Countries and bidders offering goods and works from such countries shall be disqualified from bidding for such contracts, and the bidding documents shall so specify.

2. Notwithstanding the provisions of paragraph 1.02 of the Consultant Guidelines, only consultants from Participating Countries shall be eligible to provide services financed out of the proceeds of the Interim Fund Credit.

## SCHEDULE 2

### Implementation Program

1. To assist in the overall supervision of the carrying out of its Respective Parts of the Project, each Water Company shall retain the services of a Construction

Management Consultant with qualifications, experience and terms of reference satisfactory to the Administrator; provided, however, that the Hanoi Water Business Company, the Haiphong Water Supply Company and the Danang Water Supply Company shall select the Construction Management Consultant pursuant to the provisions of Section II of Schedule 1 to this Agreement, and the Quang Ninh Water Supply Company pursuant to the terms and conditions of the Danish Grant Agreement.

2. (a) Each Water Company shall carry out its Respective Part of Part B of the Project in accordance with annual plans acceptable to the Administrator, and, to that end, each Water Company shall, by October 30 in each year, commencing on October 30, 1997, prepare and furnish to the Administrator for its concurrence a plan for the implementation of such Part in the next calendar year.

(b) Without limitation on the provisions of paragraph (a) above, each Water Company shall:

(i) carry out the studies under its Respective Part of Part B of the Project in accordance with terms of reference and timing acceptable to the Administrator;

(ii) furnish such studies to the Administrator for comment promptly upon their completion, and;

(iii) thereafter, implement the recommendations of such studies, taking into account the views of the Administrator.

3. For purposes of carrying out the works for tertiary water distribution networks under Parts A.1(c), A.2(c), A.3(c), A.3(e) and A.4(d) of the Project, each Water Company shall:

(a) no later than six months prior to the start up of works in a given site or group of sites, prepare and furnish to the Administrator for its approval: (i) final alignment, and detailed designs and plans for the tertiary distribution network works to be carried out within the given site or sites under its Respective Parts of the Project listed above; and (ii) detailed Action Plans in respect of such works, prepared in accordance with its respective Part III Resettlement Action Plan, and to include a socio-economic survey of the Affected Persons, cost and budgets and implementation schedule; and

(b) thereafter complete the implementation of the Action Plans as so approved no later than one month prior to start-up of works, and carry out such works in accordance with such final alignment, and detailed designs and plans as so approved.

4. Each Water Company undertakes to carry out the compensation, assistance, resettlement and rehabilitation of the Affected Persons in accordance with the provisions of its respective Resettlement Action Plan, in a manner and substance satisfactory to the Administrator.

5. By December 31, 1997, each Water Company shall under terms of reference satisfactory to the Administrator, retain an independent monitoring agency with qualified and experienced staff to: (i) undertake the external monitoring and supervision of the implementation of its respective Resettlement Action Plan; (ii) prepare and furnish to the Borrower, the concerned Water Company and the Administrator semiannual monitoring reports thereof, the first of such reports to be furnished by June 30, 1998; and (iii) prepare and furnish to the Borrower, the concerned Water Company and the Administrator a final evaluation report on completion of the Action Plans under Parts II and III of each of the Resettlement Action Plans.

6. Each Water Company shall implement its Environmental Management Plan in a manner and substance satisfactory to the Administrator.

7. The Quang Ninh Water Supply Company shall, by December 31, 1997, furnish to the Administrator for its approval, proposed arrangements for the periodic annual inspection of the Cao Van dam in Quang Ninh Province, in accordance with sound engineering practices in order to determine whether there are any deficiencies in the design, construction and/or repair of the dam, or in the condition of such structure, or in the quality and adequacy of maintenance, or methods of operation of the same, which may endanger its safety. Thereafter, the Quang Ninh Water Supply Company shall

implement the dam safety inspection arrangements as approved by the Administrator.

8. The Quang Ninh Water Supply Company shall take all such action as shall be necessary to provide, or cause to be provided, the households from Quang Ninh Province relocated in Gia Lai Province, near Pleiku District, due to the construction of the Cao Van dam, with: (a) an aggregate of 5.3 hectares of agricultural land contiguous to the agricultural land already provided to such households; and (b) electrical connections to all the above-mentioned households.

9. The Borrower shall cause the Provincial People's Committee of Gia Lai Province to provide, by June 30, 1998, dry season irrigation facility to the households mentioned in paragraph 8 above.

10. Each Water Company shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Administrator, the carrying out of its Respective Parts of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Administrator, and furnish to the Administrator: (i) semi-annual reports, not later than June 30 and December 31 in each calendar year, the first of such semi-annual reports to be furnished by June 30, 1998, consolidating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, during the preceding calendar semester in respect of its Respective Parts of the Project, setting out the measures recommended to ensure the efficient carrying out of its Respective Parts of the Project and the achievement of the objectives thereof and of the Project as a whole during the then current calendar semester; and (ii) a mid-term report, not later than June 30, 1999, consolidating the results of the monitoring and evaluation activities performed by each Water Company during the period preceding the date thereof and setting out the measures recommended to ensure the efficient carrying out of its Respective Parts of the Project and the achievement of the objectives thereof and of the Project as a whole during the period following such date.

