

CONFORMED COPY

CREDIT NUMBER 2929 VN

Development Credit Agreement

(Rural Transport Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 6, 1997

CREDIT NUMBER 2929 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 6, 1997, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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 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."

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 have the following meanings:

(a) "Affected Person" means a person who on account of the execution of Part A.1 of the Project had or would have his/her: (a) standard of living adversely affected; or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) business, occupation, work or place of residence or habitat adversely affected, and "Affected Persons" means collectively all persons who qualify as an Affected Person.

(b) "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.

(c) "MOT" means the Borrower's Ministry of Transport, and any successor thereto.

(d) "Operational Manual" means the operational manual for carrying out Part A.1 and A.2 of the Project, including implementation procedures and guidelines and road selection criteria, satisfactory to the Association, and approved by MOT;

(e) "PDOT" means the Provincial Department of Transport established by each of the Project Provinces;

(f) "Policy Framework for Land Acquisition, Compensation and Rehabilitation" means the policy adopted by the Borrower pursuant to the Office of Government Decision No. 5793/KTN dated November 14, 1996 and MOT's Decision No. 3058/KHDT dated November 15, 1996, satisfactory to the Association, to compensate, resettle and rehabilitate Affected Persons;

(g) "PMU-18" means the project management unit established within MOT by Decisions Nos. 1675 QD/TCCB-LD and 4071 QD/TCCB dated August 23, 1993 and August 29, 1993, respectively, responsible, inter alia, to administer road works under the Project;

(h) "Project Implementation Division" and the acronym "PID" mean the unit established in accordance with the provisions referred to in paragraph 1 of Schedule 4 to this Agreement;

(i) "Project Provinces" means the provinces of the Borrower listed in the Annex to Schedule 2 to this Agreement, "Part A Provinces" means the provinces listed under Part A of said Annex, and "Part B Provinces" means the provinces listed under Part B of said Annex;

(j) "Provincial Project Management Unit" and the acronym "PPMU" mean a unit established in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement;

(k) "RAP" means a Resettlement and Rehabilitation Action Plan, satisfactory to the Association, approved by the Borrower, for carrying out the compensation, resettlement and rehabilitation of each Affected Person pursuant to paragraph 5 of Schedule 4 to this Agreement, as such plan may be amended from time to time by agreement between the Borrower and the Association; and

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

## 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 seven million eight hundred thousand Special Drawing Rights (SDR 37,800,000).

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 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, and 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 December 31, 2001 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 semiannually on April 15 and October 15 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 April 15 and October 15 commencing April 15, 2007 and ending October 15, 2036. Each installment to and including the installment payable on October 15, 2016 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 MOT and the PDOTs with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering 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 Operational Manual and 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 designed to ensure the continued achievement of the Project's objectives; 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, including MOT each of the PDOTs, 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 (9) 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.

(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 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

##### Effective Date; Termination

Section 5.01. 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 Implementation Division shall have been established, and its Division Manager appointed, in accordance with the provisions referred to in paragraph 1 of Schedule 4 to this Agreement;

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

(c) the Operational Manual, satisfactory to the Association, shall have been approved by MOT.

Section 5.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to

be included in the opinion or opinions to be furnished to the Association, namely, that the provisions of the Policy Framework for Land Acquisition, Compensation and Rehabilitation are legally valid and enforceable in accordance with Vietnamese law.

Section 5.03. 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 VI

##### Representative of the Borrower; Addresses

Section 6.01. The 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 6.02. 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 Hanoi	412248 NHTWVT

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	248423 (MCI) 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 the District of Columbia, United States of America, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Le Van Bang, Charge d'Affaires  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Javad Khalilzadeh-Shirazi  
Acting Regional Vice President  
East Asia and Pacific

#### 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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	30,600,000	95%
(2) Goods	1,700,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 65% of local expenditures for other items procured locally
(3) Consultants' services, training and workshops	2,400,000	100%
(4) Unallocated	3,100,000	
	<hr/>	
TOTAL	37,800,000 =====	

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:

(a) payments made for expenditures prior to the date of this Agreement;

(b) expenditures under Category 1 of the table in paragraph 1 of this Schedule for each road or segments of roads under Part A.1 of the Project until the Borrower shall have furnished evidence satisfactory to the Association that the obligations under paragraphs 5(b), 5(c) and 6(b)(iii) of Schedule 4 to this Agreement have been complied with in respect of such road or segments of roads.

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 works under contracts costing less than \$150,000 equivalent; (b) services provided by consulting firms under contracts costing less than \$100,000 equivalent; (c) services provided by individual consultants under contracts costing less than \$50,000 equivalent; and (e) training; 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: (a) improve and upgrade access to rural communities to the district and provincial road networks; (b) develop local capacity to improve the level of service of low-volume roads, including their maintenance; and (c) encourage development of local contractors.

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. Rural Access Roads Rehabilitation

1. Rehabilitation and improvement of about 3,500 kilometers (km) of rural district roads and about 1,500km of communal roads in the Project Provinces, including bridges therein.
2. Development of a road maintenance management program.
3. Resettlement and rehabilitation of the Affected Persons under Part A.1 of the Project.

Part B. Institutional Strengthening

1. Strengthening of the capacity of the Borrower's central and provincial level road transport departments and agencies for managing and implementing construction and maintenance of rural roads, including MOT's capacity to supervise, monitor and evaluate PDOTs' road construction and maintenance activities, and PDOT's planning, budgeting and management of road construction and maintenance activities, through the provision of staff training, development of a computerized rural roads information system, and development of technical and performance criteria and standards for construction and maintenance of rural roads.
2. Strengthening of the capacity of domestic road contractors to carry out small contract works through the provision of training, inter alia, in project management, cost accounting and contract bidding.

Part C. Study

Undertaking a rural transport infrastructure investment study to identify issues related to demand and investment and to develop guidelines for future investments in the sector.

\* \* \* \*

The Project is expected to be completed by June 30, 2001.

ANNEX TO SCHEDULE 2

Project Provinces

Part A

Bac Thai  
Thanh Hoa  
Tra Vinh  
Vinh Phu

Part B

Ben Tre  
Binh Thuan  
Dak Lak  
Kon Tum  
Ha Giang  
Ha Tinh  
Lai Chau  
Lao Cai  
Minh Hai  
Nghe An  
Soc Trang

SCHEDULE 3

Procurement and Consultants' Services

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 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 shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

### Preference for domestically manufactured goods

2. For goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B, the provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereof shall apply to goods manufactured in the territory of the Borrower.

## Part C: Other Procurement Procedures

### 1. National Competitive Bidding

Except as provided in paragraph 3 of this Part C, works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3 of the Guidelines.

### 2. International Shopping

Vehicles, motorbikes and equipment estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$1,500,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of Sections 3.5 and 3.6 of the Guidelines.

### 3. Community Participation

Works required for Part A.1 of the Project and estimated to cost less than \$10,000 per contract, up to an aggregate amount not to exceed \$8,000,000 equivalent, shall be procured in accordance with procedures acceptable to the Association.

### 4. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, up to an amount not to exceed \$10,000,000 equivalent, may be procured under lump-sum fixed-price contracts or unit price contracts, awarded on the basis of quotations obtained from at least three (3) qualified and registered 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.

## Part D: Review by Association of Procurement Decisions

### 1. Procurement Planning

Prior to the issue of any invitations 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

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply to: (a) contracts for goods; (b) the first three contracts for works to be entered into by each PPMU regardless of their respective estimated costs and, thereafter, all works under contracts costing more than \$150,000 equivalent; (c) all contracts for works in forest buffer zones thereof; (d) all contracts for works in roads and segments of roads requiring a RAP pursuant to paragraph 5(b) of Schedule 4 to this Agreement; and (e) all contracts for works in roads and segments of roads within areas occupied by Ethnic Minorities.

### 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

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). 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 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.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than one hundred thousand dollars (\$100,000) equivalent each, or (b) contracts for the employment of individual consultants estimated to cost less than fifty thousand dollars (\$50,000) equivalent each. However, this exception to prior Association review shall not apply to: (a) the terms of reference for such contracts; (b) single source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Association; (d) amendments to contracts for the employment of consulting firms raising the contract value to one hundred thousand dollars (\$100,000) equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to fifty thousand dollars (\$50,000) equivalent or above.

## SCHEDULE 4

### Implementation Program

#### A. Project Management

1. The Borrower shall establish and thereafter maintain at all times during the implementation of the Project a Project Implementation Division within PMU-18, headed by a Division Manager with qualifications and experience satisfactory to the Association, and assigned with such functions, responsibilities and funds, satisfactory to the Association, and with competent staff in adequate numbers, as shall be required for coordinating, monitoring and supervising the implementation of the Project.

2. The Borrower shall ensure that each PDOT shall establish and thereafter maintain during the implementation of the Project, a Provincial Project Management Unit, headed by a Director with qualifications and experience satisfactory to the Association, and assigned with such functions, responsibilities, funds and competent staff in adequate numbers, satisfactory to the Association, as shall be required for carrying out Parts A and B of the Project within their respective Provinces.

3. The Borrower shall take all steps necessary to ensure that each of the PDOTs shall carry out its respective activities under the Project and, to that end, shall, on a timely manner, make available to each of the PDOTs the proceeds of the Credit and other funds allocated for such purposes.

4. The Borrower shall, through MOT, adopt and thereafter implement the Operation Manual. The Borrower further undertakes not to amend, abrogate or waive the Operational Manual or any provision therein without the prior concurrence of the Association.

#### B. Selection of Roads under Part A of the Project

5. (a) The Borrower shall, by August 31 in each year, commencing on August 31, 1997, furnish to the Association for its concurrence, a proposed annual work program and budget for Project activities in the following calendar year, including, a proposed list of roads and segments of roads to be rehabilitated and improved under Part A.1 of the Project; provided, however, that roads in forest reserved areas or traversing forest reserved areas shall not form part of any annual work program.

(b) For each such road and segments of roads, the Borrower shall furnish to the Association for its concurrence:

- (i) a socio-economic survey of the Affected Persons and a time-bound action plan for asset acquisition, compensation, resettlement and rehabilitation or a RAP, pursuant to the provisions of paragraphs 6(b)(i) and (ii) of this Schedule, respectively, for roads or segments of roads given rise to Affected Persons;
- (ii) an environmental impact assessment for roads or segments of roads within forest buffer zones thereof, including a time-bound action plan for undertaking the environmental mitigating measures; and
- (iii) an Ethnic Minorities development plan for roads or segments of roads within areas occupied by Ethnic Minorities pursuant to paragraph 8 of this Schedule.

(c) Thereafter, the Borrower shall implement such annual work program, time-bound action plans and RAP, as the case may be, and development plan(s), as so approved, in a manner satisfactory to the Association.

#### C. Resettlement and Ethnic Minorities

6. (a) For purposes of carrying out Part A.3 of the Project the Borrower shall, in a manner and substance satisfactory to the Association, apply the Policy Framework for Land Acquisition, Compensation and Rehabilitation;

(b) To that end, the Borrower shall:

- (i) for those roads or segments of roads giving rise to Affected Persons in numbers less than one hundred fifty (150), prepare and furnish to the Association for its approval a socio-economic survey of the Affected Persons together with a time-bound action plan and estimated costs for asset acquisition of, compensation to, and resettlement and rehabilitation of, Affected Persons and, thereafter, carry out such time-bound action plan as so approved;
- (ii) for those roads or segments of roads giving rise to Affected Persons in numbers of one hundred fifty (150) or more, prepare and thereafter furnish to the Association for its approval a RAP and, thereafter, adopt and implement the RAP as so approved; and

- (iii) before the commencement of works on road or segments of roads giving rise to Affected Persons, complete the provision of asset acquisition of, compensation to, and resettlement and rehabilitation of, Affected Persons pursuant to the provisions of paragraphs 6(b)(i) or 6(b)(ii) of this Schedule, as the case may be.

7. The Borrower shall by March 31, 1997, under terms of reference satisfactory to the Association and pursuant to paragraph 1, Section II of Schedule 3 to this Agreement, retain an independent agency to:

- (i) undertake the external monitoring and supervision of the implementation of Part A.3 of the Project;
- (ii) prepare and furnish to the Borrower and the Association annual monitoring reports thereof, the first of such reports to be furnished by August 31, 1997; and
- (iii) prepare and furnish to the Borrower and the Association a final evaluation report on completion of Part A.3 of the Project.

8. (a) The Borrower shall design and implement the respective Ethnic Minorities development plan referred to in paragraph 5(b)(iii) of this Schedule to provide for the informed participation of, and consultation with, communities with Ethnic Minorities, to ensure that the design and implementation thereafter of the roads or segments of roads under Part A.1 of the Project, and the asset acquisition of, and provision of compensation to, and resettlement and rehabilitation measures to, the members of such Ethnic Minorities community adequately address the needs and cultural preferences of such communities.

(b) Each development plan under paragraph 5(b)(iii) of this Schedule shall include provisions to retain, under terms of reference satisfactory to the Association, an independent monitoring agency with qualified and experienced staff to:

- (i) undertake the external monitoring and supervision of the implementation of the said development plan;
- (ii) prepare and furnish to the Borrower and the Association semiannual monitoring reports thereof; and
- (iii) prepare and furnish to the Borrower and the Association a final evaluation report on completion of the implementation of each such development plan.

#### D. Training

9. The Borrower shall: (a) carry out the training under the Project in accordance with training programs acceptable to the Association; and (b) to that end, by no later than March 31 of each year, commencing March 31, 1997, furnish to the Association for its review and comments a proposed time-bound action plan for each such training program for the forthcoming Borrower's fiscal year, and thereafter, implement such time-bound action plans taking into account the Association's comments.

#### E. Monitoring and Evaluation

10. By December 31, 1997, the Borrower shall, through MOT, establish and maintain operational procedures, satisfactory to the Association, to adequately monitor and evaluate, in accordance with indicators acceptable to the Association, progress in the carrying out of the Project, including, without limitation, the implementation of the Operational Manual, the carrying out of Part A.3 of the Project, and the impact of the Project on the various communities in the Project Provinces, in particular those with Ethnic Minorities.

11. The Borrower shall:

(a) not later than March 31 and September 30 of each year, commencing September 30, 1997, furnish to the Association semi-annual reports on the implementation of the Project, satisfactory to the Association, including recommendations of actions to be undertaken to further achieve the objectives of the Project;

(b) by March 31, 1998, undertake a review with the Association to assess the overall implementation of the Project and any proposed measures resulting from the monitoring and evaluation activities carried out by the Borrower pursuant to the provisions of paragraph 10 of this Schedule. For such purposes the Borrower shall prepare and furnish to the Association by January 31, 1998, a comprehensive first-year report of the activities undertaken under the Project; and

(c) by March 31, 1999, undertake a mid-term review with the Association to assess the overall implementation of the Project and any proposed measures resulting from the monitoring and evaluation activities carried out by the Borrower pursuant to the provisions of paragraph 10 of this Schedule. For such purposes the Borrower shall prepare and furnish to the Association by December 31, 1998, a comprehensive report of the activities undertaken under the Project.

#### F. Studies

12. For purposes of carrying out Part C of the Project, the Borrower shall employ consultants with qualifications and experience and terms of conditions satisfactory to the Association.

#### SCHEDULE 5

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 \$5,000,000 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 \$3,500,000 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 10,000,000.

2. (a) Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

(b) Each payment (including a payment under a letter of credit) for an eligible expenditure in an amount equal to or less than the equivalent of \$1,000,000 shall be made exclusively out of the Special Account. The Association may from time to time, by notice to the Borrower, revise the threshold amount specified in the preceding sentence.

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 or deposits 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 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; or
- (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; and
- (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.

