

CONFORMED COPY

CREDIT NUMBER 3448 VN

Development Credit Agreement
(Mekong Transport and Flood Protection Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 5, 2001

CREDIT NUMBER 3448 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 5, 2001, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower is seeking additional financial assistance in an estimated aggregate amount equivalent to fifteen million Dollars (\$15,000,000) from Japan Bank for International Cooperation (JBIC) for the construction and rehabilitation of a number of bridges along Highway 1;

(C) the Borrower expects to enter into an agreement with JBIC (JBIC Loan Agreement) in regard to such additional financial assistance (JBIC Loan); 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 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries."; and

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

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country 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 the Project, had or would have his or her: (i) standard of living adversely affected; or (ii) 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 (iii) 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) "AAP" means an Already Affected Person, a person who (i) prior to 1996 was ordinarily residing or cultivating land or carrying on any trade, occupation or work in the area of the Right of Way of the Ca Mau - Dam Cung segment of Highway 1 between Ca Mau and Nam Can, and (ii) on account of the enforcement of Decree 90/CP dated August 17, 1994 in regard to the Right of Way of said segment, had or would have his or her: (i) standard of living adversely affected; or (ii) 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 (iii) business, occupation, work or place of residence or habitat adversely affected; and "AAPs" means, collectively, all persons who qualify as an AAP.

(c) "Category" means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(d) "EMP" means the Environmental Management Plan, dated April 2000, which sets out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said Plan, as the same may be amended from time to time by agreement between the Borrower and the Association.

(e) "Ethnic Minorities" means social groups disadvantaged in the development process and with social and cultural identity distinct from those who constitute the predominant ethnic group in Vietnam.

(f) "Ethnic Minority Development Plan" means the plan set forth in Annex 4 to the Resettlement Action Plan for Highway 1 between Can Tho and Nam Can, and referred to in paragraph 6 of Schedule 4 hereto, as said plan be amended from time to time by

agreement between the Borrower and the Association.

(g) "Highway 1" means the principal North-South national highway running the length of Vietnam.

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

(i) "PMU 1" means the project management unit established within MOT to administer works for the Borrower's National Highway No. 1, including procurement of goods, works and services, maintenance of project accounts, preparation of project reports, supervision of contract management and resettlement and rehabilitation of Affected Persons, and any successor thereto.

(j) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement.

(k) "RAPs" means, collectively, (i) the Resettlement Action Plan for Highway 1 between Can Tho and Nam Can; and (ii) the Resettlement Action Plan for the flood-prone sections of Highway 1 between Dong Ha and Quang Ngai, both dated August 1999, for carrying out the compensation, resettlement and rehabilitation of each Affected Person pursuant to paragraph 5 of Schedule 4 to this Agreement, approved by the Borrower through the Prime Minister's Decision No. 772/CP-CN, dated August 22, 2000, which authorizes the Ministry of Transport to approve the RAPs, and by Decision No. 3053/QD-GTVT dated October 12, 2000, and Decision No. 3085/QD-GTVT dated October 16, 2000, respectively, of the Minister of Transport, as said Plans may be amended from time to time by agreement between the Borrower and the Association; and "RAP" means either of the RAPs.

(l) "Right of Way" means, for the Ca Mau - Dam Cung segment of Highway 1 in the Mekong Delta region, (i) in rural areas, the area along either side of the road within seven meters of the toe of the embankment, and (ii) in urban areas, the areas defined as such in the respective master plans.

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

(n) "VRA" means the Vietnam Road Administration, the authority established within MOT by Decree 07 - CP dated January 1993, responsible for advising on road policy, planning, management and maintenance, and any successor thereto.

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 eighty-six million two hundred thousand Special Drawing Rights (SDR 86,200,000).

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 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 June 30, 2006 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 June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15, commencing June 15, 2011 and ending December 15, 2040. Each installment to and including the installment payable on December 15, 2020 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

Section 2.08. The currency of the United States of America is hereby specified

for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01.(a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, resettlement and rehabilitation, and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

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

Section 3.03. For the purposes of Section 9.06 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 for the continued achievement of the objectives of the Project; and

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

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

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

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

(c) For all expenditures with respect to which withdrawals from the Credit

Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than December 15, 2001, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event are specified, namely:

(a) the JBIC Loan shall have failed to become effective by July 1, 2002 or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from

other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

- (b) (i) Subject to sub-paragraph (ii) of this paragraph (b):
 - (A) the right of the Borrower to withdraw the proceeds of the JBIC Loan, or any other grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
 - (B) the JBIC Loan or any such loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) sub-paragraph (i) of this paragraph (b) shall not apply if the Borrower establishes to the satisfaction of the Association that:
 - (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and
 - (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has engaged the services of an independent entity to monitor the implementation of the RAPs in accordance with the provisions of paragraph 10 of Schedule 4 to this Agreement; and;

(b) the Borrower has completed and put into effect a comprehensive financial management manual in accordance with the provisions of paragraph 3 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 provisions of the RAPs and the Ethnic Minority Development Plan are legally valid and enforceable in accordance with Vietnamese law.

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

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

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

Cable address:	Telex:	Facsimile:
VIETBANK Hanoi	412248 NHTWVT	(84-4) 825-0612

For the Association:

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

Cable address:	Telex:	Facsimile
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(1-202) 477-6391

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

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Le Duc Thuy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jemal-ud-din Kassum

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works	63,100,000	90%

(2)	Goods	500,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3)	Consultants' services and training	8,600,000	100%
(4)	Unallocated	14,000,000	
	TOTAL	86,200,000	

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. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$100,000 equivalent each; (b) works under contracts costing less than \$200,000 equivalent each; (c) consultants' services under contracts awarded to (i) consulting firms, costing less than \$100,000 equivalent each, and (ii) individuals, costing less than \$50,000 equivalent each; and (d) training; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to: (i) complete the rehabilitation of Highway 1, including increase protection for certain flood-prone segments; and (ii) improve the efficiency of the regional transport network in the Mekong Delta.

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: Rehabilitation and Upgrading of National and Provincial Roads

1. Upgrading of about 180 kilometers (km) of Highway 1 between the cities of Can Tho and Ca Mau in the Mekong Delta, including rehabilitation or replacement of existing bridges.

2. Improvement of the regional transport network in the Mekong Delta, consisting of:

(a) Improvement of the wearing course of the road between Ca Mau and Cai Ran, and of the pavement of the road between Cai Ran and Dam Cung;

(b) Construction of the road between Dam Cung and Nam Can; and

(c) Rehabilitation of about 128 km of selected sections of national and provincial roads in the extended road transport system of the Mekong Delta.

3. Improvement of about 40 km of flood-prone sections of Highway 1 between the cities of Dong Ha and Quang Ngai in the coastal area of central Vietnam.

4. (a) Carrying out a program of resettlement and rehabilitation of Affected Persons under Parts A.1, A.2 (b), and A.3 of the Project.

(b) Undertaking a review of resettlement activities completed in connection with the road between Ca Mau and Dam Cung.

Part B: Institutional Strengthening

1. Carrying out of a program to strengthen the capacity of the Ministry of Transport and its related agencies for long-term strategy and planning and for management, through the provision of equipment, technical assistance and training.

2. Carrying out of the second phase of the program to develop and implement new road and bridge design standards, through the provision of technical assistance and training.

3. Carrying out of the third phase of the program to enhance road safety, through the removal and upgrading of hazardous locations, provision of road safety equipment, and technical assistance and training in the development and implementation of traffic safety audit and remedial measures.

4. Carrying out of the second phase of the program to develop and enforce axle-load regulations, through the construction of three permanent weigh stations along Highway 1, and provision of equipment and training.

5. Undertaking of studies for the detailed design of a road maintenance project.

6. Provision of support to PMU 1 in project implementation.

* * *

The Project is expected to be completed by December 31, 2005.

SCHEDULE 3

Procurement

Section I. Procurement of Good and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) 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, September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines) and (b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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 works shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Preference for domestically manufactured goods and domestic contractors

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 and works to be carried out by domestic contractors.

(c) 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

1. National Competitive Bidding

Contracts for works for (i) the rehabilitation of selected segments of national and provincial roads under Part A.2 (c) of the Project, and (ii) the construction of the permanent weigh stations under Part B.4 of the Project, costing less than \$2,000,000 equivalent per contract up to an aggregate amount not to exceed \$10,598,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Force Account

Works for the removal and upgrading of hazardous locations under Part B.3 of the Project, which meet the requirements of paragraph 3.8 of the Guidelines and are estimated to cost less than \$100,000 equivalent per assignment, up to an aggregate amount not to exceed \$648,000 equivalent, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

3. International Shopping

Computers and other information technology equipment under Part B.1 of the Project, up to an aggregate amount not to exceed \$111,000 equivalent, may be procured under contracts awarded on the basis of international 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 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

(a) With respect to each contract for: (i) works estimated to cost the equivalent of \$200,000 or more, and (ii) goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the

Guidelines shall apply.

(b) With respect to each contract for goods to be procured in accordance with the procedures referred to in paragraph C (3) of this Section and estimated to cost the equivalent of \$100,000 equivalent or more, the following procedures shall apply:

- (i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of any contract procured under shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) 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

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

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

Part C: Other Procedure for the Selection of Consultants

Selection Based on Consultants' Qualifications

Services (a) for the detailed design engineering, preparation of bidding documents and construction supervision in connection with the construction of the permanent weigh stations under Part B.4 of the Project, up to an aggregate amount not to exceed \$60,000 equivalent; and (b) for the monitoring of resettlement, financial auditing, financial management strengthening and project evaluation under Part B.6 of the Project, up to an aggregate amount not to exceed \$254,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed

plan for the selection of consultants under the Project shall be furnished to the Association 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 Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, 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.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Project Management and Coordination

1. The Borrower shall carry out the Project in accordance with an implementation plan satisfactory to the Association.

2. The Borrower shall, at all times during the implementation of the Project, maintain the PMU 1, managed and staffed by qualified personnel, in adequate number, and provided with sufficient resources, satisfactory to the Association, to be responsible for the management of the Project, including without limitation procurement activities, financial management, training, implementation of the RAPs and EMP, coordination of implementing units at different administrative levels, and monitoring and reporting on the implementation of the Project.

3. For purpose of Section 4.02 of this Agreement, the Borrower shall, without limitation hereto: (a) upgrade its financial management system; and (b) develop and thereafter put into effect a comprehensive financial management manual for the Project, satisfactory to the Association, including inter alia procedures for accounting and processing of disbursement of resettlement expenditures, procedures for payment of compensation to Affected Persons, and training programs for staff in the application of the provisions of said manual.

Resettlement and Environment

4. The Borrower shall carry out the EMP in a manner designed to ensure that the Project is implemented in accordance with sound environmental practices and standards.

5. The Borrower shall:

(a) carry out the RAPs in a manner designed to: (i) minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets, or of income or means of livelihood, temporarily or permanently; and (ii) maintain or improve the living standards and production levels of all persons who suffer such involuntary loss as a result of any works carried out or to be carried out under the Project; and

(b) for those roads segments under Part A.2 (c) of the Project which

- (i) give rise to Affected Persons in numbers fewer than one hundred fifty (150), prepare in accordance with the principles, guidelines and procedures set forth in the RAPs 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, compensation to, and resettlement and rehabilitation of, Affected Persons and, thereafter, carry out such time-bound action plan as so approved;
- (ii) give rise to Affected Persons in numbers of one hundred fifty (150) or more, prepare in accordance with the principles, guidelines and procedures set forth in the RAPs and furnish to the Association for its approval, a resettlement action plan and, thereafter, adopt and implement said plan as so approved; and
- (iii) before the commencement of works on such roads or segments of roads giving rise to Affected Persons, complete the acquisition of assets, compensation to, and resettlement and rehabilitation of, Affected Persons pursuant to the provisions of clauses (i) or (ii) of this paragraph 5 (b), as the case may be.

6. The Borrower shall carry out the Ethnic Minority Development Plan in a manner designed to: (a) provide for the informed participation of and consultation with the members of the Ethnic Minority communities within the Project area; and (b) ensure that the design and implementation of Part A.1 of the Project, and the acquisition of assets, and the provision of compensation, resettlement and rehabilitation measures in connection thereto, adequately address the needs and cultural preferences of such communities.

7. In respect of Part A.4 (b) of the Project, the Borrower shall: (a) by April 15, 2001, under terms of reference acceptable to the Bank, complete a survey of the resettlement activities carried out by the provincial authorities in 1996; (b) provide a report of such survey to the Association for its review and comment; and (c) for those AAPs who have not been able to regain their former standard of living as shown in the detailed measurement survey carried out by the provincial authorities in 1995-1996, develop and implement remedial measures satisfactory to the Association to assist them in at least regaining, if not improving on, their former standard of living.

8. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the EMP and the RAPs, including the Ethnic Minorities Development Plan, and of any resettlement action plan developed pursuant to the provisions of paragraph 4 (b) above, and the achievement of their respective objectives;

(b) include the results of such monitoring and evaluation activities in each report to be prepared by it and furnished to the Association pursuant to paragraph 12 of this Schedule, together with any revisions proposed to be introduced into such plans in order to achieve their respective objectives, provided, however, that the first report on the monitoring and evaluation activities in regard to the implementation of the RAPs shall be furnished to the Association by no later than September 15, 2001; and

(c) introduce such revisions into such plans as shall have been agreed with the Association.

9. In regard to the EMP, the Borrower shall continue the monitoring and evaluation activities and the preparation of the resulting reports, in accordance with the provisions of paragraph 8 above, throughout the period of works and during the first three years after completion of works.

10. For purposes of sub-paragraph 8(a) above, the Borrower shall, inter alia, engage

independent agencies acceptable to the Association to monitor the implementation of the RAPs and the EMP, respectively, during the Project, under terms of reference satisfactory to the Association. The Borrower shall engage the independent agency to be responsible for the monitoring of the implementation of the EMP by no later than January 31, 2002.

Monitoring and Evaluation

11. The Borrower shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof.

12. The Borrower shall prepare, under terms of reference satisfactory to the Association, and furnish to the Association, quarterly progress reports, on or about February 15, May 15, August 15, and November 15 of each calendar year, commencing on November 15, 2001, said reports to:

(a) summarize the results of the monitoring and evaluation activities performed pursuant to paragraph 11 above, on the progress achieved in the carrying out of the Project during the period preceding calendar quarter or, in the case of the last such report furnished for each calendar year, during the preceding four (4) calendar quarters; and

(b) set out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the following quarter or calendar year, as the case may be.

13. After furnishing each such report, the Borrower shall review the same with the Association and, thereafter, promptly take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (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 \$ 10,000,000 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 \$ 4,000,000 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 16,000,000.

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

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of 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.

