

CONFORMED COPY

CREDIT NUMBER 3000 VN

Development Credit Agreement
(Inland Waterways and Port Rehabilitation Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 8, 1997

CREDIT NUMBER 3000 VN

DEVELOPMENT CREDIT AGREEMENT

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

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

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."

(c) Section 6.03 is modified to read:

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

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions 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, or interest in or right to use any land (including premises, agricultural and grazing land) or right in annual or perennial crops and trees or any other fixed or movable asset, acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently, and "Affected Persons" means, collectively, all persons who qualify as an Affected Person;

(b) "Can Tho Port Enterprise" means the state-owned business entity, established and operating under the Borrower's State Enterprise Law of 1994, the Decision No. 1393/QD-UBT92 of the People's Committee of Can Tho province, dated November 28, 1992, and the Decision No. 1828/KH-DT of the Borrower's Ministry of Transport and Communications dated September 17, 1993, responsible for the operation and maintenance of the Can Tho Port;

(c) "Environmental Management Action Plan" means the environmental management plan setting out specific actions and measures, monitoring indicators, and institutional arrangements required to mitigate adverse environmental effects during the construction and operation of the facilities under the Project, dated August 1997, as such plan may be amended from time to time by agreement between the Borrower and the Association;

(d) "Financing Agreement" means the agreement to be entered into between the Borrower and Can Tho Port Enterprise pursuant to Section 3.01 (d) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Financing Agreement;

(e) "Implementation Arrangement" means the agreement to be entered into between the Can Tho Port Enterprise and PMU-SW pursuant to Section 3.01 (e) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Implementation Arrangement;

(f) "MOF" means the Borrower's Ministry of Finance, and any successor thereto;

(g) "MOT" means the Borrower's Ministry of Transport and Communications, and any successor thereto;

(h) "Project Management Unit of Southern Waterways" and the acronym "PMU-SW" mean the project management unit established within MOT for purposes of preparation and implementation of waterways projects in the two main waterway routes in the Mekong Delta;

(i) "PMU-SW/Environmental Unit" means the unit established within PMU-SW pursuant to paragraph 2(c) of Schedule 4 to this Agreement;

(j) "RAP" means the Resettlement and Rehabilitation Action Plan dated August 1997, satisfactory to the Association, for carrying out the compensation, resettlement and rehabilitation of each Affected Person pursuant to paragraph 4 of Schedule 4 to this Agreement, approved by the Prime Minister's Decision No. 4162/KTN dated August 20, 1997 and the Decision No. 2141/CGD of the Borrower's Minister of Transport and Communications dated August 28, 1997, as such plan may be amended from time to time by agreement between the Borrower and the Association;

(k) "Safe Line" means a land strip of 2 meters wide counted inwards from the natural top shore line of the inland waterways channels under Part A of the Project;

(l) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower, through MOF, and Can Tho Port Enterprise pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Loan Agreement;

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

(n) "Vietnam Inland Waterways Administration" and the acronym "VIWA" mean the organization under MOT, established and operating under Borrower's Law of Governmental Organization and Personnel dated September 30, 1992 and the Government Decree No. 08-CP dated January 30, 1993, responsible for formulating and administering inland waterway transport systems, including policies and regulations, planning and funding infrastructure investments, management and maintenance, and standard setting and safety;

(o) "Vietnam Inland Waterways Administration/Southern Department" and the acronym "VIWA/SD" mean the department within VIWA established by Decision No. 1477 QD/TCCB-LD of MOT dated July 23, 1993, responsible, inter alia, for routine operations and management, maintenance, and enforcement of VIWA safety policies and regulations in the inland waterway transport systems in the Mekong River Delta; and

(p) "Vietnam Maritime Administration" and the acronym "VINAMARINE" mean the organization under MOT, established and operating under Borrower's Law of Governmental Organization and Personnel dated September 30, 1992 and the Decision No. 250-TTg of the Prime Minister dated April 29, 1995, responsible, inter alia, for the administration of sea transport, port operations, sea going vessel repair, maritime brokerage and related activities.

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 fifty three million seven hundred thousand Special Drawing Rights (SDR 53,700,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank 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, 2003, 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), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15 and October 15 commencing April 15, 2008 and ending October 15, 2037. Each installment to and including the installment payable on October 15, 2017 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first 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 Parts A and C of the Project through MOT/PMU-SW and Part B of the Project through Can Tho Port Enterprise, all with due diligence and efficiency and in conformity with appropriate engineering, river navigation, ports, environment, involuntary resettlement of persons, administrative and financial 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.

(c) The Borrower shall, through MOF, relent part of the proceeds of the Credit to Can Tho Port Enterprise under a subsidiary loan agreement to be entered into between the Borrower and the Can Tho Port Enterprise, under terms and conditions which shall have been approved by the Association which shall include the obligations to carry out Part B of the Project pursuant to the relevant provisions of this Agreement and of the Implementation Arrangement, and for the maintenance and auditing of accounts set forth in Section 4.02 of this Agreement, and the following terms and conditions:

(i) the amount so relent shall be the amount allocated to and withdrawn from Category 2(b) in the table in paragraph 1 of Schedule 1 to this Agreement;

(ii) interest at a rate of thirteen and two tenths percent (13.2%) per annum on the principal amount so relent and withdrawn by the Can Tho Port Enterprise and outstanding from time to time; and

(iii) repayment over a period of twenty (20) years, including a grace period of five (5) years, of the equivalent in Dong at the time of withdrawal of the respective SDR amounts from time to time from the Credit Account.

(d) The Borrower shall, through MOF, make available on a grant basis to Can Tho Port Enterprise the amounts allocated to and withdrawn from Categories 1(c) and 3(b) in the table in paragraph 1 of Schedule 1 to this Agreement, under a financing agreement to be entered into between the Borrower and the Can Tho Port Enterprise, under terms and conditions which shall have been approved by the Association which shall include the obligation to carry out Part B of the Project pursuant to the relevant provisions of this Agreement and of the Implementation Arrangement, and for the maintenance and auditing of accounts set forth in Section 4.02 of this Agreement.

(e) The Borrower shall cause Can Tho Port Enterprise and PMU-SW to enter into an implementation arrangement for the carrying out of Part B of the Project, under terms and conditions which shall have been approved by the Association which shall include:

(i) the obligation of Can Tho Port Enterprise to make available at no cost to PMU-SW the amounts allocated to and withdrawn from Categories 1(c), 2(b) and 3(b) in the table in paragraph 1 of Schedule 1 to this Agreement for purposes of carrying out, in the name, and for the benefit, of Can Tho Enterprise, the procurement of goods, works and under Part B of the Project; Port services

(ii) the obligation of PMU-SW to carry out, at no cost to Can Tho Port Enterprise, the said procurement of goods, works and services in accordance with the provisions of this Agreement, the Subsidiary Loan Agreement and the Financing Agreement; and

(iii) the obligation of PMU-SW to maintain separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part B of the Project.

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

(g) The Borrower shall cause Can Tho Port Enterprise and PMU-SW each to exercise its rights under the Implementation Arrangement in such manner as to protect the interests of the Borrower, the Association, Can Tho Port Enterprise and PMU-SW, and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall cause Can Tho Port Enterprise and PMU-SW each not to assign, amend, abrogate or waive the Implementation Arrangement or any provision thereof.

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

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

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the future operation of the Project; 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 year, the report of such audit by said auditors, of such detail as the Association shall have 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 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) The Borrower shall cause the Can Tho Port Enterprise to maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) The Borrower shall cause the Can Tho Port Enterprise to:

(i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

ARTICLE V

Remedies of the Association

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

authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Can Tho Port Enterprise or for the suspension of its operations.

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

ARTICLE VI

Effective Date; Termination

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

(a) that the Borrower, through PMU-SW, shall have retained the services of an independent monitoring agency pursuant to the provisions of paragraph 5 of Schedule 4 to this Agreement;

(b) that the PMU-SW/Environmental Unit shall have been established pursuant to the provisions of paragraph 2 (c) of Schedule 4 to this Agreement;

(c) that the Subsidiary Loan Agreement has been executed on behalf of the Borrower and Can Tho Port Enterprise;

(d) that the Financing Agreement has been executed on behalf of the Borrower and Can Tho Port Enterprise; and

(e) that the Implementation Arrangement has been executed on behalf of Can Tho Port Enterprise and PMU-SW.

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

(a) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Can Tho Port Enterprise and is legally binding upon the Borrower and Can Tho Port Enterprise in accordance with its terms;

(b) that the Financing Agreement has been duly authorized or ratified by the Borrower and Can Tho Port Enterprise and is legally binding upon the Borrower and Can Tho Port Enterprise in accordance with its terms;

(c) that the Implementation Arrangement has been duly authorized or ratified by the Can Tho Port Enterprise and PMU-SW and is legally binding upon the Can Tho Port Enterprise and PMU-SW in accordance with its terms; and

(d) that the provisions of the RAP 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 of the Deputy Governors of the State Bank of Vietnam is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

State Bank of Vietnam

49 Ly Thai To Street
Hanoi
Socialist Republic of Vietnam

Cable address:

VIETBANK
Hanoi

Telex:

412248 NHTWVT

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Le Duc Thuy,

Deputy Governor,
State Bank of Vietnam
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Andrew Steer,

Country Director for Vietnam
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil Works:		90%
(a) under Part A.1 of the Project	27,900,000	
(b) under Part A.2 of the Project	5,000,000	
(c) under Part B.1 of the Project	350,000	

(2)	Goods:		100% of foreign expenditures and
	(a) under Parts A.1 and C.1 of the Project	8,110,000	100% of local expenditures (ex-factory cost)
	(b) under Part B.1 of the Project	720,000	and 80% of local expenditures for other items procured locally
(3)	Consultants' services and training:		100%
	(a) under Part C of the Project	3,630,000	
	(b) under Part B.2 of the Project	120,000	
(4)	Unallocated	7,870,000	
	TOTAL	53,700,000	=====

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 payments made for expenditures prior to the date of this Agreement.

4. 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) training under contracts costing less than \$25,000 equivalent each;

(d) services provided by consulting firms under contracts costing less than \$100,000 equivalent; and

(e) services provided by individual consultants under contracts costing less than \$50,000 equivalent, 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 enhance the capacity, efficiency and safety of inland waterway transport in the Mekong River Delta, through: (a) improvement of the traffic carrying capacity and safety of the two main inland waterway routes connecting the Mekong River Delta with Ho Chi Minh City; (b) rehabilitation and improvement of the Can Tho Port to enable efficient transshipment and distribution of cargo; and (c) enhance the capacity of MOT and related agencies to plan, administer, operate and maintain the inland waterway system in the Mekong River 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: Waterway Improvements

1. Improvement of about 546 kilometers of the two main inland waterway routes in the Mekong River Delta from Ho Chi Minh City to Kien Luong in the northwest, and Cho Lach to Ca Mau in the southwest to accommodate convoys of three 300-dwt barges, including dredging and widening of about 250 kilometers of the main waterway routes, rebuilding or improving five bridges, erosion protecting works on canal side slopes, improvements at selected dangerous canal intersections and curves, provision and installation of navigational aids for night navigation, construction of a landing stage for transshipment of goods near Ca Mau town, and building a navigation lock to permit navigation and provide anti-salinity protection near Ca Mau town.

2. Resettlement and rehabilitation of the Affected Persons, including construction of infrastructure facilities at resettlement sites and provision of building materials.

Part B: Can Tho Port Improvement

1. Rehabilitation of the infrastructure facilities and provision of cargo handling equipment for Can Tho Port, including construction of fenders, vessel bilge water and accidental chemical spills facilities, and provision of a 40-ton mobile crane, two yard tractors and six 40-foot trailers.

2. Strengthening the institutional capacity of the Can Tho Port Enterprise in marketing, financial management, business development and port management of inland waterway ports through, inter alia, provision of staff training and consultants' services.

Part C: Institution Building

1. Strengthening the institutional capacity of VIWA/SD and PMU-SW in the design, operation, management and maintenance of inland waterway transport systems through, inter alia, provision of staff training, equipment, and consultants' services.

2. Strengthening the institutional capacity of PMU-SW in procurement and supervision of works, goods and services, and on monitoring and evaluation of environmental and resettlement activities under the Project through, inter alia, provision of consultants' services.

* * *

The Project is expected to be completed by December 31, 2002.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

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

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods 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 dredging and spoil treatment (other than between Ho Chi Minh City and Cho Lach), bridges at Trinh Huu Nghia, Vinh Thuan and Sa Dec, and navigation lock works under Part A of the Project shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for: (i) the navigation lock at Thoi Binh, including the demolition of an existing bridge and construction of a pedestrian overpass shall be grouped in a bid package estimated to cost \$4,700,000 equivalent or more; and (ii) bridges at Trinh Huu Nghia, Vinh Thuan and Sa Dec, shall be grouped in a bid package estimated to cost \$7,900,000 equivalent or more.

(c) 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.

(d) Dispute Review Board

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

(e) 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

Works estimated to cost less than \$2,000,000 equivalent per contract, up to an aggregate amount not to exceed \$8,700,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International and National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of international and national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Force Account

Works for installation of navigational aids under Part A.1 of the Project and for site preparation and infrastructure facilities under Part A.2 of the Project which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$9,900,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

4. Procurement from UN Agencies

Vehicles may be procured from United Nations Development Programme-Inter-Agency Procurement Services Organization in accordance with the provisions of paragraph 3.9 of the Guidelines.

Part D: Review by the Bank 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 works estimated to cost the equivalent of \$200,000 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 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.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

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

Part B: Quality- and Cost-based Selection

Except as otherwise provided for 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: Selection Based on Consultants' Qualifications

Services for environmental and resettlement monitoring may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultants' Guidelines.

Part D: Review by the Bank 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 estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more and each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph

of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

3. Post Review

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

SCHEDULE 4

Implementation Program

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

2. The Borrower shall, through MOT:

(a) maintain at all times during the implementation of the Project the PMU-SW, headed by a Manager with qualifications and experience satisfactory to the Association, and assigned with functions, responsibilities and funds, satisfactory to the Association, and staffed by competent staff in adequate numbers;

(b) carry out the training under Part C of the Project in accordance with training programs satisfactory to the Association, and to that end, by no later than October 31 of each year, commencing October 31, 1998, furnish to the Association for its concurrence its proposed training programs including syllabus and time-tables for each such training program for the forthcoming Borrower's fiscal year, and thereafter, implement such training programs; and

(c) within PMU-SW and during the implementation of the Project, establish and thereafter maintain a unit assigned with functions, responsibilities and funds, satisfactory to the Association, and staffed by competent staff in adequate numbers, as shall be necessary to adequately implement the Environmental Management Action Plan.

3. In carrying out Parts A and B of the Project the Borrower shall, pursuant to a time-table satisfactory to the Association, undertake environmental mitigating measures, satisfactory to the Association, pursuant to the Environmental Management Action Plan.

4. The Borrower undertakes to carry out the asset acquisition from, compensation to, and resettlement and rehabilitation of, Affected Persons in accordance with the provisions of the RAP, in a manner and substance satisfactory to the Association.

5. The Borrower shall, pursuant to the provisions of Section II, Parts A and C of Schedule 3 to this Agreement, retain an independent monitoring agency with qualified and experienced staff to: (i) undertake the external monitoring and supervision of the implementation of Part A.2 of the Project; (ii) prepare and furnish to the Borrower and the Association semiannual monitoring reports thereof, the first of such reports to be furnished by July 31, 1998; and (iii) prepare and furnish to the Borrower and the Association a final evaluation report on completion of Part A.2 of the Project.

6. The Borrower shall, through MOT:

(a) 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;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association: (i) semi-annual reports, not later than January 31 and July 31 in each calendar year, the first of such semi-annual reports to be furnished by July 31, 1998, consolidating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section during the preceding calendar semester, setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the then current calendar semester; and (ii) a mid-term report, not later than July 31,

2000, consolidating the results of the monitoring and evaluation activities during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association by September 30, 2000, the report referred to in paragraph (b)(ii) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

7. Without limitation to the provisions of Section 9.06 of the General Conditions, the Borrower shall, through MOT, furnish to the Association quarterly 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. The first of such reports shall cover the first two quarters of the calendar year 1998 and shall be furnished by July 31, 1998; thereafter, the quarterly reports shall be furnished no later than on the 30th day of the month following the respective quarterly period.

8. By August 31 of each year, commencing 1998, the Borrower shall, through MOT, review with the Association its proposed annual expenditure program for the national inland waterways under the administration of VIWA/SD for the following year, and thereafter, taking into account the Association's comments, take all such action, including provision of the required budgetary allocations, for carrying out such annual program.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means the 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 \$2,500,000 to be withdrawn from the Credit Account and deposited into the Special Accounts 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 \$1,000,000, 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 4,000,000.

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 deposit 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.

