

CONFORMED COPY

CREDIT NUMBER 3125 VN

Development Credit Agreement

(Urban Transport Improvement Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 8, 1998

CREDIT NUMBER 3125 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 8, 1998, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as amended through December 2, 1997 (the General Conditions) constitute an integral part of this Agreement.

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) "Ancient Quarter" means the triangular urban area formed by Tran Quang Khai Street to the East, Trang Thi Street to the South, and Phung Hung Street to the West.

(b) "French Architectural Quarter" means the urban area formed by Trang Thi Street to the North, Dai Co Viet and Nguyen Cong Tru Streets to the South, Tran Khanh Du Street to the East, and Le Duan Street to the West.

(c) "Hanoi-MOU" means the memorandum of understanding entered into between the Hanoi People's Committee's Hanoi-Transport and Urban Public Work Services and the Hanoi-Police, pursuant to paragraph 2 (a) of Schedule 4 to this Agreement, as the same may be amended from time to time.

(d) "Hanoi-PMU" means the project management unit established by the Hanoi People's Committee on April 23, 1996, as amended on March 18, 1998, within its Transport and Urban Public Work Services for purposes of preparation and implementation of Part A of the Project.

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

(f) "HCMC Central Area" means the urban area formed by Ton Duc Thang Street to the North, Cach Mang Thanh Tam Street to the South, Saigon River to the East and Dien Bien Phu Street to the West.

(g) "HCMC-MOU" means the memorandum of understanding entered into between the Ho Chi Minh City People's Committee's HCMC-Transport and Urban Public Work Services and the Ho Chi Minh City-Traffic Police Department pursuant to paragraph 2(b) of Schedule 4 to this Agreement, as the same may be amended from time to time.

(h) "HCMC-PMU" means the unit established by the Ho Chi Minh City People's Committee on May 4, 1998, within its Transport and Urban Public Work Services for purposes of preparation and implementation of Part B of the Project.

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

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

(k) "Special Accounts" means collectively the Hanoi Special Account and the HCMC Special Account.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to thirty one million eight hundred thousand Special Drawing Rights (SDR 31,800,000)

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars two separate special deposit accounts, each in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment: (i) one for purposes of Part A of the Project (the Hanoi Special Account); and (ii) another for purposes of Part B of the Project (the HCMC Special Account). Deposits into, and payments out of each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2002, 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 December 15, 2008 and ending June 15, 2038. Each installment to and including the installment payable on June 15, 2018, 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 Part A of the Project through the Hanoi People's Committee and Part B of the Project, through the Ho Chi Minh City People's Committee, all with due diligence and efficiency and in conformity with appropriate engineering and traffic management 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 9.07 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, through each of the Hanoi People's Committee and the Ho Chi Minh City People's Committee, 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 each of the Hanoi People's Committee and the Ho Chi Minh City People's Committee responsible for carrying out the Project or any part thereof.

(b) The Borrower shall, through each of the Hanoi People's Committee and the Ho Chi Minh City People's Committee:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts 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, through each of the Hanoi People's Committee and the Ho Chi Minh City People's Committee:

(a) of this (i) maintain or cause to be maintained, in accordance with paragraph 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.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. The Governor 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

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) Works:		90%
(a) under Part A.1 and A.2 of the Project	9,870,000	
(b) under Part B.1 and B.2 of the Project	4,600,000	
(2) Goods:		
(a) under Part A.1, A.2 and A.3 of the Project	3,490,000	100% of foreign expenditures,
(b) under Part B.1, B.2 and B.3 of the Project	8,720,000	100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Consultants' services:		100%
(a) under Part A.3 of the Project	1,100,000	
(b) under Part B.3 of the Project	810,000	
(4) Unallocated	3,210,000	

TOTAL 31,800,000  
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2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

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

(b) payments made for expenditures under Categories 2(a) and 3(a) of the table in paragraph 1 of this Schedule until the Hanoi-MOU shall have been entered into in accordance with paragraph 2(a) of Schedule 4 to this Agreement; and

(c) payments made for expenditures under Categories 2(b) and 3(b) of the table in paragraph 1 of this Schedule until the Ho Chi Minh City-MOU shall have been entered into in accordance with paragraph 2(b) of Schedule 4 to 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) works under contracts costing less than \$200,000 equivalent each; (b) goods under contracts costing less than \$100,000 equivalent each; and (c) contracts for the employment of: (i) consulting firms costing less than \$100,000 equivalent, and (ii) individual consultants costing less than \$50,000 equivalent; all under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to increase the efficiency and safety of urban traffic in Hanoi and Ho Chi Minh City through: (a) introduction of traffic management, traffic engineering and enhanced traffic enforcement rules; and (b) strengthening of the institutional capacity of Hanoi-Transport and Urban Public Work Services, Hanoi-Police, Ho Chi Minh City Transport and Urban Public Work Services, and Ho Chi Minh City Traffic Police Department.

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: Hanoi City

1. Development and implementation of traffic engineering measures on about 23 kilometers (km) of the priority road corridors of Tay Son, Le Duan, Tran Quang Khai and Bach Mai, including improvements of road junctions, road surface and drainage, and installation of road lighting, of about 30 traffic signals and its connection to the existing area traffic control (ATC) system, and of road signs and markings.

2. Development and implementation of improved traffic management measures in the French Architectural Quarter and the Ancient Quarter and peripheral roads and junctions (about 13 km in the French Architectural Quarter and about 7 km in the Ancient Quarter), including traffic circulation systems, installation of about 40 traffic signals and its connection to the existing area traffic control (ATC) system, junction improvements and channelization, segregation of two- and four-wheeled vehicles, reduction of through traffic and access arrangements for pedestrians, bicycles and cyclos, and pedestrianization.

3. Strengthening of the traffic management, project management, performance monitoring and enforcement capacity of Hanoi-Transport and Urban Public Work Services,

Hanoi-PMU and Hanoi-Police, through the provision of on-the-job and short term training, consultants' services, and equipment.

PART B: Ho Chi Minh City

1. Development and implementation of traffic engineering measures along the priority corridors of Hung Vuong-3/Thang 2/-Dien Bien Phu-Vo Thi Sau, Ton Duc Thang-Nguyen Tat Thanh-Inter Provincial Road No. 15, Nam Ky Khoi Nghia-Nguyen Van Troi, and Ham Nghi-Cach Mang Thang Tam, totalling about 36 km, including improvement of about 135 road junctions and road surfacing, installation of traffic signals, segregation of two- and four-wheeled vehicles, and an area traffic control (ATC) system covering about 150 road intersections.

2. Establishment of a new traffic circulation pattern in HCMC Central Area, including the construction of pedestrian plazas, installation of about 44 traffic signals, channelization, and road surfacing.

3. Strengthening of the traffic management, project management, performance monitoring and enforcement capacity of HCMC-Transport and Urban Public Work Services, HCMC-PMU and HCMC-Traffic Police Department, through the provision of on-the-job and short term training, consultants' services, and equipment.

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The Project is expected to be completed by December 31, 2001.

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 and September 1997 (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 to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) 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.

(b) 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.

(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

Works estimated to cost less than \$2,500,000 equivalent per contract, up to an aggregate amount not to exceed \$23,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 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. Procurement from UN Agencies

Vehicles may be procured from the UNDP-Inter-Agency Procurement Services Office in accordance with the provisions of paragraph 3.9 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) The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to: (a) the first two contracts for works under Parts A and B of the Project regardless of their estimated costs and thereafter each contract for works estimated to cost the equivalent of \$200,000 or more.

(b) With respect to each contract for goods estimated to cost the equivalent of \$100,000 or more, the following procedures shall apply:

(i) prior to the selection of any supplier/execution of any contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under direct contracting or shopping procedures, the Borrower shall provide to the Association 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

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 and revised in September 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 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 Procedures for the Selection of Consultants

Individual Consultants

Services for traffic enforcement under Parts A.3 and B.3 of the Project may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 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 for estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 and (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 consulting firms for 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.

(c) 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

1. The Borrower shall:

(a) through the Hanoi People's Committee, maintain at all times during the implementation of the Project, the Hanoi-PMU, headed by a qualified Manager and assigned with such functions, responsibilities and funds satisfactory to the Association, and with competent staff in adequate numbers, as shall be required for the overall implementation of Part A of the Project, respectively.

(b) through the Ho Chi Minh City People's Committee, maintain at all times during the implementation of the Project, the HCMC-PMU, headed by a qualified Manager

and assigned with such functions, responsibilities and funds satisfactory to the Association, and with competent staff in adequate numbers, as shall be required for the overall implementation of Part B of the Project, respectively.

2. The Borrower shall ensure that:

(a) the Hanoi-Transport and Urban Public Work Services and the Hanoi-Police enter into an agreement, satisfactory to the Association (the Hanoi-MOU), for purposes of coordinating the implementation of the activities under Part A of the Project.

(b) the HCMC-Transport and Urban Public Work Services and the Ho Chi Minh-City Traffic Police Department enter into an agreement, satisfactory to the Association (the HCMC-MOU), for purposes of coordinating the implementation of the activities under Part B of the Project.

(c) The Borrower shall, through the Hanoi People's Committee, cause the Hanoi-Transport and Urban Public Work Services and the Hanoi-Police each to exercise their respective rights under the Hanoi-MOU in such manner as to protect the interests of the Borrower and the Association and, except as the Association shall otherwise agree, not assign, amend, abrogate or waive the Hanoi-MOU or any portion thereof.

(d) The Borrower shall, through the Ho Chi Minh City People's Committee, cause the HCMC-Transport and Urban Public Work Services and the HCMC-Police each to exercise their respective rights under the HCMC-MOU in such manner as to protect the interests of the Borrower and the Association and, except as the Association shall otherwise agree, not assign, amend, abrogate or waive the HCMC-MOU or any portion thereof.

3. The Borrower shall, through the Hanoi People's Committee and the Ho Chi Minh City People's Committee, cause Hanoi-PMU and HCMC-PMU each to:

(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 acceptable to the Association, and furnish to the Association commencing July 31, 1999: (i) quarterly reports, not later than 30 days after the end of each calendar quarter, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section during the preceding calendar quarter in respect of the Project, and (ii) annual reports, not later than March 31 in each year, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section during the preceding year in respect of the Project, in both cases 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 quarter or year, as the case may be;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 31, 2000, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project 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

(d) review with the Association, by June 30, 2000, or such later date as the Association shall request, the report referred to in paragraph (b) 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.

#### SCHEDULE 5

#### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1)(a), (2)(a) and (3)(a) in respect of the Hanoi Special Account, and Categories (1)(b), (2)(b) and (3)(b) in respect of the HCMC Special Account, all 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 \$1,000,000 in respect of the Hanoi Special Account and an amount equivalent to \$1,000,000 in respect of the HCMC Special Account, 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 \$500,000 in respect of the Hanoi Special Account and an amount equivalent to \$500,000 in respect of the HCMC Special Account, until (i) in respect of the Hanoi Special Account, the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(a), (2)(a) and (3)(a) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part A of the Project shall be equal to or exceed the equivalent of SDR 2,000,000, and (ii) in respect of the HCMC Special Account, the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(b), (2)(b) and (3)(b) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part B of the Project shall be equal to or exceed the equivalent of SDR 2,000,000.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective 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 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 respective 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 respective 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 respective 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 any 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 Accounts;

(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 for the respective Special Account, 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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

(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.

