

CONFORMED COPY

CREDIT NUMBER 2561 VN

(Agricultural Rehabilitation Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 3, 1994

CREDIT NUMBER 2561 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 3, 1994, between SOCIALIST REPUBLIC OF VIET NAM (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) Parts B and C.1 of the Project will be carried out by Viet Nam Bank for Agriculture (VBA) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to VBA a portion of the proceeds of the Credit as provided in this Agreement; 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 and in the Project Agreement of even date herewith between the Association and VBA;

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 last sentence of Section 3.02 deleted (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) "Statute" means the Statute of the Viet Nam Bank for Agriculture, promulgated under Decision No.250/QD, November 11, 1992 of the Governor of the State Bank of Viet Nam.

(b) "Dong Viet Nam" means the currency of the Borrower.

(c) "Financing Agreement" means the agreement to be entered into between the Borrower and VBA pursuant to Section 3.01 (c) of this Agreement, as the same may be amended from time to time, and such term includes any schedules to the Financing Agreement.

(d) "GRC" means the Viet Nam General Rubber Company, a state-owned entity established and operating pursuant to Decree No.32-HDBT, March 27, 1989, and any successor thereto.

(e) "Institutional Development Program" means the institutional development program of actions and measures to facilitate VBA's transition toward commercial banking activities, adopted by VBA on December 2, 1993, and approved by the State Bank of Viet Nam on December 3, 1993, as the same may be revised from time to time with the prior concurrence of the Association.

(f) "MAFI" means the Borrower's Ministry of Agriculture and Food Industry and any successor thereto.

(g) "Operations Policy Manual" means the operations policy manual on policies and procedures for VBA's credit operations approved by VBA with the prior concurrence of the Association in accordance with Section 2.07 (b) of the Project Agreement.

(h) "Project Agreement" means the agreement between the Association and Viet Nam Bank for Agriculture (VBA), of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement.

(i) "Rubber Companies" means, collectively, the following state enterprises responsible for rubber production: Tay Ninh, Phu Rieng, Phuoc Hoa, Dong Nai, Dau Tieng, Binh Long, Dong Phu, Loc Ninh, Tan Bien, and "Rubber Company" means any one of the Rubber Companies.

(j) "Rubber Rehabilitation Sub-loan" means a loan made or proposed to be made by VBA to a Rubber Company for a Rubber Rehabilitation Sub-Project, funded out of the proceeds of the Credit made available to VBA under the Financing Agreement.

(k) "Smallholder Sub-loan" means a loan made or proposed to be made by VBA to a farmer for a Smallholder Sub-Project, funded in part out of the proceeds of the Credit made available to VBA under the Financing Agreement.

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

(m) "Sub-borrower" means a farmer for a Smallholder Sub-loan and a Rubber Company for a Rubber Rehabilitation Sub-loan.

(n) "Sub-loan" means a Rubber Rehabilitation Sub-loan or a Smallholder Sub-loan.

(o) "Rubber Rehabilitation Sub-project" means a specific development project under Part C.1 of the Project to be carried out by a Rubber Company utilizing the proceeds of a Sub-loan.

(p) "Smallholder Sub-project" means a specific development project under Part B.1 of the Project to be carried out by a farmer utilizing the proceeds of a Sub-loan.

(q) "VBA" means Viet Nam Bank for Agriculture, a state-owned commercial bank, established and operating under the Statute and the Borrower's Ordinance on Banks, Credit Co-operatives and Financial Companies, dated May 23, 1990, the Circular of the Government Office No. 76 T/B dated March 18, 1993, and the Decision of the State Bank of Viet Nam No. 66/QD-NH5 dated March 27, 1993.

(r) "Project Provinces" means the Borrower's provinces set forth in the Annex to Schedule 2 to this Agreement, as the same may be amended from time to time.

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 sixty nine million four hundred thousand Special Drawing Rights (SDR 69,400,000).

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: (i) amounts paid (or, if the Association shall so agree, to be paid) by VBA on account of withdrawals made by a Sub-borrower under a Sub-loan to meet the reasonable cost of goods and services required for the Rubber Rehabilitation Sub-project or Smallholder Sub-Project, as the case may be, in respect of which the withdrawal from the Credit Account is requested; and (ii) 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 Parts A, B.2 and C.2 of the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in a bank and on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1997 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 cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or 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 payment 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 per cent ($3/4$ 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) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 15 and December 15 commencing on June 15, 2004 and ending December 15, 2033. Each installment to and including the installment payable on December 15, 2013 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this

Agreement, and, to this end:

- (i) shall carry out Part A of the Project through MAFI and cause GRC to carry out Part C.2 of the Project, all with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, and cause GRC to provide, promptly as needed, the funds, facilities, services and other resources required for such Parts of the Project; and
- (ii) without limitation or restriction upon any of its other obligations under the Development Credit Agreement, the Borrower shall cause VBA to perform all its obligations set forth in the Project Agreement, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable VBA to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(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, through MAFI, carry out Part A of the Project, and shall cause GRC to carry out Part C.2 of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall make the proceeds of the Credit allocated to Parts B and C.1 of the Project available to VBA under a financing agreement to be entered into between the Borrower and VBA, under terms and conditions which shall have been approved by the Association, which shall include:

- (i) the proceeds of the Credit allocated to Parts B.1 and B.2 of the Project shall be made available to VBA in Dong Viet Nam for purposes of making Smallholder Sub-loans, and carrying out the strengthening and institutional development of VBA, respectively; provided, however, that fifty percent of such proceeds made available to VBA shall be converted into VBA's equity in the name of the Borrower, and the balance shall be relent to VBA in Dong Viet Nam under the following terms and conditions: (A) interest payable by VBA on the principal amount withdrawn and outstanding from time to time, at a variable rate per annum adjusted annually, satisfactory to the Association, which rate shall include the service charge payable by the Borrower under Section 2.05 of this Agreement, plus a margin to cover the foreign exchange risk and an onlending fee; (B) repayment of principle by VBA within 20 years, including five years of grace; (C) foreign exchange risk to be borne by the Borrower; and (D) commitment charges payable by VBA on the principal amount not yet withdrawn from time to time at the rate payable by the Borrower under Section 2.04 (a) of this Agreement; and
- (ii) the proceeds of the Credit allocated to Part C.1 of the Project shall be made available to VBA, as a financial agent of the Borrower, for financing the Rubber Rehabilitation Sub-projects under the Rubber Rehabilitation Sub-loans.

(d) The Borrower shall exercise its rights under 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 the Financing Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Parts A and C.2 of 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. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06 and 9.07 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, and maintenance, respectively) in respect of Parts B and C.1 of the Project shall be carried out by VBA pursuant to Section 2.04 of the Project Agreement.

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 Parts A and C.2 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 nine months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special 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

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) VBA shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that VBA will be able to perform its obligations under the Project Agreement.

(c) The Statute shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of VBA or its ability to carry out the Project or to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of VBA or for the suspension of its operations.

(e) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of GRC or for the suspension of its operations.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower; and

(b) any event specified in paragraphs (c), (d) or (e) of Section 5.01 of this Agreement shall occur.

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 Financing Agreement has been executed on behalf of the Borrower and VBA; and

(b) the Project Coordination Units shall have been established by MAFI, GRC and VBA in accordance with paragraph 3 of Schedule 4 to this Agreement and paragraph 1 of Schedule 3 to the Project Agreement, respectively.

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 Project Agreement has been duly authorized or

ratified by VBA, and is legally binding upon VBA in accordance with its terms; and

(b) that the Financing Agreement has been duly authorized or ratified by the Borrower and VBA and is legally binding upon the Borrower and VBA in accordance with its terms.

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 of the State Bank of Viet Nam of the Borrower 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 Viet Nam
49 Le Thai To Street
Hanoi, S. R. of Viet Nam

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 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

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 Viet Nam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIET NAM

By /s/ Le Van Chau
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Callisto Madavo
Acting Regional Vice President
East Asia and Pacific

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) Goods for Parts A and C.2 of the Project	2,170,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90 % of local expenditures for other items procured locally
(2) Smallholder Sub-loans	36,110,000	95%
(3) Rubber Rehabilitation Sub-loans	18,060,000	100%
(4) Consultants' services and training	3,610,000	100%
(5) Operating expenses under Part A of the Project:	3,610,000	
incurred through December 31, 1994		80%
incurred January 1, 1995 through December 31, 1995		60%
incurred January 1, 1996 through December 31, 1996		40%
(6) Unallocated	5,840,000	
TOTAL	----- 69,400,000	

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;

(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; and

(c) the term "operating expenses under Part A of the Project" means the expenditures incurred by agricultural extension, research and plant protection staff carrying out activities under Part A of the Project, for: (i) operation and maintenance of Project vehicles and equipment; (ii) staff travel allowances; (iii) contracts for temporary field workers; (iv) field trials and demonstrations; and (v) information dissemination, all calculated in accordance with procedures satisfactory to the Association.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) Categories (2) and (3), unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 1 to the Project Agreement; (b) Category (2) until the Operations Policy Manual shall have been adopted in accordance with Section 2.07 (b) of the Project Agreement; and (c) except that the Borrower and the Association shall otherwise agree, on account of expenditures by a Sub-borrower in respect of a Sub-loan subject to the Association's approval, unless such expenditures shall have been made not more than ninety days prior to the date on which the Association shall have received, in respect of such Sub-loan, the application and information required by paragraph 2 (a) of Schedule 1 to the Project Agreement or, in respect of free-limit Sub-loan, not more than ninety days prior to the date on which the Association shall have received, in respect of such free-limit Sub-loan, the request and information required by paragraph 2 (b) of Schedule 1 to the Project Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for goods, works and services not exceeding \$200,000 equivalent, under such term 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 in agricultural rehabilitation, by improving agricultural support services for smallholders, increasing the availability of credit for smallholders and Rubber Companies, strengthening key agricultural sector institutions and supporting rubber production.

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: Agricultural Services

1. Strengthening and extending agricultural extension services in the Project Provinces, through addition of extension field workers, provision of training for extension staff and farmers, and equipment for national and local extension offices.

2. Improving plant protection in the Project Provinces, including introducing and expanding the use of integrated pest management techniques, through provision of laboratory and field equipment and vehicles and training for farmers and plant protection staff.

3. Strengthening the capacity for crop research at the O Mon Rice Research Institute, the Food Crops Research Institute and the National Institute of Agricultural Science, through provision of research and other equipment and materials and training, study tours and consultants' services.

4. Strengthening the institutional capacities of MAFI and undertaking a study of its organizational structure and studies on other topics such as the smallholder rubber sector, through provision of training and consultants' services.

Part B: Rural Credit

1. Financing to farmers of farm inputs, including fertilizers, seeds, insecticides, animal feed and small farm equipment, through short-term loans, and of on-farm investments, including agricultural machinery, breeders for livestock production, and maintenance of small irrigation, through medium-term loans.

2. Strengthening the institutional development of VBA, including

provision of staff training and consultants' services.

Part C: Rubber Rehabilitation

1. Financing of the Rubber Companies' rubber plantations rehabilitation programs, including agricultural inputs and equipment, construction and equipping of new latex processing factories and rehabilitation of existing latex processing factories.

2. Supporting the institutional development of GRC and the Rubber Research Institute of Viet Nam, through provision of consultants' services and in-country and external training in such areas as rubber cultivation, marketing and processing, standardization of design and effluent treatment, accounting and finance, and provision of office, laboratory and field equipment and materials, and vehicles.

* * *

The Project is expected to be completed by June 30, 1997.

ANNEX

Project Provinces by Implementing Agency

AGENCY

Province	MAFI		VBA
	Extension	Plant Protection	Priority
Ha Noi	x	x	x
Ha Tay	x	x	x
Hai Hung	x	x	x
Thai Binh		x	
Nam Ha		x	x
Ninh Binh	x	x	
Hai Phong		x	
Ha Bac		x	
Vinh Phu	x	x	x
Hoa Binh	x		
Bac Thai	x		
Yen Bai	x		
Lang Son	x		
Quang Ninh	x		
Than Hoa	x	x	
Nghe An		x	
Ha Tinh	x	x	
Thua Tien, Hue		x	x
Quang Nam - Da Nang		x	
Quang Ngai	x	x	
Binh Dinh		x	
Phu Yen	x	x	
Khanh Hoa		x	x
Quang Binh	x		
Lam Dong	x		
Gia Lai	x		
Long An	x	x	
Dong Thap		x	
An Giang		x	
Tien Giang		x	
Ben Tre		x	
Vinh Long		x	
Tra Vinh		x	
Can Tho		x	
Soc Trang	x	x	
Kien Giang		x	
Minh Hai	x	x	
Ho Chi Minh City	x	x	x
Tay Ninh	x		

Song Be	x		
Dac Lac			x
Kon Tum			x
Son La			
Total	23	30	10

SCHEDULE 3

Procurement and Consultants' Services
for
Parts A and C.2 of the Project

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Socialist Republic of Viet Nam may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

Equipment and vehicles estimated to cost the equivalent of \$200,000 or less per contract up to an aggregate amount equivalent to \$5,200,000 may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association except that chemicals, materials and equipment for Parts A.3 and C.2 of the Project estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$600,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

Part D: Review by the Association of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to the first contract for the procurement of goods and for each subsequent contract estimated to cost the equivalent of \$150,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist in carrying out Parts A and C.2 of the Project, the Borrower shall employ or cause to be employed consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981. For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

SCHEDULE 4

Implementation Program

1. The Borrower shall ensure that all training under Parts A and C.2 of the Project shall be carried out in accordance with a program satisfactory to the Association.

2. The Borrower shall ensure that all studies under Part A.4 of the Project shall be carried out in accordance with terms of reference and time schedule satisfactory to the Association.

3. The Borrower shall establish within MAFI, and cause GRC to establish, and thereafter maintain, project coordinating units for carrying out Parts A and C.2 of the Project, respectively, with composition, funding and responsibilities acceptable to the Association, and with competent staff in adequate numbers.

4. The Borrower shall: (a) cause GRC to carry out a survey of effluent treatment in each Rubber Company, by June 30, 1996, in accordance with terms of reference acceptable to the Association; and (b) cause each of the Rubber Companies to, by June 30, 1997: (i) upgrade its effluent treatment facilities to international standards acceptable to the Association, and (ii) complete a program acceptable to the Association for training staff in environmentally

sound use of agricultural chemicals.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$5,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 a deposit or deposits 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 in the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment 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.

