

CONFORMED COPY

CREDIT NUMBER 3475 VN

Development Credit Agreement

(Ho Chi Minh City Environmental Sanitation (Nhieu Loc-Thi Nghe Basin) Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 5, 2001

CREDIT NUMBER 3475 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 5, 2001, between the 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 October 6, 1999), with the modifications set forth below (the General Conditions), constitute an

integral part of this Agreement:

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

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

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

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions or in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings wherever used in this Agreement:

(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) "Dong" means the currency of the Socialist Republic of Vietnam.

(c) "Drainage Resettlement Action Plans" and "Drainage RAPs" mean the resettlement action plans for Part B of the Project, satisfactory to the Association, prepared in accordance with the policies and planning principles set forth in the Resettlement Policy, as such Drainage RAPs may be amended from time to time by agreement between the Borrower and the Association.

(d) "Environmental Management Plan" means the environmental management plan setting out measures to mitigate adverse environmental effects of the implementation of the Project, dated October 3, 2000, as such plan may be amended from time to time by agreement between the Borrower and the Association.

(e) "Ho Chi Minh City Urban Drainage Company" and the acronym "UDC" mean the Ho Chi Minh City Urban Drainage Company, a state enterprise established and operating under the Borrower's State Enterprise Law of 1994, and the Decision No. 5730/QD-UB-KT of the Ho Chi Minh City People's Committee dated October 3, 1997, and any successor thereto.

(f) "Nhieu Loc-Thi Nghe Basin" and "NLTN Basin" mean the approximately 33 square kilometer basin covering approximately half of the Ho Chi Minh City center and comprised of the Phu Nhuan District and portions of Districts 1, 3, 10, Tan Binh, Go Vap and Binh Thanh of Ho Chi Minh City.

(g) "Nhieu Loc-Thi Nghe Canal" and "NLTN Canal" mean the canal that serves as the main drain for untreated wastewater and storm water runoff in the NLTN Basin.

(h) "Project Management Report" means each report prepared in accordance with

Section 4.02 of this Agreement.

(i) "Project Management Unit" and the acronym "PMU" mean the project management unit established by the Ho Chi Minh City People's Committee for the management of the implementation of the Project, and any successor thereto.

(j) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on April 6, 2000, and on behalf of the Borrower on May 25, 2000.

(k) "Resettlement Action Plans" and the acronym "RAPs" mean, collectively, the Wastewater RAP and the Drainage RAPs.

(l) "Resettlement Policy" means the Resettlement Action Plan Policy, dated December 2000, prepared by TUPWS, approved by the Ho Chi Minh City People's Committee Memorandum No. 4652/UB-DT, setting forth the policies, planning principles and institutional arrangements designed to improve the living standards and productive capacity of persons affected by the Project, as said Resettlement Policy may be amended from time to time with the agreement of the Association.

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

(n) "Subsidiary Agreement" means the agreement entered into between the Borrower and UDC and referred to in paragraph 7 of Schedule 4 to this Agreement.

(o) "TUPWS" means the Department of Transport and Public Works of Ho Chi Minh City, and any successor thereto.

(p) "Wastewater and Drainage Account" means the account established pursuant to paragraph 8(c) of Schedule 4 to this Agreement.

(q) "Wastewater Resettlement Action Plan" and "Wastewater RAP" mean the resettlement action plan for Part A of the Project, satisfactory to the Association, dated December 2000, prepared by TUPWS, approved by the Ho Chi Minh City People's Committee Memorandum No. 4652/UB-DT, for carrying out the compensation, resettlement and rehabilitation of Affected Persons under Part A of the Project, as such Wastewater Resettlement Action Plan may be amended from time to time by agreement between the Borrower and the Association.

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 one hundred twenty seven million five hundred thousand Special Drawing Rights (SDR 127,500,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank 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.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required

to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2007 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 January 15 and July 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 January 15 and July 15 commencing July 15, 2011 and ending January 15, 2041. Each installment to and including the installment payable on January 15, 2021 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

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

ARTICLE III

Execution of the Project

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

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

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

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan 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 such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said

records and accounts and the audit thereof as the Association shall from time to time reasonably request.

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

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

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than June 30, 2001, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

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

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

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions: (a) that the Borrower shall have engaged, under terms of reference acceptable to the Association, an independent agency or firm, acceptable to the Association, to carry out the monitoring of the implementation of the RAPs in accordance with Paragraph 6 of Schedule 4 to this Agreement; (b) that the Borrower and UDC shall have entered into the Subsidiary Agreement and all conditions precedent to the effectiveness of the Subsidiary Agreement shall have been satisfied, excepting only the effectiveness of this Agreement; and (c) that the Borrower shall have engaged, under terms of reference acceptable to the Association, a professional accountant with experience and qualifications acceptable to the Association.

Section 5.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and UDC and is legally binding upon each of them in accordance with its terms.

Section 5.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Governor or any of the Deputy Governors of the State Bank of Vietnam of the Borrower 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
Hanoi
Socialist Republic of Vietnam

Cable address:	Telex:	Facsimile:
VIETBANK Hanoi	412248 NHTWVT	844-8250612

For the Association:

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

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

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

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Le Duc Thuy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Jemal-ud-din Kassum

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works		
(a) under Part A of the Project	40,200,000	90%
(b) under Part B of the Project	61,280,000	90%
(2) Goods	680,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(3) Consultants' services	9,280,000	100%
(4) Incremental operating costs	150,000	100%
(5) Refunding of Project Preparation Advance	1,530,000	Amount due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	14,380,000	
TOTAL	127,500,000	

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 "incremental operating costs" means expenditures for the carrying out of independent audits under Part C.3(c) of the Project.

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 Category (1)(a) unless and until TUWPS shall have retained the services of a construction management consultant pursuant to the provisions of Paragraph 9 of Schedule 4 to this Agreement; or (c) payments made for expenditures under Category 1(b) unless and until the Association shall have received a Drainage RAP, approved by the Ho Chi Minh City People's Committee and acceptable to the Association, with respect to the works to be financed with such payment.

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 \$50,000 equivalent each; and (b) services of consulting firms or for incremental operating costs under contracts costing less than \$100,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in (i) achieving sustainable improvements in public health, particularly of Ho Chi Minh City's urban poor population and (ii) increasing economic development in the commercial center of Ho Chi Minh City, by upgrading urban environmental conditions, reducing the incidence of flooding and development of more efficient institutions to manage drainage and wastewater services in a sustainable manner.

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: Wastewater

1. Construction of:

(a) a wastewater interceptor of approximately 8.4 kilometers (km) in length and 3.0 meters (m) in diameter following the alignment of the NLTN Canal with approximately 42 permanent manholes;

(b) about 56 combined sewer overflow structures to divert wastewater flow into the interceptor in dry weather;

(c) flushing facilities on the upper and middle portions of the NLTN Canal;

(d) a wastewater pumping facility with a hydraulic capacity of approximately 64,000 cubic meters per hour near the confluence of the NLTN Canal and the Saigon River, including wastewater screening, a control and data acquisition system and ancillary structures including an electrical building, transformer pad, odor control facility, administrative building, access road and perimeter fencing; and

(e) an outfall approximately 0.8 km in length and 3.0 m in diameter to convey screened effluent from the wastewater pumping facility to the Saigon River via a diffuser.

Part B: Drainage

1. Replacement and extension of approximately 72 km of combined primary and

secondary sewers in the NLTN Basin.

2. Dredging, transportation and disposal of approximately 1,100,000 cubic meters of sludge and excavated materials from the NLTN Canal and strengthening of approximately 18 km of canal embankments.

3. Inspection of approximately 54 km of brick secondary combined sewers in the NLTN Basin and rehabilitation of up to 30 km of inspected sewers.

4. Construction of approximately 270 km of tertiary sewers in the NLTN Basin.

5. Provision of specialized operation and maintenance equipment, including vacuum truck, high pressure sewer cleaner, high pressure cleaning van, water tank, portable wastewater monitoring kit, accounting and management information system and computer equipment.

Part C: Institutional Development and Project Management

1. Provision of consultants' services for strengthening the institutional capacity of the PMU in connection with:

(a) preparation of detailed designs for Parts A and B of the Project; and

(b) supervision and management of Project construction.

2. Provision of consultants' services for strengthening the institutional capacity of UDC in connection with:

(a) corporate and business planning and development of a management information system;

(b) accounting and financial management;

(c) regulatory oversight, quality assurance and the development of documents and procedures for awarding management contracts;

(d) operation and maintenance planning and management; and

(e) human resources development strategy and related training.

3. Carrying out a program of (a) independent monitoring of the environmental impact of the Project and the implementation of the Environmental Management Plan; (b) independent monitoring of the implementation of resettlement, rehabilitation and compensation of Affected Persons; and (c) independent auditing of Project and UDC accounts and the Wastewater and Drainage Account, all through the provision of consultants' services.

Part D: Resettlement

Resettlement, rehabilitation and compensation of Affected Persons.

* * *

The Project is expected to be completed by June 30, 2007.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and (b) the provisions of the following Parts of this Section I.

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

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Prequalification

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

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works and each contract for goods estimated to cost the equivalent of \$50,000 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

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

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

Part B: Quality- and Cost-based Selection

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

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for independent monitoring of environmental impacts under Part C.3 of the Project estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$100,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Single Source Selection

Services for detailed design of drainage works under Part B of the Project estimated to cost less than \$2,500,000 equivalent per contract, up to an aggregate amount not to exceed \$4,500,000, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Least-cost Selection

Services for independent audits under Part C.3 of the Project estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 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

With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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) 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, on or about February 15, May 15, August 15 and November 15 in each year, commencing August 15, 2001, 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 calendar quarter 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;

(c) review with the Association promptly thereafter, each 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;

(d) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about December 31, 2004, 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

(e) review with the Association promptly thereafter, the report referred to in paragraph (d) 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.

2. The Borrower shall cause the Ho Chi Minh City's People's Committee to maintain at all times during the implementation of the Project the PMU, with terms of reference and resources satisfactory to the Association and competent staff in adequate numbers, including a civil engineer, a professional accountant and a procurement and project management specialist, each with qualifications, experience and terms and conditions of employment satisfactory to the Association.

3. The Borrower shall:

(a) by October 31 in each year, commencing October 31, 2001, furnish to the Association for its review and comment, a proposed annual work program and budget for Project activities to be implemented in the following calendar year; and

(b) thereafter, implement such annual work programs and budget taking into account the Association's comments thereon.

4. The Borrower shall carry out the Project in accordance with the measures described in the Environmental Management Plan and, without any limitation thereto, shall take timely action to ensure that any adverse environmental impact of the Project is effectively mitigated in a manner satisfactory to the Association.

5. The Borrower shall:

(a) ensure that Affected Persons shall be compensated, resettled and rehabilitated in accordance with the Resettlement Action Plans. To that end, the Borrower shall, and shall cause the Ho Chi Minh City People's Committee to, carry out the said Resettlement Action Plans in a manner satisfactory to the Association; and

(b) not initiate any civil works under Part B of the Project unless and until a Drainage RAP with respect to such works required to be furnished to the Association pursuant to paragraph 5(a) of this Schedule 4 shall have been approved by the Association.

6. The Borrower shall: (a) retain, at all times during the period of Project implementation, the services of an independent agency or firm acceptable to the Association to carry out, under terms of reference acceptable to the Association, the monitoring and evaluation of the implementation of the Environmental Management Plan and the RAPs; (b) cause said independent agency or firm to prepare reports, no later than February 15 and August 15 in each year, commencing August 15, 2001, on the results of said monitoring and evaluation; and (c) furnish copies of said reports to the Association promptly upon receipt thereof.

7. The Borrower shall:

(a) enter into a subsidiary agreement with UDC, in form and substance satisfactory to the Association, which agreement shall:

(i) require UDC to assume the repayment obligation of Ho Chi Minh City to the Borrower with respect to the Credit proceeds made available to Ho Chi Minh City pursuant to Paragraph 10 of this Schedule 4 in consideration for the transfer by the Borrower to UDC of the facilities to be constructed under Part A of the Project, upon completion of said facilities;

(ii) require UDC to operate and maintain said facilities in accordance with the provisions of this Agreement;

(iii) require UDC to (A) maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations, resources and expenditures; (B) have said records and accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association; (C) 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 (D) 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;

(iv) require UDC to: (A) carry out a program of restructuring to

create, no later than December 31, 2002, self-financing wastewater facility maintenance groups under management contracts with UDC, with a view to full separation of said groups from UDC control by December 31, 2004; and (B) prior to the commissioning of the wastewater facilities constructed under the Project, award a management contract on a competitive basis for the operation and maintenance of said facilities; and

(b) exercise its rights under such agreement with UDC 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 said agreement or any provision thereof.

8. The Borrower shall:

(a) adopt a wastewater tariff for Ho Chi Minh City to be imposed on the basis of cubic meters of water consumed and implement the collection of said tariff in a manner and according to a schedule satisfactory to the Association;

(b) ensure collection of such wastewater tariff, which tariff shall be increased progressively during the period of Project implementation in order to fully cover, by December 31, 2006: (i) the operation and maintenance costs of wastewater facilities as they are incurred; and (ii) a portion of the capital costs of said facilities; and

(c) establish an account with the Ho Chi Minh City treasury for the deposit of the collected wastewater tariff and ensure that such account and said tariff is used exclusively for wastewater and drainage expenditures in Ho Chi Minh City.

9. The Borrower shall retain, no later than July 31, 2002, under terms of reference acceptable to the Association, the services of a construction management consultant to assist the Borrower in the carrying out of Parts A and B of the Project.

10. The Borrower shall make available to Ho Chi Minh City the proceeds of the Credit allocated from time to time to Category (1)(a) set forth in the table in paragraph 1 of Schedule 1 to this Agreement as a loan, under terms and conditions acceptable to the Association, which terms and conditions shall include:

(a) the principal amount so made available shall be the equivalent in terms of Dong (determined as of the date, or respective dates of withdrawal from the Credit Account or payment out of the Special Account, as the case may be) of the value of the currency or currencies so withdrawn or paid out on account of the cost of items required for Part A of the Project and to be financed out of the proceeds of the Credit, and shall be recovered by the Borrower in Dong;

(b) the Borrower shall recover the principal amount so made available in semi-annual installments over a period not exceeding 25 years, inclusive of a grace period not exceeding 6 years;

(c) interest at a rate equal to 5% per annum of the principal amount withdrawn and outstanding from time to time shall accrue from the day immediately following the end of the grace period referred to in paragraph 10(b) above and shall be payable in semi-annual payments commencing with the date on which the first installment of principal is payable under said paragraph 10(b).

11. The Borrower shall make available to Ho Chi Minh City as a grant the proceeds of the Credit allocated from time to time to Categories (1)(b), (2), (3) and (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

12. In carrying out Part B.4 of the Project, and without limitation to Section 3.01(a) of this Agreement, the Borrower shall cause the districts of the NLTN Basin to construct the tertiary sewers in a manner and in accordance with a schedule satisfactory to the Association, and shall provide to said districts such resources

and support as may be required for said construction.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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 \$8,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$4,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 50,000,000.

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

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

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

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

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

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

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

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

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

