

CONFORMED COPY

Interim Fund Credit Number N026 VN

Interim Fund
Development Credit Agreement

(Water Supply Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION as Administrator of
the interim trust fund established with funds contributed
by certain members of International Development Association
pursuant to Resolution No. IDA 184 of the Board of Governors
of International Development Association

Dated July 7, 1997

Interim Fund Credit Number N026 VN

INTERIM FUND DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 7, 1997, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) as Administrator (the Administrator) of the interim trust fund (Interim Fund) established with funds contributed by certain members of the Association pursuant to Resolution No. 184 (the Interim Fund Resolution) of the Board of Governors of the Association, adopted on June 26, 1996.

WHEREAS (A) by the Interim Fund Resolution the Interim Fund has been established, constituted of the funds contributed by certain members of the Association and administered by the Association acting as Administrator of the Interim Fund, in accordance with the provisions of the Interim Fund Resolution;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Administrator to assist in the financing of the Project through the provision of resources from the Interim Fund and the Administrator has determined that such assistance would be in accordance with the provisions of the Interim Fund Resolution;

(C) the Project will be carried out by the Hanoi Water Business Company, the Haiphong Water Supply Company, the Quang Ninh Water Supply Company and the Danang Water Supply Company (the Water Companies) with the Borrower's assistance, and as part of such assistance, the Borrower will make available to the Water Companies the proceeds of the Interim Fund Credit as provided in this Agreement;

(D) the Borrower intends to contract from the Australian Agency for International Development (AusAID) a grant (the Australian Grant) in an aggregate principal amount equivalent to \$1, 330,000 to assist in financing Parts B.4 and B.5(iv) of the Project on the terms and conditions set forth in an agreement (the

Australian Grant Agreement) to be entered into between the Borrower and AusAID;

(E) by agreement dated December 18, 1996, (the Danish Grant Agreement), the Government of the Kingdom of Denmark (Denmark) has agreed to provide a grant (the Danish Grant) to the Borrower in an aggregate principal amount of seventy four million Danish Kroners (Danish Kroner 74,000,000) to assist in financing the following parts of the Project on the terms and conditions set forth in the Danish Grant Agreement, which terms and conditions, inter alia, provide for: (1) an amount out of the proceeds of the Danish Grant equivalent to \$4,700,000 to be earmarked to assist in financing Parts A.3(g), A.3(i), B.3 and B.5(iii) of the Project; (2) an amount out of the proceeds of the Danish Grant equivalent to \$3,060,000 to be earmarked to assist in financing Parts A.3(e) of the Project; and (3) an amount out of the proceeds of the Danish Grant equivalent to \$5,000,000 to be earmarked to assist in financing Parts A.3(a), A.3(b), A.3(c) and A.3(d) of the Project. The Borrower and Denmark have further agreed that the proceeds of the Grant earmarked to assist in the financing of Parts A.3(a), A.3(b), A.3(c) and A.3(d) of the Project will be made available to the Borrower pursuant to the terms and conditions of an agreement to be entered into between the Borrower and the Association of even date herewith (the Danish Trust Fund Agreement) which, inter alia, provides for the Association to disburse the said proceeds of the Danish Grant to the Borrower, and the Borrower to on-lend the said proceeds of the Danish Grant to the Quang Ninh Water Supply Company on identical terms and conditions as those set forth in Section 3.01(b) of this Agreement;

(F) the Borrower intends to contract from the Government of Finland (Finland) a grant (the Finnish Grant) in an aggregate principal amount equivalent to \$3,890,000 to assist in financing Parts B.1, B.2, B.5(i) and B.5 (ii) of the Project on the terms and conditions set forth in an agreement (the Finnish Grant Agreement) to be entered into between the Borrower and Finland; and

WHEREAS the Administrator has agreed, on the basis, inter alia, of the foregoing, to extend the Interim Fund Credit to the Borrower upon the terms and conditions set forth in this Agreement and the Project Agreement of even date herewith between the Administrator and the Water Companies.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The term "Association", wherever used in the General Conditions, means the International Development Association acting as Administrator of the Interim Fund referred to in the Preamble to the Interim Fund Development Credit Agreement;

(b) The terms "Development Credit Agreement", "Credit" and "Credit Account", wherever used in the General Conditions, are amended to read "Interim Fund Development Credit Agreement", "Interim Fund Credit" and "Interim Fund Credit Account", respectively;

(c) A new paragraph, numbers 15, is added to Section 2.01 to read as follows:

"15. "Participating Country" means any country that meets the requirements set forth in Section 5(e) of Resolution No. IDA 184 of the Board of Governors of the Association, adopted on June 26, 1996, as determined by the Administrator as of the date on which the Interim Fund Credit was approved pursuant to Section 5(c) of said Resolution; and "Participating Countries" means, collectively, all such countries;"

(d) The last sentence of Section 3.02 is deleted.

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

"Except as the Administrator and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a 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 Administrator, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(f) In Sections 6.02 and 7.01 of the General Conditions, the term "Association" shall also mean the International Development Association acting in its own capacity.

(g) Section 6.03 is modified to read as follows:

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

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

(a) "Affected Person" means a person who on account of the execution of the Project had or would have his or her: (i) standard of living adversely affected; or (ii) right, title or interest in any house, or interest in or right to use any land (including premises, agricultural and grazing land), or right in annual or perennial crops and trees or any other fixed or movable asset, acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected temporarily or permanently, and "Affected Persons" means, collectively, all persons who qualify as an Affected Person.

(b) "Category" means a category set out in the table in paragraph 1 of Schedule 1 to this Agreement.

(c) "Constituent Document" means, for each Water Company, the Decision of the People's Committees establishing said Water Company, as referred to in Section 1.02 (d), (j), (m) and (t) of this Agreement.

(d) "Danang Water Supply Company" means the Danang Water Supply Company, a state enterprise of the Borrower, established and operating under the Borrower's State Enterprise Law of 1994 and the Decision No. 3163/QD-UB of the Provincial People's Committee of Quangnam-Danang dated November 5, 1992.

(e) "Danang Resettlement Action Plan" and the acronym "Danang RAP" mean the Plan for carrying out Part A.4(e) of the Project, satisfactory to the Administrator, prepared by the Danang Water Supply Company and approved by the People's Committee of Danang City on April 15, 1997 and by the Borrower through its Document No. 2474/QHQT dated May 20, 1997, as such Plan may be amended from time to time by agreement among the Borrower, the Administrator, the People's Committee of Danang City and the Danang Water Supply Company. The Danang RAP includes the following parts: (i) Part I: principles and objectives, Affected Persons eligibility criteria, compensation, assistance and rehabilitation entitlements, legal framework, institutional arrangements, participation of, and consultation with, Affected Persons, grievance procedures, and monitoring and evaluation; (ii) Part II: a detailed Action Plan for the compensation, resettlement and rehabilitation of the Affected Persons under Part A.4 (a), (b) and (c) of the Project, which Action Plan includes a socio-economic survey of the Affected Persons under such Part of the Project, specific entitlements, assistance, and compensation, cost and budgets, and implementation schedule; and (iii) Part III: provision for preparing in accordance with the provisions of Part I of the Danang RAP, and paragraph 3 of Schedule 2 to the Project Agreement, detailed Action Plans, satisfactory to the Administrator, for the compensation, assistance, resettlement and rehabilitation of the Affected Persons under the water distribution networks under Part A.4 (d) of the Project to be prepared by the Danang Water Supply Company, and approved by the People's Committee of Danang City.

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

(g) "Dong" means the currency of the Borrower.

(h) "Environmental Management Plan" means the environmental management plan setting out measures to mitigate adverse environmental affects of the implementation of the Project: (i) for Part A.1 of the Project, dated July 1996; (ii) for Part A.2 of the Project, dated June 1996; (iii) for Part A.3 of the Project, dated August 1996; and (iv) for Part A.4 of the Project, dated November 1996, as each such plan may be amended from time to time by agreement between the Administrator and the respective Water Company.

(i) "Fiscal Year" means the Borrower's fiscal year commencing on January 1 and ending December 31.

(j) "Haiphong Water Supply Company" means the Haiphong Water Supply Company, a state enterprise of the Borrower, established and operating under the Borrower's State Enterprise Law of 1994 and the Decision No. 71/QD-TCQG of the People's Committee of Haiphong City dated January 14, 1993.

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

(l) "Haiphong Resettlement Action Plan" and the acronym "Haiphong RAP" mean the Plan for carrying out Part A.2 (d) of the Project, satisfactory to the Administrator, prepared by the Haiphong Water Supply Company and approved by the People's Committee of Haiphong City on April 12, 1997 and by the Borrower through its Document No. 2474/QHQT dated May 20, 1997, as such Plan may be amended from time to time by agreement among the Borrower, the Administrator, the People's Committee of Haiphong City and the Haiphong Water Supply Company. The Haiphong RAP includes the following parts: (i) Part I: principles and objectives, Affected Persons eligibility criteria, compensation, assistance and rehabilitation entitlements, legal framework, institutional arrangements, participation of, and consultation with, Affected Persons, grievance procedures, and monitoring and evaluation; (ii) Part II: a detailed Action Plan for the compensation, resettlement and rehabilitation of the Affected Persons under Part A.2 (a) of the Project, which Action Plan includes a socio-economic survey of the Affected Persons under such Part of the Project, specific entitlements, assistance and compensation, cost and budgets, and implementation schedule; and (iii) Part III: provision for preparing in accordance with the provisions of Part I of the Haiphong RAP, and paragraph 3 of Schedule 2 to the Project Agreement, detailed Action Plans, satisfactory to the Administrator, for the compensation, assistance, resettlement and rehabilitation of the Affected Persons under the water distribution networks under Parts A.2 (b) and A.2 (c) of the Project to be prepared by the Haiphong Water Supply Company, and approved by the People's Committee of Haiphong City.

(m) "Hanoi Water Business Company" means the Hanoi Water Business Company, a state enterprise of the Borrower, established and operating under the Borrower's State Enterprise Law of 1994 and the Decision No. 564-QD/UB of the Hanoi People's Committee dated April 4, 1994.

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

(o) "Hanoi Resettlement Action Plan" and the acronym "Hanoi RAP" mean the Plan for carrying out Part A.1 (d) of the Project, satisfactory to the Administrator, prepared by the Hanoi Water Business Company and approved by the Hanoi People's Committee on April 19, 1997 and by the Borrower through its Document No. 2474/QHQT dated May 20, 1997, as such Plan may be amended from time to time by agreement among the Borrower, the Administrator, the Borrower, the Hanoi People's Committee and the Hanoi Water Business Company. The Hanoi RAP includes the following parts: (i) Part I: principles and objectives, Affected Persons eligibility criteria, compensation, assistance and rehabilitation entitlements, legal framework, institutional arrangements, participation of, and consultation with, Affected Persons, grievance procedures, and monitoring and evaluation; (ii) Part II: a detailed Action Plan for the compensation, resettlement and rehabilitation of the Affected Persons under Part A.1 (a) and (b) of the Project, which Action Plan includes a socio-economic survey of the Affected Persons under such Parts of the Project, specific entitlements, assistance and compensation, cost and budgets, and implementation schedule; and (iii) Part III: provision for preparing in accordance with the provisions of Part I of the Hanoi RAP, and paragraph 3 of Schedule 2 to the Project Agreement, detailed Action Plans, satisfactory to the Administrator, for the compensation, assistance, resettlement and rehabilitation of the Affected Persons under the water distribution networks under Part A.1 (c) of the Project to be prepared by the Hanoi Water Business Company, and approved by the Hanoi People's Committee.

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

(q) "Non Revenue Water" means water that does not produce revenues to the provider, inter alia, due to losses in the water supply system caused by leaks in the system, pilferage and inaccurate metering.

(r) "Project Agreement" means the agreement among the Administrator and Danang Water Supply Company, Hanoi Water Business Company, Haiphong Water Supply Company and Quang Ninh Water Supply Company (the Water Companies), 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.

(s) "Project Cities and Province" means the Borrower's Cities of Danang, Hanoi and Haiphong and the Borrower's Province of Quang Ninh.

(t) "Quang Ninh Water Supply Company" means the Quang Ninh Water Supply Company, a state enterprise of the Borrower, established and operating under the Borrower's State Enterprise Law of 1994 and the Decision No. 2750/QD-UB of the Provincial People's Committee of Quang Ninh dated December 4, 1992.

(u) "Quang Ninh Special Account" means the account referred to in Section 2.02 (b)(iii) of this Agreement.

(v) "Quang Ninh Resettlement Action Plan" and the acronym "Quang Ninh RAP" mean the Plan for carrying out Part A.3 (f) of the Project, satisfactory to the Administrator, prepared by the Quang Ninh Water Supply Company and approved by the Quang Ninh Provincial People's Committee on April 18, 1997 and by the Borrower through its Document No. 2474/QHQT dated May 20, 1997, as such Plan may be amended from time to time by agreement among the Borrower, the Administrator, the Quang Ninh Provincial People's Committee and the Quang Ninh Water Supply Company. The Quang Ninh RAP includes the following parts: (i) Part I: principles and objectives, Affected Persons eligibility criteria, compensation, assistance and rehabilitation entitlements, legal framework, institutional arrangements, participation of, and consultation with, Affected Persons, grievance procedures, and monitoring and evaluation; (ii) Part II: a detailed Action Plan for the compensation, resettlement and rehabilitation of the Affected Persons under Part A.3 (a) and (b) of the Project, which Action Plan includes

a socio-economic survey of the Affected Persons under such Part of the Project, specific entitlements, assistance and compensation, cost and budgets, and implementation schedule; and (iii) Part III: provision for preparing in accordance with the provisions of Part I of the Quang Ninh RAP, and paragraph 3 of Schedule 2 to the Project Agreement, detailed Action Plans, satisfactory to the Administrator, for the compensation, assistance, resettlement and rehabilitation of the Affected Persons under the water distribution networks under Part A.3 (c), (d) and (e) of the Project to be prepared by the Quang Ninh Water Supply Company, and approved by the Quang Ninh Provincial People's Committee.

(w) "Resettlement Action Plans" means, collectively, the Danang Resettlement Action Plan, the Haiphong Resettlement Action Plan, the Hanoi Resettlement Action Plan and the Quang Ninh Resettlement Action Plan.

(x) "Resettlement Committees" means each of the Committees established by the People's Committees of the Project Cities and Province pursuant to Section 6.0 of each of the Resettlement Action Plans for purposes of planning and implementing such Action Plans.

(y) "Respective Parts of the Project" means, for each Water Company, the parts of the Project which such Water Company shall carry out in accordance with Section 2.01 of the Project Agreement.

(z) "Special Accounts" means, collectively, the Danang Special Account, the Haiphong Special Account, the Hanoi Special Account, and the Quang Ninh Special Account; and "Special Account" means any of the Special Accounts.

(aa) "Subsidiary Loan Agreement" means any one of the agreements to be entered into between the Borrower, through MOF, and each of the Water Companies pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the Subsidiary Loan Agreement, and "Subsidiary Loan Agreements" means all four of such agreements.

(bb) "Water Companies" means, collectively, the Danang Water Supply Company, the Hanoi Water Business Company, the Haiphong Water Supply Company, and the Quang Ninh Water Supply Company, and "Water Company" means any of the Water Companies.

ARTICLE II

The Interim Fund Credit

Section 2.01. The Administrator agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Interim Fund Development Credit Agreement, an amount in various currencies equivalent to seventy one million three hundred thousand Special Drawing Rights (SDR 71,300,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars the following four special deposit accounts, each in a commercial bank acceptable to the Administrator, on terms and conditions satisfactory to the Administrator, including appropriate protection against set-off, seizure or attachment: (i) one for purposes of Parts A.1 and B.1 of the Project; (ii) one for purposes of Parts A.2 and B.2 of the Project; (iii) one for purposes of Parts A.3 and B.3 of the Project; and (iv) one for purposes of Parts A.4 and B.4 of the Project. Deposits into, and payments out of, the Special Accounts shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2002 or such later date as the Administrator shall establish. The Administrator 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 Interim Fund 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 Interim Fund 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 Interim Fund Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Interim Fund Credit in semi-annual installments payable on each June 1 and December 1 commencing December 1, 2007 and ending June 1, 2037. Each installment to and including the installment payable on, June 1, 2017 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, 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 Administrator may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by the Administrator of the development of the Borrower's economy, modify the terms of 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 Interim Fund Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Interim Fund 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 Administrator 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 Administrator 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 Administrator on the principal amount of the Interim Fund Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Administrator, 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 Administrator 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, without any limitation or restriction upon any of its other obligations under the Interim Fund Development Credit Agreement, shall cause each of the Water Companies to perform in accordance with the provisions of the Project Agreement all of its obligations therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable each of the Water Companies to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall, through MOF, relend the proceeds of the Interim Fund Credit to the Water Companies, each under a separate subsidiary loan agreement to be entered into between the Borrower and each of the Water Companies, under terms and conditions which shall have been approved by the Administrator, which shall include:

(i) the amount so relent to each of the Water Companies shall be the amounts allocated to and withdrawn from the following Categories: (A) Hanoi Water Business Company, Categories (1)(a), (2)(a) and (3)(a); (B) Haiphong Water Supply Company, Categories (1)(b), (2)(b) and (3)(b); (C) Quang Ninh Water Supply Company, Categories (1)(c), and (2)(c); and (D) Danang Water Supply Company, Categories (1)(d), (2)(d) and (3)(c);

(ii) interest at a rate of six and five tenths of one percent (6.5%) per annum on the principal amount so relent and withdrawn by each of the Water Companies and outstanding from time to time shall accrue from the day immediately following the end of the grace period mentioned in (iii) below;

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

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

Section 3.02. Except as the Administrator 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 Interim Fund Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. The Borrower and the Administrator hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project shall be carried out by each of the Water Companies pursuant to Section 2.03 of the Project Agreement.

Section 3.04. Without limitation to the provisions of Section 3.01(a) of this Agreement, the Borrower shall cause each of the People's Committee of the Project Cities and Province to: (a) promptly provide to its respective Water Company the required counterpart funds for carrying out the Respective Parts of the Project;

(b) take all such action as shall be necessary to enable its respective Water Company to comply with all of its obligations under the Project Agreement, in particular the Financial Covenants under Article IV of the Project Agreement, and the implementation of its respective Resettlement Action Plan; and

(c) take all such action as shall be necessary for the effective and timely

compliance of its obligations set forth in the respective Resettlement Action Plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) For all expenditures with respect to which withdrawals from the Interim Fund Credit Account were made on the basis of statements of expenditures, the Borrower shall:

(i) maintain or cause to be maintained in accordance with sound accounting practices, records and accounts reflecting such expenditures;

(ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Administrator has received the audit report for the fiscal year in which the last withdrawal from the Interim Fund Credit Account was made; and

(iii) enable the Administrator's representatives to examine such records.

(b) The Borrower shall:

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

(ii) furnish to the Administrator as soon as available, but in any case not later than nine 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 Administrator shall have reasonably requested, including 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; and

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

ARTICLE V

Remedies of the Administrator

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

(a) Any of the Water Companies 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 Interim Fund Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that any of the Water Companies will be able to perform its obligations under the Project Agreement.

(c) The Constituent Document of any of the Water Companies shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the respective Water Company 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 any of the Water Companies or for the suspension of its operations.

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any grant or credit made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated, in whole or in part, pursuant to the terms of the agreement providing therefor; or

(B) any such credit shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Administrator that: (A) such suspension, cancellation, termination or prematuring, as the case may be, is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(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 Administrator to the Borrower;

(b) any event specified in paragraph (c) or (d) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (e) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (e) (ii) of that Section.

ARTICLE VI

Effective Date; Termination Designation of Administrator

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

(a) the Australian Grant Agreement, the Danish Grant Agreement, the Danish Trust Fund Agreement and the Finnish Grant Agreement shall have been executed and delivered and all conditions precedent to the effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Interim Fund Development Credit Agreement, have been fulfilled; and

(b) the Resettlement Committees shall have been established by each of the People's Committees of the Project Cities and Province pursuant to the provisions of the Resettlement Action Plans.

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 Administrator:

(a) that the Project Agreement has been duly authorized by each of the Water Companies and is legally binding upon them in accordance with its terms;

(b) that the provisions of the Resettlement Action Plans are legally valid and enforceable in accordance with Vietnamese law.

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

Section 6.04. In the event that the Executive Directors of the Association decide to terminate the functions of the Association as administrator of the Interim

Fund pursuant to Section 7 of the Interim Fund Resolution, all of the rights and obligations of the Administrator under this Agreement shall be assumed by the Association in accordance with the Interim Fund Resolution and such decision of said Executive Directors, as of the date to be notified by the Administrator to the Borrower.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:

VIETBANK
Hanoi

Telex:

412248 NHTWVT

For the Association and the Administrator:

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/ Cao Sy Kiem

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of the interim trust fund established with funds
contributed by certain members of International Development Association
pursuant to Resolution No. IDA 184 of the Board of Governors of
International Development Association

By /s/ Bradley Babson

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Interim Fund Credit

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

Category	Amount of the Interim Fund Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Supply and install contracts for:		85%
(a) Part A.1 of the Project	20,915,000	
(b) Part A.2 of the Project	12,075,000	
(c) Part A.3 of the Project	8,565,000	
(d) Part A.4 of the Project	21,130,000	
(2) Goods for:		
(a) Part A.1 of the Project foreign	220,000	100% of
(b) Part A.2 of the Project	560,000	expenditures,
(c) Part A.3 of the Project (ex-factory of local other	560,000	100% of local expenditures cost) and 65%
(d) Part A.4 of the Project procured locally	590,000	expenditures for items
(3) Consultants' services for:		100%
(a) Part A.1 of the Project	2,365,000	
(b) Part A.2 of the Project	1,590,000	
(c) Part A.4 of the Project	2,730,000	
TOTAL	71,300,000	

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 "supply and install contracts" means each of the contracts for the purchase and installation of mechanical and electrical equipment in respect of:

(i) Part A.1 (a), (b) and (c) of the Project;

(ii) Part A.2 (a), (b) and (c) of the Project;

(iii) Part A.3 (a), (c) and (d) of the Project; and

(iv) Part A.4 (a), (b), (c) and (d) 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 for expenditures under Categories (1) (a), (2)(a) and (3)(a) until: (i) the Administrator shall have been furnished with a Subsidiary Loan Agreement entered into between the Borrower and the Hanoi Water Business Company, satisfactory to the Administrator, together with a Legal Opinion of a counsel acceptable to the Administrator indicating that the said Subsidiary Loan Agreement has been duly authorized by the Borrower and the Hanoi Water Business Company and is legally binding upon them in accordance with its terms; and (ii) the Hanoi Water Business Company has retained the services of a Construction Management Consultant pursuant to the provisions of paragraph 1 of Schedule 2 to the Project Agreement;

(c) payments for expenditures under Categories (1)(b), (2)(b) and (3)(b) until: (i) the Administrator shall have been furnished with a Subsidiary Loan Agreement entered into between the Borrower and the Haiphong Water Supply Company, satisfactory to the Administrator, together with a Legal Opinion of a counsel acceptable to the Administrator indicating that the said Subsidiary Loan Agreement has been duly authorized by the Borrower and the Haiphong Water Supply Company and is legally binding upon them in accordance with its terms; and (ii) the Haiphong Water Supply Company has retained the services of a Construction Management Consultant pursuant to the provisions of paragraph 1 of Schedule 2 to the Project Agreement;

(d) payments for expenditures under Categories (1)(c) and (2)(c) until: (i) the Administrator shall have been furnished with a Subsidiary Loan Agreement entered into between the Borrower and the Quang Ninh Water Supply Company, satisfactory to the Administrator, together with a Legal Opinion of a counsel acceptable to the Administrator indicating that the said Subsidiary Loan Agreement has been duly authorized by the Borrower and the Quang Ninh Water Supply Company and is legally binding upon them in accordance with its terms; (ii) the Quang Ninh Water Supply Company has retained the services of a Construction Management Consultant pursuant to the provisions of paragraph 1 of Schedule 2 to the Project Agreement; and (iii) the Administrator shall have been furnished with evidence satisfactory to the Administrator that the obligations set forth in paragraphs 8(a) and 8(b) of Schedule 2 to the Project Agreement have been complied with;

(e) payments for expenditures under Category (1)(c) until the proceeds of the Trust Fund Grant earmarked to finance eligible expenditures under Parts A.3(a) through A.3(d) of the Project have been fully disbursed in accordance with the provisions of the Danish Trust Fund Agreement; and

(f) payments for expenditures under Categories (1)(d), (2)(d) and (3)(c) until: (i) the Administrator shall have been furnished with a Subsidiary Loan Agreement entered into between the Borrower and the Danang Water Supply Company, satisfactory to the Administrator, together with a Legal Opinion of a consul acceptable to the Administrator indicating that the said Subsidiary Loan Agreement has been duly authorized by the Borrower and the Danang Water Supply Company and is legally binding upon them in accordance with its terms; and (ii) the Danang Water Supply Company has retained the services of a Construction Management Consultant pursuant to the provisions of paragraph 1 of Schedule 2 to the Project Agreement.

4. The Administrator may require withdrawals from the Interim Fund Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods, under contracts costing less than \$100,000 equivalent; (b) services provided by consulting firms under contracts costing less than \$100,000 equivalent; and (c) services provided by individual consultants under contracts costing less than \$50,000 equivalent; all under such terms and conditions as the Administrator shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to improve the quality and quantity of urban water services in the Borrower's Cities of Hanoi, Haiphong and

Danang, and in Halong City and Campha in the Province of Quang Ninh through: (1) rehabilitation and expansion of water supply facilities to meet the forecasted demands for the year 2000; (2) institutional strengthening of management capabilities and facilitating the commercialization of the institutions responsible for water supply in these areas; and (3) development of a program to satisfy urban water demands after the year 2000.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Administrator may agree upon from time to time to achieve such objectives:

Part A: Water Supply Facilities

1. Rehabilitation and expansion of water supply facilities in Hanoi, through:

(a) construction of production wells and a treatment plant at each of Cao Dinh and Nam Du to provide 30,000 cubic meters per day (m³/d) each of additional water, including pumps, transmission mains, and new wells in existing fields;

(b) construction of about 9 kilometers (km) of raw water transmission mains;

(c) construction of about 351 kilometers (km) of primary, secondary and tertiary water distribution networks; replacement of about 30,000 galvanized steel connections; and installation of about 60,000 new service connections and 30 master water meters;

(d) resettlement and rehabilitation of persons affected by Parts A.1 (a), (b) and (c) above;

(e) provision of operation and maintenance equipment; and

(f) provision of consultants' services to assist in the implementation of Parts A.1(d) and B.1 and for construction supervision of Part A.1 (a), (b) and (c) above.

2. Rehabilitation and expansion of water supply facilities in Haiphong, through:

(a) construction of a raw water pipeline of about 4 km and 100,000 m³/d capacity from Quan Vinh to the treatment plant at An Duong, repair of Quan Vinh pumping station and reconstruction and expansion of the An Duong treatment plant to about 100,000 m³/d capacity;

(b) construction of about 27 km of primary water distribution network;

(c) construction of about 392 km of secondary and tertiary water distribution networks, including a distribution reservoir with volume of 4000 m³ and booster pumping station with capacity of 1,300 m³/h at May To, installation of about 30 large and 50,000 small water meters and about 40,000 new residential service connections;

(d) resettlement and rehabilitation of persons affected by Parts A.2 (a), (b) and (c) above;

(e) provision of operation and maintenance equipment; and

(f) provision of consultants' services to assist in the implementation of Parts A.2(d) and B.2 and for construction supervision of Part A.2 (a), (b) and (c) above.

3. Rehabilitation and expansion of water supply facilities in Quang Ninh, through:

(a) rehabilitation of production wells in Bai Chay, Hong Gai and Cam Pha and rehabilitation of a treatment plant at each of Dien Vong and Dong Ho to provide 60,000 m³/d and 20,000 m³/d, respectively, including pumps, and pumping stations and about 6 km of raw water pipeline from Cao Van dam to Dien Vong;

- (b) rehabilitation of about 78 km of water transmission mains;
- (c) construction of about 215 km of primary, secondary and tertiary water distribution networks;
- (d) repair of six water reservoirs with an aggregate capacity of about 11,800 m³ and construction of three new water reservoirs with an aggregate capacity of about 4,500 m³;
- (e) repair of about 12,000 residential service connections, and installation of about 20,000 new residential service connections, including water meters;
- (f) resettlement and rehabilitation of persons affected by Parts A.3 (a), (b), (c) and (d) above;
- (g) provision of consultants' services to assist in the implementation of Parts A.3 (f) and B.3;
- (h) provision of operation and maintenance equipment; and
- (i) provision of consultants' services to assist in the implementation of Part A.3 (e) and for construction supervision of Part A.3 (a), (b), (c), (d) and (e).

4. Rehabilitation and expansion of water supply facilities in Danang, through: (a) construction of a raw water intake of about 120,000 m³/d installed capacity at Yen Ne on the Cau Do River, including a pumping station and a raw water transmission main of about 1 km; (b) construction at Cam Dai of a treatment plant of about 120,000 m³/d capacity, treated water reservoir of about 20,000 m³ capacity and sludge lagoon; (c) construction of about 2 km of water transmission mains; (d) construction of about 263 km of primary, secondary and tertiary of water distribution networks, repair of about 12,000 residential service connections and installation of about 40,000 new residential service connections, including water meters; (e) resettlement and rehabilitation of persons affected by Parts A.4 (a), (b), (c) and (d) above; (f) provision of operation and maintenance equipment; and (g) provision of consultants' services to assist in the implementation of Parts A.4 (e) and B.4 and for construction supervision of Part A.4 (a), (b), (c) and (d).

Part B: Institutional Development and Future Investments

Strengthening the institutional capacity of the Water Companies to upgrade the operation of water supply systems and facilitating the commercialization of the Water Companies, through:

1. Design and implementation of a program of institutional support to the Hanoi Water Business Company, including provision of consultants' services and staff training for: (a) upgrading of accounting, improved customer relations, and development of guidelines for system operation and maintenance; (b) studies of groundwater monitoring and land subsidence and non-revenue water identification; and (c) preparation of future investments in the water supply sector in Hanoi.
2. Design and implementation of a program of institutional support to the Haiphong Water Supply Company, including provision of consultants' services and staff training for: (a) upgrading of accounting, improved customer relations, and development of guidelines for system operation and maintenance; (b) studies of water quality monitoring and non-revenue water identification; and (c) preparation of future investments in the water supply sector in Haiphong.
3. Design and implementation of a program of institutional support to the Quang Ninh Water Supply Company, including provision of consultants' services and staff training for: (a) upgrading of accounting, improved customer relations, and development of guidelines for system operation and maintenance; (b) studies of Cao Van dam safety and monitoring water quality; and (c) preparation of future investments in the water supply sector in Quang Ninh Province.
4. Design and implementation of a program of institutional support to the Danang Water Supply Company, including provision of consultants' services and staff training for: (a) upgrading of accounting, improved customer relations, and development of

guidelines for system operation and maintenance; (b) studies of water quality monitoring; and (c) preparation of future investments in the water supply sector in Danang.

5. Design an investment and institutional development program to meet water supply demands after the year 2000 in (i) Hanoi City; (ii) Haiphong City, (iii) Quang Ninh Province, and (iv) Danang City, including water companies self-financing and private sector participation therein.

* * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means in respect of (i) Hanoi Special Account, Categories (1) (a), (2) (a) and (3) (a); (ii) Haiphong Special Account, Categories (1) (b), (2) (b) and (3) (b); (iii) Quang Ninh Special Account, Categories (1) (c) and (2) (c); and (iv) Danang Special Account, Categories (1) (d), (2) (d) and (3) (c).

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Interim Fund 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 in respect of: (i) Haiphong Special Account, an amount equal to US\$1,000,000; (ii) Hanoi Special Account, an amount equal to US\$1,000,000; (iii) Danang Special Account, an amount equal to US\$1,000,000; and (iv) Quang Ninh Special Account, an amount equal to US\$1,000,000, to be withdrawn from the Interim Fund Credit Account and deposited into the respective Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount in respect of: (i) Hanoi Special Account, Categories (1) (a), (2) (a) and (3) (a) equivalent to \$500,000; (ii) Haiphong Special Account, Categories (1) (b), (2) (b) and (3) (b) equivalent to \$500,000; (iii) Quang Ninh Special Account, Categories (1) (c) and (2) (c) equivalent to \$500,000; and (iv) Danang Special Account, Categories (1) (d), (2) (d) and (3) (c) equivalent to \$500,000, until the aggregate amount of withdrawals from the Interim Fund Credit Account plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions for: (A) Categories (1)(a), (2)(a) and (3)(a) shall be equal to or exceed the equivalent of SDR 700,000; (B) Categories (1)(b), (2)(b) and (3)(b) shall be equal to or exceed the equivalent of SDR 700,000; (C) Categories (1)(c), and (2)(c) shall be equal to or exceed the equivalent of SDR 700,000; and (D) Categories (1)(d), (2)(d) and (3)(c) shall be equal to or exceed the equivalent of SDR 700,000.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Administrator 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 Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund 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 Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator 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 Administrator shall, on behalf of the Borrower, withdraw from the Interim Fund 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 Administrator from the Interim Fund 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 any of the Special Accounts, the Borrower shall, at such time as the Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into any of the Special Accounts:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Borrower directly from the Interim Fund 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 Administrator, 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 Administrator pursuant to said Section in respect of the audit of the records and accounts for such Special Account;

(c) if, at any time, the Administrator 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 Interim Fund Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Administrator 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 Interim Fund Credit Account of the remaining unwithdrawn amount of the Interim Fund Credit allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in such Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Administrator shall have determined at any time that any payment out of any of the Special Accounts: (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 Administrator, the Borrower shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into such Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into such 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 Administrator shall have determined at any time that any amount

outstanding in any of the Special Accounts will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

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

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

