

CONFORMED COPY

CREDIT NUMBER 2711 VN

Development Credit Agreement  
(Irrigation Rehabilitation Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 11, 1995

CREDIT NUMBER 2711 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 11, 1995, between SOCIALIST REPUBLIC OF VIET NAM (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;

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated

January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

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

(b) "Communes" means collectively the Village Communes in the Project Area;

(c) "CPO" means the Central Project Office within MWR to be established pursuant to paragraph 1 of Schedule 4 to this Agreement;

(d) "Dam Safety Panel" means the panel of experts to be established pursuant to paragraph 3 of Schedule 4 to this Agreement;

(e) "District Peoples' Committees" means collectively the District Peoples' Committee in the Project Area;

(f) "Environmental Action Plan" means each of the action plans to be prepared by the Borrower pursuant to paragraph 4 of Schedule 4 to this Agreement;

(g) "MWR" means the Borrower's Ministry of Water Resources and any successor thereto;

(h) "Project Area" means the aggregate command area of the irrigation schemes under Part A of the Project;

(i) "Provincial Peoples' Committees" means collectively the Provincial Peoples' Committee of Thanh Hoa Province, Nghe An Province, Ha Tinh Province, Quang Nam Da Nang Province, Quang Ngai Province and Phu Yen Province, and Ho Chi Minh City;

(j) "RAP Phase I" means the overall resettlement action plan for Part C of the Project approved by the Borrower on March 27, 1995 (Decision No. 184/TTG), for carrying out the compensation, resettlement and rehabilitation of the Affected Persons, as such plan may be revised from time to time by agreement between the Borrower and the Association;

(k) "RAP Phase II" means the detailed resettlement action plans referred to in paragraph 5 of Schedule 4 to this Agreement, as such RAP Phase II plans may be revised from time to time by agreement between the Borrower and the Association;

(l) "SIO" means the Subproject Implementation Office to be established for each irrigation scheme under Part A of the Project pursuant to paragraph 2 of Schedule 4 to this Agreement;

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

(n) "Water Users Group" means each of the water users associations, cooperatives and other entities formed or to be formed by farmers in the Project Area for purposes, inter alia,

of construction and operation and maintenance of irrigation canals serving command areas of 150 hectares or less.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to sixty seven million Special Drawing Rights (SDR 67,000,000).

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

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

Section 2.03. The Closing Date shall be December 31, 2001 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 or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1

commencing October 1, 2005 and ending April 1, 2035. Each installment to and including the installment payable on April 1, 2015 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Parts A and B of the Project through MWR and Part C of the Project through the Provincial Peoples' Committees, District Peoples' Committees and Communes, all with due diligence and efficiency and in conformity with appropriate irrigation, agricultural, environmental, dam safety, resettlement and rehabilitation, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project, including without limitation on the foregoing adequate funds for the efficient operation and maintenance of the facilities constructed or rehabilitated under Part A of 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. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare 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, of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project;

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

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

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

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and

- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Condition, namely, that the CPO has been established and its project manager appointed in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement.

Section 5.02. The following is specified as 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 provisions of the RAP Phase I are legally valid and enforceable in accordance with Vietnamese laws.

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

##### Representatives of the Borrower; Addresses

Section 6.01. The Governor of the State Bank 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 Viet Nam  
49 Ly Thai To Street  
Hanoi  
Socialist Republic of Viet Nam

Cable address:

Telex:

VIETBANK  
Hanoi

412248 NHTWVT

For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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

SOCIALIST REPUBLIC OF VIET NAM

By /s/ Cao Sy Kiem

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Russell Cheetham

Regional Vice President  
East Asia and Pacific

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<br>Credit Allocated<br>(Expressed in<br>SDR Equivalent | % of<br>Expenditures<br>to be Financed |
|---|--|--|
| (1) Civil works:  |  | 91%                                    |
| (a) for the Cam Thuy<br>irrigation scheme under<br>Part A (i) of the Project                          | 1,210,000  |  |
| (b) for the South Nghe An<br>irrigation scheme under<br>Part A (ii) of the Project                    | 8,780,000  |  |
| (c) for the Linh Cam<br>irrigation scheme under<br>Part A (iii) of the Project                        | 4,690,000  |  |
| (d) for the An Trach<br>irrigation scheme under<br>Part A (iv) of the Project                         | 2,010,000  |  |
| (e) for the Thach Nham<br>irrigation scheme under<br>Part A (v) of the Project                        | 15,010,000   |  |
| (f) for the Dong Cam<br>irrigation scheme under<br>Part A (vi) of the Project                         | 5,430,000  |  |
| (g) for the Hoc Mon/<br>North Binh Chanh<br>irrigation scheme<br>under Part A (vii)<br>of the Project | 15,280,000   |  |

| Category  | Amount of the<br>Credit Allocated<br>(Expressed in<br>SDR Equivalent) | % of<br>Expenditures<br>to be Financed                                    |
|---|---|---|
| (2) Goods:  |   | 100% of foreign<br>expenditures,  |
| (a) for the Cam Thuy<br>irrigation scheme<br>under Part A (i)<br>of the Project                       | 340,000   | 100% of local<br>expenditures<br>(ex-factory<br>cost) and 80%<br>of local |
| (b) for the South Nghe<br>An irrigation scheme<br>under Part A (ii) of<br>the Project                 | 1,340,000   | expenditures<br>for other items<br>procured<br>locally                    |
| (c) for the Linh Cam<br>irrigation scheme<br>under Part A (iii)<br>of the Project                     | 1,540,000   |   |
| (d) for the An Trach<br>irrigation scheme<br>under Part A (iv)<br>of the Project                      | 540,000   |   |
| (e) for the Thach Nham<br>irrigation scheme<br>under Part A (v)<br>of the Project                     | 540,000   |   |
| (f) for the Dong Cam<br>irrigation scheme under<br>Part A (vi) of<br>the Project                      | 400,000   |   |
| (g) for the Hoc Mon/<br>North Binh Chanh<br>irrigation scheme<br>under Part A (vii)<br>of the Project | 340,000   |   |
|   |   |   |
| Category  | Amount of the<br>Credit Allocated<br>(Expressed in<br>SDR Equivalent) | % of<br>Expenditures<br>to be Financed                                    |
| (3) Consultants' services   | 2,420,000   | 100%  |
| (4) Training  | 470,000   | 100%  |
| (5) Unallocated   | 6,660,000   |   |
| TOTAL   | <u>67,000,000</u>   |   |

2. For the purposes of this Schedule:

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

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

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



(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed SDR6,700,000, may be made in respect of Category 1 on account of payments made for expenditures before that date but after August 1, 1994; and

(b) payments made for expenditures under:

(i) Categories 1(a) and 2(a), until the measures set forth in paragraph 4 hereof have been taken in respect of the Cam Thuy irrigation scheme;

(ii) Categories 1(b) and 2(b), until the measures set forth in paragraph 4 hereof have been taken in respect of the South Nghe An irrigation scheme;

(iii) Categories 1(c) and 2(c), until the measures set forth in paragraph 4 hereof have been taken in respect of the Linh Cam irrigation scheme;

(iv) Categories 1(d) and 2(d), until the measures set forth in paragraph 4 hereof have been taken in respect of the An Trach irrigation scheme;

(v) Categories 1(e) and 2(e), until the measures set forth in paragraph 4 hereof have been taken in respect of Thach Nham irrigation scheme;

(vi) Categories 1(f) and 2(f), until the measures set forth in paragraph 4 hereof have been taken in respect of Dong Cam irrigation scheme; and

(vii) Categories 1(g) and 2(g), until the measures set forth in paragraph 4 hereof have been taken in respect of Hoc Mon/North Binh Chanh irrigation scheme.

4. The Borrower shall furnish to the Association evidence satisfactory to the Association that: (a) the resettlement of, and rehabilitation measures provided to, the Affected Persons have been undertaken pursuant to the provisions of paragraph 5 of Schedule 4 to this Agreement; (b) the SIO has been established pursuant to the provisions of paragraph 2 of Schedule 4 to this Agreement; and (c) the Environmental Action Plan has been adopted pursuant to the provisions of paragraph 4 of Schedule 4 to this Agreement.

5. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for training and under contracts for: (a) goods and works not exceeding \$200,000 equivalent each; (b) consultants' services with firms not exceeding \$100,000 equivalent each; and (c) consultants' services with individuals not exceeding \$50,000 equivalent each, under such terms and conditions as the Association shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to increase agricultural production, farmer incomes and reduce poverty in the Project Area.

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: Restoration, rehabilitation and/or completion of the following irrigation schemes:

(i) Cam Thuy irrigation scheme in Thanh Hoa Province, including rehabilitation of the Thung Bang dam, replacement of six pumping stations and rehabilitation of the irrigation canal network and related structures to increase the irrigated command area from about 760 hectares to about 1,920 hectares.

(ii) South Nghe An irrigation scheme in Nghe An Province, including rehabilitation of the sluices at Nam Dan and Ben Thuy, completion of a new sluice at Nghi Quang, dredging of the Thap and Gai main canals and of the Vinh River, rehabilitation of 79 small pumping stations and 70 kilometers of canals to increase the irrigated command area from about 15,300 hectares to about 25,500 hectares, and construction of two new pumping stations and irrigation structures to irrigate an additional command area of about 6,000 hectares.

(iii) Linh Cam irrigation scheme in Ha Tinh Province, including rehabilitation of pump houses and replacement of mechanical and electrical equipment in the pumping stations of Linh Cam and Cau Cao, rehabilitation of three sluices on the La River, dredging of about 8 kilometers of the May 19 canal and of about 12 kilometers of the Nghen River and rehabilitation of the irrigation network to irrigate a command area of about 14,600 hectares.

(iv) An Trach irrigation scheme in Quang Nam Da Nang Province, including rehabilitation of three weirs and main, secondary and tertiary canals to irrigate a command area of about 9,715 hectares.

(v) Thach Nham irrigation scheme in Quang Ngai Province, including construction of about 20 kilometers of main canals and related structures for most of the 65 kilometers of main canals, construction of about 50 kilometers of primary canals and of about 350 kilometers of secondary and tertiary canals to increase the irrigated command area from about 18,900 hectares to about 45,500 hectares, and on-farm works.

(vi) Dong Cam irrigation scheme in Phu Yen Province, including repair of the diversion weir, replacement of old irrigation structures, river bank protection, desilting and lining of canals, dredging of drains and reconstruction of canals to increase the irrigated command area from about 17,000 hectares to about 19,800 hectares.

(vii) Hoc Mon/ North Binh Chanh irrigation scheme in Ho Chi Minh City, including construction of seven sluices and about 10 kilometers of canals, dredging of about 24 kilometers of interceptor drains and canals, and construction of secondary and tertiary canals to increase the irrigated command area from about 300 hectares to about 13,300 hectares, and on-farm works.

Part B: Strengthening the MWR's capacity at the central and provincial levels in engineering design and construction management, operation and maintenance of irrigation schemes, and on accounting and auditing of Project accounts, and the Water Users Groups' capacity in construction and operation and maintenance of irrigation schemes serving a command area of 150 ha or less, including provision of staff training, vehicles, technical assistance and office and testing materials and equipment.

Part C: Resettling and rehabilitating the Affected Persons.

\* \* \*

The Project is expected to be completed by December 31, 2000.

## Procurement and Consultants' Services

### Section I. Procurement of Goods and Works

#### Part A: International Competitive Bidding

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

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of Paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Association's prior review in accordance with the provisions of Part E.1 and E.2 of this Section, the Association's prior approval will be required for:

- (i) a first extension of the bid validity period, if the period of extension exceeds sixty (60) days; and
- (ii) any subsequent extension of the bid validity period.

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

2. Bidders for civil works under Part A of the Project shall be prequalified as provided in paragraph 2.10 of the Guidelines.

#### Part B: Preference for Domestic Manufacturers

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

#### Part C: Preference for Domestic Contractors

In the procurement of works in accordance with the procedures described in Part A.1 hereof, the Borrower may grant a margin of preference to domestic contractors in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraph 5 of Appendix 2 thereto.

#### Part D: Other Procurement Procedures

1. Civil works estimated to cost the equivalent of less than \$2,000,000 per contract, up to an aggregate amount equivalent to \$37,200,000 may be procured under contracts awarded on the basis of competitive bidding advertised locally, in accordance

with procedures satisfactory to the Association; provided, however, that civil works which are scattered and in isolated areas up to an aggregate amount equivalent to \$5,000,000 may be carried out by force account by MWR or by the relevant Provincial Peoples' Committees.

2. Items or groups of items for light construction equipment, vehicles, motor bikes, equipment for testing materials and office equipment estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association or, with the Association's prior concurrence, by direct contracting in accordance with paragraph 3.5 of the Guidelines; provided, however, that if the above-mentioned items or groups of items are urgently needed they may be procured through the United Nations Inter-Agency Procurement Services Office in accordance with the standard procurement procedures used by such Office.

#### Part E: Review by the Association of Procurement Decisions

##### 1. Review of prequalification:

With respect to the prequalification of bidders as provided in Part A.2 hereof, the procedures set forth in paragraph 1 of Appendix 1 to the Guidelines shall apply.

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

(a) With respect to each contract for civil works and goods estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

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

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

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

#### Section II. Employment of Consultants

1. In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank's Borrowers and by the World Bank as Executing Agency" published

by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, this exception to prior Bank review shall not apply to (i) the terms of reference for such contracts, (ii) single source selection of consulting firms, (iii) assignments of a critical nature, as reasonably determined by the Bank, (iv) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (v) amendments to contracts for the employment of individuals raising the contract value to \$50,000 equivalent or above.

#### SCHEDULE 4

##### Implementation Program

1. The Borrower shall, within MWR, establish and thereafter maintain the CPO headed by a project manager with qualifications and experience satisfactory to the Association and assisted by competent staff in adequate numbers, and be provided with such functions, responsibilities, funds and other facilities as shall be required to enable the CPO to undertake, inter alia, the overall supervision and monitoring of the engineering, planning, design, procurement and construction of the works under Part A of the Project and the resettlement and rehabilitation of the Affected Persons under Part C of the Project.

2. The Borrower shall, within MWR, establish and thereafter maintain for each irrigation scheme under Part A of the Project a SIO headed by a qualified and experienced officer and assisted by competent staff in adequate numbers, and be provided with such functions, responsibilities, funds and other facilities as shall be required to enable each SIO to undertake, inter alia, the day-to-day contract administration and quality control of works and electro-mechanical equipment and other facilities of the irrigation scheme under their responsibility.

3. The Borrower shall, by June 30, 1996, furnish to the Association for its approval, proposed arrangements for establishing the Dam Safety Panel for the periodic inspection of the Dau Tieng, Thung Bang, Ayun and Hinh dams in accordance with sound engineering practices in order to determine whether there are any deficiencies in the design, construction and/or repair of these dams or in the condition of such structures or in the quality and adequacy of maintenance, or methods of operation of the same, which may endanger their safety. The proposed arrangements shall include: (a) a list of experts with professional independence, qualifications and experience in dam safety, satisfactory to the Association, to be appointed as members of the Dam Safety Panel; and (b) a time-bound plan of dam inspections to be undertaken during design, construction, repair and maintenance of these dams. Thereafter, the Borrower shall establish the Dam Safety Panel, appoint its members from the above-mentioned list under terms of reference satisfactory to the Association, and implement the dam safety inspection

arrangements as approved by the Association. Until the Dam Safety Panel and dam safety inspection arrangements for the Dau Tieng dam set forth above have been implemented, the provisions of this paragraph shall not be construed as limiting the obligations of the Borrower under Section 4.02 of the Development Credit Agreement entered into between the Borrower and the Association for the Dau Tieng Irrigation Project (Credit No. 845-VN) dated August 24, 1978.

4. The Borrower shall prepare and furnish to the Association, for its approval, an Environmental Action Plan for each irrigation scheme under Part A of the Project to mitigate any significant environmental adverse impact caused or to be caused by any such irrigation scheme, and thereafter, the Borrower shall adopt and implement such Action Plans as so approved.

5. The Borrower shall, and shall cause the Provincial Peoples' Committees, District Peoples' Committees and Communes to:

(a) carry out the resettlement and rehabilitation of the Affected Persons in accordance with the provisions set forth in the RAP Phase I in a manner satisfactory to the Association, provided, however, that the resettlement and rehabilitation of the Affected Persons under the South Nghe An, Thach Nham, Dong Cam and Hoc Mon/ North Binh Chanh irrigation schemes under Parts A (ii), A (v), A (vi) and A (vii) of the Project shall also be carried out in accordance with the additional detailed provisions of the respective RAP Phase II. For these purposes, the Borrower shall, in a timely manner, prepare and furnish to the Association, for its approval, proposed RAPs Phase II for carrying out the compensation, resettlement and rehabilitation of the Affected Person under each such irrigation scheme;

(b) promptly take all such actions as are necessary, including the adequate provision of funds, to implement the provisions of the RAP Phase I and each RAP Phase II as approved by the Association, in a manner satisfactory to the Association; and

(c) by November 1, 1995, under terms of reference satisfactory to the Association, retain the services of an independent entity, with qualifications, experience and staffing acceptable to the Association, for carrying out the external monitoring of the resettlement and rehabilitation of the Affected Persons under Part C of the Project.

6. The Borrower shall, and shall cause the Provincial Peoples' Committees, District Peoples' Committees and Communes within their respective jurisdictions, to:

(a) carry out, in accordance with standards and criteria satisfactory to the Association, the planning and design, and oversee the construction and upgrading of the canals serving a command area of about 150 hectares or less of each of the irrigation schemes under Part A of the Project;

(b) through arrangements satisfactory to the Association, entrust the Water Users Group with the carrying out of the construction works of the canals referred to in subparagraph (a) of this paragraph; and

(c) promptly provide all funds, resources, staffing and other facilities as shall be required to carry out the works referred to in subparagraph (a) of this paragraph.

7. The Borrower shall by March 15, 1998, prepare and furnish to the Association, for its review and comments, a time-bound financial management plan for each irrigation scheme under Part A of the Project to: (a) improve efficiency in the operation and maintenance of such irrigation schemes; and (b) impose and

collect from farmers benefitting from such irrigation schemes water charges at such levels as shall be sufficient to cover the costs of operation and maintenance of such irrigation schemes as they are incurred.

8. The Borrower shall by March 15, 1998, prepare and furnish to the Association, for its review and comments, time-bound plans to recover from each of the Provincial Peoples' Committees the amounts invested by the Borrower on account of the construction and/or rehabilitation of the irrigation canals and structures serving a command area of about 150 hectares or less under each of the irrigation schemes under Part A of the Project located within their respective jurisdiction, which plans shall be consistent with the financial management plans referred to in paragraph 7 of this Schedule, and thereafter, taking into account the Association's comments, implement such plans.

9. For purposes of carrying out Part B of the Project the Borrower shall, by not later than November 30 of each year, commencing on November 30, 1995, furnish to the Association, for its review and comments, proposed training programs for the MWR staff, the Provincial Peoples' Committees staff responsible for irrigation works and the Water Users Groups, and, thereafter, taking into account the Association's comments, carry out such training programs.

10. The Borrower shall by December 31, 1995, establish and thereafter implement monitoring and evaluation and reporting systems for the various activities under Parts A and B of the Project, satisfactory to the Association, and thereafter, on March 1 and September 1 of each year, commencing on March 1, 1996, prepare and furnish to the Association semi-annual Project progress reports.

11. By December 31, 1996, the Borrower shall prepare and furnish to the Association for its review and comments a proposal to enhance farmers' participation in the management of the Irrigation Management Companies of the relevant Provincial Peoples' Committees in the Project Area, and, thereafter, taking into account the Association's comments, implement such proposal.

12. By March 15, 1998, the Borrower and the Association shall carry out a mid-term review of the Project. For this purpose the Borrower shall furnish to the Association, in a timely manner, an assessment of, inter alia: (a) progress made in achieving the Project objectives; (b) the performance of the technical assistance; and (c) the need to adjust Project design in the light of the implementation of the Project. As part of the review, the Borrower shall prepare a program of action, satisfactory to the Association, to address deficiencies in Project implementation identified in the assessment. Promptly after the mid-term review, the Borrower shall take, or shall cause to be taken, all necessary action required for the implementation of the above-mentioned program of action.

#### 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 \$5,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

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

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

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

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

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

(a) if, at any time, the Association shall have determined that all further withdrawals in respect of any respective Parts of the Project 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 for the Special Account, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the respective Parts of 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 for the Special Account 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.

