CREDIT NUMBER 3969-VN

Development Credit Agreement

(Avian Influenza Emergency Recovery Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 27, 2004

CREDIT NUMBER 3969-VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 27, 2004, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower will receive from the United Nations Food and Agriculture Organization (FAO) a grant (the FAO Grant) in an aggregate amount of up to five hundred fifty thousand Dollars ($550,000) to assist in the financing of Parts A.1 (c), A.2, A.3, A.4, B.2 and B.3 of the Project on the terms and conditions set forth in an agreement or agreements to be entered into between the Borrower and FAO (the FAO Grant Agreements); and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through May 1, 2004) (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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

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

(b) "DA" means the Borrower's Department of Agriculture within MARD (as defined below), and any successor thereto.

(c) "DAH" means the Borrower's Department of Animal Health within MARD, and any successor thereto

(d) "DARD" means the Borrower's Department of Agriculture and Rural Development at the provincial level.

(e) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement.

(f) "Grand Parent" and "GP" mean pure-bred poultry breeding stock.

(g) "HPAI" means the highly pathogenic avian influenza virus.

(h) "MARD" means the Borrower's Ministry of Agriculture and Rural Development, and any successor thereto.

(i) "NAEC" means the National Agricultural Extension Center within MARD, and any successor thereto.

(j) "NSC" means the National Steering Committee for Avian Influenza Control referred to in paragraph 1 of Schedule 4 to this Agreement.

(k) "OIE" means Organisation Internationale des Epizooties, the World Organization for Animal Health, and any successor thereto.

(l) "PCU" means the Project Coordination Unit referred to in paragraph 2 of Schedule 4 to this Agreement.

(m) "PPIU" means a Provincial Project Implementation Unit referred to in paragraph 3 of Schedule 4 to this Agreement.

(n) "Procurement Plan" means the Borrower's procurement plan, dated June, 2004 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation.

(o) "Project Provinces" means the Provinces of An Giang, Binh Dinh, Dong Nai, Dong Thap, Ha Tay, Thua Thien - Hue, Long An, Thai Binh, Tien Giang and Vinh Phuc, and such other province or provinces as the Borrower and the Association may agree to from time to time, and any successor thereto; and a "Project Province" means any of the Project Provinces.

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

(q) "WHO" means the World Health Organization, an agency of the United Nations, and any successor thereto.

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 three million five hundred thousand Special Drawing Rights (SDR3,500,000).

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

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

Section 2.03. The Closing Date shall be December 31, 2006, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

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

or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing January 15, 2015 and ending July 15, 2044. Each installment to and including the installment payable on July 15, 2024 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

(A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

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

KR AB

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through its Ministry of Agriculture and Rural Development and the Project Provinces, with due diligence and efficiency and in conformity with appropriate administrative, financial, veterinarian and public health practices, and sound social and environmental standards acceptable to the Association, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. (a) 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

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

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the objectives of the Project and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may 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) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Association's representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 10 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

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

(a) The Borrower shall have ceased to be a member in good standing of OIE and/or WHO.

(b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the FAO Grant made to the Borrower to assist in the financing of Parts A.1(c), A.2, A.3, A.4, B.2 and B.3 of the Project, shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement or agreements providing therefor;

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination 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.

ARTICLE VI

Effective Date; Termination

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

(a) the FAO Grant Agreements have been executed and delivered and all conditions precedent to their effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled;

(b) the Borrower, through MARD, has adopted and put into effect a Project implementation manual acceptable to the Association, in accordance with the provisions of paragraph 4 of Schedule 4 to this Agreement;

(c) the Borrower, through MARD, has prepared a detailed procurement plan for the period July 2004 through December 2005, acceptable to the Association; and

(d) (i) the PCU has: (A) appointed senior staff seconded from each of DAH, DA and NAEC, as Coordinators; and (B) selected a full time Project accountant and a procurement officer with qualifications and experience acceptable to the Association, to be appointed to the PCU under terms of reference acceptable to the Association, all in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement;

(ii) at least three (3) Project Provinces have established their respective PPIUs, and appointed thereto a part-time Project accountant, with qualifications and experience acceptable to the Association, all in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement;

(iii) the PCU has established a computerized accounting system acceptable to the Association; and

(iv) the accounting staff selected for the PCU and the accounting staff appointed to the PPIUs referred to in clause (ii) above have completed training in financial management, control and reporting, in a manner satisfactory to the Association.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Governor or any Deputy Governor of the State Bank of Vietnam is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 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:	Telex:	Facsimile:
VIETBANK	412248	(84-4) 825 0612
Hanoi	NHTWVT	

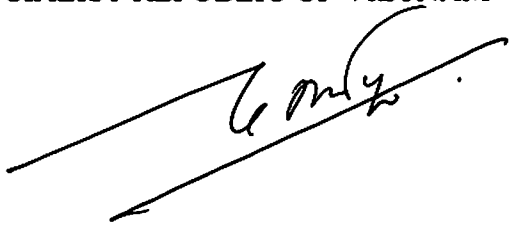
For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS	248423 (MCI)	(1-202) 477-6391
Washington, D.C.	or 64145 (MCI)	

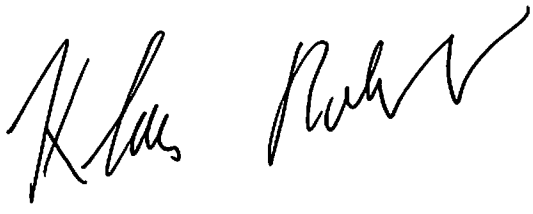
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Hanoi, Socialist Republic of Vietnam as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By 

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By 

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works	280,000	90%
(2) Goods:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(a) breeding stock under Part B.1 of the Project	840,000	
(b) laboratory equipment under Part A.3 of the Project	175,000	
(c) other goods	1,225,000	
(3) Consultants' services other than under Parts A.1(c), A.2, A.3, A.4, for biosecurity assessment under Part B.2, and under Part B.3	210,000	100% for expenditures for services of individuals domiciled outside the territory of the Borrower, and 93% for expenditures for services of all other consultants
(4) Training and workshops other than under Parts A.1(c), A.2, A.3 and A.4 of the Project	350,000	100%
(5) Incremental Operating Costs	280,000	70%
(6) Unallocated	140,000	
TOTAL:	3,500,000	

2. For the purposes of this Schedule:

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

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

(c) the term "Incremental Operating Costs" means the reasonable costs of incremental expenditures incurred by the Borrower in the implementation of the Project (which expenditures would not have been incurred absent the Project), including staff per diem field allowances, travel expenses, costs for vehicle operation and maintenance, office rental and office consumables, communication expenses, printing expenses, compensation for emergency overtime for Animal Health Workers at the commune level, and salaries of contractual staff, but excluding regular salaries of public employees.

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 exceeding the equivalent of SDR 210,000, may be made in respect of Categories (2), (3), (4) and (5) on account of payments made for expenditures before that date but after May 15, 2004;

(b) payments made for expenditures in respect of Category (2)(a), until the Borrower has provided to the Association: (i) the assessment report and recommendations of the biosecurity specialist; and (ii) evidence that said recommendations have been incorporated into the final construction designs for the upgrading and rehabilitation of breeding farms, all in accordance with the provisions of paragraph 7 of Schedule 4 to this Agreement; and

(c) payments made for expenditures in respect of Category (2)(b) for the establishment of the Virus Reference Laboratory under Part A.3 of the Project, until the Borrower has provided to the Association: (i) an accident mitigation plan acceptable to the Association; and (ii) a satisfactory report of a technical audit of the National Institute for Viral Research conducted under terms of reference acceptable to the Association, by an expert or experts with qualifications and experience acceptable to the Association, all in accordance with the provisions of paragraph 6 of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than $50,000 equivalent per contract, except contracts for breeding stocks under Part B.1 of the Project; (b) works costing less than $50,000 equivalent per contract; (c) services of: (i) individual consultants costing less than $50,000 equivalent per

contract; and (ii) consulting firms costing less than $100,000 equivalent per contract; (d) training and workshops; and (e) Incremental Operating Costs; all 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 assist the Borrower to restore productive assets and economic activities in the rural areas following the 2003-2004 avian influenza epidemic and to safeguard against future outbreaks, through: (i) the strengthening of disease surveillance and diagnostic capacity in the control of HPAI; (ii) strengthening of the poultry sector infrastructure to better cope with serious disease outbreaks; and (iii) improvement in public awareness and information to safeguard human health.

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: Disease Surveillance, Diagnostic Capacity and HPAI Research

1. Enhance disease surveillance from the commune to the central levels through the provision of technical assistance, training and goods to: (a) strengthen public veterinary networks and carry out routine serological survey; (b) establish community-based surveillance networks in approximately thirty (30) districts in the Project Provinces; and (c) improve information flows and improve epidemiological information system.

2. Strengthen disease diagnostic capacity through the provision of technical assistance, equipment and training to the National Veterinary Diagnostic Center in Hanoi and to the Regional Veterinary Centers in Vinh, Da Nang, Can Tho and Ho Chi Minh City.

3. Strengthen research on HPAI and other pathogenic viruses through the provision of technical assistance, equipment and training for the establishment of a Virus Reference Laboratory under the National Institute for Veterinary Research.

4. Carry out strategic studies to support the preparation of a national contingency plan for HPAI; carry out a self-evaluation of veterinary services; and participation in regional and international information exchanges and dissemination on avian influenza.

5. Develop an emergency outbreak containment plan, including provision of disinfectants, equipment and protective clothing to enable rapid activation of human and physical resources in cases of outbreak.

Part B: Poultry Sector Rehabilitation

1. Replace poultry breeding stock through the import of disease-free GP breeding stock and re-stocking of about twelve (12) poultry breeding farms operated by MARD.

2. Strengthen the biosecurity of GP breeding farms to ensure their defense against infectious disease outbreaks through the provision of technical assistance and equipment, rehabilitation and upgrading of livestock facilities and development of disease containment measures.

3. Carry out strategic studies on compensation policy for affected producers and on the restructuring of the poultry sector to enable it to withstand serious disease outbreaks; and carry out a survey of poultry losses resulting from the 2003-2004 avian influenza epidemic.

Part C: Public Awareness and Information

1. Carry out a program to build capacity on communications and public information, including carrying out a needs assessment of extension and veterinary staff at all levels, training of trainers on communication, common poultry diseases and animal husbandry, and dissemination of information to poultry farmers, through the provision of technical assistance, training and equipment.

2. Develop pilot models for community-based rapid communication and information systems, including providing training in communications methodology for extension and veterinary staff and assessing needs in communications requirements for poultry producers, through the provision of technical assistance, equipment, training and the preparation and dissemination of communication and information materials.

3. Improve the monitoring and evaluation of public awareness and information activities under the Project, through the provision of technical assistance and training.

Part D: Project Management Support

Strengthen Project implementation capacity at the central and provincial levels, including auditing of Project activities, through the provision of technical assistance, equipment and training.

* * *

The Project is expected to be completed by June 30, 2006.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. Shopping. Goods (including laboratory equipment, chemicals and reagents for the National Veterinary Diagnostic Center, the four Regional Veterinary Centers and the Virus Reference Laboratory, protective clothing, disinfectants, sampling kits and small equipment, and vehicles) estimated to cost less than $250,000 equivalent per contract and works for upgrading of the biosecurity of GP poultry breeding farms, may be procured under contracts awarded on the basis of Shopping.

2. Direct Contracting. Essential GP breeding stocks which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

3. Procurement from UN Agencies

(a) Laboratory equipment and chemicals and reagents for the National Veterinary Diagnostic Center, the four Regional Veterinary Centers, and the Virus Reference Laboratory, protective clothing, disinfectants, sampling kits and small equipment may be procured directly from the World Health Organization in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

(b) Vehicles may be procured from the Inter-agency Procurement Services Office (IAPSO) of the United Nations in accordance with the provisions of paragraph 3.9 of the Guidelines.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. If the Procurement Plan provides for prior review of contracts for the employment of individual consultants, the record of justification for such contracts, referred to in paragraph 5 of Appendix 1 to the Consultant Guidelines, shall be subject to Prior Review by the Association. All other contracts shall be subject to Post Review by the Association.

SCHEDULE 4

Implementation Program

Project Management

1. The Borrower shall, throughout the period of implementation of the Project, maintain the inter-ministerial National Steering Committee for Avian Influenza Control, under the chairmanship of the Minister of MARD and with representation from the Ministries of Health, Finance, Planning and Investment among others; with sufficient functions and authority to provide general policies and guidelines for Project implementation, review annual work plans and ensure coordination among agencies responsible for public health, veterinarian services and other relevant agencies.

2. The Borrower shall, throughout the period of implementation of the Project, maintain a national Project Coordination Unit within MARD to be responsible for the day to day management, supervision and monitoring of Project implementation, including overseeing procurement and financial management, providing guidance in and monitoring of Project implementation at the provincial and local levels, and maintaining coordination among the departments and units of MARD implementing Project activities; said Project Coordination Unit to be under the direction of experienced managers, provided with sufficient resources, and staffed with competent personnel in adequate numbers, with qualification and experience and under terms of reference satisfactory to the Association, including three Coordinators, drawn from among senior staff from DAH, DA and NAEC, and seconded to the PCU to be in charge respectively of Parts A, B and C of the Project, a Project accountant and a procurement officer.

3. The Borrower:

(a) shall cause each Project Province to establish and, thereafter throughout the period of implementation of the Project, maintain a PPIU to be responsible for managing the implementation of the Project in said Project Province under the guidance and supervision of the PCU; said PPIU to be under the direction of the Deputy Director of the provincial Department of Agriculture and Rural Development, provided with sufficient resources, and staffed with competent personnel in adequate numbers, and with experience and qualification and under terms of reference acceptable to the Association, including staff drawn from DARD sub-departments of Animal Health, Agriculture, and Extension, and a Project accountant, and with representation from various stakeholder groups, including the local Women's Union; and

(b) shall not finance any Project activities within a Project Province until such Province has established its PPIU, in accordance with the provisions of sub-paragraph (a) above, in a manner acceptable to the Association and the Borrower.

4. (a) To guide the implementation of the Project, the Borrower, through MARD, shall prepare and adopt a Project Implementation Manual acceptable to the Association; said Project Implementation Manual to set forth the implementation arrangements at both the central and provincial levels, and to provide detailed guidelines for procurement and financial management, including procedures and requirements for disbursement of funds, record keeping, reporting and auditing of Project records.

(b) The Borrower shall not amend, revise, abrogate or waive the Project Implementation Manual or any part thereof without the prior concurrence of the Association.

5. For purposes of Parts A.2 and A.3 of the Project, the Borrower shall:

(a) adopt generally accepted standards of biosafety, including safety for laboratory workers; and

(b) implement a program of training in said standards of biosafety for staff of the National Veterinary Diagnostic Center and Regional Veterinary Centers, and of the Virus Reference Laboratory, in a manner acceptable to the Association.

6. In regard to the Virus Reference Laboratory under Part A.3 of the Project, prior to putting it into operation, the Borrower shall:

(a) prepare and put into effect an accident mitigation plan acceptable to the Association; and

(b) submit the design and operation plans of said Laboratory to a technical audit in respect of their biosafety standards by experts with qualifications and experience acceptable to the Association and under terms of reference acceptable to the Association.

7. In regard to Part B.2 of the Project, the Borrower shall:

(a) engage engineering consultants with qualification and experience and under terms of reference acceptable to the Association to prepare construction designs addressing biosecurity needs for each of the GP breeding farms under the Project;

(b) prior to commencing work to upgrade livestock facilities, purchasing and installing biosecurity equipment and re-stocking such breeding farms, engage a biosecurity specialist with qualification and experience and under terms of reference acceptable to the Association, to assess the adequacy of biosecurity measures in the construction designs referred to in sub-paragraph (a) above; the assessment report and recommendations of said biosecurity specialist shall be provided to the Association for its review; and

(c) incorporate the biosecurity specialist's recommendation into the final construction designs which shall form the basis for the upgrading and rehabilitation of said farms.

8. In regard to Part A.4 of the Project, the Borrower shall:

(a) by no later than December 31, 2004, complete the preparation of a National Emergency Contingency Plan for HPAI, and provide such Plan to the Association for its review and comment; and

(b) thereafter, put into effect said Plan taking into consideration the Association's view thereon.

9. In regard to Part B.3 of the Project, the Borrower shall, by no later than December 31, 2004, complete a study on compensation policy for producers affected by HPAI, under terms of reference acceptable to the Association, and provide such study and the recommendations thereof to the Association for its review and comments.

10. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association; (i) on or about April 15 and October 15 of each year, commencing on October 15, 2004, a semi-annual report; and (ii) on or about June 30, 2005, a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 10, on the progress achieved in the carrying out of the Project during the period preceding the date of each such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) promptly review with the Association, each report referred to in sub-paragraph (b) of this paragraph 10, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to $500,000 to be withdrawn from the Credit Account and deposited into 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 deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

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

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

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

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

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

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

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

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

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B)

deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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