CREDIT NUMBER 4150-VN

Development Credit Agreement

(Third Rural Transport Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 17, 2007

CREDIT NUMBER 4150-VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 17, 2007, 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; and

(B) the Borrower expects to receive from the United Kingdom of Great Britain and Northern Ireland, through its Department for International Development (DFID), a grant (the DFID Grant) in an aggregate principal amount of fourteen million fourteen thousand Pounds Sterling (£14,014,000) to assist in financing the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and the Association as Administrator of those grant funds received from DFID (the DFID Trust Fund Grant Agreement); and

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

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), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

"Section 5.08. Treatment of Taxes

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or

supply. Financing of such taxes is subject to the Association's policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association."

(b) Section 6.03(c) of the General Conditions is amended by replacing the words "corrupt or fraudulent" with the words "corrupt, fraudulent, collusive or coercive".

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) "Action Plan to Improve Fairness and Transparency in Procurement" means the action plan referred to in paragraph 3(b) of Schedule 4 to this Agreement and which forms part of the Project Operations Manual defined below, which action plan includes procedures to mitigate against acts of manipulation and collusion in the procurement process, as such action plan may be amended from time to time with the agreement of the Association.

(b) "Displaced Person" means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and "Displaced Persons" means, collectively, all such Displaced Persons.

(c) "District Department of Transport" and the acronym "DDOT" mean the Department (also known as Industrial and Commercial Department or (Economic) Infrastructure Department) established by the District People's Committee responsible for transport services and infrastructure in each of the districts within the Project Provinces and to be maintained pursuant to the provisions in paragraph 2(c) of Schedule 4 to this Agreement; and "DDOTs" means, collectively, all such District Departments of Transport.

(d) "Eligible Categories" means Categories (1) through (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement.

(e) "Eligible Expenditures" means the expenditures for goods, works and consultants' services referred to in Section 2.02 of this Agreement.

(f) "Environmental Safeguard Framework" means the Environmental Safeguard Framework dated June 2005 (approved by the Borrower's Ministry of Transport through its official letter Ref: 6167/BGTVT-KHDT and dated October 5, 2005) and referred to in paragraph 6 of Schedule 4 to this Agreement, which sets forth policies and procedures for the preliminary screening of proposed Project activities, and for the preparation of environmental assessment and environment management plans therefor during the implementation of the Project, as said framework may be amended from time to time with the prior concurrence of the Association.

(g) "Ethnic Minorities Development Framework" means the Policy Framework for Ethnic Minorities Development dated June 2005 (approved by the Borrower's Ministry of Transport through its official letter Ref: 6493/BGTVT-CGD dated October 18, 2005) and referred to in paragraph 8 of Schedule 4 to this Agreement, which sets out the policies and procedures to ensure meaningful consultation with, and the informed participation of, ethnic minorities within the Project Provinces and who are affected by the Project, and principles for the preparation of such ethnic minorities development plans as may be required during implementation of the Project, as said Framework may be revised from time to time with the prior concurrence of the Association.

(h) "Ethnic Minorities Development Plan for Tuyen Quang" means the Ethnic Minority Development Plan for Proposed Roads in AWP1, Tuyen Quang Province dated July 2005 (approved by Tuyen Quang Provincial People's Committee through its official letter Ref: 2064/UBND-GT dated October 20, 2005) and referred to in paragraph 8 of Schedule 4 to this Agreement, as said plan be amended from time to time by agreement between the Borrower and the Association.

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

(j) "First Year Implementation EMPs" means, collectively, the four Environmental Management Plans, prepared for the implementation of Part A of the Project in the Provinces of Hung Yen, Tuyen Quang, Thanh Hoa and Quang Nam, all dated July 13, 2005, and referred to in paragraph 6 of Schedule 4 to this Agreement, and which sets out the environmental protection measures in respect of the first year of implementation of Part A of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plans, as said plans may be revised from time to time with the agreement of the Association; and "First Year Implementation EMP" means, individually, any of the First Year Implementation EMPs.

(k) "First Year Implementation RAPs" means, collectively, the four Resettlement Action Plans prepared for the implementation of Part A of the Project in the

provinces of Hung Yen, Thanh Hoa and Quang Nam, all dated June 28, 2005 (approved by the respective provincial People's Committee through official letters Ref: 1222/CV-UB dated October 18, 2005, Ref: 4278/UBND-CN dated October 19, 2005 and Ref: 2725/UBND-KTN dated October 11, 2005, respectively) for carrying out compensation, resettlement and rehabilitation of Displaced Persons during the first year of implementation of Part A of the Project and referred to in paragraph 7 of Schedule 4 to this Agreement, as such plan may be revised from time to time with the prior agreement of the Association; and "First Year Implementation RAP" means, individually, any of the First Year Implementation RAPs.

(l) "MOT" means the Borrower's Ministry of Transport, and any successor thereto.

(m) "PMU5" means the project management unit established within MOT by Decision 269/TCCBLD dated March 3, 1994, and to be maintained pursuant to the provisions in paragraph 1(b) of Schedule 4 to this Agreement.

(n) "PPMU" means the Provincial Project Management Unit established in each Project Province's Department of Transportation and to be maintained pursuant to the provisions in paragraph 2(b) of Schedule 4 to this Agreement, and "PPMUs" means, collectively, all such Provincial Project Management Units.

(o) "Procurement Plan" means the Borrower's procurement plan, dated January 13, 2006, covering the initial eighteen (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 eighteen (18) month periods (or longer) of Project implementation.

(p) "Project Operations Manual" means the manual to assist the implementing agencies in the carrying out of the Project, and referred to in paragraphs 3(a) and 4 of Schedule 4 to this Agreement, as such Manual may be amended from time to time with the agreement of the Association.

(q) "Project Provinces" means provinces of the Borrower listed in the Annex to Schedule 2 to this Agreement, and such other Provinces as may be mutually agreed between the Borrower and the Association, and any successor thereto; and a "Project Province" means any one of such provinces.

(r) "Provincial Department of Transport" and the acronym "PDOT" mean the Department established by the Provincial People's Committee, responsible for transport services and infrastructure in each of the Project Provinces and to be maintained pursuant to the provisions in paragraph 2(a) of Schedule 4 to this Agreement; and "PDOTs" means, collectively, all such Provincial Departments of Transport.

(s) "Provincial People's Committees" means, collectively, the local governments of the Project Provinces at the Provincial level; and "Provincial People's Committee" means any one of the Provincial People's Committees in the Project Provinces.

(t) "Resettlement Policy Framework" means the Policy Framework for Land Acquisition, Compensation, Assistance and Resettlement dated June 2005 (approved by the Borrower's Ministry of Transport through its official letter Ref: 6493/BGTVT-CGD dated October 18, 2005 and pursuant to the authorization of the Borrower's Prime Minister in Decision No. 2047/TTg-CN dated December 16, 2005) and referred to in paragraph 7 of Schedule 4 to this Agreement, which sets out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement plans, as may be required, during the implementation of the Project, as said framework may be amended from time to time with the prior concurrence of the Association.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to seventy-four million one hundred thousand Special Drawing Rights (SDR74,100,000).

Section 2.02. 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 consultants' services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be December 31, 2011, 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 (60) 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) of this

Section. 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 semi-annually on June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 1 and December 1 commencing June 1, 2016, and ending December 1, 2045. Each installment to and including the installment payable on December 1, 2025, 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) of this Section 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) of this Section falling six (6) 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 (5) years on such repayment of principal.

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

(d) If, at any time after a modification of terms pursuant to paragraph (b) of this Section, 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) of this Section.

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 MOT and the Project Provinces with due diligence and efficiency and in conformity with appropriate administrative, management, financial, engineering and road management practices, and sound environmental and social standards, 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 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 twelve (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 for the continued achievement of 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 (6) 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 reports referred to in Part A.5 of Schedule 1 to this

Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

(i) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one (1) year after the end of the fiscal year in which the last withdrawal from the Credit Account was made;

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

(iii) ensure that such reports or statements of expenditure are included in any audit that the Association may have requested pursuant to 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 cause the Project Provinces to 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 forty-five (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 forty-five (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 event is specified, namely:

(a) Subject to sub-paragraph (b):

(i) the right of the Borrower to withdraw the proceeds of the DFID Grant, or any other grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the DFID Trust Fund Grant Agreement or the agreement providing therefor, as the case may be; or

(ii) any such loan shall have become due and payable prior to the agreed maturity thereof; or

(iii) DFID shall have failed to deposit into TF Number TF any portion of the proceeds of the DFID Grant in accordance with the provisions of the Memorandum of Understanding ("MOU") to be entered into between DFID and the Association for purposes of setting up said TF or DFID shall have taken action to terminate the MOU.

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

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section.

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 DFID Trust Fund Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder have been fulfilled, except the effectiveness of the Development Credit Agreement;

(b) The Project Operations Manual, acceptable to the Association, shall have been adopted by the Borrower, through MOT, and by the Project Provinces.

(c) The Action Plan to Improve Fairness and Transparency in Procurement, acceptable to the Association (which forms part of the Project Operations Manual), shall have been adopted by the Borrower, through MOT and by the Project Provinces, and the actions listed in said plan and to be completed before the Project is declared effective shall have been completed to the satisfaction of the Association.

(d) PMU5 and each PPMU shall have: (i) appointed financial officers with qualifications, experience and terms of reference acceptable to the Association; and (ii) established and started implementation of a Project accounting system, satisfactory to the Association.

(e) The State Treasury Department of the Recipient's Ministry of Finance shall have established and adopted a system of accounts, acceptable to the Association, for purposes of recording and reporting financial transactions under the Project.

(f) Relevant staff of PMU5 and the PPMUs shall have completed training, satisfactory to the Association, in the areas of financial management, procurement, disbursements and safeguard procedures.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02(b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, that:

(a) the Resettlement Policy Framework has been duly approved by the Borrower's Ministry of Transport pursuant to the authorization of the Borrower's Prime Minister; the First Year Implementation RAPs have been duly adopted by MOT and the Project Provinces concerned; and the Ethnic Minority Development Framework has been duly approved by the Borrower's Ministry of Transport; and

(b) the Resettlement Policy Framework and the Ethnic Minority Development Framework are legally binding upon the Borrower and the First Year Implementation RAPs are legally binding on the Borrower and the Project Provinces concerned, all in accordance with their respective terms.

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

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

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

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

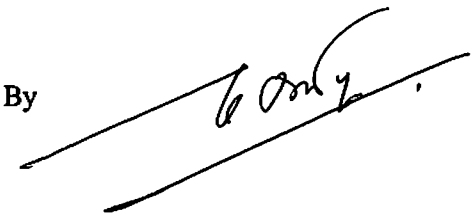
For the Association:

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

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

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in 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

A. General

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) Civil works	68,100,000	71%
(2) Goods	1,100,000	71%
(3) Consultants' services	3,400,000	71%
(4) Training and workshops	1,300,000	71%
(5) Incremental Operating Costs	200,000	71%
TOTAL	74,100,000	

2. For the purposes of this Schedule, the term "Incremental Operating Costs" means the reasonable costs of incremental expenditures incurred by members of the Third Rural Transport Project Steering Committee, PDOTs and DDOTs in carrying out the Project (which expenditures would not have been incurred absent the Project), including: cost of renting facilities, communication, office consumables, translation and interpretation, operating vehicles, travel and per diem, but excluding salaries and salary supplements of civil servants.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of 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 $150,000 equivalent per contract; (b) works costing less than $300,000 equivalent per contract; (c) for services of individual consultants costing less than $50,000 equivalent per contract; (d) for services of consulting firms under contracts costing less than $100,000 equivalent per contract; and (e) training and workshops and

Incremental Operating Costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower may open and maintain in Dollars a special deposit account in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) 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: (i) the records and accounts for the Special Account; or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Credit Agreement.

Annex A
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements

1. For the purposes of this Annex, the term "Authorized Allocation" means the amount of $10,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. 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 in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions 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 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.

Annex B
to
SCHEDULE 1

Operation of Special Account
When Withdrawals Are
Report-based Disbursements

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the three-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in improving access (including reducing cost of access) of rural communities to markets, non-farm economic opportunities and social services.

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 objective:

A. Rehabilitation of core rural roads

Increase the number of rural communities connected to all weather roads and develop cost effective and coherent transportation networks by rehabilitating and improving selected district, commune and village roads and bridges in the Project Provinces.

B. Maintenance of district roads

Improve the maintenance and management of maintenance of district roads by:

1. Providing support, on a pilot basis, for the establishment and implementation of district road maintenance management systems in selected Project Provinces, including use of standardized procedures, forms and reports to compile inventories of roads, road conditions, maintenance work required and costs; to prioritize maintenance work; and to carry out the maintenance work.

2. Based on the results of said pilot program, developing guidelines for the management of rural road maintenance and disseminating said guidelines as well as the lessons learnt from the pilot program.

C. Institutional and capacity building

Provide comprehensive capacity development support to improve planning and maintenance of the rural roads network by:

1. Strengthening the capacity of: (a) MOT in establishing standards and systems and providing guidance to support provinces in the implementation of their transport plans in a decentralized environment, including developing national guidance and standards and providing necessary materials and training support to disseminate the information; (b) PMU5 and PPMUs to provide assistance in overall Project management; and (c) regional support offices in providing outreach services to PDOTs and district technical offices.

2. Strengthening the capacity of implementing agencies to: (a) carry out the Project activities; and (b) monitor and supervise implementation of Project activities, including financial audits and fiduciary, safeguards and technical aspects of Project implementation.

3. Provision of support to improve institutional capacity to plan, implement and maintain improvements in the rural transport network, including provision of training to relevant government agencies, private sector participants and local communities.

D. Resettlement

Resettlement and rehabilitation of Displaced Persons in connection with the carrying out of the Project.

* * *

The Project is expected to be completed by June 30, 2011.

Annex

To

Schedule 2

1. Dien Bien
2. Lai Chau
3. Son La
4. Hoa Binh
5. Lao Cai
6. Yen Bai
7. Phu Tho
8. Ha Giang
9. Tuyen Quang
10. Cao Bang
11. Bac Can
12. Thai Nguyen
13. Lang Son
14. Bac Giang
15. Vinh Phuc
16. Bac Ninh
17. Hai Duong
18. Ha Tay
19. Ha Nam
20. Hung Yen
21. Thai Binh
22. Nam Dinh
23. Ninh Binh
24. Thanh Hoa
25. Nghe An
26. Ha Tinh
27. Quang Binh
28. Quang Tri
29. Thua Thien Hue
30. Quang Nam
31. Quang Ngai
32. Binh Dinh
33. Phu Yen

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: 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 for goods 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. National Competitive Bidding. (a) Goods (except vehicles) estimated to cost less than $150,000 equivalent per contract may be procured; and (b) works estimated to cost equal or more than $30,000 equivalent per contract shall be procured, all under contracts awarded on the basis of National Competitive Bidding and the additional provisions set forth in the Annex to this Schedule.

2. Shopping. (a) Goods estimated to cost less than $30,000 equivalent per contract; and (b) works estimated to cost less than $30,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Works which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Force Account. Works which the Association agrees meet the requirements for Force Account may be carried out in accordance with the provisions of said procurement method.

5. Community Participation. Road maintenance works required for Part B of the Project may be procured on the basis of community participation in accordance with the procedures set forth in the Project Operations Manual.

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. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Quality-based Selection. Services for assignments which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. 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.

3. 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.

4. 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 with the Bank's prior approval.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association: the first contract for works procured by each Project Province; each contract for works estimated to cost the equivalent of $300,000 or more; each contract for goods procured on the basis of International Competitive Bidding and the first contract for goods procured by PMU5 on the basis of National Competitive Bidding; each contract for consultants' services provided by a firm estimated to cost the equivalent of $100,000 or more; and each contract for consultants' services provided by an individual estimated to cost the equivalent of $50,000 or more. All other contracts shall be subject to Post Review by the Association.

ANNEX TO SCHEDULE 3

National Competitive Bidding Procedures

The Borrower represents that the procedures to be followed for National Competitive Bidding shall be those set forth in the Decree 88/1999/ND-CP dated September 1999, as modified by Decree 14/2000/ND-CP dated May 2000 and Decree 66/2003/ND-CP dated June 2003; and, in order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the Guidelines (as required by paragraph 3.3 of the Guidelines), goods and works for which this Schedule 3 allows procurement using National Competitive Bidding shall be procured in accordance with paragraphs 3.3 and 3.4 of the Guidelines and the following paragraphs.

Participation in bidding and preferences

(i) For clarification purposes, it is understood that the last sentence of the amended Paragraph (c), Section 2, Article 2 of Decree 88/1999/ND-CP which states that "All the procedures for submission, appraisal and approval of bidding results and bidder selection results shall follow the Procurement Regulation" means "Approvals of draft bidding documents, bid evaluation reports and proposals for award shall be obtained in accordance with the relevant rules and procedures of the Procurement Regulation".

(ii) Government-owned enterprises in Vietnam shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Borrower or the procuring entity. Military or security units, or enterprises which belong to the Ministry of Defense or the Ministry of Public Security shall not be permitted to bid.

(iii) Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders, and local bidders shall be given no preference (either in the bidding process or in bid evaluation) over foreign bidders, nor shall bidders located in the same province or city as the procuring entity be given any such preference over bidders located outside that city or province.

(iv) Bidders shall be allowed to participate in bidding without being listed in the Government Database on Bidder Information or in any other registration system.

(v) Prospective bidders shall be permitted to request bidding documents either in person or through the mail upon submission of a written application. Bidding documents shall be sold to anyone who is willing to pay the required fee of the bidding documents, and no other conditions shall be imposed on the sale of the bidding documents. The fee for the bidding documents should be reasonable and consist only of the cost of printing (or photocopying) the documents and their delivery to the purchaser. The bidding documents shall be delivered, at the prospective bidders' preference, either by hand or by mail/courier provided that the bidder is willing to pay the mail/courier

delivery charges which should be specified in the Invitation for Bids. Each bidder shall be allowed to purchase only one set of the bidding documents.

(vi) Foreign bidders shall not be required, in order to participate in bidding or as a condition of award of the contract or during execution of the contract, to enter into a joint venture with a local bidder, or to subcontract part of their contract to a local bidder.

(vii) If there is prequalification, *all* prequalified bidders shall be invited to bid.

(viii) If there is limited bidding because there are only a limited number of bidders who can meet the requirements of the bidding documents, *all* of these bidders shall be invited to bid.

(ix) Bidders shall not be required, as a condition of participation in the bidding, to provide suppliers' credits.

Advertising; time for bid preparation

(x) Invitations to bid shall be advertised in at least one widely circulated national newspaper. In addition, the Borrower is encouraged to advertise in the Government Public Procurement Bulletin and on a free and open access website. A minimum of thirty (30) days for the preparation and submission of bids shall be provided, and potential bidders shall be allowed to purchase bidding documents up to twenty-four (24) hours prior to the deadline for the submission of bids.

Standard Bidding Documents

(xi) The Borrower's standard bidding documents, acceptable to the Association, shall be used. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission and opening of bids. Bidders shall be allowed to submit bids by hand or by mail.

Qualification criteria and evaluation criteria

(xii) Qualification criteria shall be clearly specified in the bidding documents, *and* all criteria so specified, and *only* criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. When post qualification is applied, the assessment of bidders' qualifications shall be carried out only after the preliminary and detailed evaluation of bids has been completed by the Purchaser/Employer and, in doing so, the qualifications of the bidder who has submitted the lowest evaluated substantially responsive bid shall be assessed first. In carrying out the post-qualification assessment, the Employer/Purchaser shall exercise reasonable judgment in requesting, in writing, from a bidder only missing factual or historical supporting information related to the bidder's qualifications and shall provide a

reasonable time period (that is, a minimum of seven (7) days) to the bidder to provide his response.

(xiii) Evaluation criteria shall be clearly specified in the bidding documents, and evaluation criteria other than price shall be quantified in monetary terms. All evaluation criteria so specified, and only evaluation criteria so specified, shall be taken into account in bid evaluation. Merit points shall not be used in bid evaluation.

Bid opening, evaluation and award of contract

(xiv) Bids shall be opened in public, immediately after the stipulated deadline for submission of bids. Bidders or their representatives, shall be allowed to be present. The name of the bidder and total amount of each bid, including discounts, shall be read aloud and recorded. Immediately after completion of the bid opening proceedings, a copy of the bid opening record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the bid opening record shall be promptly provided to all bidders who submitted bids.

(xv) Bids received after the deadline for bid submission shall be returned to the bidders unopened.

(xvi) All bids shall not be rejected or new bids solicited without the Association's prior concurrence.

(xvii) No bidder shall be rejected merely on the basis of a comparison with the owner's estimate and budget ceiling without the Association's prior concurrence.

(xviii) A bid containing material deviations from, or reservations to, the terms, conditions or specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened. Bidders shall not be eliminated from detailed evaluation on the basis of non-material, minor deviations or reservations.

(xix) Evaluation of bids shall be made in strict adherence to the criteria specified in the bidding documents, and contracts shall be awarded to the qualified bidder offering the lowest evaluated and responsive bid.

(xx) A bidder shall not be required, as a condition for award, to undertake obligations not specified in the bidding documents, or otherwise to modify the bid as originally submitted.

(xxi) There shall be no post-bidding negotiations with the lowest or any other bidder.

(xxii) The Borrower shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association and the Government, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, an Association-financed contract.

Suppliers and Contractors

(xxiii) Bidding documents and contracts under national competitive bidding procedures financed by the Association shall include a provision requiring suppliers and contractors to permit the Association to inspect their accounts and records relating to the bid submission and the performance of the supplier and/or contractor, as the case may be, and to have them audited by auditors appointed by the Association, if so required by the Association.

(xxiv) License for foreign contractors operation in Vietnam would be provided in a timely manner and will not be arbitrarily withheld.

Publication of the Award of Contract

(xxv) The Borrower shall publish the following information on contract award in a Government Public Procurement Bulletin or on a free and open access website or on another means of publication acceptable to the Association: (a) name of each bidder who submitted a bid; (b) bid prices as read out at bid opening; (c) name and evaluated price of each bid that was evaluated; (d) name of bidders whose bids were rejected and the reasons for their rejection; and (e) name of the winning bidder, price it offered as well as the duration and summary scope of the contract awarded. This publication shall be updated quarterly.

Complaints by Bidders and Handling of Complaints

(xxvi) The national competitive bidding procedures for contracts financed by the Association shall include provisions, acceptable to the Association, for bidders to protest.

SCHEDULE 4

Implementation Program

Project Management

1. The Borrower shall maintain, throughout the period of implementation of the Project, the following organizations with terms of reference, staffing and other resources acceptable to the Association:

(a) The Third Rural Transport Project Steering Committee, established within MOT and responsible for providing guidance on local transport policies and strategies, and overall policy and implementation guidance related to Project implementation.

(b) The Project Management Unit ("PMU5") established within MOT and responsible inter alia, for providing overall coordination, quality assurance, training, monitoring and evaluation, and daily supervision for Project activities.

2. The Borrower shall cause:

(a) The Provincial People's Committee ("PPC") of each Project Province to maintain, until completion of the Project, its Provincial Department of Transportation ("PDOTs") with funds and competent staff in adequate numbers as shall be required for carrying out the Project within its respective Province.

(b) Each Project Province to maintain, until completion of the Project, its Provincial Project Management Unit ("PPMU"), established in the Project Province's PDOT and which PPMU is responsible for the implementation of Project activities in the Project Province concerned; such PPMU to be: provided with sufficient resources; under the direction of qualified managers; and staffed with competent personnel in adequate numbers, including financial officers with qualifications and experience and under terms of reference acceptable to the Association.

(c) Each Project Province to maintain, until completion of the Project, its District Departments of Transportation ("DDOT") with funds and competent staff in adequate numbers as shall be required for carrying out the Project within its respective districts.

3. The Borrower shall adopt, and cause the Project Provinces to adopt, and thereafter, apply in the implementation of the Project:

(a) the Project Operations Manual, acceptable to the Association, which shall include guidelines for: the implementation of Project activities; financial management of the Project, and carrying out procurement and safeguard procedures; and

(b) the Action Plan to Improve Fairness and Transparency in Procurement (which forms part of the Project Operations Manual), acceptable to the Association, which shall include procedures to mitigate against acts of manipulation and collusion in the procurement process.

The Borrower shall not amend, revise or waive the provisions of the Project Operations Manual and the Action Plan to Improve Fairness and Transparency in Procurement, or any part thereof, without the prior concurrence of the Association.

4. The Borrower shall take all steps necessary to ensure that PMU5 and each of the PDOTs and DDOTs shall carry out its respective activities under the Project and, to that end, shall, on a timely basis and in accordance with the Project Operations Manual, make available to PMU5 and each of the PDOTs the proceeds of the Credit and other funds allocated for such purposes.

Selection of Roads under Parts A and B of the Project

5. The Borrower shall, by December 15 in each year, commencing in 2007, furnish to the Association for its concurrence, a proposed annual work program, procurement plan and budget for Project activities in the following calendar year, including, a proposed list of roads and segments of roads to be rehabilitated and/or maintained under Parts A and B of the Project in each Project Province; provided, however, that roads in forest reserved areas or traversing forest reserved areas or buffer zones of forest areas shall not form part of any annual work program. Notwithstanding the foregoing, the proposed annual work program and budget for Project activities in the calendar year 2007 shall be submitted by June 30, 2007.

Environment, Resettlement and Ethnic Minorities

6. The Borrower shall:

(a) implement, and cause to be implemented, the First Year Implementation EMP, the Environmental Safeguard Framework, and the environmental assessments and the environmental management plans prepared pursuant thereto, all in a manner satisfactory to the Association, and designed to ensure that the Project is implemented in accordance with sound environmental practices and standards;

(b) provide, and cause to be provided, to the Association for its prior review any revision proposed to be introduced to the First Year Implementation EMP, the Environmental Safeguard Framework or environmental management plans prepared in accordance with said Framework and approved by the Association, as the case may be, in order to achieve their respective objectives, and thereafter introduce such revision into the documents as shall have been agreed with the Association; and

(c) maintain, policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the First Year Implementation EMP, the Environmental Safeguard Framework or environmental management plans prepared in accordance with said Framework and accepted by the Association as being satisfactory, and the achievement of their respective objectives.

7. The Borrower shall:

(a) prior to commencing any works under this Project, implement, and cause to be implemented, the First Year Implementation RAP and the Resettlement Policy Framework, in a manner satisfactory to the Association;

(b) wherever implementation of the Project or any part thereof, would give rise to Displaced Persons, provide to the Association for its review, resettlement action plans prepared in accordance with the principles and procedures set forth in the Resettlement Policy Framework and, thereafter, implement in a manner satisfactory to the Association, such resettlement action plans as shall have been accepted by the Association as being satisfactory;

(c) provide to the Association for its prior review any revision proposed to be introduced into the First Year Implementation RAP, the Resettlement Policy Framework or said resettlement action plan prepared in accordance with said Framework and accepted by the Association as being satisfactory, as the case may be, to achieve their respective objectives, and thereafter introduce such revision into the First Year Implementation RAP, said Framework or said plan as shall have been agreed with the Association; and

(d) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of First Year Implementation RAP, said Framework and any resettlement action plan prepared in accordance with said Framework and accepted by the Association as being satisfactory, and the achievement of their respective objectives.

8. The Borrower shall:

(a) prior to commencing any works under this Project, implement, and cause to be implemented, the Ethnic Minority Development Plan for Tuyen Quang and Ethnic Minorities Development Framework in a manner satisfactory to the Association, designed to provide meaningful consultation with, and the informed participation of, ethnic minority groups within the Project area, and to ensure that benefits under the Project are socially and culturally acceptable to such groups;

(b) whenever implementation of the Project or any part thereof would take place in areas where an ethnic minority community reside, prepare and provide to the

Association for its review an ethnic minorities development plan prepared in accordance with the principles and procedures set forth in said Framework and with the full participation of such ethnic minority community, designed to ensure that Project activities adequately address the needs, cultural practices and preferences of such community; and, thereafter, implement in a manner satisfactory to the Association, such ethnic minorities development plan as shall have been accepted by the Association as being satisfactory;

(c) provide to the Association for its review any proposed revision of the Ethnic Minority Development Plan for Tuyen Quang or said Framework or any of said ethnic minorities development plans, and thereafter introduce such revision into the Ethnic Minority Development Plan for Tuyen Quang, said Framework or said plans as shall have been agreed with the Association; and

(d) maintain policies and procedures adequate to enable them to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the Ethnic Minority Development Plan for Tuyen Quang, said Framework and said ethnic minorities development plans, and the achievement of their objectives.

Annual Assessment of Provincial Performance

9. The Borrower shall carry out an annual assessment, in accordance with terms of reference acceptable to the Association, of the Project Provinces' implementation of the Project and furnish the results of said assessment to the Association by March 31 of each year, commencing in 2008.

Monitoring and Reporting

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 the following reports:

(i) on or about March 31 and September 30 of each year, commencing on September 30, 2007, a semi-annual report integrating the results of the monitoring and evaluation activities, performed pursuant to sub-paragraph (a) of this paragraph, on the progress achieved in the carrying out of the Project during the calendar semester preceding 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

(ii) a mid-term report, not later than September 30, 2009, integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraphs (a) and (b)(i) of this paragraph, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and

(c) after furnishing:

(i) each report referred to in sub-paragraph (b)(i) of this paragraph, promptly review said report with the Association, and 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; and

(ii) the report referred to in sub-paragraph (b)(ii) of this paragraph, review said report with the Association, by December 31, 2009, or such later date as the Association shall request, 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.