CREDIT NUMBER 4253-VN

Development Credit Agreement

(Coastal Cities Environmental Sanitation Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 19, 2007

CREDIT NUMBER 4253-VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 19, 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;

(B) the Borrower expects to receive assistance from the resources of the Global Environment Facility (GEF) Trust Fund in the financing of Part B.2(b) of the Project, in an amount of about four million nine hundred fifty thousand Dollars ($4,950,000), under terms and conditions to be set forth in an agreement to be entered into between the Borrower and the International Bank for Reconstruction and Development (the Bank) acting as an implementing agency of the GEF Trust Fund (the GEF Trust Fund Grant Agreement);

(C) the Borrower has requested assistance from the Japan Policy and Human Resources Development Fund (PHRD) in the financing of Parts A.6, B.6 and C.6 of the Project; and by an agreement of even date herewith between the Borrower and the Association as administrator of grant funds provided by Japan, the Association agrees to provide such assistance in an aggregate amount of four million six hundred sixteen thousand four hundred Dollars ($4,616,400) (the PHRD Grant); 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Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation,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) "Category" means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(b) "DARD" means the Department of Agriculture and Rural Development at the provincial level, and any successor thereto.

(c) "Displaced Persons" means persons who, on account of the execution of the Project, have 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 persons 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 persons; and a "Displaced Person" means any of such Displaced Persons.

(d) "DOC" means the Department of Construction at the provincial level, and any successor thereto.

(e) "DOET" means the Department of Education and Training at the provincial level, and any successor thereto.

(f) "DOF" means the Department of Finance at the provincial level, and any successor thereto.

(g) "DONRE" means the Department of Natural Resources and Environment at the provincial level, and any successor thereto.

(h) "Dong Hoi Special Account" means the account referred to in clause (i) of Section 2.02 (b) of this Agreement.

(i) "EMP" means an environmental management plan, satisfactory to the Association, prepared, or, as the case may be, to be prepared, by a Project Province (as defined below) in respect of activities under its Respective Part of the Project, and referred to in paragraph 13 of Schedule 4 to this Agreement, which sets out the environmental protection measures taken or to be taken in respect of said activities, as well as administrative and monitoring arrangements to ensure the implementation of said Plan, as said Plan may be revised from time to time with the prior concurrence of the Association.

(j) "Environmental Guidelines" means the Environmental Guidelines adopted by the People's Committee of each Project Province through, respectively, (i) Communication 1164/UBND of June 23, 2006 of the People's Committee of Quang Binh; (ii) Communication 2335/UBND-ND of August 16, 2006 of the People's Committee of Binh Dinh; and (iii) Communication 2583/UBND of May 19, 2006 of the People's Committee of Khanh Hoa; and referred to in paragraph 13 of Schedule 4 to this Agreement, which set forth policies and procedures for the preliminary screening of proposed Project activities under the Project Provinces' Respective Parts of the Project, and for the preparation of environmental assessment and environment management plans therefor.

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

(l) "Healthy City Partnership" and the acronym "HCP" mean an initiative to be carried out in each Project City (as defined below) whereby stakeholders, both public and private, including public agencies, community groups, individuals and enterprises, will participate in the formulation of a common vision of a clean and healthy city, and implement, or support the implementation of, actions and programs to realize such vision through improvements in the environmental and hygiene conditions of said Project City.

(m) "HCP Grants" means grants made by the Project Provinces under Parts A.6(c), B.6(c) and C.6(c), in accordance with the provisions of the Healthy City Partnership Manual referred to in paragraph 12 of Schedule 4 to this Agreement, to support selected actions or programs to implement their respective Healthy City Partnerships.

(n) "IEC" means information, education and communication.

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

(p) "MOC" means the Borrower's Ministry of Construction, and any successor thereto.

(q) "MONRE" means the Borrower's Ministry of Natural Resources and Environment, and any successor thereto.

(r) "Nha Trang Special Account" means the account referred to in clause (iii) of Section 2.02 (b) of this Agreement.

(s) "Project Implementation Plan" means any of the plans to be adopted by the Project Provinces and referred to in paragraph 3 of Schedule 4 to this Agreement; and "Project Implementation Plans" means, collectively, all of said Plans.

(t) "Phase I" means the period constituted by approximately the first four (4) years of Project implementation.

(u) "Phase II" means the period of approximately five (5) years beginning about two (2) years after the commencement of Project implementation.

(v) "Procurement Plan" means the Borrower's procurement plan, dated June 16, 2006, consolidating the procurement plan of each Project Province 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.

(w) "Project Cities" means, collectively, Dong Hoi of Quang Binh Province, Quy Nhon of Binh Dinh Province, and Nha Trang of Khanh Hoa Province, and any successor thereto; and a "Project City" means any of said Project Cities.

(x) "Project Management Units" and "PMUs" mean, collectively, the Units established and maintained by the Project Provinces in respect of their Respective Parts of the Project, in accordance with the provisions of paragraph 1(a) of Schedule 4 to this Agreement, and any successor thereto; and a "Project Management Unit" and "PMU" mean any of said Units.

(y) "Project Provinces" means, collectively, the Borrower's Provinces of Quang Binh in respect of Dong Hoi and Part A of the Project, Binh Dinh in respect of Quy Nhon and Part B of the Project, and Khanh Hoa in respect of Nha Trang and Part C of the Project, and any successor thereto; and a "Project Province" means any of said Provinces.

(z) "Project Steering Committees" and the acronym "PSCs" mean, collectively, the Committees to be established and maintained by the Project Provinces in respect of their Respective Parts of the Project, in accordance with the provisions of paragraph 1(b) of Schedule 4 to this Agreement; and a "Project Steering Committee" means any of said Committees.

(aa) "Quy Nhon Special Account" means the account referred to in clause (ii) of Section 2.02 (b) of this Agreement.

(bb) "Resettlement Policy Framework" means the Policy Framework dated July 2005, approved by the Borrower through the Prime Minister's Communication No. 840/TTg-CN of June 6, 2006, and adopted by the People's Committee of each Project Province through, respectively: (i) Decision 2305/QD-UBND of December 26, 2005 of the People's Committee of Quang Binh; (ii) Decision 1348/QD-CTUBND of June 9, 2006 of the People's Committee of Binh Dinh; and (iii) Communication 3360/UBND of June 22, 2006 of the People's Committee of Khanh Hoa; said Policy Framework is referred to in paragraph 14 of Schedule 4 to this Agreement, and 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 action plans as may be required for Project activities in each of the respective Project Cities, as said Policy Framework may be revised from time to time with the prior concurrence of the Association.

(cc) "Respective Part of the Project" means: (i) in respect of Quang Binh, Part A of the Project to be carried out in Dong Hoi; (ii) in respect of Binh Dinh, Part B of the Project to be carried out in Quy Nhon; and (iii) in respect of Khanh Hoa, Part C of the Project to be carried out in Nha Trang.

(dd) "Sanitation Loans" means loans made, or to be made by each Project Province through its respective Sanitation Revolving Fund (as defined below) to eligible households of the respective Project Cities to assist in the financing of sanitation facilities improvements for said households under Parts A.5(a), B.5(a) or C.5(a) of the Project, as the case may be, and in accordance with the provisions of paragraph 11 of Schedule 4 to this Agreement.

(ee) "Sanitation Revolving Funds" means, collectively, the revolving funds established by the Project Provinces pursuant to the provisions of paragraph 11 of Schedule 4 to this Agreement; and a "Sanitation Revolving Fund" means any of said Funds.

(ff) "Service Providers" means provincial or municipal agencies or enterprises responsible for providing any urban sanitation service or a combination thereof in the Project Cities, and includes the Urban Environmental Companies (as defined below) in Quy Nhon and Nha Trang, the Urban Works Company (as defined

below) in Dong Hoi, and the Water Supply Companies (as defined below); and a "Service Provider" means any of said agencies or enterprises.

(gg) "Special Accounts" means, collectively, the Dong Hoi Special Account, the Quy Nhon Special Account and the Nha Trang Special Account; and a "Special Account" means any of said Special Accounts.

(hh) "Urban Environmental Companies" and the acronym "URENCOs" mean the service providers, currently responsible: (i) in Quy Nhon for solid waste management and for drainage and septage management, established and operating pursuant to Decision 117/1998/QD-UB of December 19, 1998 of the People's Committee of Binh Dinh; and (ii) in Nha Trang for solid waste management and septage management, established and operating pursuant to Decision 746A/2001/QD-UB of August 3, 2001 of the People's Committee of Khanh Hoa; and any successors thereto.

(ii) "Urban Works Company" and the acronym "UWC" mean the service provider in Dong Hoi currently responsible for solid waste management, drainage and septage management, established and operating pursuant to Decision 1291QD/UB of October 16, 1997 of the People's Committee of Quang Binh; and any successor thereto.

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

(kk) "Women's Union" means the Vietnam Women's Union, a social organization established on October 20, 1950.

(ll) "WSC" means a Water Supply Company, a provincial enterprise which is a service provider currently responsible for water supply in a Project City, and includes: (i) in respect of Dong Hoi, the Quang Binh Water Supply Company established and operating pursuant to Decision 04/QD-UB of October 1, 1992 and Decision 3659/QD-UBND of December 12, 2005 of the People's Committee of Quang Binh; (ii) in respect of Quy Nhon, the Binh Dinh Water Supply Company established and operating pursuant to Decision 1099/QD-TC of December 1976 and Decision 2611/QD-UB of December 28, 1992 of the People's Committee of Binh Dinh; and (iii) in respect of Nha Trang, the Khanh Hoa Water Supply and Sewage Company established and operating pursuant to Decision 2457/UB-TC of October 29, 1979 and Decision 1478/QD-UB of December 23, 1992 of the People's Committee of Khanh Hoa; and any successors 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 this Agreement, an amount in various currencies

equivalent to eighty-three million nine hundred thousand Special Drawing Rights (SDR 83,900,000).

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 each of Parts A, B and C of the Project, open and maintain in Dollars a separate special deposit account: (i) in respect of Part A of the Project, the Dong Hoi Special Account; (ii) in respect of Part B of the Project, the Quy Nhon Special Account; and (iii) in respect of Part C of the Project, the Nha Trang Special 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, each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be November 30, 2014 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) 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 May 15 and November 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 May 15 and November 15 commencing May 15, 2017 and ending November 15, 2046. Each installment to and including the installment payable on November 15, 2026 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 (3) 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 (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) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through the Project Provinces and Project Cities, with due diligence and efficiency and in conformity with appropriate administrative, management, financial, engineering and public utilities practices, and sound environmental and social 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, and cause to be carried 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, and cause to be updated, 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 designed to ensure the sustainability of the Project and the continued achievement of its objectives; 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, thereafter, 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 statements of expenditure, the Borrower shall:

(i) retain, until at least one (1) 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 15 of Schedule 4 to this Agreement, the Borrower shall cause each Project Province 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 Respective Part of 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 the implementation of the Respective Part of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned implementation of its Respective Part of the Project; and

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

(b) For each Project Province, 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 Respective Part of 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, that:

(a) The GEF Trust Fund Grant Agreement shall have failed to become effective on or before December 31, 2008; provided that this paragraph (a) shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for Part B.2(b) of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement;

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

(c) Paragraph (b) of this Section 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.

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 (b) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c) 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 PHRD Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled; and

(b) the Project Provinces have:

(i) completed the staffing of their respective PMU in accordance with the provisions of paragraph 1(a) of Schedule 4 to this Agreement;

(ii) adopted their respective Project Implementation Plans in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement;

(iii) established their financial management and procurement systems and provided training to their PMU staff in accordance with the provisions of paragraph 3 (b) of Schedule 4 to this Agreement; and

(iv) approved a schedule of cost recovery in accordance with the provisions of paragraph 6 of Schedule 4 to this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely: (i) the Resettlement Policy Framework has been duly approved by the Borrower's Prime Minister; and (ii) the Resettlement Policy Framework has been duly adopted by the People's Committees of the Project Provinces, respectively, and is legally binding on the Borrower and the respective Project Provinces in accordance with its 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 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) Quang Binh's Respective Part of the Project in Dong Hoi		
(a) Goods other than under Part A.3(b) of the Project	537,000	100% of foreign expenditures, 100% of local expenditures (ex factory costs) and 75% of local expenditures for other items procured locally
(b) Goods under Part A.3(b) of the Project	323,000	
(c) Works	15,339,000	90%
(d) Consultants' Services under Part A.6(a)(ii)	2,426,000	100%
(e) Training, workshops and IEC campaigns	148,000	100%
(f) Sanitation Loans under Part A.5(a) of the Project	155,000	100% of amount of Sanitation Loans disbursed
(g) HCP Grants under Part A.6 (c) of the Project	20,000	100% of amount of HCP Grants disbursed
(h) Incremental Operating Costs	8,000	90%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(2) Binh Dinh's Respective Part of the Project in Quy Nhon		
(a) Goods other than under Part B.3(b) of the Project	1,047,000	100% of foreign expenditures, 100% of local expenditures (ex factory costs) and 75% of local expenditures for other items procured locally
(b) Goods under Part B.3(b) of the Project	955,000	
(c) Works other than under Parts B.2(b) and B.4 of the Project	20,010,000	90%
(d) Works under Part B.4 of the Project	919,000	90%
(e) Consultants' Services under Part B.6(a)(ii) of the Project	2,717,000	100%
(f) Training, workshops and IEC campaigns	160,000	100%
(g) Sanitation Loans under Part B.5(a) of the Project	229,000	100% of amount of Sanitation Loans disbursed
(h) HCP Grants under Part B.6(c) of the Project	20,000	100% of amount of HCP Grants disbursed
(i) Incremental Operating Costs	11,000	90%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(3) Khanh Hoa's Respective Part of the Project in Nha Trang		
(a) Goods other than under Part C.3(b) of the Project	1,366,000	100% of foreign expenditures, 100% of local expenditures (ex factory costs) and 75% of local expenditures for other items procured locally
(b) Goods under Part C.3(b) of the Project	716,000	
(c) Works other than under Part C.4 of the Project	32,051,000	90%
(d) Works under Part C.4 of the Project	809,000	90%
(e) Consultants' Services under Part C.6(a)(ii) of the Project	3,515,000	100%
(f) Training, workshops and IEC campaigns	194,000	100%
(g) Sanitation Loans under Part C.5 (a) of the Project	188,000	100% of amount of Sanitation Loans disbursed
(h) HCP Grants under Part C.6 (c) of the Project	27,000	100% of amount of HCP Grants disbursed
(i) Incremental Operating Costs	10,000	90%
TOTAL	83,900,000	

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;

(c) the term "IEC campaigns" means expenditures incurred for campaigns of information, education and communication to raise awareness regarding household and environmental sanitation, including expenditures for design, printing and distribution of materials, advertising and costs of organizing mass events; and

(d) the term "Incremental Operating Costs" means the reasonable costs of incremental expenditures incurred by the Women's Union of the Project Provinces, or Project Cities, as the case may be, in managing the Sanitation Revolving Funds under Parts A.5(a), B.5(a) and C.5(a), respectively, in accordance with the provisions of paragraph 11(b) of Schedule 4 to this Agreement (which expenditures would not have been incurred absent the Project), namely costs incurred in providing training to savings and credit groups, in monitoring the construction of household sanitation facilities, costs of office equipment and consumables, transportation and per diem expenses while attending training sessions and participating in the promotion of household sanitation under said Parts of the Project.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 400,000 in respect of Categories (1)(a), (1)(d), (1)(e), (2)(a), (2)(e), (2)(f), (3)(a), (3)(e) and (3)(f), may be made on account of payments made for expenditures before that date but after June 15, 2006;

(b) payments made for expenditures under Categories (1)(f) and (1)(g) until Quang Binh has: (i) in respect of Category (1)(f), adopted a Sanitation Fund Manual in accordance with the provisions of paragraph 11(a) of Schedule 4 to this Agreement, and entered into an implementation arrangement with the Women's Union of Quang Binh, or of Dong Hoi, as the case may be, in accordance with the provisions of paragraph 11(b) of Schedule 4 to this Agreement; and (ii) in respect of Category (1)(g), adopted a Healthy City Partnership Manual in accordance with the provisions of paragraph 12 of Schedule 4 to this Agreement;

(c) payments made for expenditures under Categories (2)(g) and (2)(h) until Binh Dinh has: (i) in respect of Category (2)(g), adopted a Sanitation Fund Manual in

accordance with the provisions of paragraph 11(a) of Schedule 4 to this Agreement, and entered into an implementation arrangement with the Women's Union of Binh Dinh, or of Quy Nhon, as the case may be, in accordance with the provisions of paragraph 11(b) of Schedule 4 to this Agreement; and (ii) in respect of Category (2)(h), adopted a Healthy City Partnership Manual in accordance with the provisions of paragraph 12 of Schedule 4 to this Agreement; and

(d) payments made for expenditures under Categories (3)(g) and (3)(h) until Khanh Hoa has: (i) in respect of Category (3)(g), adopted a Sanitation Fund Manual in accordance with the provisions of paragraph 11(a) of Schedule 4 to this Agreement, and entered into an implementation arrangement with the Women's Union of Khanh Hoa, or of Nha Trang, as the case may be, in accordance with the provisions of paragraph 11(b) of Schedule 4 to this Agreement; and (ii) in respect of Category (3)(h), adopted a Healthy City Partnership Manual in accordance with the provisions of paragraph 12 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 $100,000 equivalent per contract; (b) works costing less than $300,000 equivalent per contract; (c) services of individual consultants costing less than $50,000 equivalent per contract and services of consulting firms costing less than $100,000 equivalent per contract; (d) training, workshops and IEC campaigns; (e) Sanitation Loans; (f) HCP Grants; and (g) 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 objective of the Project is to assist the Borrower to improve the environmental sanitation in the Project Cities in a sustainable manner, thereby contributing to an enhanced quality of life for their residents.

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:

Part A: Dong Hoi

In the City of Dong Hoi of Quang Binh Province:

1. Carry out a program to improve flood control, drainage and waste water collection, including, in selected areas of Dong Hoi: (a) improving the water flow of rivers and channels and the buffer capacity of lakes and other bodies of water through dredging, removal of obstructions, embankment improvement, installation of flip gates, storm water overflows and interceptor pipes; (b) rehabilitating and replacing existing drainage systems; (c) constructing a new sewer network; (d) installing tertiary pipes including house connections; (e) constructing booster and pumping stations; and (f) constructing public toilets.

2. (a) Construct and operate a wastewater treatment plant in the southern part of Dong Hoi; and (b) rehabilitate the wastewater treatment plant at the city hospital.

3. Carry out a program of solid waste management, consisting of: (a) expanding a new sanitary landfill, safely closing an existing dump site, and providing equipment for landfill management; (b) providing equipment for solid waste collection; and (c) improving the collection and safe disposal of medical waste of the city hospital.

4. Carry out a program of resettlement, rehabilitation and compensation for persons affected under Part A of the Project.

5. Carry out a program to improve sanitation facilities in Dong Hoi, consisting of: (a) assisting households to improve their household sanitation facilities through the establishment of a city sanitation revolving fund and the provision of small loans for such facilities; and (b) constructing sanitation facilities for selected city schools.

6. Carry out a program to build institutional capacity, consisting of:

(a) (i) building the institutional capacity of said Project Province's Project Management Unit; and (ii) supporting said Project Management Unit in carrying out

detailed preparation of Phase II activities, construction supervision, financial management and auditing, safeguards monitoring and project evaluation;

(b) strengthening the capacity of service providers in financial management and planning, in operation and maintenance of networks, equipment, treatment plants and landfill sites, development of performance contracts with public and private sectors and, jointly with relevant city departments, development of procedures and plans to support the operation and maintenance of new facilities, including procedures and plans for medical and hazardous waste management, control of flood, industrial pollution and emission; and

(c) designing and implementing a Healthy City Partnership, including providing small grants to support innovative programs to implement said Partnership; and carrying out public awareness campaigns in respect of household sanitation behavior change and of Project activities.

Part B: Quy Nhon

In the City of Quy Nhon of Binh Dinh Province:

1. Carry out a program to improve flood control, drainage and waste water collection, including, in selected areas of Quy Nhon: (a) rehabilitating the buffer function of selected water bodies through dredging, construction of tidal gates, cut off drains, interceptors and storm water overflows; (b) rehabilitating and extending existing drainage systems and flood protection channels; (c) expanding the sewer system and constructing a new sewer network; (d) installing tertiary pipes including house connections; (e) constructing booster and pumping stations; and (f) constructing public toilets.

2. Construct and operate: (a) up to two (2) wastewater treatment plants based on oxidation ditches; and (b) a pilot chemically enhanced treatment plant.

3. Carry out a program of solid waste management, consisting of: (a) rehabilitating and expanding the Long My landfill and providing equipment for landfill management; (b) providing equipment for solid waste collection, including medical waste; and (c) constructing transfer stations and/or collection points.

4. Carry out a program of resettlement, rehabilitation and compensation for persons affected under Part B of the Project, including providing serviced housing plots.

5. Carry out a program to improve sanitation facilities in Quy Nhon, consisting of: (a) assisting households to improve their household sanitation facilities through the establishment of a city sanitation revolving fund and the provision of small loans for such facilities; and (b) constructing sanitation facilities for selected city schools.

6. Carry out a program to build institutional capacity, consisting of:

(a) (i) building the institutional capacity of said Project Province's Project Management Unit; and (ii) supporting said Project Management Unit in carrying out detailed preparation of Phase II activities, construction supervision, financial management and auditing, safeguards monitoring and project evaluation;

(b) strengthening the capacity of service providers in financial management and planning, in operation and maintenance of networks, equipment, treatment plants and landfill sites, development of performance contracts with public and private sectors and, jointly with relevant city departments, development of procedures and plans to support the operation and maintenance of new facilities, including procedures and plans for medical and hazardous waste management, control of flood, industrial pollution and emission; and

(c) designing and implementing a Healthy City Partnership, including providing small grants to support innovative programs to implement said Partnership; and carrying out public awareness campaigns in respect of household sanitation behavior change and of Project activities.

Part C: Nha Trang

In the City of Nha Trang of Khanh Hoa Province:

1. Carry out a program to improve flood control, drainage and waste water collection, including, in selected areas of Nha Trang: (a) rehabilitating the buffer function of the flood plains and improving river flow through dredging, construction of cut off drains and tidal gates; (b) rehabilitating and extending the existing drainage system and constructing new drainage facilities, interceptors and storm water overflows; (c) constructing a new sewer network; (d) installing tertiary pipes including house connections; (e) constructing booster and pumping stations; and (f) constructing public toilets.

2. Construct and operate up to three (3) new wastewater treatment plants.

3. Carry out a program of solid waste management, consisting of: (a) developing a new sanitary landfill at Luong Hoa, rehabilitating and decommissioning the existing dump site, and providing equipment for landfill management; (b) providing equipment for solid waste collection, including medical waste; and (c) constructing transfer stations and/or collection points.

4. Carry out a program of resettlement, rehabilitation and compensation for persons affected under Part C of the Project, including providing serviced housing plots.

5. Carry out a program to improve sanitation facilities in Nha Trang, consisting of: (a) assisting households to improve their household sanitation facilities through the

establishment of a city sanitation revolving fund and the provision of small loans for such facilities; and (b) constructing sanitation facilities for selected city schools.

6. Carry out a program to build institutional capacity, consisting of:

(a) (i) building the institutional capacity of said Project Province's Project Management Unit; and (ii) supporting said Project Management Unit in carrying out detailed preparation of Phase II activities, construction supervision, financial management and auditing, safeguards monitoring and project evaluation;

(b) strengthening the capacity of service providers in financial management and planning, in operation and maintenance of networks, equipment, treatment plants and landfill sites, development of performance contracts with public and private sectors and, jointly with relevant city departments, development of procedures and plans to support the operation and maintenance of new facilities, including procedures and plans for medical and hazardous waste management, control of flood, industrial pollution and emission; and

(c) designing and implementing a Healthy City Partnership, including providing small grants to support innovative programs to implement said Partnership; and carrying out public awareness campaigns in respect of household sanitation behavior change and of Project activities.

* * *

The Project is expected to be completed by May 31, 2014.

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 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 and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than $150,000 equivalent per contract and works estimated to cost less than $2,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the following additional provisions set forth in the Annex to this Schedule 3.

2. Shopping. (a) Goods, other than vehicles, estimated to cost less than $30,000 equivalent per contract, (b) vehicles estimated to cost less than $50,000 equivalent per contract but not exceeding an aggregate amount of $100,000 equivalent per Project Province, and (c) works estimated to cost less than $50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Commercial Practices. Goods and works to be financed under Sanitation Loans and the HCP Grants may be procured in accordance with commercial practices acceptable to the Association.

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. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. 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.

4. 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.

5. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

6. 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, subject to prior approval of the Association.

7. Commercial Practices. Consultants' services to be financed under Sanitation Loans and the HCP Grants may be procured in accordance with commercial practices acceptable to the Association.

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:

(a) for each Project Province and the respective Project City, the first two (2) contracts for works and the first two (2) contracts for goods to be procured under National Competitive Bidding procedures, and the first two (2) contracts for goods to be procured under Shopping procedures, in each case regardless of the value thereof;

(b) each contract for goods estimated to cost the equivalent of $100,000 or more and each contract for works and services (other than consultants' services) estimated to cost the equivalent of $300,000 or more;

(c) each contract for consultants' services provided by a firm estimated to cost the equivalent of $100,000 or more; and

(d) each contract for consultants' services procured under the provisions for Single Source Selection.

In addition, with respect to each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association. 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 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 30 days for the preparation and submission of bids shall be provided, and potential bidders shall be allowed to purchase bidding documents up to 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 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 the 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 cause each Project Province to establish and, thereafter throughout the period of implementation of its Respective Part of the Project, maintain:

(a) a Project Management Unit to be responsible for: (i) planning and managing the implementation of its Respective Part of the Project, including financial management and procurement; (ii) ensuring coordination among all relevant departments and agencies of said Project Province and of the respective Project City, and service providers; and (iii) monitoring and reporting on all Project activities; each such Project Management Unit shall be under the direction of qualified management, provided with sufficient resources, and staffed with competent personnel in adequate numbers, including a director, a financial management officer and an accountant, a procurement specialist and a chief engineer, in each case with qualifications and experience and under terms of reference acceptable to the Association; and

(b) a Project Steering Committee under the direction of the Provincial People's Committee, with representation from the relevant provincial line agencies, including the Departments of Finance, of Planning and Investment, of Natural Resources and Environment, of Construction, of Education and Training, from the People's Committee of the respective Project City, and from the service providers; said Committee to ensure a close coordination among the responsible line agencies and to provide guidance to the PMU in the management of Project implementation.

2. For purpose of obtaining assistance in contract supervision and in contract management, the Borrower shall cause the Project Provinces:

(a) prior to the award of the first construction contract under Parts 1, 2 and 3 of the Project, to engage an advisory firm with qualifications, international experience and under terms of reference acceptable to the Association, and in accordance with the guidelines set forth in Schedule 3 to this Agreement; and

(b) prior to the award of the first construction contract under Parts 4 and 5 (b) of the Project, to engage an advisory firm with qualifications, experience and under terms of reference acceptable to the Association, and in accordance with the guidelines set forth in Schedule 3 to this Agreement.

3. The Borrower shall cause each Project Province, in regard to its Respective Part of the Project, to:

(a) prepare and adopt a Project Implementation Plan satisfactory to the Association, including therein: (i) a financial management manual setting forth guidelines

and procedures for financial management and control, record keeping, reporting and auditing, and programs of training therefor; (ii) a procurement manual consistent with the provisions of Schedule 3 to this Agreement, establishing procedures and guidelines for the preparation of bidding documents, management of the bidding process, bidding evaluation and contract preparation; (iii) the Resettlement Policy Framework; and (iv) the Environmental Guidelines;

(b) implement, and cause to be implemented, the provisions of the Project Implementation Plan in a manner satisfactory to the Association, including establishing a financial management system acceptable to the Association; and to ensure such implementation, provide adequate training to the PMU staff in financial management and in procurement in a manner satisfactory to the Association; and

(c) furnish to the Association for its prior approval any revisions proposed to be introduced into said Project Implementation Plan, and thereafter introduce into said Plan such revision as shall have been agreed with the Association.

Project Implementation

4. The Borrower shall:

(a) cause the Project Provinces: (i) to adopt and implement household connection policies as shall have been agreed with the Association, said policies leading to the connection to sewers of all domestic and commercial wastewater outlets located within approximately twenty-five (25) meters of sewers within eighteen (18) months after the construction of such sewers, provided that either an appropriate waste water treatment plant has been constructed and is in operation, or that the discharge of waste water resulting from said connections will not contravene applicable environmental standards and regulations; and (ii) not to modify such policies without the prior concurrence of the Association;

(b) cause the Project Provinces to consolidate in their respective Water Supply Companies all water-, wastewater- and drainage-related functions for the respective Project Cities and, for said purpose, to transfer to said Water Supply Companies all existing assets, budget and staff related to such functions, all in a manner satisfactory to the Association; and

(c) not finance, nor permit to finance, with the proceeds of the Credit any works or goods for the purposes of Parts A.1, B.1 or C.1 of the Project, as the case may be, until the relevant Project Province has: (i) adopted its household connection policy in accordance with the provisions of sub-paragraph (a) of this paragraph 4; and (ii) completed the consolidation of functions and the transfer of assets, budget and staff in accordance with the provisions of sub-paragraph (b) of this paragraph 4.

5. For purposes of Parts A.2(b) and A.3(c) of the Project, the Borrower:

(a) shall, and shall cause Quang Binh to, ensure that the city hospital of Dong Hoi enters into service contracts, satisfactory to the Association, with service providers for drainage and wastewater services and for solid waste services; and

(b) shall not finance, not permit to finance, with the proceeds of the Credit, any works or goods for the purpose of said Parts of the Project until such service contracts have been executed in a manner satisfactory to the Association.

6. The Borrower shall, and shall cause the Project Provinces to:

(a) take all necessary actions to implement the solid waste and wastewater cost recovery schedules as shall have been agreed with the Association, said schedules designed to enable the service providers in the respective Project Cities, by the time of completion of the Respective Parts of the Project, to collect sufficient users' fees to cover their operating costs and the depreciation of their short-lived assets; and

(b) not modify said schedules without the prior concurrence of the Association.

7. For purpose of Part A of the Project, the Borrower shall:

(a) (i) make available to Quang Binh, for Dong Hoi, as a grant, the portion of the Credit allocated from time to time to Category (1), except for Category (1)(b); and

(ii) enter into a written agreement with the Dong Hoi UWC whereby the Borrower shall make a loan to the UWC in an amount of VN Dong equivalent to the portion of the Credit allocated from time to time to Category (1)(b) for purposes of the solid waste collection equipment under Part A.3(b), at an interest rate of 6.6% per annum, for a term of twenty (20) years, with a grace period of five (5) years applicable to payments of principal and interest with no accrual of interest during such grace period;

(b) cause Quang Binh, upon completion of civil works and procurement of goods for Parts A.1, A.2 and A.3 of the Project, to transfer to the Dong Hoi UWC and the Quang Binh WSC all of said assets for solid waste management and for drainage and wastewater collection and treatment, respectively, under written agreements acceptable to the Association, whereby said service providers undertake to:

(i) acknowledge the transfer of and record such assets on their asset registers and balance sheets;

(ii) depreciate such assets in accordance with accounting standards acceptable to the Association;

(iii) operate and maintain such assets with due diligence and efficiency, in accordance with appropriate technical and sanitation standards and in a manner to accomplish the objectives of the Project;

(iv) enable representatives of Quang Binh, Dong Hoi and of the Association, if the Association shall so request, to inspect such assets and their operations;

(v) maintain a financial management system, including records and accounts and prepare financial statements in accordance with consistently applied accounting standards acceptable to Quang Binh and the Association, adequate to reflect their operations, resources and expenditures, including in connection with the transfer, operation and maintenance of such assets; and

(vi) have the financial statements, records and accounts referred to in clause (v) above, for each fiscal year audited, in accordance with accounting standards acceptable to Quang Binh and the Association, by independent auditors acceptable to Quang Binh and the Association; furnish to Quang Binh, Dong Hoi and to the Association, copies of such financial statements and the opinion on such statements by said auditors, and other information as Quang Binh, Dong Hoi or the Association may reasonably request; and

(c) exercise its rights and cause Quang Binh to exercise Quang Binh's rights under said written agreements in such manner as to protect the interests of the Borrower, of Quang Binh and Dong Hoi, and of the Association, and to accomplish the purposes of the Credit; and except as the Association shall otherwise agree, shall not, and shall not permit to, assign, amend, abrogate or waive any of said written agreements or any provision thereof.

8. For purpose of Part B of the Project, the Borrower shall:

(a) (i) make available to Binh Dinh, for Quy Nhon: (A) as a grant, the portion of the Credit allocated from time to time to Category (2), except for Categories (2)(b) and (2)(d); and (B) as a loan, the portion of the Credit allocated from time to time to Category (2)(d) for purpose of Part B.4 of the Project, without interest charge, for a term of twenty (20) years, with a grace period of three (3) years; and

(ii) enter into a written agreement with the Quy Nhon URENCO whereby the Borrower shall make a loan to the URENCO in an amount of VN Dong equivalent to the portion of the Credit allocated from time to time to Category (2)(b) for purposes of the solid waste collection equipment under Part B.3(b), at an interest rate of 6.6% per annum, for a term of twenty (20) years, with a grace period of five (5) years applicable to payments of principal and interest with no accrual of interest during such grace period;

(b) cause Binh Dinh, upon completion of civil works and procurement of goods for Parts B.1, B.2 and B.3 of the Project, to transfer to the Quy Nhon URENCO and the Binh Dinh WSC all such assets for solid waste management and for drainage and wastewater collection and treatment, respectively, under written agreements acceptable to the Association, whereby said service providers undertake to:

(i) acknowledge the transfer of and record such assets on their asset registers and balance sheets;

(ii) depreciate such assets in accordance with accounting standards acceptable to the Association;

(iii) operate and maintain such assets with due diligence and efficiency, in accordance with appropriate technical and sanitation standards and in a manner to accomplish the objectives of the Project;

(iv) enable representatives of the Borrower, Binh Dinh, Quy Nhon and of the Association, if the Association shall so request, to inspect such assets and their operations;

(v) maintain a financial management system, including records and accounts and prepare financial statements in accordance with consistently applied accounting standards acceptable to Binh Dinh and the Association, adequate to reflect their operations, resources and expenditures, including in connection with the transfer, operation and maintenance of such assets; and

(vi) have the financial statements, records and accounts referred to in clause (v) above, for each fiscal year audited, in accordance with accounting standards acceptable to Binh Dinh and the Association, by independent auditors acceptable to Binh Dinh and the Association; furnish to Binh Dinh, Quy Nhon and to the Association, copies of such financial statements and the opinion on such statements by said auditors, and other information as

Binh Dinh, Quy Nhon or the Association may reasonably request; and

(c) exercise its rights and cause Binh Dinh to exercise Binh Dinh's rights under said written agreements in such manner as to protect the interests of the Borrower, of Binh Dinh and Quy Nhon, and of the Association, and to accomplish the purposes of the Credit; and except as the Association shall otherwise agree, shall not, and shall not permit to, assign, amend, abrogate or waive any of said written agreements or any provision thereof.

9. For purpose of Part C of the Project, the Borrower shall:

(a) (i) make available to Khanh Hoa, for Nha Trang: (A) as a grant, the portion of the Credit allocated from time to time to Category (3), except for Categories (3)(b) and (3)(d); and (B) as a loan, the portion of the Credit allocated from time to time to Category (3)(d) for purpose of Part C.4 of the Project, without interest charge, for a term of twenty (20) years, with a grace period of three (3) years; and

(ii) enter into a written agreement with the Nha Trang URENCO whereby the Borrower shall make a loan to the URENCO in an amount of VN Dong equivalent to the portion of the Credit allocated from time to time to Category (3)(b) for purposes of the solid waste collection equipment under Part C.3(b), at an interest rate of 6.6% per annum, for a term of twenty (20) years, with a grace period of five (5) years applicable to payments of principal and interest with no accrual of interest during such grace period;

(b) cause Khanh Hoa, upon completion of civil works and procurement of goods for Parts C.1, C.2 and C.3 of the Project, to transfer to the Nha Trang URENCO and the Khanh Hoa WSC all such assets for solid waste management and for drainage and wastewater collection and treatment, respectively, under written agreements acceptable to the Association, whereby said service providers undertake to:

(i) acknowledge the transfer of and record such assets on their asset registers and balance sheets;

(ii) depreciate such assets in accordance with accounting standards acceptable to the Association;

(iii) operate and maintain such assets with due diligence and efficiency, in accordance with appropriate technical and

sanitation standards and in a manner to accomplish the objectives of the Project;

(iv) enable representatives of the Borrower, Khanh Hoa, Nha Trang and of the Association, if the Association shall so request, to inspect such assets and their operations;

(v) maintain a financial management system, including records and accounts and prepare financial statements in accordance with consistently applied accounting standards acceptable to Khanh Hoa and the Association, adequate to reflect their operations, resources and expenditures, including in connection with the transfer, operation and maintenance of such assets; and

(vi) have the financial statements, records and accounts referred to in clause (v) above, for each fiscal year audited, in accordance with accounting standards acceptable to Khanh Hoa and the Association, by independent auditors acceptable to Khanh Hoa and the Association; furnish to Khanh Hoa, Nha Trang and to the Association, copies of such financial statements and the opinion on such statements by said auditors, and other information as Khanh Hoa, Nha Trang or the Association may reasonably request; and

(c) exercise its rights and cause Khanh Hoa to exercise Khanh Hoa's rights under said written agreements in such manner as to protect the interests of the Borrower, of Khanh Hoa and Nha Trang, and of the Association, and to accomplish the purposes of the Credit; and except as the Association shall otherwise agree, shall not, and shall not permit to, assign, amend, abrogate or waive any of said written agreements or any provision thereof.

10. The Borrower shall cause the Project Provinces:

(a) to take all necessary actions to enable private operators to participate in solid waste management services and septage cleaning services in the respective Project Cities; and

(b) to this end, by no later than December 31, 2010, to put to tender the solid waste management operations of at least three (3) wards and the septage cleaning operations of at least one (1) ward in each of the respective Project Cities.

11. For purposes of Parts A.5(a), B.5(a) and C.5(a) of the Project, the Borrower shall cause each Project Province to:

(a) prepare and put into effect a Sanitation Fund Manual, satisfactory to the Association, setting forth the procedures and requirements for the establishment and operation of a Sanitation Revolving Fund in the respective Project Cities; the financial management procedures for said Fund; eligibility criteria for households applying for Sanitation Loans; and the terms and conditions of the Sanitation Loans;

(b) enter into an implementation arrangement with the Women's Union of said Province, or said City as the case may be, whereby the Women's Union shall undertake the following actions and responsibilities for purposes of Parts A.5(a), B.5(a) and C.5 (a), respectively, of the Project:

(i) the Women's Union shall manage the Sanitation Revolving Fund in the respective Project City to make loans to eligible households, in accordance with the provisions of the respective Sanitation Fund Manual;

(ii) in respect of each Sanitation Loan, the Women's Union shall obtain, by written contract with the borrowing household, rights adequate to protect the interests of the Women's Union, the Project Province and respective Project City, the Borrower and the Association, including the rights: (A) to require the borrowing household to use the proceeds of the Sanitation Loan for its intended purpose, with due diligence and efficiency and in accordance with sound technical and sanitation standards, and to maintain adequate records; (B) to require that goods and works be procured at a reasonable price following established commercial procedures; (C) to inspect by themselves, or jointly with representatives of the Project Province and respective Project City or the Association, if the Association shall so request, the goods, works and installation implemented using the proceeds of the Sanitation Loan, and any relevant records and documents; and (D) to suspend or terminate the right of the borrowing household to the use of the proceeds of the Sanitation Loan upon failure of its obligations under its contract with the Women's Union;

(iii) the Women's Union shall 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 its operations, resources and expenditures in respect of the respective Sanitation Revolving Fund;

(iv) the Women's Union shall take all necessary actions to enable the Project Province to have the financial statements, records and

accounts referred to in clause (iii) above, for each fiscal year audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(v) proceeds of the Sanitation Loans re-paid by borrowing households to the Women's Union shall be used for further Sanitation Loans to households in the Project City, under terms and conditions acceptable to the Association; and

(vi) the Project Province shall retain the right to cancel its implementation arrangement with the Women's Union in the event of failure of the Women's Union to perform in accordance with the provisions of said implementation arrangement and of the Sanitation Fund Manual; and

(c) furnish to the Association for its prior approval any revisions proposed to be introduced into said Sanitation Fund Manual, and thereafter introduce into said Manual such revisions as shall have been agreed with the Association.

12. For purposes of Parts A.6(c), B.6(c) and C.6(c) of the Project, the Borrower shall cause each Project Province to:

(a) prepare and put into effect a Healthy City Partnership Manual, satisfactory to the Association; said Manual setting forth the principles and procedures for mobilizing stakeholders in the respective Project City to build the Healthy City Partnership and formulate the common vision, the criteria for actions and programs to improve the environmental and hygiene conditions of the respective Project City, the procedures for review and approval of small grants for innovative proposals, procurement arrangements, and monitoring and evaluation mechanisms; and

(b) furnish to the Association for its prior approval any revisions proposed to be introduced into said Healthy City Partnership Manual, and thereafter introduce into said Manual such revisions as shall have been agreed with the Association.

Environmental Protection and Resettlement

13. The Borrower shall cause the Project Provinces to:

(a) carry out, and cause to be carried out, the Environmental Guidelines in a manner satisfactory to the Association, and designed to ensure that their Respective Parts of the Project are implemented in accordance with sound environmental practices and standards;

(b) prepare, as may be necessary in accordance with the requirements set forth in said Guidelines, and implement, and cause to be implemented, in a manner

satisfactory to the Association, environmental management plans acceptable to the Association in respect of their Respective Parts of the Project;

(c) provide to the Association for its prior approval any revision proposed to be introduced into said Guidelines or said environmental management plans, as the case may be, in order to achieve their respective objectives, and thereafter introduce such revision into said Guidelines or said environmental management 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 said Guidelines and said environmental management plans, and the achievement of their respective objectives.

14. The Borrower shall cause the Project Provinces to:

(a) carry out, and cause to be carried out, the Resettlement Policy Framework, in a manner satisfactory to the Association;

(b) wherever implementation of their Respective Parts of the Project or any part thereof, would give rise to Displaced Persons, prior to commencing any work, provide to the Association for its review, resettlement action plans prepared in accordance with the principles and procedures set forth in said Framework; and, thereafter, implement, and cause to be implemented, in a manner satisfactory to the Association, such resettlement action plans as shall have been approved by the Association;

(c) provide to the Association for its prior approval any revision proposed to be introduced into said Framework or into any resettlement plan prepared pursuant to said Framework in order to achieve their respective objectives, and thereafter introduce such revision into said Framework or said plan 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 said Framework and any resettlement plan prepared pursuant thereto, and the achievement of their respective objectives.

Monitoring and Reporting

15. The Borrower shall cause each Project Province to:

(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 its Respective Part of 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 June 30 and December 31 of each year, commencing June 30, 2007, a semi-annual report; and (ii) on or about December 31, 2010, a mid-term report; in each case integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 15, on the progress achieved in the carrying out of its Respective Part 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 its Respective Part of the Project and the achievement of the objectives thereof during the period following such date; and

(c) promptly thereafter, review with the Association, each such report referred to in sub-paragraph (b) of this paragraph 15, and, thereafter, take all measures required to ensure the efficient completion of its Respective Part 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 Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: (i) in respect of Quang Binh's Respective Part of the Project in Dong Hoi, Category (1); (ii) in respect of Binh Dinh's Respective Part of the Project in Quy Nhon, Category (2); and (iii) in respect of Khanh Hoa's Respective Part of the Project in Nha Trang, Category (3); all as 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, works 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:

(i) in respect of Dong Hoi Special Account for Quang Binh's Respective Part of the Project, an amount equivalent to $1,300,000 to be withdrawn from the Credit Account and deposited into the Dong Hoi Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $650,000 in respect of said Special Account, until in respect of said Special Account, the aggregate amount of withdrawals from the Credit Account allocated to Category (1) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Quang Binh's Respective Part of the Project shall be equal to or exceed the equivalent of SDR 6,250,000;

(ii) in respect of Quy Nhon Special Account for Binh Dinh's Respective Part of the Project, an amount equivalent to $1,800,000 to be withdrawn from the Credit Account and deposited into the Quy Nhon Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $900,000 in respect of said Special Account, until in respect of said Special Account, the aggregate amount of withdrawals from the Credit Account allocated to Category (2) plus the total amount of all outstanding special commitments entered into by the Association pursuant to

Section 5.02 of the General Conditions for Binh Dinh's Respective Part of the Project shall be equal to or exceed the equivalent of SDR 8,540,000; and

(iii) in respect of Nha Trang Special Account for Khanh Hoa's Respective Part of the Project, an amount equivalent to $2,700,000 to be withdrawn from the Credit Account and deposited into the Nha Trang Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $1,350,000 in respect of said Special Account, until in respect of said Special Account, the aggregate amount of withdrawals from the Credit Account allocated to Category (3) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Khanh Hoa's Respective Part of the Project shall be equal to or exceed the equivalent of SDR 13,180,000.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective 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 respective 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 respective 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 respective 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 any 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 Accounts;

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the respective Special Account, 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 Respective Parts of 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 for the Respective Parts of the Project 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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

(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.