CREDIT NUMBER 3292 VN

Development Credit Agreement

(Coastal Wetlands Protection and Development Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 24 February, 2000

CREDIT NUMBER 3292 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated 24 February, 2000, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and the 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 from Danish International Development Assistance (DANIDA) a grant (the DANIDA Grant) in an aggregate principal amount of eleven million three hundred thirty-four thousand dollars equivalent ($11,334,000) to assist in financing the Project, under an agreement (the Danish Grant Agreement) to be entered into between the Borrower and the Association acting as Executing Agency for DANIDA; and

(C) DANIDA and the Association intend to enter into an agreement (DANIDA Administration Agreement) pursuant to the Agreement among DANIDA, the International Bank for Reconstruction and Development and the Association for the Cofinancing of Development Projects and Programs dated October 6, 1998, making arrangements for the Association to process applications for withdrawal of the proceeds of the financing to be provided severally by DANIDA and the Association and regulating certain other matters of common interest in connection with such financing; 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 December 2, 1997) (the General Conditions) constitute an integral part of this Agreement:

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

(a) "Affected Person" means a person who, on account of the execution of the Project had or would have his or her: (i) right, title or interest in any property, or interest in or right to use any land (including premises, agricultural and grazing land), or right in annual or perennial crops and trees or any other fixed or movable assets, acquired or possessed, temporarily or permanently; or (iii) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently, resulting in an involuntary loss of shelter, loss of productive assets or access to productive assets, including natural resources, or loss of income or means of livelihood, thereby adversely affecting the person's standard of living, and "Affected Persons" means, collectively, all persons who qualify as an Affected Person.

(b) "Buffer Zone" means (i) the area formed by the administrative boundaries of those Communes adjacent to the Full Protection Zone or (ii) the area whose boundaries are located within the adjacent communes.

(c) "Central Project Office" and the acronym "CPO" mean the unit to be established pursuant to paragraph 1(b) of Schedule 4 to this Agreement within the Ministry of Agriculture and Rural Development.

(d) "Communes" means, collectively, the smallest administrative unit within the Borrower's administrative system in the Project Provinces.

(e) "Commune Action Plans" means, collectively, the specific plans developed through the community participatory process under Part B.3(a) of the Project to implement Subprojects and to be carried out by a Commune, and the term "Commune Action Plan" means any one of such Commune Action Plans.

(f) "Communal Grant" means, individually, a grant made available to a Commune out of the proceeds of the Credit to finance a Subproject under Part B.3(a) of the Project, in accordance with the Project Implementation Manual, and the term "Communal Grants" means, collectively, more than one Communal Grant.

(g) "District People's Committees" means, collectively, the District People's Committees in the Project Provinces.

(h) "Environmental Action Plan" means the action plan setting out specific actions and measures, monitoring indicators and institutional arrangements required to mitigate adverse environmental effects during the implementation of the Project, dated October 1999, as such Plan may be amended by agreement between the Borrower and the Association.

(i) "Ethnic Minorities Development Plan" means the plan, satisfactory to the Association, approved by the Prime Minister's Decision No. 367/CP-NN dated April 10, 1999 and the Decision No.1336-BNN-HTQT/QD of the Borrower's Minister of Agriculture and Rural Development dated April 19, 1999, for purposes of carrying out the Project with the informed participation of, and consultation with, communities with Ethnic Minorities, pursuant to the provisions of paragraph 6 of Schedule 4 to this Agreement, as such Development Plan may be amended from time to time by agreement between the Borrower and the Association, and the term "Ethnic Minorities" means social groups disadvantaged in the development process and with social and cultural identity distinct from those which constitute the predominant ethnic group in Vietnam.

(j) "Ethnic Minorities Development Fund" means the financing required to implement the Ethnic Minorities Development Plan, and to be funded out of the Danida Grant.

(k) "Financial Action Plan" means the time-bound action plan, satisfactory to the Association, to strengthen the accounting system of the CPO and the PPMUs.

(l) "Forest Protection Contract" means the contract to be entered into between an individual household or group of individual households in a Commune and the respective Commune People's Committees for purposes of joint protection of natural forests in the Full Protection Zone against human encroachment, human destruction and unauthorized logging.

(m) "Full Protection Zone" means the area of mangrove forests and wetlands, as demarcated in the Zoning Plan, including the Dat Mui Nature Reserve, the Ong Trang Nature Reserve, and the Bai Boi Fish Sanctuary.

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

(o) "National Project Steering Committee" means the committee to be established pursuant to paragraph 1(a) of Schedule 4 to this Agreement.

(p) "Project Implementation Manual" means the time-bound action plan for carrying out the Project in the Project Provinces referred to in paragraph 7 of Schedule 4 to this Agreement.

(q) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement.

(r) "Project Provinces" means the Borrower's Provinces of Ca Mau, Bac Lieu, Soc Trang and Tra Vinh, and any successors thereto.

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

(t) "Provincial Project Management Unit" and the acronym "PPMU" mean a unit established by a Provincial People's Committee pursuant to paragraph 2(b) of Schedule 4 to this Agreement.

(u) "Provincial Project Steering Committee" and the acronym "PPSC" mean a committee established by a Provincial People's Committee pursuant to paragraph 2(a) of Schedule 4 to this Agreement.

(v) "Resettlement Action Plan" and the acronym "RAP" mean the resettlement action plan for Part D of the Project, satisfactory to the Association, approved by the Prime Minister's Decision No. 367/CP-NN dated April 10, 1999 and the Decision No. 1336-BNN-HTQT/QD of the Borrower's Minister of Agriculture and Rural Development dated April 19, 1999, for carrying out the compensation, resettlement and rehabilitation of each Affected Person pursuant to paragraph 5 of Schedule 4 to this Agreement, as such Resettlement Action Plan may be amended from time to time by agreement between the Borrower and the Association.

(w) "Social Support Fund" means the revolving fund to be established pursuant to paragraph 12 of Schedule 4 to this Agreement and to be funded out of the Danida Grant.

(x) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement "namely, the Tra Vinh Special Account, the Soc Trang Special Account, the Bac Lieu Special Account, the Ca Mau Special Account and the CPO Special Account".

(y) "Subproject" means a specific investment project to be carried out under a Commune Action Plan under Part B.3(a) of the Project which meets the criteria set forth in the Operational Manual.

(z) "Village Action Plan" and the acronym "VAP" mean the annual plans for implementation of resettlement activities under the Project.

(aa) "VBARD" means the "Vietnam Bank for Agriculture and Rural Development" established and operating pursuant to the Statute of the Viet Nam Bank for Agriculture and Rural Development issued under Decision No. 280/QD-NH5 of the Governor of the State Bank of Viet Nam dated October 15, 1996, and any successor thereto.

(bb) "Zoning Plan" means the zoning plan demarcating the area of mangrove forests and wetlands of the Full Protection Zone and the Buffer Zone, approved by the Prime Minister by Decision No. 116/1999/QD-TTG dated May 3, 1999, as such Zoning Plan may be amended from time to time by agreement between the Borrower and the Association.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-three million one hundred thousand Special Drawing Rights (SDR 23,100,000).

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 and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars the following special deposit accounts in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment: (i) one such account for the Tra Vinh PPMU (the Tra Vinh Special Account); (ii) one such account for the Soc Trang PPMU (the Soc Trang Special Account); (iii) one such account for the Bac Lieu PPMU (the Bac Lieu Special Account); (iv) one such account for the Ca Mau PPMU (the Ca Mau Special Account); and (v) one such account for the CPO (the CPO Special Account). 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 September 30, 2006 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each January 15 and each July 15, commencing January 15, 2010, and ending on July 15, 2039. Each installment to and including the installment payable on July 15, 2019, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

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

(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 with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental, social and forestry practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works, and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

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

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

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

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

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

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable the Borrower, not later than March 31, 2000, or such later date as the Association shall agree, to prepare quarterly Project Management Reports, acceptable to the Association, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

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

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period satisfactory to the Association.

ARTICLE V

Remedies of the Association

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

(a) The Danish Grant shall have failed to become effective by March 31, 2000, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that 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.

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

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

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

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (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, that the event specified in paragraph (b)(i)(B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b)(ii) 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) that the National Project Steering Committee has been established in accordance with paragraph 1(a) of Schedule 4 to this Agreement;

(b) that the CPO has been established and the Project Director appointed in accordance with paragraph 1(b) of Schedule 4 to this Agreement;

(c) that the Provincial Project Steering Committee has been established in accordance with paragraph 2(a) of Schedule 4 to this Agreement;

(d) that the Provincial Project Management Units have been established and the Provincial Project Directors, and financial staff for them have been appointed in each of the Project Provinces in accordance with paragraph 2(b) of Schedule 4 to this Agreement;

(e) that the Borrower has adopted the Project Implementation Manual, in accordance with paragraph 7 of Schedule 4 to this Agreement;

(f) that the annual work program for Project activities for calendar year 2000 referred to in paragraph 3(a) of Schedule 4 to this Agreement, satisfactory to the Association, shall have been approved by the Borrower;

(g) that procedural guidelines for forest planting activities shall have been issued by the Borrower in accordance with paragraph 10 of Schedule 4 to this Agreement; and

(h) that the actions to strengthen the Accounting Unit of the CPO and PPMU, as described in the Financial Management Action Plan have been complied with in a manner satisfactory to the Association.

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

(a) that the provisions of the Resettlement Action Plan and Ethnic Minorities Development Plan are legally valid and enforceable in accordance with Vietnamese laws; and

(b) that the provisions of the Zoning Plan are legally valid and enforceable in accordance with Vietnamese laws, and the Full Protection Zone has been duly established.

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 of the Deputy Governors 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 Street
Hanoi
Socialist Republic of Vietnam

Cable address:	Telex:
VIETBANK Hanoi	412248 NHTWVT

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)

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

SOCIALIST REPUBLIC OF VIETNAM

By _____ 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)	% of Expenditures To be Financed
(1)	Civil works under Parts A and D of the Project:		90%
	(a) for Tra Vinh	490,000	
	(b) for Soc Trang	720,000	
	(c) for Bac Lieu	490,000	
	(d) for Ca Mau	2,970,000	
	(e) for CPO	200,000	
(2)	Reforestation (including seedlings):		90%
	(a) for Tra Vinh	700,000	
	(b) for Soc Trang	1,720,000	
	(c) for Bac Lieu	590,000	
	(d) for Ca Mau	1,720,000	
(3)	Goods (excluding seedlings):		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
	(a) for Tra Vinh	200,000	
	(b) for Soc Trang	210,000	
	(c) for Bac Lieu	210,000	
	(d) for Ca Mau	430,000	
	(e) for CPO	350,000	

	Category	Amount of the Credit Allocated (Expressed in SDR)	% of Expenditures To be Financed
(4)	Consultants' services:		100%
	(a) for Tra Vinh	90,000	
	(b) for Soc Trang	190,000	
	(c) for Bac Lieu	90,000	
	(d) for Ca Mau	280,000	
	(e) for CPO	900,000	
(5)	Training:		100%
	(a) for Tra Vinh	100,000	
	(b) for Soc Trang	110,000	
	(c) for Bac Lieu	100,000	
	(d) for Ca Mau	220,000	
	(e) for CPO	400,000	
(6)	Communal Grants:		100% of amounts disbursed
	(a) for Tra Vinh	270,000	
	(b) for Soc Trang	2,800,000	
	(c) for Bac Lieu	360,000	
	(d) for Ca Mau	830,000	
(7)	Farmers Grants:		100% of amounts disbursed
	(a) for Tra Vinh	70,000	
	(b) for Soc Trang	140,000	
	(c) for Bac Lieu	100,000	
	(d) for Ca Mau	230,000	
(8)	Forest Protection Contacts:		100% for payments made prior to January 1, 2003 and 50% for payments made thereafter
	(a) for Tra Vinh	140,000	
	(b) for Soc Trang	470,000	
	(c) for Bac Lieu	200,000	
	(d) for Ca Mau	620,000	

	Category	Amount of the Credit Allocated (Expressed in SDR)	% of Expenditures To be Financed
(9)	Incremental operating costs:		
	(a) for Tra Vinh	170,000	100% for payments made prior to January 1, 2003 and 50% for payments made thereafter
	(b) for Soc Trang	200,000	
	(c) for Bac Lieu	180,000	
	(d) for Ca Mau	310,000	
	(e) for CPO	140,000	
(10)	Unallocated	2,390,000	
	TOTAL	23,100,000	

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 "Reforestation" means planting of seedlings and seed stands including provision of seedlings and seed stands therefor;

(d) the term "Forest Protection Contracts" means contracts provided to an individual household or group of individual households in a Commune under Forest Protection Contracts for purposes of joint protection of natural forests in the Full Protection Zone against human encroachment, human destruction and unauthorized logging; and

(e) the term "incremental operating costs" means the expenses incurred by the CPO and PPMUs on account of Project implementation, management and monitoring, including office supplies, vehicle operation, travel and supervision costs.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for:

(a) goods under contracts costing less than $100,000 equivalent each;

(b) works and reforestation under contracts costing less than $100,000 equivalent each;

(c) services provided by consulting firms under contracts costing less than $100,000 equivalent each;

(d) services provided by individual consultants under contracts costing less than $50,000 equivalent each; and

(e) training, incremental operating costs, Communal Grants and Forest Protection Contracts;

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 reestablish and improve the coastal ecosystems in the Project Provinces and their associated biodiversity by replanting the coastal mangrove wetlands and reestablishing their aquatic nurturing and coastal protection functions in a sustainable manner.

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

Part A: Forest Protection

1. Establishment and physical demarcation of the Full Protection Zone with high biodiversity and coastal protection value and Buffer Zones in the Project Provinces.

2. Reforestation of formerly forested barren land in the Full Protection and Buffer Zone, including additional planting of degraded forest land, planting of mudflats on the accretion coast, and planting on higher lands for coastal protection in the Full Protection and Buffer Zones.

3. Enhancing the production of seedlings through establishment of small-scale nurseries, strengthening of existing nurseries and seed stands through the provision of technical assistance and training of households in the Buffer Zone in the production of seedlings.

4. Sustainable management of parcels of land in the Full Protection Zones, including replanting, maintenance and by-product collection.

Part B: Support for Households and Communities

1. Development of extension outreach packages for the aqua-ecological subzones of the coastal belt in the Project Provinces, including selection of appropriate technologies to promote crop diversification in saline environments; carrying out of adaptive research; development of technology packages; implementation of a monitoring, extension and training program for integrated coastal farming systems; and provision of farmer grants for demonstration of crop development.

2. Improving access of households in the communes in the Buffer Zones to credit and extension services through provision of training to staff of VBARD to assess creditworthiness, and provision of training to extension agents and households in the Buffer Zones on the use of improved technologies.

3. Implementation of participatory rural planning and development activities in the Buffer Zone to reduce dependency on resources by vulnerable communities and commune villages at the resettlement site, including:

(a) development of Commune Action Plans for the carrying out of specific participatory investment projects to be financed by Communal Grants; provision of loans to poor households through the Social Support Fund; and grant assistance to Ethnic Minorities through the Ethnic Minority Development Fund; and

(b) development and implementation of a system for management and sustainable use of natural forests in the Buffer Zone, including entering into Forest Protection Contracts for purposes of joint protection of natural forests in the Buffer Zone against human encroachment, human destruction and unauthorized logging.

Part C: Policy and Institutional Development

1. Development or revision of the Project Provinces' master plans for land use to improve the security and tenure to households in the communes in the Buffer Zone, and formulation of regulations for management of the Full Protection Zone.

2. Assessment of land titling procedures in the Project Provinces and improvement of issuing Land Use Rights Certificates.

3. Improving the economic viability of the Buffer Zone through restructuring of selected State-owned forest enterprises.

4. Strengthening the capacity of the Borrower's Project implementing agencies to implement forest protection programs, through: (i) provision of technical assistance in Project administration, financial management, audits, and supervision; (ii) monitoring and evaluation of Project activities, including, water quality, fishing productivity, coastal area land use, biodiversity, and socioeconomic indicators; and (iii) provision of staff training and associated equipment.

Part D: Resettlement of Affected Persons in the Full Protection Zone

1. Carrying out the Resettlement Action Plan, including relocating Affected Persons from the Full Protection Zone in the Project Provinces and providing logistic support for Affected Persons being resettled.

2. Strengthening the institutional capacity of the Project Provinces to plan, design and implement the details of the proposed resettlement through the provision of training, technical assistance, office facilities and equipment, vehicles, and consultants' services.

* * *

The Project is expected to be completed by March 31, 2006.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and (b) the following provisions of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost $100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost $10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Except as provided in paragraphs 2 and 4 of this Part C, goods estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount not to exceed $400,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost more than $100,000 equivalent per contract shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $1,500,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Forest Protection Contracts for reforestation which must be procured from a particular supplier for a specific tree species in acceptable quality and sufficient quantity at the required time may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Community Participation

Works under Parts A and B of the Project for reforestation may be procured from a group of households in a Commune in accordance with procedures acceptable to the Association.

5. Procurement from UN Agencies

Five four wheel drive vehicles and five speed boats estimated to cost up to an aggregate amount not to exceed $250,000 equivalent may be procured from the Interagency Procurement Service Office of the United Nations in accordance with the provisions of paragraph 3.9 of the Guidelines.

6. Procurement of Small Works

Works estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount not to exceed $8,300,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to: contracts for goods to be procured under International Competitive Bidding procedures; contracts for works and goods to be awarded under National Competitive Bidding procedures.

(b) With respect to the first three contracts to be procured by each Project Province through national shopping procedures, and the first three contracts for works and reforestation to be procured by each Project Province through Small Works procedures the following procedures shall apply:

(i) prior to the selection of any supplier under shopping or Small Works procedures, as the case may be, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under shopping procedures or Small Works procedures, as the case may be, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2 (f) and 2 (g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) subject to the modifications thereto set forth in paragraph 2 of this Part A and (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Single Source

Services for independent monitoring of the RAP under Part D of the Project, and services for monitoring and evaluation, under Part C.4(ii) of the Project shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Quality-based Selection

Services for carrying out adaptive research studies and development of technology packages under Part B.1 of the Project, services for land and water use studies under Part C.1 of the Project, and services for planning and implementing the RAP under Part D of the Project, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of $200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of $100,000 or more, but less than the equivalent of $200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Borrower shall, through MARD, establish and thereafter maintain at all times during the implementation of the Project:

(a) a National Project Steering Committee chaired by a Vice Minister of MARD and with representatives, inter alia, of the Borrower's Ministry of Planning and Investment, Ministry of Finance, Ministry of Fisheries, Ministry of Science, Technology and Environment, State Bank of Vietnam, General Department of Land Administration, State Committee for Ethnic Minorities and Mountainous Areas and the VBARD, and Provincial People's Committees, assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for the overall coordination and oversight of Project implementation, including inter alia: (i) coordination and liaison between Project implementing agencies; (ii) preparation of annual implementation plans and budgets, including counterpart funds; (iii) issuance of guidelines prescribing a standard procedure for making resettlement payments and for the supply, planting, verification and audit of seedlings, and (iv) timetables and institutional arrangements for Project implementation; and

(b) a Central Project Office, headed by a Project Director with qualifications and experience satisfactory to the Association, with such functions, responsibilities and funds, satisfactory to the Association, and with competent staff in adequate numbers, as shall be required for the implementation of the Project, including the preparation of Project reports, the maintenance of consolidated Project accounts, the implementation of procurement activities under the Project, and the provision of guidance on Project implementation to the Provincial Project Management Units.

2. The Borrower shall ensure that each Project Provincial People's Committee shall, for purposes of implementing the Project in its respective Province, establish and thereafter maintain:

(a) a Provincial Project Steering Committee chaired by a Vice Chairman of the Provincial People's Committee and with representatives, inter alia, of the Provincial Agriculture and Rural Development Department, Provincial Land Administration Department, Forest Protection Branch, Provincial Planning and Investment Department, Provincial Fisheries Department, Provincial Financial Department, Provincial Department of Science, Technology and Environment, and Provincial Branch of Vietnam Bank for Agriculture and Rural Development, and assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for the coordination and oversight of the implementation of the Project at the Provincial and Commune levels; and

(b) a Provincial Project Management Unit, headed by a Director with qualifications and experience satisfactory to the Association, with such functions, responsibilities, funds and competent staff in adequate numbers, satisfactory to the Association, as shall be required to carry out the Project in the respective Province, including preparation of Project reports, maintenance of Project accounts, implementation of procurement activities in coordination with the CPO, and monitoring and evaluation.

3. The Borrower shall:

(a) by September 30 in each year, commencing September 30, 2000, furnish to the Association for its review and comment, a proposed annual work program and budget for Project activities to be implemented in the following calendar year, including: (i) mangrove planting, rehabilitation and protection; (ii) technology development and transfer; (iii) Commune Action Plans; (iv) policy and institutional development; (v) Ethnic Minorities Development Plan; and (vi) Resettlement Action Plan (including (A) identified land to resettle the Affected Persons, with maps of each resettlement site adjacent to or within each commune village receiving the Affected Persons, and (B) respective VAPs). Provided, however, that the annual work program and budget for Project activities during the calendar year 2000, shall be furnished to the Association by March 31, 2000; and

(b) implement such annual work programs and budget taking into account the Association's comments, if any.

4. The Borrower shall ensure that the Zoning Decision is enforced in the Full Protection Zone in a manner consistent with the objective of the Project, and further undertakes not to amend, abrogate or waive the Zoning Decision without the prior concurrence of the Association.

5. The Borrower shall ensure that Affected Persons shall be compensated, resettled and rehabilitated in accordance with the Resettlement Action Plan. To that end, the Borrower shall, and shall cause each of the Project Provincial People's Committees to, carry out the said Resettlement Action Plan within their respective administrative boundaries, in a manner satisfactory to the Association.

6. The Borrower shall ensure that the Project shall be implemented with due regard to the provisions of the Ethnic Minorities Development Plan. To that end, the Borrower shall, and shall cause each of the Project Provincial People's Committees to, implement the Ethnic Minorities Development Plan within its respective administrative boundary, in a manner satisfactory to the Association.

7. The Borrower shall, through MARD, adopt a Project Implementation Manual, satisfactory to the Association, which shall include implementation responsibilities, procedures and guidelines, financial and accounting practices, procurement procedures,

and criteria for: (a) technology development and transfer under Part B.1 of the Project, including applied research on aquaculture and coastal farming systems; (b) criteria for Subprojects to be included in Commune Action Plans, including the requirement that Subprojects consist of environmentally sustainable development activities that contribute to a reduction of land-use pressures and preservation of wetlands in the Full Protection and Buffer Zones; (c) Forest Protection Contracts under Part B.3(b) of the Project; and (d) policy and institutional development under Part C of the Project.

8. The Borrower shall implement the Project in accordance with the Project Implementation Manual, and further undertakes not to amend, abrogate or waive the Project Implementation Manual or any provision therein without the prior concurrence of the Association. To that end, the Borrower shall ensure that: (a) Subprojects are approved and Commune Action Grants are thereafter made pursuant to the criteria and process established in the Project Implementation Manual; and (b) without limitation upon the foregoing that Commune Action Grants shall exclude the financing of any taxes.

9. By December 31, 2000, the Borrower shall cause the CPO to furnish to the Association for its review and comments a detailed action plan, satisfactory to the Provincial People's Committees, for restructuring of selected State-owned forest enterprises under Part C.3 of the Project. Thereafter, the Borrower shall implement said action plan, taking the comments of the Association thereon into account.

10. The Borrower shall issue procedural guidelines for the payment of forest planting activities to farmers and suppliers by State-owned forest enterprises and Forest Protection and Management Board, satisfactory to the Association, and thereafter shall ensure that payments for forest planting activities shall be made in accordance with said guidelines.

11. In the carrying out of the Project the Borrower shall undertake environmental mitigating measures, satisfactory to the Association, pursuant to the Environmental Action Plan.

12. The Borrower shall by, December 31, 2000, establish and thereafter maintain the Social Support Fund for purposes of providing loans to poor households in the Buffer Zone, under terms and conditions satisfactory to the Association.

13. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about March 1, 2002, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section,

on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by April 1, 2002, or such later date as the Association shall request, the report referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association 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 the Tra Vinh Special Account, Categories (1)(a), (2)(a), (3)(a), (4)(a), (5)(a), (6)(a), (7)(a), (8)(a) and (9)(a); (ii) in respect of the Soc Trang Special Account, Categories (1)(b), (2)(b), (3)(b), (4)(b), (5)(b), (6)(b), (7)(b), (8)(b) and (9)(b); (iii) in respect of the Bac Lieu Special Account, Categories (1)(c), (2)(c), (3)(c), (4)(c), (5)(c), (6)(c), (7)(c), (8)(c) and (9)(c); (iv) in respect of the Ca Mau Special Account, Categories (1)(d), (2)(d), (3)(d), (4)(d), (5)(d), (6)(d), (7)(d), (8)(d) and (9)(d); and (v) in respect of the CPO Special Account, Categories (1)(e), (3)(e), (4)(e), (5)(e) and (9)(e), 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 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, in respect of:

(i) the Tra Vinh Special Account, an amount equivalent to $250,000 to be withdrawn from the Credit Account and deposited into the Tra Vinh 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 $125,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(a) through (9)(a), plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for withdrawals under said Categories, shall be equal to or exceed the equivalent of SDR250,000;

(ii) the Soc Trang Special Account, an amount equivalent to $850,000 to be withdrawn from the Credit Account and deposited into the Soc 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 $425,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(b) through (9)(b), plus the total amount of all outstanding special commitments entered into

by the Association pursuant to Section 5.02 of the General Conditions for withdrawals under said Categories, shall be equal to or exceed the equivalent of SDR600,000;

(iii) the Bac Lieu Special Account, an amount equivalent to $250,000 to be withdrawn from the Credit Account and deposited into the Bac Leiu 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 $125,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(c) through (9)(c), plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for withdrawals under said Categories, shall be equal to or exceed the equivalent of SDR250,000;

(iv) the Ca Mau Special Account, an amount equivalent to $1,000,000 to be withdrawn from the Credit Account and deposited into the Ca Mau 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 $500,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(d) through (9)(d), plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for withdrawals under said Categories, shall be equal to or exceed the equivalent of SDR700,000; and

(v) the CPO Special Account, an amount equivalent to $200,000 to be withdrawn from the Credit Account and deposited into the CPO 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 $75,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1)(e), 3(e), 4(e), 5(e) and (9)(e), plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for withdrawals under said Categories, shall be equal to or exceed the equivalent of SDR150,000.

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 Project related to that Special Account, shall equal the equivalent of twice the amount of the Authorized Allocation for that Special Account. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for that Special Account shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the 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.