CREDIT NUMBER 3953-VN

Development Credit Agreement

(Forest Sector Development Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 4, 2005

2648

CREDIT NUMBER 3953-VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated April 4, 2005, 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 has requested assistance from the resources of the Global Environment Facility (GEF) Trust Fund in the financing of Part C of the Project (except technical assistance), the International Bank for Reconstruction and Development (the Bank) has determined that such assistance would be in accordance with Resolution No. 94-02 of the Executive Directors dated May 24, 1994, establishing the GEF Trust Fund, and by an agreement of even date herewith between the Borrower and the Bank acting as an implementing agency of the GEF (the GEF Trust Fund Grant Agreement), GEF is agreeing to provide such assistance in an aggregate amount of nine million Dollars ($9,000,000) (the GEF Trust Fund Grant);

(C) Pursuant to the Memorandum of Understanding on the Establishment and Management of the Trust Fund for Forests in Vietnam dated June 23, 2004 among the Socialist Republic of Vietnam and Finland, the Netherlands, Sweden and Switzerland (the MOU), Finland and other donors have agreed to jointly establish a Trust Fund for Forests in Vietnam (TFF), and together with the Socialist Republic of Vietnam have agreed that the Forest Sector Support Program Coordination Office (FSSP CO) under the Ministry of Agriculture and Rural Development will manage the funds in said TFF to provide direct grant support to national and international organizations and bodies and co-financing support for loans and for Global Environment Facility initiatives where these are consistent with the overall objectives of said TFF;

(D) the Borrower expects to receive from FSSP CO under the Ministry of Agriculture and Rural Development as manager of the TFF funded in part by Finland and the Netherlands, grants in an aggregate amount of up to nine million and sixteen thousand Euro (€9,016,000) to assist in financing the Project on the terms and conditions to be entered into between the Borrower and the Association as administrator of those grant funds received from FSSP CO (collectively, the FSSP-TFF Trust Fund Grant Agreements); and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement.

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

(a) "Biodiversity Conservation Sub-project" means a specific investment sub-project to be carried out by the management board of a special use forest for the purpose of conserving biodiversity of international importance within the area of such forest, utilizing the proceeds of the GEF Trust Fund Grant under Part C.1 of the Project.

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

(c) "CPCU" means the Central Project Coordination Unit to be established and maintained in MARD in accordance with the provisions of paragraph 1 (b) of Schedule 4 to this Agreement, responsible for the overall administration and management of Project activities.

(d) "CWG" means a Commune Working Group to be established and maintained in each Participating Commune in accordance with the provisions of paragraph 2 (c) of Schedule 4 to this Agreement, responsible for facilitating the implementation of Part B of the Project within said Commune.

(e) "DARD" means the Department of Agriculture and Rural Development at the provincial level.

(f) "DOF" means the Department of Forestry within MARD (as defined below), and any successor thereto.

(g) "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.

(h) "DIU" means a District Implementation Unit to be established and maintained in each Participating District in accordance with the provisions of paragraph 2 (b) of Schedule 4 to this Agreement, responsible for managing the implementation of Part B of the Project within said District.

(i) "Environmental Management Plan" means the Environmental Guidelines for Plantation Management under Part B of the Project, dated October 31, 2003, adopted by MARD through Decision 747 QD/BNN-LN of March 30, 2004, and referred to in paragraph 7 of Schedule 4 to this Agreement, which includes selection of sites and species for plantation forests, plantation establishment and tending, integrated pest control, fire prevention and control, access to and harvesting of plantation forests, and monitoring and evaluation, as said Plan may be revised from time to time with the prior concurrence of the Association.

(j) "Ethnic Minority Development Strategy" means the strategy dated December 6, 2003 adopted by MARD through Decision 746 QD/BNN-LN of March 30, 2004, and referred to in paragraph 9 of Schedule 4 to this Agreement, which sets out policies and procedures to ensure meaningful consultation with and the informed participation of ethnic minorities communities residing within the Project area, and principles for the preparation of ethnic minorities development plans, as may be required, during the implementation of the Project, as said Strategy may be revised from time to time with the prior concurrence of the Association.

(k) "Farm Forestry Groups" means groups of individuals or households engaged in plantation forestry, established to promote exchange of information among their members and to promote their common interests, including in forest certification, self-financing, marketing and export market access.

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

(m) "Five Million Hectares Re-forestation Program" means the national program launched by the Borrower in 1998 which aims at bringing the national forest cover back to 43% of Vietnam's surface area through the re-forestation of 5 million hectares by 2010.

(n) "Forest Sector Support Program" means the program developed and adopted in 2001 by the Borrower in partnership with the community of multi-lateral and bilateral donors and non-governmental organizations, to support the implementation of the Five Million Hectares Re-forestation Program.

(o) "FPD" means the Department of Forest Protection within MARD, and any successor thereto.

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

(q) "MOF" means the Borrower's Ministry of Finance, and any successor thereto.

(r) "PSC" means the Project Steering Committee established and maintained in accordance with the provisions of paragraph 1 (a) of Schedule 4 to this Agreement, responsible for providing overall policy guidance to the Project.

(s) "Participating Communes" means those communes within the Project Provinces (as defined below) selected to participate in Part B of the Project on the basis of criteria mutually agreed between the Borrower and the Association; and a "Participating Commune" means any of said Communes.

(t) "Participating Districts" means those districts within the Project Provinces with one or more Participating Communes; and a "Participating District" means any of said Districts.

(u) "Plantation Forestry Sub-project" means a specific investment sub-project to be carried out by individuals, households or other eligible participants for the purpose of establishing commercially-oriented wood production and agroforestry plantations, utilizing the proceeds of the Credit under Part B.5 of the Project.

(v) "Project Implementation Manual" and "PIM" mean the manual to be prepared and put into effect by MARD, setting forth the guidelines and procedures for the implementation of the Project, in accordance with the provisions of paragraph 10 of Schedule 4 to this Agreement.

(w) "Project Provinces" means the Provinces of Quang Nam, Quang Ngai, Binh Dinh and Thua Thien-Hue, and such other province as the Borrower and the Association may mutually agree upon from time to time, and any successors thereto; and a "Project Province" means any of said Provinces.

(x) "PPMU" means a Provincial Project Management Unit to be established and maintained in respect of each Project Province, responsible for coordinating the implementation of Part B of the Project within said Province, in accordance with the provisions of paragraph 2 (a) of Schedule 4 to this Agreement.

(y) "Resettlement Policy Framework" means the Framework, including the Process Framework for Special Use Forests under Part C of the Project, dated August 6, 2003, approved by the Borrower through the Prime Minister's Decision 550/CP-NN of April 20, 2004, and adopted by MARD through Decision 1066 QD/BNN-LN of April 27,

2004, and referred to in paragraph 8 of Schedule 4 to this Agreement, which sets out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement action plans, as may be required, during the implementation of the Project, as said Policy Framework may be revised from time to time with the prior concurrence of the Association.

(z) "Special Accounts" means the MARD Special Account and the VBSP Special Account, referred to in Section 2.02(b) of this Agreement, and a "Special Account" means either of the Special Accounts.

(aa) "Sub-grant" means a grant made by the Vietnam Conservation Fund utilizing the proceeds of the GEF Trust Fund Grant to support an eligible Biodiversity Conservation Sub-project under Part C.1 of the Project, in accordance with the provisions the Operational Manual referred to in paragraph 10 (a) of Schedule 4 to this Agreement.

(bb) "Sub-loan" means a loan made by VBSP (as defined below) utilizing the proceeds of the Credit to support an eligible Plantation Forestry Sub-project under Part B.5 of the Project, in accordance with the provisions of paragraph 12 of Schedule 4 to this Agreement.

(cc) "Sub-project" means either a Plantation Forestry Sub-project under Part B.5 of the Project or a Biodiversity Conservation Sub-project under Part C.1 of the Project.

(dd) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower, through MOF, and Vietnam Bank for Social Policy in accordance with the provisions of paragraph 12 of Schedule 4 to this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement.

(ee) "Vietnam Bank for Social Policy" and "VBSP" mean the state-owned financial institution established by Prime Minister's Decision 131/2002/QD-TTg dated October 4, 2002, and operating pursuant its Charter approved by Prime Minister's Decision 16/2003/QD-TTg dated January 22, 2003 to provide credit to poor households.

(ff) "Vietnam Conservation Fund" and "VCF" mean the fund to be established under Part C of the Project as a pilot mechanism to provide financing for priority biodiversity conservation activities on a competitive basis, in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement.

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 seven million three hundred thousand Special Drawing Rights (SDR 27,300,000).

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 (i) Sub-loans made by VBSP to meet the reasonable costs of goods and works required for an eligible Plantation Forestry Sub-project under Part B.5 of the Project and in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable costs of works and goods required for Parts A, B (except for goods and works required for eligible Plantation Forestry Sub-projects) and D of the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may open and maintain in Dollars: (i) a separate special deposit account for the purposes of Parts A, B (except for goods and works required for eligible Plantation Forestry Sub-projects) and D of the Project (the MARD Special Account) and (ii) a separate special deposit account for the purposes of Part B.5 of the Project (the VBSP Special Account); in each case 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 March 31, 2011 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty 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 November 15, 2014 and ending May 15, 2044. Each installment to and including the installment payable on May 15, 2024 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

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

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate

agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(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, management, financial and forestry practices, and sound social and environmental standards, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and works required for Parts A, B and D of 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 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the continued achievement of the Project's 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 maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

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

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

(iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

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

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

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

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

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 17 of Schedule 4 to this Agreement the Borrower shall prepare, and cause to be prepared, and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

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

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

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

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

ARTICLE V

Remedies of the Association

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

(a) (i) Subject to sub-paragraph (ii) of this paragraph (a), the right of the Borrower to withdraw the proceeds of the GEF Trust Fund Grant, the Netherlands Trust Fund Grant, or the Finnish Trust Fund 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 GEF Trust Fund Grant Agreement, the Netherlands Trust Fund Grant Agreement, or the Finnish Trust Fund Grant Agreement, as the case may be;

(ii) Sub-paragraph (i) of this paragraph (a) 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 Grant Agreements; 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;

(b) a situation shall have arisen which shall make it improbable that the Borrower's Five Million Hectares Re-forestation Program or its Forest Sector Support Program, or a significant part of either of said Programs will be carried out;

(c) the Borrower's Forest Sector Support Program, or any part thereof, shall have been abrogated, amended, waived, or otherwise significantly modified, without the prior concurrence of the Association.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (c) of Section 5.01 of this Agreement shall occur; or

(b) any event specified in sub-paragraph (i) of paragraph (a) of Section 5.01 of this Agreement shall occur, subject to the proviso of sub-paragraph (ii) of that paragraph (a).

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) Each of (i) the GEF Trust Fund Grant Agreement, (ii) the Netherlands Trust Fund Grant Agreement, and (iii) the Finnish Trust Fund Grant Agreement has been executed and delivered and all respective 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;

(b) MARD has approved and put into effect a Project Implementation Manual satisfactory to the Association, in accordance with the provisions of paragraph 10 of Schedule 4 to this Agreement;

(c) The Project Steering Committee has been established in a manner satisfactory to the Association, in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement;

(d) (i) The Central Project Coordination Unit and the Provincial Project Management Unit of each Project Province have been established and staffed, in a manner satisfactory to the Association, in accordance with the provisions of paragraphs 1(b) and 2(a), respectively, of Schedule 4 to this Agreement;

(ii) The Central Project Coordination Unit has established a computerized accounting system acceptable to the Association, in accordance with the provisions of paragraph 6 of Schedule 4 to this Agreement; and

(iii) The accounting and procurement staff of the Central Project Coordination Unit and of each Provincial Project Management Unit have completed their training on the policies and procedures for financial management, control and reporting, and on procurement, in a manner satisfactory to the Association;

(e) (i) The Subsidiary Loan Agreement has been executed on behalf of the Borrower and Vietnam Bank for Social Policy, in accordance with the provisions of paragraph 12 of Schedule 4 to this Agreement;

(ii) Vietnam Bank for Social Policy has established its Project management unit and appointed to it a director and an accountant, in accordance with the provisions of paragraph 4 of Schedule 4 to this Agreement; and

(iii) Staff of the Vietnam Bank for Social Policy at its head office, and at its offices in the Project Provinces and Participating Districts have completed their training on the Sub-Credit Manual, and on disbursement procedures and financial reporting requirements, in a manner satisfactory to the Association; and

(f) (i) The Vietnam Conservation Fund has been established in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement; and

(ii) its accounting staff have completed their training in financial management, control and reporting, in a manner satisfactory to the Association.

(g) MARD has retained the services of a procurement advisor pursuant to the provisions of paragraph 5 of Schedule 4 to this Agreement.

(h) Each of the Project Provinces has issued a Letter of Commitment to MARD undertaking to provide the required counterpart funds and funding to pre-finance project activities, 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 Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Vietnam Bank for Social Policy and is legally binding upon the Borrower and VBSP in accordance with its terms; and

(b) (i) the Resettlement Policy Framework has been duly approved by the Borrower's Prime Minister; and the Resettlement Policy Framework, the Ethnic Minority Development Strategy and the Environmental Management Plan have been duly adopted by MARD; and (ii) the Resettlement Policy Framework, the Ethnic Minority Development Strategy and the Environmental Management Plan are legally binding upon the Borrower in accordance with their respective terms.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Governor or any Deputy Governor of the State Bank of Vietnam 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

LÊ ĐỨC THUỶ
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) Sub-loans under Part B.5 of the Project	22,600,000	100% of sub-loan amount disbursed
(2) Goods under:		
(a) Parts A, B (except B.5) and D of the Project	525,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(b) Part B.5 (Mobile-bank vehicles)	195,000	
(3) Works under Parts A, B (except B.5) and D of the Project	50,000	90%
(4) Training and workshops under Part B of the Project	1,590,000	100%
(5) Field Activities under Part B of the Project	1,380,000	90%
(6) Incremental Operating Costs under Parts A, B and D of the Project	960,000	70%
TOTAL:	27,300,000	

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 "field activities" means expenditures for land surveying and mapping in connection with land allocation and with plantation planning and design, under Part B of the Project; and

(d) the term "Incremental Operating Costs" means the reasonable costs of incremental expenditures incurred by the Borrower in the implementation of Parts A, B and D of the Project (which expenditures would not have been incurred absent the Project), including staff per diem field allowances, travel expenses, costs for vehicle operation and maintenance, office consumables, communication expenses, printing expenses, costs of market promotion of certified products, consumables for field trials and demonstrations, and salaries of fixed-term contracted staff, but excluding salaries of regular staff.

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, except that withdrawals, in an aggregate amount not exceeding SDR 100,000, may be made in respect of Categories (2)(a), (4), (5) and (6) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after May 15, 2004.

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) sub-loans under Part B.5 of the Project costing less than $50,000 equivalent each; (b) goods costing less than $100,000 equivalent per contract; (c) works costing less than $50,000 equivalent per contract; (d) training and workshops; (e) Field Activities; and (f) Incremental Operating Costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to enhance the contribution of forestry to: (i) rural poverty reduction and (ii) global environmental protection, through the sustainable management of plantation forests and the conservation of biodiversity in special use forests.

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: Institutional Development

Carry out a program to develop an enabling framework for smallholder plantation forestry and for the management and financing of special use forests, including provision of consultants' services, training and workshops therefor, consisting of:

1. Review and assessment of current regulations, guidelines, practices and incentives for commercial plantation forests and related support services and for the management and sustainable financing of special use forests, in light of the experiences derived from implementation in the field, including assessment of tax and incentive regimes for smallholder forestry, procedures for classification and allocation of forest land, mechanisms for co-management of special use forests;

2. Establishment of Farm Forestry Groups for plantation forestry in Participating Districts and provision of support for their development and operation; and

3. Promotion of plantation forest certification through the development of certification standards and mechanisms, promotion of certified products and development of a data bank of certified forests.

PART B: Plantation Forests

Develop the smallholder commercial forest plantation sub-sector in Participating Provinces, including provision of consultants' services, training and workshops therefor, consisting of:

1. Selection of smallholder forest plantation sites through a participatory process;

2. Carrying out of the land allocation process and issuance of Land Use Rights Certificates to support the establishment of smallholder plantation forests;

3. Provision of extension services and other technical and financial advisory services to households to support commercial wood production and agro-forestry plantations;

4. Design of forest plantations; and

5. Provision of sub-loans to support eligible plantation forestry sub-projects, including mobile-bank vehicles.

PART C: Special Use Forests

Carry out a pilot program to support the conservation and sustainable use of biological resources in special use forests, including provision of consultants' services therefor, consisting of:

1. Establishment and operationalization of the Vietnam Conservation Fund and support for selected eligible biodiversity conservation sub-projects in special use forests through the provision of sub-grants; and

2. Support for special use forest planning and implementation through conservation needs assessment, development of operational management plans and investment plans, capacity building of special use forest management boards and local communities, and development of monitoring and evaluation system.

PART D: Project Implementation

1. Strengthening of the institutional capacity at the national, provincial, district and commune levels to plan, coordinate and manage the implementation of the Project, including provision of consultants' services, training and workshops therefor, and audit of the Project accounts.

2. Design and establishment of a monitoring and evaluation system to track project implementation progress and evaluate its effectiveness, including provision of consultants' services, training and workshops therefor.

* * *

The Project is expected to be completed by September 30, 2010.

SCHEDULE 3

Procurement

Part A: General

Goods and works shall be procured in accordance with 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 the following provisions of the following provisions of Section I of this Schedule.

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Except as otherwise provided in paragraphs 3 and 5 of this Part C, works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount not to exceed $305,000 in respect of Parts A, B (except B.5) and D of the Project, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(c) The procedures to be followed for National Competitive Bidding under this Paragraph 1, Part C, shall be those set forth in Decree No. 88/1999/ND-CP dated September 1, 1999, of the Government of the Socialist Republic of Vietnam, as amended and supplemented by Decree No. 14/2000/ND-CP dated May 5, 2000 and Decree No. 66/2003/ND-CP dated June 12, 2003 (Decree No. 88/1999/ND-CP, Decree No. 14/2000/ND-CP, and Decree No. 66/2003/ND-CP, together "the Regulations"), with the clarifications set forth in the Annex to this Schedule 3 required to comply with the provisions of the Guidelines.

2. International or National Shopping

Goods, including vehicles, estimated to cost less than $50,000 equivalent per contract up to an aggregate amount not to exceed $335,000 under Parts A, B (except B.5) and D of the Project, may be procured under contracts awarded on the basis of international shopping procedures or, in the event such goods are readily available at competitive prices from more than one local suppliers, national shopping procedures, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Force Account

Works for land surveying and mapping under Part B of the Project for: (a) land allocation to be carried out by the district and provincial Departments of Land Administration in the Project Provinces, and costing up to an aggregate amount not to exceed $1,200,000 equivalent; and (b) plantation planning and design, to be carried out by the provincial Departments of Forestry in the Project Provinces, and costing up to an aggregate amount not to exceed $800,000 equivalent; which meet the requirements of paragraph 3.8 of the Guidelines, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

4. Procurement from UN Agencies

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

5. Procurement of Small Works

Works for office renovation estimated to cost less than $50,000 equivalent per contract up to an aggregate amount not to exceed $70,000 under Parts A, B (except B.5) and D of the Project, 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.

6. Dependent State-Owned Enterprises

Notwithstanding the provisions of clause (ii) of the Annex to this Schedule 3, seedlings may be procured from producers which are state-owned enterprises under the direct supervisory authority of the Departments of Agriculture and Rural Development of the Project Provinces, and which have been accredited by the respective Departments of

Agriculture and Rural Development in a transparent manner, on the basis of pre-disclosed criteria, and in a process in which all producers within the respective Project Provinces have been able to participate.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations 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 to: (i) the first contract for works each year procured by the CPCU and by each PPMU, regardless of the value thereof; (ii) each contract for goods estimated to cost the equivalent of $100,000 or more; (iii) the first contract for goods each year procured by the CPCU and by each PPMU under the provisions of paragraph 1 of Part C above; and (iv) the first contract for goods each year procured by the CPCU and by each PPMU under the provisions of paragraph 2 of Part C above.

(b) The following procedures shall apply to each contract for goods or works procured under paragraph 2 (International or National Shopping) and paragraph 5 (Procurement of Small works) of Part C above and referred to in sub-paragraph (a)(iv) and (i) of this paragraph 2:

(i) prior to the selection of any supplier or the execution of any contract under shopping procedures or the procedures for small works, 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 the procedures for small works, 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), 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 D, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Annex to Schedule 3

National Competitive Bidding

In order to ensure economy, efficiency, transparency and broad consistency with the provision of Section I of the Guidelines, the procedures normally used for public procurement in the Socialist Republic of Vietnam shall be modified in accordance with the following provisions:

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/ND-CP which states that "All the procedures for submission, appraisal and approval of procurement plan 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.

(v) Foreign bidders shall not be required, in order to participate in bidding, to enter into a joint venture with a local bidder, or to subcontract part of their contract to a local bidder.

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

(vii) 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.

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

Advertising; time for bid preparation

(ix) 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 when established and on a free and open access website.

Standard Bidding Documents

(x) The Borrower's standard bidding documents shall be acceptable to the Bank. 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 of bids. A minimum of 30 days for the preparation and submission of bids shall be provided. Bidders shall be allowed to submit bids by hand or by mail.

Qualification criteria and evaluation criteria

(xi) 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. Qualifications of a bidder found to meet the specified qualification criteria shall not be taken into account in the evaluation of such bidder's bid.

(xii) 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 evaluation and award of contract

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

(xiv) 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.

(xv) 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.

(xvi) 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.

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

SCHEDULE 4

Implementation Program

Project Management and Coordination

1. The Borrower shall:

(a) throughout the period of implementation of the Project, maintain the National Steering Committee of the Five Million Hectares Re-forestation Program and establish and maintain thereunder the Project Steering Committee with membership acceptable to the Association and with such powers, responsibilities, funds and other resources as shall be necessary to provide general policy guidance in the implementation of the Project, and ensuring coordination of Project activities with other national initiatives on forestry and on biodiversity conservation, and coordination with other relevant national line agencies; and

(b) establish and, throughout the period of implementation of the Project, maintain a Central Project Coordination Unit within the Borrower's Ministry of Agriculture and Rural Development, to be responsible for, inter alia: (i) the overall administration of, and the consolidation of reports on, Project activities, and for all procurement at the national level; (ii) more specifically, coordination between the Departments of Forestry and Forest Protection in the institutional development activities under Part A of the Project; and (iii) liaison with the Borrower's national Forest Sector Support Program; said Central Project Coordination Unit to be under the direction of qualified managers, provided with sufficient resources, and staffed with competent personnel in adequate numbers, including a Project director, a Project chief accountant, and accounting and procurement staff, with qualifications and experience and under terms of reference acceptable to the Association.

2. For purposes of Part B of the Project, the Borrower shall:

(a) cause each Project Province to establish and, throughout the period of implementation of the Project, maintain a Provincial Project Management Unit, under the guidance of the Central Project Coordination Unit for the day-to-day activities and of the Provincial Steering Committee for the Five Million Hectares Re-forestation Program for policy matters, to be responsible for the management and coordination of Project activities within said Province and, more particularly, for liaison with the Provincial Department in charge of land administration in the relevant Province in connection with forest land allocation and issuance of Land Use Rights Certificates under Part B of the Project; said Provincial Project Management Unit to be under the direction of qualified managers, provided with sufficient resources, and staffed with competent personnel in adequate numbers, including an accountant and a procurement staff, with qualifications and experience and under terms of reference acceptable to the Association;

(b) cause each Participating District to establish and, throughout the period of implementation of the Project, maintain a District Implementation Unit to manage the implementation of Project activities within said District; said District Implementation Unit to be managed and staffed with experienced personnel in adequate numbers, provided with sufficient resources, and closely integrated into the routine operations of the District administration, all in a manner satisfactory to the Association; and

(c) cause each Participating Commune to establish and, throughout the period of implementation of the Project, maintain a Commune Working Group with qualifications and under terms of reference acceptable to the Association, to facilitate the participatory planning process and information dissemination at the commune level, all in a manner satisfactory to the Association.

3. For purposes of Part C of the Project, the Borrower shall establish and, throughout the period of implementation of the Project, maintain the Vietnam Conservation Fund to provide financing for priority biodiversity conservation activities pursuant to the provisions of the Operational Manual for the Vietnam Conservation Fund under the Project Implementation Manual. For this purpose, the Borrower shall establish:

(a) a Management Committee with membership and under terms of reference satisfactory to the Association, to oversee the policy and operations of the Vietnam Conservation Fund, approve sub-grants for eligible Biodiversity Conservation Sub-projects endorsed by the Technical Review Group, and authorize the disbursements of said sub-grants;

(b) a Secretariat within the Nature Conservation Division of the Forest Protection Department of MARD, under the direction of qualified managers, provided with sufficient resources and staffed with experienced personnel in adequate numbers including a Project director and a chief accountant; said Secretariat to be responsible for providing support to the Management Committee and for managing the operations of the VCF; all in a manner satisfactory to the Association; and

(c) a Technical Review Group consisting of experts in conservation-related fields with qualifications and experience satisfactory to the Association, drawn from government agencies, research institutions, national and international non-governmental organizations, and a representative of the donors in the partnership supporting the Forest Sector Support Program, to assess biodiversity conservation proposals and make recommendations thereon to the Management Committee.

4. For purposes of Part B.5 of the Project, the Borrower shall cause Vietnam Bank for Social Policy to establish and, throughout the period of Project implementation, maintain a Project management unit within its International Cooperation Department, managed and staffed with personnel in adequate numbers, including a Project director, a credit officer, an accountant, and administrative staff, all with qualifications and experience acceptable to the Association; said Unit to be responsible for the management

of the program of Sub-loans for eligible Plantation Forestry Sub-projects in accordance with the policies, procedures and guidelines of the Sub-credit Manual referred to in paragraph 10 (a) below.

5. For purposes of supporting the procurement activities of the CPCU and PPMUs, the Borrower shall engage in accordance with the Association's Guidelines for the Selection and Employment of Consultants, a procurement advisor with qualifications and experience and under terms of reference satisfactory to the Association.

6. The Borrower shall, through the Central Project Coordinating Unit at MARD, establish and, throughout the period of implementation of the Project, maintain a computerized accounting system acceptable to the Association; said system to enable it to: (a) classify disbursements under the Project by Project components and sub-components, expenditure categories, sources of fund and location; (b) record and analyze transactions in the MARD Special Account; and (c) consolidate the PPMU financial statements into the consolidated Project accounts.

Project Implementation

7. The Borrower shall:

(a) carry out, and cause to be carried out, the Environmental Management Plan in a manner satisfactory to the Association, and designed to ensure that the Project is implemented in accordance with sound environmental practices and standards;

(b) provide to the Association for its prior approval any revision proposed to be introduced into said Plan in order to achieve its objectives, and thereafter introduce such revision into said Plan as shall have been agreed with the Association; and

(c) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Plan and the achievement of its objectives.

8. The Borrower shall:

(a) carry out, and cause to be carried out, the Resettlement Policy Framework, including the Process Framework for Special Use Forests, in a manner satisfactory to the Association;

(b) wherever implementation of the Project or any part thereof, would give rise to Displaced Persons, provide to the Association for its review a resettlement action plan 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 plan as shall have been approved by the Association; and

(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 it 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.

9. The Borrower shall:

(a) implement, and cause to be implemented, the Ethnic Minority Development Strategy in a manner satisfactory to the Association, designed to provide meaningful consultation with, and the informed participation of, ethnic minority groups within the Project area, and to ensure that benefits under the Project are socially and culturally acceptable to such groups;

(b) in particular in respect of Part B of the Project and pursuant to the provisions of said Strategy, in each Participating Commune where one or more ethnic minority communities are present, and each Participating Commune with mixed communities, cause to be developed, in a participatory manner, commune-level ethnic minority development plans with the full participation of ethnic community groups within said Participating Communes, to ensure that Project activities within said Communes adequately address the needs, cultural practices and preferences of such groups;

(c) provide to the Association for its review and, thereafter, implement and cause to be implemented, in a manner satisfactory to the Association, such ethnic minority development plans as shall have been approved by the Association; and provide to the Association for its prior approval any proposed revision of said Strategy or said ethnic minority development plans, and thereafter introduce such revision into said Strategy or said plans as shall have been agreed with the Association; and

(d) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Strategy and any ethnic community development plan prepared pursuant thereto, and the achievement of their respective objectives.

10. To guide the implementation of the Project:

(a) The Borrower shall prepare and put into effect a Project Implementation Manual acceptable to the Association setting forth procedures and guidelines for the implementation of the Project; in particular said Manual shall include:

(i) an Operational Manual to assist in implementing Parts A, B (except B.5), and D of the Project, including guidelines for the implementation of Part B of the Project, including participatory processes for the selection of plantation sites and land allocation; procedures for land application; the accreditation program to ensure the quality of seedling material; environmental protection guidelines for plantation management; requirements under the Resettlement Policy Framework and the Ethnic Minority Development Strategy; and a Financial Management Manual including detailed funds flow arrangements, and guidelines and procedures for financial management, control and reporting;

(ii) a Sub-credit Manual for VBSP to assist in implementing Part B.5 of the Project, including the purposes, terms and conditions of the Sub-loans for eligible Plantation Forestry Sub-projects, procedures and criteria for evaluation of credit applications and approval of Sub-loans, disbursement procedures, and post disbursement management, supervision and monitoring requirements; and

(iii) an Operational Manual for the Vietnam Conservation Fund to assist in implementing Part C of the Project, including: eligibility criteria for site selection and Biodiversity Conservation Sub-projects, with an indicative negative list; requirements under the Resettlement Policy Framework including in particular the Process Framework for Special Use Forests; guidelines for sub-grant application and approval; procedures for review and assessment of Biodiversity Conservation Sub-projects proposed for financing; procedures for the disbursement of sub-grants; financial management procedures and requirements, management of the VCF, and monitoring and evaluation principles and requirements.

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

11. The Borrower shall:

(a) by July 31 of each year, commencing in 2005, provide to the Association for its review and comment a proposed consolidated annual work plan for implementing the Project during the succeeding calendar year, including the estimated budget and a financing plan therefor; said work plan to include a list of the sites approved for planting in the succeeding calendar year under Part B of the Project; and

(b) thereafter, implement said annual work plan in a manner satisfactory to the Association, giving due consideration to the Association's views thereon.

12. For purposes of Part B.5 of the Project, the Borrower shall, through MOF, on-lend to Vietnam Bank for Social Policy part of the proceeds of the Credit in an aggregate amount equal to the amount allocated from time to time to Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement (the Subsidiary Loan), pursuant to a Subsidiary Loan Agreement acceptable to the Association, and under terms and conditions satisfactory to the Association:

(a) VBSP shall undertake to make Sub-loans available to households and other eligible entities for eligible Plantation Forestry Sub-projects in accordance with the provisions of the Sub-credit Manual referred to in paragraph 10 (a)(iii) above, including the following principal terms and conditions:

(i) VBSP shall review semi-annually the interest to be applied to Sub-loans, said interest to be established at levels adequate to enable VBSP to cover the cost of the Sub-loans for Plantation Forestry Sub-projects, its operating costs and risk provision;

(ii) VBSP shall, by written contract with the Sub-loan beneficiaries or other appropriate legal means, obtain rights adequate to protect the interests of VBSP, the Borrower and the Association, including require that the Sub-loan beneficiaries undertake to: carry out their respective Sub-projects with due diligence and efficiency, in accordance with sound financial and technical practices, consistent with appropriate environmental measures as set forth in the Environmental Management Plan; provide promptly as needed funds and other resources required for the purposes of their respective Sub-projects; maintain adequate records and accounts; procure the works, goods and services required for their respective Sub-projects in accordance with commercial practices acceptable to the Association, and use such works, goods and services exclusively in the carrying out of their respective Sub-projects for which the Sub-loans were granted; enable VBSP, the Borrower and the Association to inspect the goods and sites included in their respective Sub-projects and any records, accounts and documents; and provide all such information as VBSP, the Borrower or the Association may reasonably request regarding the respective Sub-projects.

(iii) VBSP shall exercise its rights in respect of each Sub-loan in such manner as to protect its interests, the interests of the Borrower and the Association, and to achieve the purpose of the Sub-project in respect of which said Sub-loan has been made.

(b) VBSP shall undertake to 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 and financial condition and to register separately the operations, resources and expenditures related to the Project.

(c) VBSP shall undertake to have such records and accounts relating to the Project and the records and accounts for the Special Account for each fiscal year audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association; furnish to the Borrower and the Association as soon as available, but in any case not later that six (6) months after the end of such year an opinion of such records and accounts and a report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and, furnish to the Association such other information concerning such records and accounts, and the audit thereof and concerning said auditors as the Association may from time to time reasonably request.

13. The Borrower shall: (a) exercise its rights under the Subsidiary Loan Agreement with VBSP in such manner as to protect the interests of the Borrower and the Association, and to accomplish the purposes of the Credit; and (b) except as the Association shall otherwise agree, not assign, amend, abrogate or waive its Subsidiary Loan Agreement with VBSP or any provision thereof.

14. In respect of Part B of the Project, the Borrower shall by no later than March 31 of each year, commencing in 2005, provide to the Association for its review a consolidated and updated list of approved sources for seedlings in each of the Project Provinces.

15. In respect of Part C of the Project, the Borrower shall by no later than September 30 of each year, commencing in 2006, provide to the Association for its review and comment a list of sub-project proposals selected by the Technical Review Group; provided, however, that the list of Sub-project proposals selected during the first year of Project implementation shall be furnished to the Association by not later than March 31, 2005.

Monitoring and Reporting

16. The Borrower shall: (a) by no later than June 30, 2005, provide to the Association for its review and comments, a plan for the monitoring and evaluation of the Project; and

(b) thereafter, carry out such monitoring and evaluation plan giving due consideration to the Association's views thereon.

17. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the monitoring and evaluation plan satisfactory to the Association referred to in paragraph 16 above, and in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, (i) on or about January 15 and July 15 of each year, commencing on July 15, 2005, a semi-annual report; and (ii) on or about December 31, 2006 and December 31, 2008, 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 17, 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) promptly review with the Association, each report referred to in sub-paragraph (b) of this paragraph 17 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 each 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 Categories (2)(a), (2)(b), (3), (4), (5) and (6) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Parts A, B (except Plantation Forestry Sub-projects under B.5)and D of the Project; and Category (1) set forth in said table in respect of Part B.5 of the Project;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of works, goods and services required for Parts A, B (except Plantation Forestry Sub-projects under B.5) and D of 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 the MARD Special Account under Parts A, B (except Plantation Forestry Sub-projects under B.5) and D of the Project, an amount equivalent to $1,000,000 to be withdrawn from the Credit Account and deposited into the MARD 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 (2)(a), (3), (4), (5) and (6) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts A, B (except B.5) and D of the Project shall be equal to or exceed the equivalent of SDR 1,500,000; and

(ii) in respect of the VBSP Special Account under Part B.5 of the Project, an amount equivalent to $3,000,000 to be withdrawn from the Credit Account and deposited into the VBSP 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 $1,500,000 until the aggregate amount of withdrawals from the Credit Account allocated to Category (1) and (2)(b) shall be equal to or exceed the equivalent of SDR 7,000,000.

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 relevant Parts of the Project, shall equal the equivalent of twice the amount of the respective Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories for Parts A, B and D 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.