DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 05th, 2005, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

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

"Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation,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

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

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

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

(b) "Consultative Council" means the consultative council to be established by the Borrower, pursuant to the provisions of paragraph 2(a) of Schedule 4 to this Agreement.

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

(d) "Environmental Guidelines" means the Environmental Policy Framework, which forms part of the Vietnam Road Safety Project – Phase 1 Environmental Assessment dated November 12, 2004, which was approved by NTSC through Instruction 156/UB ATGTQG of May 9, 2005, and referred to in paragraph 4 of Schedule 4 to this Agreement, and which sets the policies and procedures for the preliminary environmental screening of proposed Project activities to be carried out under Part B.1 of the Project in the second and subsequent years of implementation, and for the preparation of environmental assessment and environment management plans therefor.

(e) "Environmental Management Plan" means the Vietnam Road Safety Project - Phase 1, Environmental Management Plan for Engineering Works dated November 16, 2004, which was approved by NTSC through Communication 156/UB ATGTQG of May 9, 2005, satisfactory to the Association, and referred to in paragraph 4 of Schedule 4 to this Agreement, and which sets out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the agreement of the Association.

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

(g) "First Year Implementation RAP" means the Vietnam Road Safety Project, Abbreviated Resettlement Action Plan – Year 1 dated November 12, 2004,

which was approved by the Borrower through the Prime Minister's Decision 491/TTg-CN of April 26, 2005 and adopted by NTSC through Communication 168/UBATQTQG of May 11, 2005 and by Nghe An Province through Communication 781/CV-UB of February 21, 2005, for carrying out compensation, resettlement and rehabilitation of Displaced Persons during the first year of Project implementation pursuant to paragraph 5 of Schedule 4 to this Agreement, as such plan may be revised from time to time with the prior agreement of the Association.

(h) "NTSC" means the National Traffic Safety Committee established pursuant to Prime Minister's Decision Number 917/1997/QD-Ttg of October 29, 1997, and any successor thereto.

(i) "Participating Agencies" means, collectively, the Borrower's Ministry of Police, Ministry of Education and Training, Ministry of Health, and the Vietnam Road Administration and the Vietnam Register within the Borrower's Ministry of Transport, and any successor thereto; and a "Participating Agency" means, individually, any of the Participating Agencies.

(j) "Procurement Plan" means the Borrower's procurement plan, dated April 29, 2005 covering the initial eighteen (18) month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation.

(k) "Project Corridors" means the road section of National Highway 1 between Hanoi and Vinh, the road section of National Highway 1 between Ho Chi Minh City and Can Tho City, and Highway 51, and any road sections as may be mutually agreed between the Borrower and the Association from time to time.

(l) "Project Implementation Plan" and the acronym "PIP" mean the plan as described in paragraph 3 of Schedule 4 to this Agreement, as the same may be amended from time to time with the prior agreement of the Association, and such term shall include any schedules, tables and annexes to the PIP.

(m) "Project Steering Committee" means the project steering committee established by the Borrower pursuant to the provisions of paragraph 2(b) of Schedule 4 to this Agreement.

(n) "Resettlement Policy Framework" means the Policy Framework for Compensation, Resettlement and Rehabilitation of Displaced Persons dated November 11, 2004, approved by the Borrower through the Prime Minister's Decision 491/TTg-CN of April 26, 2005 and adopted by NTSC through Communication 168/UBATGTQG of May 11, 2005, satisfactory to the Association, and referred to in paragraph 5 of Schedule 4 to this Agreement, which sets out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement plans, as may be required, during the implementation

of the Project, as said Policy Framework may be revised from time to time with the prior concurrence of the Association.

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

(p) "Sub-PMUs" means, collectively, the project management unit to be established in each of the Borrower's Ministry of Police, Ministry of Education and Training, Ministry of Health, and the Vietnam Road Administration and Vietnam Register within the Borrower's Ministry of Transport, and Executive Office of NTSC in accordance with the provisions of paragraph 2(c) of Schedule 4 to this Agreement, and "Sub-PMU" means, individually, any of the Sub-PMUs.

(q) "TS PMU" means the Traffic Safety Project Management Unit to be maintained in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement.

(r) "Vietnam Road Safety Project – Phase 1" means this Road Safety Project.

(s) "Work Program" means each of the periodic work programs for treatment of blackspots in the Project Corridors to be prepared pursuant to the provisions of paragraph 6 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-one million Special Drawing Rights (SDR21,000,000).

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

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

Section 2.03. The Closing Date shall be December 31, 2009, 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 June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 1 and December 1 commencing December 1, 2015, and ending June 1, 2045. Each installment to and including the installment payable on June 1, 2025, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Association 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 through NTSC, with due diligence and efficiency and in conformity with appropriate administrative, management, financial, engineering and traffic management practices, and sound environmental and social standards acceptable to the Association; and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

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

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

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain, and shall cause to be established and maintained, 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 7 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

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

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

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

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

later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower, through NTSC, has finalized and adopted the PIP, prepared in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement;

(b) with respect to TS PMU, the Borrower has:

(i) established a computerized financial management system for the Project, including design of the chart of accounts and installation of a specialized financial management software to, inter alia, produce financial monitoring reports, all in a form and substance satisfactory to the Association;

(ii) provided training to the staff of the TS PMU in the above-mentioned financial management system and in the Association's financial management, disbursement and procurement procedures, all in a manner and substance satisfactory to the Association; and

(iii) appointed a financial management officer and a full-time accountant at TS PMU, each with experience, qualifications and terms of reference acceptable to the Association.

(c) the Borrower has established the Consultative Council and the Sub-PMUs in accordance with paragraphs 2(a) and (c) respectively of Schedule 4 to this Agreement;

(d) the Prime Minister has issued an instruction directing NTSC together with the Participating Agencies to develop and implement a detailed mechanism for the sharing of information relevant to improving road safety;

(e) the Borrower, through NTSC, has provided training to staff of all Participating agencies on procurement under the Project; and

(f) NTSC has issued a decision setting forth in detail the responsibilities of each Participating Agency with respect to Project implementation, including procurement, acceptable to the Association.

Section 5.02. 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) the First Year Resettlement Action Plan and the Resettlement Policy Framework have been duly approved by the Borrower's Prime Minister; and the First Year Resettlement Action Plan and the Resettlement Policy Framework have been duly adopted by Nghe An Province and by NTSC; and

(b) both the First Year Resettlement Action Plan and the Resettlement Policy Framework are legally binding upon the Borrower, NTSC and Nghe An Province in accordance with their respective terms.

Section 5.03. 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 VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

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

For the Association:

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

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

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

SOCIALIST REPUBLIC OF VIETNAM

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works	2,100,000	100% through December 31, 2007, and thereafter 92%
(2) Goods	7,790,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(3) Consultants' services	6,810,000	100%
(4) Training and workshops	670,000	100%
(5) Incremental Operating Costs	1,370,000	100%
(6) Unallocated	2,260,000	
TOTAL	21,000,000	

2. For the purposes of this Schedule:

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

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

(c) the term "Incremental Operating Costs" means the reasonable costs of incremental expenditures incurred by the Participating Agencies, TS PMU and Sub-PMUs in carrying out the Project (which expenditures would not have been incurred

absent the Project), including: cost of rental of facilities; utilities; communication costs; office consumables; translation and interpretation; operation of vehicles; travel and per diem expenses; but excluding salaries and salary supplements of civil servants.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals in aggregate amount not exceeding the equivalent of $150,000 may be made in respect of Categories (2), (3), (4) and (5) on account payments made for expenditures before that date but after April 28, 2005.

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) works costing less than $100,000 equivalent per contract;

(b) goods costing less than $50,000 equivalent per contract;

(c) consultants' services under contracts with (i) consulting firms costing less than $100,000 equivalent per contract, and (ii) individual consultants costing less than $50,000 equivalent per contract;

(d) training and workshops; and

(e) Incremental Operating Costs;

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

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in reducing the rate of accidents, injury and fatalities associated with road transport through physical improvement and institutional development to strengthen the management of road transport safety.

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

Part A. Institutional and Capacity Building

Carry out a program to strengthen the institutional and technical capacities of NTSC (including its Executive Office and TS PMU) and the Sub-PMUs and teams responsible for supervision of the Project Corridors, consisting of:

1. (a) Provision of support to NTSC and its Executive Office to implement Project activities and, generally, to carry out their responsibilities in improving road safety; (b) provision of support to TS PMU and the Sub-PMUs to implement Project activities; and (c) development of a targeted and fully budgeted national road safety plan, including carrying out of studies and provision of equipment, goods, technical assistance and/or training.

2. Supporting TS PMU in its implementation of the Environmental Management Plan and Resettlement Policy Framework, including monitoring compliance with said plan and framework by an independent entity, through provision of technical assistance and purchase of equipment.

Part B. Road Safety Demonstration and Awareness Programs

Develop and implement a comprehensive and integrated road safety program, consisting of:

1. Carrying out blackspot treatments in the Project Corridors, including: (a) installation of guard rails, signage, and rumble strips; construction of traffic islands and segregated traffic lanes; and minor road widening and improvements to accommodate pedestrian paths, site distances and curvatures; and (b) provision of technical assistance to support the Vietnam Road Administration in its engineering design and supervision of civil works.

2. Provision of goods and technical assistance to the relevant government agencies:

(a) to upgrade the national vehicle inspection information technology system, vehicle inspection stations and testing stations; to improve the driver training and testing centers; and to improve the capacity to assess the safety aspects of road design and operation and develop remedial measures; and

(b) to carry out the following in the Project Corridors: (i) implementation of a mobile vehicle inspection program; (ii) implementation of a road safety enforcement program as a general deterrence measure; (iii) road user education and public awareness; (iv) improvement of school education on road safety; and (v) improvement of emergency medical services.

3. Resettlement and rehabilitation of Displaced Persons in connection with the implementation of activities under Part B.1 of the Project.

Part C. Road Safety Monitoring and Evaluation Program

Carry out a program to improve road safety monitoring and evaluation, consisting of:

1. Development of a National Road Accident Database System (NRADS) to record, store, manage, analyze, report and display road accident data and to share said data among the agencies represented on NTSC.

2. Compilation of data relating to the design of road safety measures, implementation of said measures and evaluation of the outcome of said implementation in the Project Corridors.

* * *

The Project is expected to be completed by June 30, 2009.

SCHEDULE 3

Procurement

Section I. General

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

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

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

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

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

B. Other Procurement Procedures

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

2. Shopping. (a) Goods estimated to cost less than $30,000 equivalent per contract; and (b) works estimated to cost less than $50,000 per contract may be procured under contracts awarded on the basis of Shopping in accordance with the provisions of paragraph 3.5 of the Procurement Guidelines.

3. Force Account. Works which the Association agrees meet the requirements for Force Account specified in the provisions of paragraph 3.8 of the Procurement Guidelines may be carried out in accordance with the provisions of said procurement method.

4. Procurement from UN Agencies. Vehicles and office equipment may be procured directly from the Inter-Agency Procurement Services Office of the United Nations Development Programme in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than $200,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

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

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

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

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

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Association:

(a) the first contract procured using National Competitive Bidding and the first contract procured using Shopping procedure;

(b) for each of the Project Corridors, the first contract for works in each Work Program regardless of cost;

(c) each contract for works estimated to cost $100,000 equivalent or more;

(d) each contract for goods estimated to cost $100,000 equivalent or more;

(e) all contracts with consulting firms, irrespective of cost, procured through Single Source Selection, and all contracts with consulting firms estimated to cost $100,000 equivalent or more; and

(f) all contracts with individual consultants estimated to cost $50,000 equivalent or more.

All other contracts shall be subject to Post Review by the Association.

Annex to Schedule 3

National Competitive Bidding Procedures

The procedures to be followed for National Competitive Bidding under Paragraph 1, Part B, Section II, 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"), modified in accordance with the following provisions to ensure economy, efficiency, transparency and broad consistency with the provision of Section I of the Guidelines and to comply with the provisions of paragraphs 3.3 and 3.4 of the Guidelines:

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 bidding results and bidder selection results shall follow the Procurement Regulation" means "Approvals of draft bidding documents, bid evaluation reports and proposals for award shall be obtained in accordance with the relevant rules and procedures of the Procurement Regulation".

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

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

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

(v) Prospective bidders shall be permitted to request bidding documents either in person or through the mail, upon submission of a written application. Bidding documents shall be sold to anyone who is willing to pay the required fee of the bidding documents, and no other conditions shall be imposed on the sale of the bidding documents. The bidding documents shall be delivered, at the prospective bidders' preference, either by hand or by mail/courier provided that the bidder is willing to pay the mail/courier delivery charges which should be specified in the Invitation for Bids. Each bidder shall be allowed to purchase only one set of the bidding documents and only the bidders who purchased bidding documents shall be allowed to bid.

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

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

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

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

Advertising; time for bid preparation

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

Standard Bidding Documents

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

Qualification criteria and evaluation criteria

(xii) Qualification criteria shall be clearly specified in the bidding documents, *and* all criteria so specified, and *only* criteria so specified, shall be used to determine whether a bidder is qualified. 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.

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

Bid opening, evaluation and award of contract

(xiv) Bids shall be opened in public, immediately after the stipulated deadline for submission of bids. Bidders or their representatives, shall be allowed to be present. The name of the bidder and total amount of each bid, including discounts, shall be read aloud and recorded. Immediately after completion of the bid opening proceedings, a copy of

the bid opening record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the bid opening record shall be promptly provided to all bidders who submitted bids.

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

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

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

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

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

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

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

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

Suppliers and Contractors

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

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

Publication of the Award of Contract

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

Protests by Bidders and Handling of Protests

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

SCHEDULE 4

Implementation Program

Project Management

1. The Borrower shall cause NTSC to maintain, throughout the period of implementation of the Project and with terms of reference, staffing and other resources acceptable to the Association, the Traffic Safety Project Management Unit (TS PMU), established within the National Traffic Safety Committee and responsible for coordinating and overseeing implementation of Project activities, including procurement, financial management, monitoring, reporting and day-to-day supervision of Project implementation.

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

(a) A Consultative Council, headed by officers from the Executive Office of NTSC and composed of representatives of non-government organizations, international organizations and enterprises, to be responsible for providing advice to NTSC and coordinating activities under the Project in conjunction with activities carried out by said organizations and enterprises.

(b) A Project Steering Committee, composed of representatives from the Participating Agencies and other relevant agencies, to be responsible for overall coordination and management of Project activities.

(c) A Project Management Unit (Sub-PMU) in each Participating Agency and in the Executive Office of NTSC (each with staff including at least a technical expert with sufficient procurement skills acceptable to the Association) to be responsible for day-to-day implementation and management of the Project within its sector or area of jurisdiction, as the case may be.

3. (a) To guide the implementation of the Project, the Borrower shall, through NTSC, prepare and put into effect a Project Implementation Plan acceptable to the Association setting forth procedures and guidelines for the implementation of the Project; in particular said Project Implementation Plan shall include:

(i) the organizational structure, functions and responsibilities;

(ii) a financial management manual establishing the requirements and procedures for financial management control, recording and reporting, and auditing requirements, consistent with the provisions of Article IV of this Agreement;

(iii) procurement guidelines setting out the requirements and procedures and allocating roles and responsibilities, in regard to procurement planning, preparation of bidding documents, review and approval, all to be consistent with the provisions of Schedule 3 to this Agreement;

(iv) project monitoring and evaluation guidelines setting out the policies and procedures for monitoring and evaluating the implementation of Project activities; and

(v) the First Year Implementation RAP, the Resettlement Policy Framework, the Environmental Management Plan and the Environmental Guidelines.

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

(c) The Borrower shall maintain, and cause to be maintained, skills of staff in Participating Agencies and Sub-PMUs at levels acceptable to the Association for purposes of implementing Project activities, including provision of training to said staff for such purposes.

Environmental Protection and Resettlement

4. The Borrower shall, through NTSC and the Participating Agencies:

(a) carry out the Environmental Management Plan and the Environmental Guidelines 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) prepare, as may be necessary in accordance with the requirements set forth in said Guidelines, and implement in a manner satisfactory to the Association, environmental management plans acceptable to the Association in respect of the implementation of Part B.1 of the Project during the second and subsequent years of implementation;

(c) provide to the Association for its prior approval any revision proposed to be introduced in the Environmental Management Plan, the Environmental Guidelines or environmental management plans prepared in accordance with said Guidelines and approved by the Association, as the case may be, in order to achieve their respective objectives, and thereafter introduce such revision into the documents as shall have been agreed with the Association; and

(d) maintain, policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of the Environmental Management Plan, the Environmental Guidelines or environmental

management plans prepared in accordance with said Guidelines and approved by the Association, and the achievement of their respective objectives.

5. The Borrower shall through NTSC and the Participating Agencies:

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

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

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

Work Program

6. (a) At least three (3) months prior to commencing any civil works in the Project Corridors, the Borrower, through TS PMU and VRA shall: (i) prepare, in accordance with terms of reference acceptable to the Association, a proposed work program and budget for treatment of blackspots in the following 12-month period in the Project Corridors; and (ii) furnish said work program to the Association for review and thereafter, implement said work program in a manner satisfactory to the Association taking into account the Association's comments thereon.

(b) Every 12 months following the preparation of the first work program, the Borrower through TS PMU and VRA shall (i) prepare a work program for treatment of blackspots in the Project Corridors in the next succeeding 12-month period and budget therefore; (ii) provide each such work plan to the Association for its review and comments; and thereafter, (iii) implement such work program in a manner satisfactory to the Association taking into account the Association's comments thereon.

Monitoring and Reporting

7. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association on or about March 31 and September 31 of each year, commencing on March 31, 2006, a semi-annual report on the progress achieved in the carrying out of the Project during the calendar semester preceding each such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) promptly review with the Association, each report referred to in sub-paragraph (b) of this paragraph 7, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to US$3,000,000 to be withdrawn from the Credit Account and deposited into the 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 US$1,500,000 until plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR5,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the

payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

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

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

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

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be

made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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