CREDIT NUMBER 3887-VN

Development Credit Agreement

(Urban Upgrading Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 8, 2004

CREDIT NUMBER 3887-VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 8 2004, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower expects to contract from Agence Francaise de Developpement (AFD) a loan in an amount equivalent to about thirty-eight million Dollars (the AFD Loan) to assist in financing Part C.2 of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and AFD (the AFD Loan Agreement);

(C) by an agreement of even date herewith between the Borrower and the Association as administrator of grant funds provided by Japan under the Policy and Human Resources Development Fund (PHRD), to make a grant in an amount not exceeding four million eight hundred thirty-nine thousand Dollars ($4,839,000) (the PHRD Grant) to assist in financing Parts A.4, A.5, A.6, B.4, B.5, B.6, C.4, C.5, C.6, D.4, D.5 and E of the Project, on the terms and conditions set forth in the PHRD Grant Agreement; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through 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) "Affected Persons" means persons who, on account of the execution of the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and an "Affected Person" means any of the Affected Persons.

(b) "Agence Francaise de Developpement" means the state agency through which the Government of France provides financing and other assistance to developing countries, and any successor thereto.

(c) "BOLUC" means a building-ownership and residential land-use certificate.

(d) "Can Tho" means the Borrower's Can Tho City, under the direct jurisdiction of the central government of the Socialist Republic of Vietnam, and any successor thereto.

(e) "Capital Aid Fund for Employment of the Poor" and "CEP" mean the social organization affiliated with the Federation of Labor of Ho Chi Minh City, established by Decision of the People's Committee of Ho Chi Minh City through Decision 610/QD-UB of November 2, 1991 to provide financing to poor working people for income-generating activities and improvement of their life, and any successor thereto.

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

(g) "Community Environmental Management Plan" and "CEMP" mean, in respect of the tertiary infrastructure upgrading in a Participating Community (as defined below), a plan prepared, or to be prepared, by the relevant Project City (as defined below) with the full participation of said Participating Community, and incorporated into the respective Community Upgrading Plan (as defined below), which sets out the environmental protection measures as well as monitoring procedures, to be implemented by community members and utility companies; and "Community Environmental Management Plans" and "CEMPs" mean, collectively, all such Plans.

(h) "Community Upgrading Plan" and "CUP" mean, in respect of the tertiary infrastructure upgrading in a Participating Community, a plan prepared, or to be prepared, by the relevant Project City with the full participation of said Participating Community, the ward and district authorities and utility companies, and referred to in paragraph 3 (a)(iii) of Schedule 4 to this Agreement; each such Plan setting out the layout, design and level of service of tertiary infrastructure and social infrastructure selected by such Community for upgrading or rehabilitation; the participation process in such selection, investment costs and cost recovery arrangements, community

management structures including for operations and maintenance, and integrating therein the respective Community Environmental Management Plan; and "Community Upgrading Plans" and "CUPs" mean, collectively, all such Plans.

(i) "DONRE" means a Department of Natural Resources and Environment, at the provincial level or at the level of cities under the direct jurisdiction of the central government.

(j) "Environmental Management Plans" means, collectively: (i) the plan dated December 2003, approved by the Can Tho DONRE through Decision 23/QD-STMT of February 10, 2004; (ii) the plan dated December 2003, approved by the Hai Phong DONRE through Decision 22/QD-STN & MT of February 16, 2004; (iii) the plan dated December 2003, approved by the Ho Chi Minh City DONRE through Decision 27/QD-TNMT of January 30, 2004; and (iv) the plan dated December 2003, approved by the Nam Dinh DONRE through Decision of February 16, 2004; and referred to in paragraph 4 of Schedule 4 to this Agreement, which set out the environmental protection measures in respect of Phase I (as defined below) of the Project Cities' Respective Parts of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said Plans, as said Plans may be revised from time to time with the prior concurrence of the Association.

(k) "Environmental Safeguards Framework" means the policy framework dated December 2003, adopted by the Project Cities (as defined below), referred to in paragraph 4 of Schedule 4 to this Agreement, which sets out the principles and procedures for carrying out environmental impact assessments and preparing environmental management plans for Phases II and III (as defined below) of the Project Cities' Respective Parts of the Project, as said Framework may be revised from time to time with the prior concurrence of the Association.

(l) "Ethnic Minority Development Strategy" means the strategy dated April 2003, adopted by the Can Tho Provincial People's Committee through Decision 2313/QD-CT-UB of July 14, 2003, and referred to in paragraph 6 of Schedule 4 to this Agreement, which sets out the policies and procedures to ensure meaningful consultation with, and the informed participation of, ethnic minorities within the Project area who are affected by the Project, and to prepare ethnic minorities development plans as may be required during implementation of the Project, as said Strategy may be revised from time to time with the prior concurrence of the Association.

(m) "Financial Monitoring Report" and "FMR" mean each report prepared in accordance with Section 4.02 of this Agreement.

(n) "Hai Phong" means the Borrower's Hai Phong City, under the direct jurisdiction of the central government of the Socialist Republic of Vietnam, and any successor thereto.

(o) "Ho Chi Minh City" means the Borrower's Ho Chi Minh City, under the direct jurisdiction of the central government of the Socialist Republic of Vietnam, and any successor thereto.

(p) "Housing Improvement Loans" means loans made, or to be made, by Implementation Partners (as defined below) to eligible low-income households (as defined below) to assist in the financing of eligible Housing Improvement Projects (as defined below), in accordance with the provisions of paragraph 7 of Schedule 4 to this Agreement and the Annex to said Schedule.

(q) "Housing Improvement Projects" means projects of low-income households inhabiting districts or wards being upgraded under the Project, to rehabilitate, upgrade or otherwise improve their dwellings.

(r) "Implementation Partners" means, collectively: (i) in connection with Can Tho's Respective Part of the Project, the Mekong Housing Bank (as defined below) in association with the Women's Union of Can Tho; (ii) in connection with Hai Phong's Respective Part of the Project, the Women's Union of Hai Phong; (iii) in connection with Ho Chi Minh City's Respective Part of the Project, the Women's Union of Ho Chi Minh City and the Capital Aid Fund for the Employment of the Poor of Ho Chi Minh City; (iv) in connection with Nam Dinh's Respective Part of the Project, the Women's Union of Nam Dinh; and (v) any other eligible entity as may be selected from time to time by mutual agreement between the Borrower, the relevant Project City and the Association, and any respective successors thereto; and an "Implementation Partner" means any of said Implementation Partners.

(s) "Low-income households" means, in each Project City, households with income just above or just below a poverty line determined from time to time by said Project City with the concurrence of the Association; and "Low-income areas" means, in each Project City, areas defined with the concurrence of the Association following a mapping exercise which took into account household income levels, access to infrastructure and environmental and housing conditions.

(t) "LUC" means a land use certificate.

(u) "Mekong Housing Bank" means the state-owned bank established by Prime Minister's Decision 769/QD-TTg of September 18, 1997, and operating pursuant to its charter as approved by State Bank of Vietnam under Decision 408/1997/QD-NHNN of December 8, 1997, for purposes of supporting the development of housing, infrastructure and other activities for the socio-economic development of the Mekong Delta.

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

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

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

(y) "Nam Dinh" means the Borrower's municipality of Nam Dinh, under the jurisdiction of Nam Dinh Province, and any successor thereto.

(z) "Participating Communities" means groups of households living within low-income areas of districts or wards of the Project Cities selected for upgrading, which have chosen to participate in the Project by joining in the preparation, and committing to the implementation of Community Upgrading Plans; and a "Participating Community" means any of said Participating Communities.

(aa) "Phase I" means, in respect of each Project City, tertiary infrastructure upgrading, and primary and secondary infrastructure improvements to be carried out approximately during the years 2004-2007 of the Project in accordance with the respective Project Implementation Plan (as defined below); "Phase II" means, in respect of each Project City, tertiary infrastructure upgrading, and primary and secondary infrastructure improvements to be carried out approximately during the years 2005-2012 of the Project in accordance with said Project Implementation Plan; and "Phase III" means in respect of Can Tho, tertiary infrastructure upgrading, and primary and secondary infrastructure improvements to be carried out approximately during the years 2008-2012 of the Project in accordance with Can Tho's Project Implementation Plan.

(bb) "Project Cities" means, collectively, (i) Can Tho; (ii) Hai Phong; (iii) Ho Chi Minh City; and (iv) Nam Dinh; and a "Project City" means any of said Project Cities.

(cc) "Project Implementation Plan" means, in respect of each Project City, the plan referred to in paragraph 3 of Schedule 4 to this Agreement.

(dd) "Project Management Units" and "PMUs" mean, collectively, the units established by the Project Cities and by MOC in respect of their respective Parts of the Project, in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement; and a "Project Management Unit" and "PMU" mean any of said Project Management Units.

(ee) "Project Steering Committees" means the committees established by Can Tho, Hai Phong, Ho Chi Minh City and the Province of Nam Dinh, respectively, in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement; and a "Project Steering Committee" means any of said Project Steering Committees.

(ff) "Resettlement Action Plans" means, collectively: (i) the Can Tho Resettlement Action Plan, dated December 2003, adopted by the Can Tho People's

Committee through Decision 312/UB of February 13, 2004; (ii) the Hai Phong Resettlement Action Plan, dated December 2003, adopted by the Hai Phong City People's Committee through Decision 349/QD-UB of February 13, 2004; (iii) the Ho Chi Minh City Resettlement Action Plan, dated December 2003, adopted by the Ho Chi Minh City People's Committee through Decision 448/UB-DB of January 29, 2004; and (iv) the Nam Dinh Resettlement Action Plan, dated December 2003, adopted by the Nam Dinh Provincial People's Committee through Decision 317/2004/QD-UB of February 20, 2004; and referred to in paragraph 5 of Schedule 4 to this Agreement; said Resettlement Action Plans setting out the principles and procedures governing the acquisition of land and other assets, resettlement, compensation and rehabilitation of Affected Persons in the respective Project Cities in connection with Phase I of the Project in the Project Cities, as well as administrative, reporting and monitoring arrangements to ensure compliance with said Plans, as said Plans may be revised from time to time with the prior agreement of the Association; and a "Resettlement Action Plan" means any of said Resettlement Action Plans.

(gg) "Resettlement Policy Framework" means the policy framework dated August 2003, adopted respectively by the Can Tho Provincial People's Committee through Decision 3233/UB of August 21, 2003; by the Hai Phong City People's Committee through Decision 4315/CV-UB of September 26, 2003; by the Ho Chi Minh City People's Committee through Decision 4958/UB-DB of October 8, 2003; and by the Nam Dinh Provincial People's Committee through Decision 211/VP5 of September 9, 2003; approved by the Borrower through the Prime Minister's Decision 1513/CP-NN of November 4, 2003, and referred to in paragraph 5 of Schedule 4 to this Agreement; said Policy Framework sets out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Affected Persons, and for the preparation of resettlement action plans whenever required during Phases II and III of the Project, as said Policy Framework may be revised from time to time with the prior concurrence of the Association.

(hh) "Respective Part of the Project" means: (i) in respect of Can Tho, Part A of the Project; (ii) in respect of Hai Phong, Part B of the Project; (iii) in respect of Ho Chi Minh City, Part C of the Project; (iv) in respect of Nam Dinh, Part D of the Project; and (v) in respect of MOC, Part E of the Project.

(ii) "Special Accounts" means, collectively: (i) the Can Tho Special Account; (ii) the Hai Phong Special Account; (iii) the Ho Chi Minh City Special Account; and (iv) the Nam Dinh Special Account; all referred to in Section 2.02 (b) of this Agreement; and a "Special Account" means any of said Special Accounts.

(jj) "tertiary infrastructure" means class III infrastructure, except in the case of Ho Chi Minh City where tertiary infrastructure comprises class III and class IV infrastructure.

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

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

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 one hundred forty-eight million eight hundred thousand Special Drawing Rights (SDR148,800,000).

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) expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of works, goods and services required for the Project, other than under Parts A.5 (a), B.5 (a), C.5 (a) and D.4 (a) of the Project, and to be financed out of the proceeds of the Credit; and (ii) Housing Improvement Loans made by Implementation Partners under Parts A.5 (a), B.5 (a), C.5 (a) and D.4 (a) to meet the reasonable costs of goods and works required for an eligible Housing Improvement Project and in respect of which the withdrawal from the Credit Account is requested.

(b) The Borrower may open and maintain:

(i) a separate special deposit account for the purposes of Part A of the Project (the Can Tho Special Account);

(ii) a separate special deposit account for the purposes of Part B of the Project (the Hai Phong Special Account);

(iii) a separate special deposit account for the purposes of Part C of the Project (the Ho Chi Minh City Special Account); and

(iv) a separate special deposit account for the purposes of Part D of the Project (the Nam Dinh 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 December 31, 2012 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 April 15 and October 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 April 15 and October 15 commencing October 15, 2014 and ending April 15, 2044. Each installment to and including the installment payable on April 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: Part A of the Project through Can Tho; Part B of the Project through Hai Phong; Part C of the Project through Ho Chi Minh City; Part D of the Project through Nam Dinh; and Part E of the Project through its Ministry of Construction; with due diligence and efficiency and in conformity with appropriate administrative, management, financial, engineering and urban planning practices, and sound social and environment standards acceptable to the Association; and shall provide, and shall cause to be provided, 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. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

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

(a) prepare, and cause to be prepared, 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 Project 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 10 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

Remedies of the Association

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

(a) The AFD Loan Agreement shall have failed to become effective by July 15, 2005, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for Part C.2 of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) (i) Subject to sub-paragraph (ii) of this paragraph (b):

(A) the right of the Borrower to withdraw the proceeds of either the AFD Loan or the PHRD 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 AFD Loan Agreement or the PHRD Grant Agreement, as the case may be; or

(B) the AFD Loan shall have become due and payable prior to the agreed maturity thereof.

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

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

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) The PHRD Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled;

(b) Each of the Project Cities has adopted its Project Implementation Plan satisfactory to the Association, in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement;

(c) Each of the Project Cities, through its respective PMU, and the PMU of the Ministry of Construction have established a financial management system, including computerized accounting system, satisfactory to the Association, for their Respective Parts of the Project; and

(d) MOC has established its PMU in accordance with the provisions of paragraph 2(b) of Schedule 4 to this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that: (i) the Resettlement Policy Framework has been duly approved by the Borrower's Prime Minister; (ii) the Resettlement Policy Framework and the Resettlement Action Plans have been duly adopted by the People's Committees of Can Tho, Hai Phong, Ho Chi Minh City, and the Province of Nam Dinh, respectively; (iii) the Ethnic Minority Development Strategy has been duly adopted by the People's Committee of Can Tho; and (iv) the Resettlement Policy Framework, the Resettlement Action Plans and the Ethnic Minority Development Strategy are legally binding on the Borrower and the respective Project Cities 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 Hanoi	412248 NHTWVT	(84-4) 825 0612

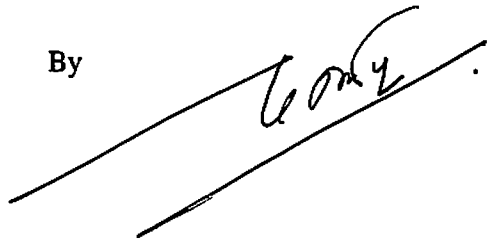
For the Association:

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

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

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

SOCIALIST REPUBLIC OF VIETNAM

By 

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By 

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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) Can Tho's Respective Part of the Project:		
(a) Works under Part A of the Project	13,235,000	90%
(b) Goods under Part A of the Project	640,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(c) Housing Improvement Loans under Part A.5 of the Project	565,000	100% of amounts of Housing Improvement Loans disbursed
(d) Consultants' services except under Parts A.4, A.5 and A.6 of the Project	1,210,000	100% for expenditures for services of individuals domiciled outside the territory of the Borrower, and 93% for expenditures for services of all other consultants
(e) Consultants'services under Part A.6 (c) of the Project	265,000	100% for expenditures for services of individuals domiciled outside the territory of the Borrower, and 93% for expenditures for services of all other consultants

Category	Amount of the Credit Allocated(Expressed in SDR Equivalent)	% of Expenditures to be Financed
(f) Training under Part A.5 (b) of the Project	5000	100% of foreign expenditures
(g) Unallocated under Part A of the Project	2,070,000	
(2) Hai Phong's Respective Part of the Project:		
(a) Works under Part B of the Project	14,345,000	90%
(b) Goods under Part B of the Project	360,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(c) Housing Improvement Loans under Part B.5 of the Project	1,785,000	100% of amounts of Housing Improvement Loans disbursed
(d) Consultants' services except under Parts B.4, B.5 and B.6 of the Project	1,330,000	100% for expenditures for services of individuals domiciled outside the territory of the Borrower, and 93% for expenditures for services of all other consultants
(e) Consultants'services under Part B.6 (c) of the Project	500,000	100% for expenditures for services of individuals domiciled outside the territory of the Borrower, and 93% for expenditures for services of all other consultants

Category	Amount of the Credit Allocated(Expressed in SDR Equivalent)	% of Expenditures to be Financed
(f) Training under Part B.5 (b) of the Project	10,000	100% of foreign expenditures
(g) Unallocated under Part B of the Project	1,435,000	
(3) Ho Chi Minh City's Respective Part of the Project:		
(a) Works under Part C of the Project	72,805,000	90%
(b) Goods under Part C of the Project	525,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(c) Housing Improvement Loans under Part C.5	6,690,000	100% of amounts of Housing Improvement Loans disbursed
(d) Consultants' services except under Parts C.4, C.5 and C.6 of the Project	4,110,000	100% for expenditures for services of individuals domiciled outside the territory of the Borrower, and 93% for expenditures for services of all other consultants
(e) consultants' services under Part C.6 (c) of the Project	830,000	100% for expenditures for services of individuals domiciled outside the territory of the Borrower, and 93% for expenditures for services of all other consultants

Category	Amount of the Credit Allocated(Expressed in SDR Equivalent)	% of Expenditures to be Financed
(f) Training under Part C.5(b) of the Project	55,000	100% of foreign expenditures
(g) Unallocated under Part C of the Project	7,280,000	
4) Nam Dinh's Respective Part of the Project:		
(a) Works under Part D of the Project	13,775,000	90%
(b) Goods under Part D of the Project	1,150,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(c) Housing Improvement Loans under Part D.4	870,000	100% of amounts of Housing Improvement Loans disbursed
(d) Consultants' services except under Parts D.4 and D.5 of the Project	1,155,000	100% for expenditures for services of individuals domiciled outside the territory of the Borrower, and 93% for expenditures for services of all other consultants
(e) consultants' services under Part D.5(b) of the Project	270,000	100% for expenditures for services of individuals domiciled outside the territory of the Borrower, and 93% for expenditures for services of all other consultants
(f) Training under Part D.4 (b) of the Project	10,000	100% of foreign expenditures

Category	Amount of the Credit Allocated(Expressed in SDR Equivalent)	% of Expenditures to be Financed
(g) Unallocated under Part D of the Project	1,520,000	
TOTAL	148,800,000	

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) "Housing Improvement Loans" means loans made by Implementation Partners under Parts A.5 (a), B.5 (a), C.5 (a) and D.4 (a) to eligible low-income households for the financing of eligible Housing Improvement Projects, in accordance with the provisions of paragraph 7 of Schedule 4 to this Agreement and of the Annex to said Schedule.

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

(a) payments made for expenditures prior to the date of this Agreement, except that:

(i) withdrawals, in an aggregate amount not exceeding the equivalent of SDR30,000, may be made in respect of Category (1)(b) under Can Tho's Respective Part of the Project;

(ii) withdrawals, in an aggregate amount not exceeding the equivalent of SDR230,000, may be made in respect of Categories (2)(a), (2)(b) and (2)(d) under Hai Phong's Respective Part of the Project;

(iii) withdrawals, in an aggregate amount not exceeding the equivalent of SDR180,000, may be made in respect of Categories (3)(a), (3)(b) and (3)(d) under Ho Chi Minh City's Respective Part of the Project; and

(iv) withdrawals, in an aggregate amount not exceeding the equivalent of SDR260,000, may be made in respect of Categories (4)(a), (4)(b) and (4)(d) under Nam Dinh's Respective Part of the Project;

in each case on account of payments made for expenditures before that date but after February 1, 2004;

(b) payments made in respect of Category 1(c) until: (i) Can Tho has entered into an implementation arrangement satisfactory to the Association with its respective Implementation Partner, and (ii) Can Tho's Implementation Partner has adopted an Operations Manual satisfactory to the Association, all in accordance with the provisions of paragraph 7 of Schedule 4 to this Agreement;

(c) payments made in respect of Category 2(c) until: (i) Hai Phong has entered into an implementation arrangement satisfactory to the Association with its respective Implementation Partner, and (ii) Hai Phong's Implementation Partner has adopted an Operations Manual satisfactory to the Association, all in accordance with the provisions of paragraph 7 of Schedule 4 to this Agreement;

(d) payments made in respect of Category 3(c) until: (i) Ho Chi Minh City has entered into an implementation arrangement satisfactory to the Association with each of its respective Implementation Partners, and (ii) each of Ho Chi Minh City's Implementation Partners has adopted an Operations Manual satisfactory to the Association, all in accordance with the provisions of paragraph 7 of Schedule 4 to this Agreement;

(e) payments made in respect of Category 4(c) until: (i) Nam Dinh has entered into an implementation arrangement satisfactory to the Association with its respective Implementation Partner, and (ii) Nam Dinh's Implementation Partner has adopted an Operations Manual satisfactory to the Association, all in accordance with the provisions of paragraph 7 of Schedule 4 to this Agreement; and

(f) payments made in respect of Categories 1(e), 2(e), 3(e) and 4(e) until disbursements under Categories 1(b), 2(b), 3(b) and 4(b), respectively, set forth in the Table of paragraph 1 in Schedule 1 to the PHRD Grant Agreement have been completed.

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 $300,000 equivalent per contract; (b) goods costing less than $100,000 equivalent per contract; (c) Housing Improvement Loans; (d) services of individual consultants costing less than $50,000 equivalent per contract; (e) services of consulting firms costing less than $100,000 equivalent per contract; and (f) training; 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 alleviate poverty in urban areas by improving the environmental and living conditions of the urban poor in the Project Cities through the use of participatory planning methods and the promotion of more inclusive and pro-poor urban planning processes.

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: Can Tho

In Can Tho City:

1. Tertiary Infrastructure Upgrading and Service Improvement: Carry out a program to provide or upgrade basic tertiary infrastructure and rehabilitate some social infrastructure in selected low-income areas, on the basis of priorities identified by the specific communities, including upgrading of alleys, provision of water supply, drainage, paved access, sanitation services and solid waste management, connection to electricity network and provision of street lighting; rehabilitation of kindergartens, primary schools, health clinics, markets and public toilet facilities, and provision of community facilities.

2. Complementary Primary and Secondary Infrastructure: Carry out a program to improve the primary and secondary infrastructure necessary to complement and enable the improvement in tertiary infrastructure carried out at the community level, including dredging and embankment formation, drainage, sewerage, road works and construction of bridges around the Xang Thoi Lake and canal areas and the Tham Tuong canal area, and drainage works and bridge construction in other areas of Can Tho.

3. Resettlement Housing: Carry out a program of resettlement and rehabilitation for persons affected under the Project, including preparation of resettlement sites; provision of on-site and off-site basic infrastructure; provision of social infrastructure on the resettlement sites; and provision of basic housing for the poor.

4. Land and Housing Management: Carry out a program to strengthen the capacity of the local agencies responsible for land management and issuance of building-ownership and land-use certificates, including establishment of a networked land administration and housing management information system, completion of cadastral maps where necessary to support the issuance of BOLUCs and LUCs, support for administrative and organizational restructuring, and simplification of procedures for the issuance of land use permits.

5. Housing Improvement Loan Program: Carry out a program to: (a) provide low-income households in the Project areas access to credit to improve their houses through the provision of housing improvement loans by eligible Implementation Partners; and (b) strengthen the housing micro-finance system through technical assistance and training.

6. Capacity Building: (a) Carry out a program to strengthen the capacity of the administrative authorities at the city, district and ward levels for participatory planning, design and implementation; and the capacity of the utility companies and district authorities for the operation and maintenance of infrastructure financed under the Project.

(b) Carry out a program to strengthen the capacity of local communities to organize more effectively to enable them to participate in Project planning and design; and carry out campaigns of information, education and communication among the local communities, especially to promote better sanitation practices.

(c) Carry out a program to strengthen the capacity of the Can Tho PMU for project management, including procurement and contract management, financial management and audit, monitoring of resettlement activities and environmental protection measures, and monitoring and evaluation of Project impacts in Can Tho.

Part B: Hai Phong

In Hai Phong City:

1. Tertiary Infrastructure Upgrading and Service Improvement: Carry out a program to provide or upgrade basic tertiary infrastructure and rehabilitate some social infrastructure in selected low-income areas, on the basis of priorities identified by the specific communities, including upgrading of alleys, provision of water supply, drainage, paved access, sanitation services and solid waste management, connection to electricity network and provision of street lighting; rehabilitation of kindergartens, primary schools, health clinics, markets and public toilet facilities, and provision of community facilities.

2. Complementary Primary and Secondary Infrastructure: Carry out a program to improve the primary and secondary infrastructure necessary to complement and absorb the improvement in tertiary infrastructure carried out at the community level, including improvement in drainage and access in the An Kim Hai channel; construction of north-south road links from To Hieu to Du Hang Lake; and improvement in the water supply distribution network in the Trang Minh and Du Hang Kenh areas.

3. Resettlement Housing: Carry out a program of resettlement and rehabilitation for persons affected under the Project, including preparation of resettlement sites; provision of on-site and off-site basic infrastructure; provision of social infrastructure on the resettlement sites; and provision of basic housing for the poor.

4. Land and Housing Management: Carry out a program to strengthen the capacity of the local agencies responsible for land management and issuance of building-ownership and land-use certificates, including establishment of a networked land administration and housing management information system, completion of cadastral maps where necessary to support the issuance of BOLUCs and LUCs, support for administrative and organizational restructuring, and simplification of procedures for the issuance of land use permits.

5. Housing Improvement Loan Program: Carry out a program to: (a) provide low-income households in the Project areas access to credit to improve their houses through the provision of housing improvement loans by eligible Implementation Partners; and (b) strengthen the housing micro-finance system through technical assistance and training.

6. Capacity Building: (a) Carry out a program to strengthen the capacity of the administrative authorities at the city, district and ward levels for participatory planning, design and implementation; and the capacity of the utility companies and district authorities for the operation and maintenance of infrastructure financed under the Project.

(b) Carry out a program to strengthen the capacity of local communities to organize more effectively to enable them to participate in Project planning and design; and carry out campaigns of information, education and communication among the local communities, especially to promote better sanitation practices.

(c) Carry out a program to strengthen the capacity of the Hai Phong PMU for project management, including procurement and contract management, financial management and audit, monitoring of resettlement activities and environmental protection measures, and monitoring and evaluation of Project impacts in Hai Phong.

Part C: Ho Chi Minh City

In Ho Chi Minh City:

1. Tertiary Infrastructure Upgrading and Service Improvement: Carry out a program to provide or upgrade basic tertiary infrastructure and rehabilitate some social infrastructure in selected low-income areas, on the basis of priorities identified by the specific communities, including upgrading of alleys, provision of water supply, drainage, paved access, sanitation services and solid waste management, connection to electricity network and provision of street lighting; rehabilitation of kindergartens, primary schools, health clinics, markets, public toilet facilities, and provision of community facilities.

2. Complementary Primary and Secondary Infrastructure: Carry out a program to improve the primary and secondary infrastructure necessary to complement and absorb the improvement in tertiary infrastructure carried out at the community level, including canal and off-canal drainage improvements, embankment formation and road works in the Tan Hoa – Lo Gom area.

3. Resettlement Housing: Carry out a program of resettlement and rehabilitation for persons affected under the Project, including preparation of resettlement sites, and provision of on-site and off-site basic infrastructure, and provision of social infrastructure on the resettlement sites.

4. Land and Housing Management: Carry out a program to strengthen the capacity of the local agencies responsible for land management and issuance of building-ownership and land-use certificates, including establishment of a networked land administration and housing management information system, completion of cadastral maps where necessary to support the issuance of BOLUCs and LUCs, support for administrative and organizational restructuring, and simplification of procedures for the issuance of land use permits.

5. Housing Improvement Loan Program: Carry out a program to: (a) provide low-income households in the Project areas access to credit to improve their houses through the provision of housing improvement loans by eligible Implementation Partners; and (b) strengthen the housing micro-finance system through technical assistance and training.

6. Capacity Building: (a) Carry out a program to strengthen the capacity of the administrative authorities at the city, district and ward levels for participatory planning, design and implementation; and the capacity of the utility companies and district authorities for the operation and maintenance of infrastructure financed under the Project.

(b) Carry out a program to strengthen the capacity of local communities to organize more effectively to enable them to participate in Project planning and design; and carry out campaigns of information, education and communication among the local communities, especially to promote better sanitation practices.

(c) Carry out a program to strengthen the capacity of the Ho Chi Minh City PMU for project management, including procurement and contract management, financial management and audit, monitoring of resettlement activities and environmental protection measures, and monitoring and evaluation of Project impacts in Ho Chi Minh City.

Part D: Nam Dinh

In the city of Nam Dinh:

1. Tertiary Infrastructure Upgrading and Service Improvement: Carry out a program to provide or upgrade basic tertiary infrastructure and rehabilitate some social infrastructure in selected low-income areas, on the basis of priorities identified by the specific communities, including upgrading of alleys, paved access, drainage, sanitation services and solid waste management, provision of street lighting and improvements to the retention lake in the area; rehabilitation of kindergartens, primary schools, health clinics, markets, public toilet facilities, and provision of community facilities.

2. Complementary Primary and Secondary Infrastructure: Carry out a program to improve the primary and secondary infrastructure necessary to complement and absorb the improvement in tertiary infrastructure carried out at the community level, including improvements to the northern drainage basin, completion of drainage links in the southern area, improvement to the secondary drainage system linking the tertiary system in the low-income areas to the primary system; and road improvements.

3. Resettlement Housing: Carry out a program of resettlement and rehabilitation for persons affected under the Project, including preparation of resettlement sites, and provision of on-site and off-site basic infrastructure, and provision of social infrastructure on the resettlement sites.

4. Housing Improvement Loan Program: Carry out a program to: (a) provide low-income households in the Project areas access to credit to improve their houses through the provision of housing improvement loans by eligible Implementation Partners; and (b) strengthen the housing micro-finance system through technical assistance and training.

5. Capacity Building: (a) Carry out a program to strengthen the capacity of the administrative authorities at the provincial, city and ward levels for participatory planning, design and implementation; and the capacity of the utility companies and city and ward authorities for the operation and maintenance of infrastructure financed under the Project.

(b) Carry out a program to strengthen the capacity of local communities to organize more effectively to enable them to participate in Project planning and design; and carry out campaigns of information, education and communication among the local communities, especially to promote better sanitation practices.

(c) Carry out a program to strengthen the capacity of the Nam Dinh PMU for project management, including procurement and contract management, financial management and audit, monitoring of resettlement activities and environmental protection measures, and monitoring and evaluation of Project impacts in the city of Nam Dinh.

Part E: National Urban Upgrading Program

1. Establish a National Urban Upgrading Program to improve the environmental and living conditions of low-income households across cities in Vietnam, consisting of: assessment of the demand for urban upgrading at the national level; dissemination of experiences and lessons learned; development of a clear strategy and investment plan for the National Urban Upgrading Program; and development of institutional arrangements to carry out said Program.

2. Develop methodologies for peri-urban planning, development and control to prevent the creation of new low-income areas.

3. Evaluate the impacts of the Project.

* * *

The Project is expected to be completed by June 30, 2012.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

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 Section I of this Schedule.

Part B: International Competitive Bidding

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

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

(a) Prequalification

Bidders for contracts for works estimated to cost more than $10,000,000 equivalent per contract shall be prequalified in accordance with the provisions of paragraphs 2.9 and 2.10 of the Guidelines.

(b) Grouping of contracts

To the extent practicable, contracts for works shall be grouped in bid packages estimated to cost $2,000,000 equivalent or more each.

(c) Preference for domestically manufactured goods and domestic contractors

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 and works to be carried out by domestic contractors.

(d) Notification and Advertising

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) (i) Goods estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount not to exceed $300,000 equivalent; and (ii) works under Parts A.1, A.2, A.3, B.1, B.2, B.3, C.1, C.2, C.3, D.1, D.2 and D.3 estimated to cost less than $2,000,000 equivalent per contract, up to an aggregate amount not to exceed $75,000,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) 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 under Parts A.4, A.5 (b), A.6, B.4, B.5 (b), B.6, C.4, C.5 (b), C.6, D.4 (b) and D.5, estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $830,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures, or in the event such goods are readily available from more than one domestic supplier at competitive prices, on the basis of national shopping procedures, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to:- (i) each contract for works estimated to cost the equivalent of $300,000 or more; (ii) the first contract for works in each Project City to be procured in accordance with the provisions of paragraph 1 of Part C above, regardless of

the value thereof; (iii) each contract for goods estimated to cost the equivalent of $100,000 or more; and (iv) the first contract for goods to be procured by any PMU in accordance with the provisions of paragraphs 1 or 2 of Part C above, regardless of the value thereof; the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods procured under shopping procedures and referred to in clause (iv) of sub-paragraph (a) above, the following procedures shall apply:

(i) prior to the selection of any supplier under shopping procedures, 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, 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.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

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

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short

list of consultants for services estimated to cost less than $200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services for environmental and resettlement monitoring, and for capacity building for local government, communities and Implementation Partners may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection

Services for the preparation of engineering designs of simple works and financial audit services may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications

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

4. Individual Consultants

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

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

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of $100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more, the report on the comparison of the qualifications and experience of candidates, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

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

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

1. The Borrower shall cause each of Can Tho, Hai Phong, Ho Chi Minh City and the Province of Nam Dinh, to establish and, throughout the period of implementation of the Project, to maintain a Project Steering Committee for purposes of, respectively, Parts A, B, C and D of the Project; each of said Project Steering Committees to include, among others, representatives of the Departments of Planning and Investment, of Finance, of Construction, of Natural Resources and Environment, of Transport and Urban Public Works Services, and representatives of water and electricity companies, to provide overall guidance in the implementation of the respective Parts of the Project and to ensure coordination of Project activities with other national, provincial or city initiatives.

2. The Borrower shall:

(a) cause the Project Cities, throughout the period of implementation of the Project, to maintain their respective Project Management Units to be responsible for the overall coordination and management of activities under their respective Parts of the Project; each of said Project Management Units to be under the direction of a qualified and experienced Project director, provided with sufficient resources and staffed with competent personnel in adequate numbers, including sufficient procurement, financial management and accounting staff, with qualifications and under terms of reference acceptable to the Association; and

(b) establish and maintain a Project Management Unit within the Ministry of Construction for purposes of Part E of the Project, to be responsible for the coordination and management of Project activities under said Part of the Project, said Project Management Unit to be under the direction of a qualified and experienced Project director, provided with sufficient resources and staffed with competent personnel in adequate numbers, including sufficient procurement, financial management and accounting staff, with qualifications and under terms of reference acceptable to the Association.

3. The Borrower shall cause the Project Cities, in respect of their Respective Parts of the Project, each to:

(a) prepare and adopt a Project Implementation Plan satisfactory to the Association, including therein: (i) a financial management manual acceptable to the Association, setting forth guidelines and procedures for financial management and control, record keeping, reporting and auditing, and programs of training therefor; (ii) a procurement manual acceptable to the Association and consistent with the provisions of Schedule 3 to this Agreement; and (iii) guidelines for the engagement of local

communities in participatory planning and design and formulation of the Community Upgrading Plans;

(b) carry out its respective Project Implementation Plan in a manner satisfactory to the Association; and

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

Project Implementation

Environment, Resettlement and Ethnic Minorities

4. The Borrower shall cause the Project Cities to:

(a) carry out their respective Environmental Management Plans in a manner satisfactory to the Association, designed to ensure that Phase I of their Respective Parts of the Project is implemented in accordance with sound environmental practices and standards;

(b) in implementing later Phases of their Respective Parts of the Project, (i) implement the Environmental Safeguards Framework and, in accordance with the provisions of such Framework and as may be required, prepare environmental management plans in regard to said later Phases; (ii) provide said plans to the Association for its prior review; and (iii) thereafter, implement in a manner satisfactory to the Association such additional environmental management plans as shall have been approved by the Association;

(c) furnish to the Association for its prior approval any revisions proposed to be introduced into said Environmental Management Plans, the Environmental Safeguards Framework and the environmental management plans for later Phases prepared pursuant to said Framework, in order to achieve their objectives; and thereafter introduce into said Plans and Framework such revisions 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 Plans and Framework, and the achievement of their objectives.

5. The Borrower shall cause the Project Cities to:

(a) carry out the Resettlement Policy Framework and the respective Resettlement Action Plans in a manner satisfactory to the Association, designed to minimize the acquisition of land and other assets and involuntary resettlement and, wherever the acquisition of land and other assets and involuntary resettlement are

unavoidable, to assist Affected Persons to improve their livelihoods and standards of living or at least to restore them to levels prevailing prior to Project implementation;

(b) in regard to later Phases of their Respective Parts of the Project, (i) take, and cause to be taken, all necessary actions to minimize to the extent possible any involuntary relocation of persons, or their loss of right, title, interest in any house, land or any other fixed or movable assets, or effect on their access to productive assets, their business, occupation, work, place of residence, temporarily or permanently; and wherever the implementation of such later Phases would give rise to Affected Persons, prior to commencing any works, (ii) prepare and provide to the Association for its review a resettlement action plan or resettlement action plans, as the case may be, prepared in accordance with the principles and procedures set forth in the Resettlement Policy Framework; and (iii) implement, in a manner satisfactory to the Association, such resettlement action plan or resettlement action plans as shall have been approved by the Association;

(c) provide to the Association for its prior approval any revisions proposed to be introduced to said Resettlement Policy Framework, the Resettlement Action Plans and resettlement action plans prepared for later Phases pursuant to said Framework, in order to achieve their objectives; and thereafter, introduce such revisions 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 Plans, and the achievement of their objectives.

6. The Borrower shall cause Can Tho to:

(a) carry out the Ethnic Minority Development Strategy in a manner satisfactory to the Association, designed to provide meaningful consultation with, and the informed participation of, ethnic minorities communities within the area of Can Tho's Respective Part of the Project, and to ensure that benefits under the Can Tho's Respective Part of the Project are socially and culturally acceptable to such communities; and

(b) wherever implementation of later Phases of Can Tho's Respective Part of the Project would affect ethnic minorities communities within the Project area, and pursuant to said Strategy, prepare with the full participation of the relevant ethnic communities, and provide to the Association for its prior review ethnic minorities development plans to ensure that activities under Can Tho's Respective Part of the Project adequately address the needs, cultural practices and preferences of such communities; and, thereafter, implement in a manner satisfactory to the Association such ethnic minorities development plans as shall have been approved by the Association;

(c) provide to the Association for its prior approval any revisions proposed to be introduced into said Strategy and any ethnic minorities development plans prepared

pursuant thereto, in order to achieve their objectives; and, thereafter, put into effect such revisions to said Strategy and plans as shall have been agreed with the Association; and

(d) maintain policies and procedures adequate to monitor and evaluate, in accordance with guidelines acceptable to the Association, the implementation of said Strategy and development plans, and the achievement of their objectives.

Housing Improvement Loan Program

7. For purposes of the Housing Improvement Loan Program under Parts A.5 (a), B.5 (a), C.5 (a) and D.4 (a) of the Project, the Borrower shall cause the Project Cities to enter into implementation arrangements satisfactory to the Association with their respective Implementation Partner, or Partners as the case may be, whereby the Project Cities and the respective Implementation Partners shall undertake the following actions and responsibilities for the purposes of said Parts of the Project:

(a) The Project Cities shall make available as sub-loans to their respective Implementation Partners the amount of proceeds of the Credit allocated from time to time to Categories (1)(c), (2)(c), (3)(c) and (4)(c); said sub-loans shall be made under terms and conditions acceptable to the Association which shall include the following principal terms: the sub-loans received by each Implementation Partner shall bear an interest rate of 0%, be repayable in Vietnamese Dong, in one lump sum at the end of a term of ten (10) years.

(b) Each Implementation Partner shall prepare and, thereafter, put into effect an Operations Manual satisfactory to the Association, including therein the policies, guidelines and procedures for: (i) credit appraisal and approval; (ii) loan portfolio quality monitoring; (iii) financial management and analysis; (iv) risk and liquidity management; (v) business planning for micro-finance; (vi) monitoring and evaluation of the respective Housing Improvement Loan Program; and (vii) terms and conditions for the Housing Improvement Loan Program which shall include the terms and conditions set forth in the Annex to this Schedule 4.

(c) Each Implementation Partner shall undertake to make Housing Improvement Loans to eligible low-income households in accordance with their respective Operations Manuals, and shall not amend, revise or waive their respective Operations Manuals, or any part thereof, without the prior concurrence of the Association.

(d) Each Implementation Partner 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, resources and expenditures in respect of the Housing Improvement Loan Program.

(e) Each Implementation Partner shall undertake to have the financial statements, records and accounts referred to in sub-paragraph (d) of this paragraph 7, 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 Project Cities and the Association certified copies of such financial statements and an opinion on such statements by the auditors, in scope and detail satisfactory to the Association; and furnish such other information on its financial statements, the audit thereof and concerning the auditors as the Association may from time to time reasonably request.

8. The Borrower shall cause each Project City to: (i) exercise its rights under its implementation arrangement with its Implementation Partner, or Partners as the case may be, in such manner as to protect the interests of the Borrower, the Project City and the Association, and to accomplish the purposes of the Credit; and (ii) except as the Association shall otherwise agree, not assign, amend, abrogate or waive its implementation arrangement with its Implementation Partner, or Partners as the case may be, or any provision thereof.

9. For purposes of promoting the financial sustainability of infrastructure investments, the Borrower shall cause each Project City to increase the percentage of cost recovery for waste water collection and treatment in accordance with a schedule acceptable to the Association.

Monitoring and Evaluation

10. The Borrower shall, and shall cause the Project Cities to:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of 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 April 1 and October 1 of each year, commencing April 1, 2005, a semi-annual report; and (ii) on or about April 1, 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 10, on the progress achieved in the carrying out of the Project during the period preceding the date of each such report and setting out the measures recommended to ensure the efficient carrying out of 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 10, 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.

Annex to Schedule 4

Procedures, Terms and Conditions of Housing Improvement Loans

1. Eligibility

Low-income households, with a source or sources of monthly income, residing within districts or wards of the Project Cities where infrastructure improvement activities are being carried out under the Project, even when not within the Participating Communities, are eligible to apply for Housing Improvement Loans.

2. Terms and Conditions of Housing Improvement Loans

Unless otherwise agreed by the Association:

(a) The maturity of a Housing Improvement Loan shall be from 3 to 5 years.

(b) The principal amount of a Housing Improvement Loan shall not exceed VND 15 million.

(c) The Implementation Partners shall, from time to time, establish the interest rates applicable to Housing Improvement Loans, taking into account, among other matters, their direct costs for salaries and allowances; depreciation of assets; overhead costs; and reasonable loan loss provisioning.

3. Housing Improvement Loans may finance only the reasonable cost of goods and works for the Housing Improvement Project for which said Loan is made, and fees and charges for the issuance of a BOLUC or LUC and for registration.

4. Each Housing Improvement Loan shall be made on terms whereby the relevant Implementation Partner shall obtain, by a written contract with the borrowing household, rights adequate to protect the interests of the Implementation Partner, the respective Project City, and the Association, including the rights to:

(a) require the borrowing household to carry out the Housing Improvement Project with due diligence and efficiency and in accordance with sound technical and sanitation standards and to maintain adequate records;

(b) require that goods and works be procured at a reasonable price following established commercial procedures, account being taken also of other relevant factors, including, in the case of goods, the timely delivery and efficiency and reliability of the goods, and availability of maintenance facilities, if applicable, and spare parts therefor; and in the case of works, the technical quality and competitive cost therefor;

(c) inspect, by itself, or jointly with representatives of the respective Project City, or of the Association, if the Association shall so request, such goods, works and installations, as the case may be, included in the Housing Improvement Project, and any relevant records and documents; and

(d) suspend or terminate the right of the borrowing household to the use of the proceeds of the Housing Improvement Loan upon failure of its obligations under its contract with the Implementation Partner.

5. Proceeds of Housing Improvement Loans re-paid by borrowing households to the Implementation Partners may be used for further Housing Improvement Loans and/or for small loans to low-income households within the Project areas for income-generation activities, under terms and conditions acceptable to the Association.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means: Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Part A of the Project under Can Tho; Category 2, in respect of Part B of the Project under Hai Phong; Category (3) in respect of Part C of the Project under Ho Chi Minh City; and Category (4) in respect of Part D of the Project under Nam Dinh;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of works, goods and services required for the Respective Parts of the Project and in respect of the Housing Improvement Loans under Parts A.5, B.5, C.5 and D.4 of the Project, 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) (i) the term "Authorized Allocation" means an amount equal to $2,000,000 in respect of the Can Tho Special Account for Part A of the Project, to be withdrawn from the Credit Account and deposited into the Can Tho 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 equal to $1,000,000 in respect of the Can Tho Special Account until the aggregate amount of withdrawals from the Credit Account allocated to Category (1) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part A of the Project shall be equal to or exceed the equivalent of SDR6,000,000;

(ii) the term "Authorized Allocation" means an amount equal to $2,000,000 in respect of the Hai Phong Special Account for Part B of the Project, to be withdrawn from the Credit Account and deposited into the Hai Phong 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 equal to $1,000,000 in respect of the Hai Phong Special Account until the aggregate amount of withdrawals from the Credit Account allocated to Category (2) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the

General Conditions for Part B of the Project shall be equal to or exceed the equivalent of SDR6,000,000;

(iii) the term "Authorized Allocation" means an amount equal to $10,000,000 in respect of the Ho Chi Minh City Special Account for Part C of the Project, to be withdrawn from the Credit Account and deposited into the Ho Chi Minh City 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 equal to $5,000,000 in respect of the Ho Chi Minh City Special Account until the aggregate amount of withdrawals from the Credit Account allocated to Category (3) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part C of the Project shall be equal to or exceed the equivalent of SDR22,000,000; and

(iv) the term "Authorized Allocation" means an amount equal to $2,000,000 in respect of the Nam Dinh Special Account for Part D of the Project, to be withdrawn from the Credit Account and deposited into the Nam Dinh 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 equal to $1,000,000 in respect of the Nam Dinh Special Account until the aggregate amount of withdrawals from the Credit Account allocated to Category (4) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part D of the Project shall be equal to or exceed the equivalent of SDR6,000,000.

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) in respect of any Special Account, once the total unwithdrawn amount of the Credit allocated to the eligible Categories for said 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 Respective Part of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation for such Special Account .

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 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.