CREDIT NUMBER 3880-VN

Development Credit Agreement

(Vietnam Water Resources Assistance Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 19, 2004

CREDIT NUMBER 3880-VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 19, 2004, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through 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 such Affected Persons.

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

(c) "Electricity of Vietnam" and "EVN" mean the entity established by Decision No. 562/TTg of the Prime Minister of the Borrower, dated October 10, 1994, and operating under the EVN Charter issued under Government Decree 14/CP, dated

January 27, 1995, responsible for developing, operating and maintaining, directly or indirectly, facilities for the generation, transmission and distribution of electricity in Vietnam, and any successor thereto.

(d) "Environment Management Plan" and "EMP" mean the plan dated November 2003, adopted by the Borrower's Ministry of Agriculture and Rural Development, and referred to in paragraph 4 of Schedule 4 to this Agreement, which sets out the environmental protection measures in respect of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as such plan may be revised from time to time with the prior concurrence of the Association.

(e) "Ethnic Minorities Policy Framework" means the framework dated August 2003, adopted by the Borrower's Ministry of Agriculture and Rural Development through the Minister's Decision No. 164/QD/BNN-TL dated 20 January 2004, referred to in paragraph 11 of Schedule 4 to this Agreement, which sets out policies and procedures to ensure meaningful consultation with and the informed participation of ethnic minorities communities residing within the Project area, and principles for the preparation of ethnic minorities development plan or plans, as may be required, during the implementation of the Project, as said Framework may be revised from time to time with the prior concurrence of the Association.

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

(g) "Irrigation Management Companies" and "IMCs" mean state-owned enterprises established by and operating under the authority of the Provincial People's Committees, or of MARD, as the case may be, and responsible for operating and maintaining headworks, main irrigation and drainage canals and water supply control works within their respective design command areas; and an "Irrigation Management Company" and an "IMC" mean any of said Companies.

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

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

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

(k) "MPI" means the Borrower's Ministry of Planning and Investment, and any successor thereto.

(l) "Participatory Irrigation Management" means the involvement of water users, through various means and in various degrees, in the planning, construction and/or

operation and maintenance of irrigation systems, and in the determination of irrigation services to be provided.

(m) "PMO" means the Project Management Office to be established under the Central Project Office within the Borrower's Ministry of Agriculture and Rural Development in accordance with the provisions of paragraph 1(b) of Schedule 4 to this Agreement.

(n) "Project Provinces" means the Borrower's Provinces of Bac Giang, Ha Tinh, Khanh Hoa, Quang Nam, Quang Ninh and Tay Ninh, and Ho Chi Minh City, and any successors thereto; and a "Project Province" means any of said Provinces and City.

(o) "Project Management Units" and "PMUs" mean, collectively, the units to be established by the Project Provinces to manage the implementation of Project activities within said Provinces, in accordance with the provisions of paragraph 1(d) of Schedule 4 to this Agreement; and a "Project Management Unit" and "PMU" mean any of said Units.

(p) "Resettlement Action Plans" means, collectively: (i) the Resettlement Action Plan in respect of the Dau Tieng irrigation scheme; (ii) the Resettlement Action Plan in respect of the Cau Son-Cam Son irrigation scheme; (iii) the Resettlement Action Plan in respect of the Phu Ninh irrigation scheme; (iv) the Resettlement Action Plan in respect of the Ke Go irrigation scheme; (v) the Resettlement Action Plan in respect of the Yen Lap irrigation scheme; (vi) the Resettlement Action Plan in respect of the Da Ban irrigation scheme; and (vii) the Resettlement Action Plan in respect of Part C.1 of the Project; in each case dated November 2003, adopted by the Borrower's Ministry of Agriculture and Rural Development through the Minister's Decision No. 171/QD/BNN-TL dated 20 January 2004, and referred to in paragraph 9 of Schedule 4 to this Agreement, as said Plans may be amended from time to time with the prior concurrence of the Association; and a "Resettlement Action Plan" means any of said Plans.

(q) "Resettlement Policy Framework" means the Policy Framework for Resettlement and Land Acquisition, dated November 2003, approved by the Borrower through the Prime Minister's Decision No. 96/CP-NN dated 13 January 2004, and adopted by the Borrower's Ministry of Agriculture and Rural Development through the Minister's Decision No. 165/QD/BNN-TL dated 20 January 2004, and referred to in paragraph 10 of Schedule 4 to this Agreement, which sets out the policies and procedures for land acquisition, resettlement, compensation and rehabilitation of Affected Persons, and for the preparation of additional resettlement action plans, as may be required, during the implementation of the Project, as said Policy Framework may be revised from time to time with the prior concurrence of the Association.

(r) "SBV" means the State Bank of Vietnam, the Borrower's central bank, and any successor thereto.

(s) "Sub-implementation Offices" and "SIOs" mean, collectively, units within the Borrower's Ministry of Agriculture and Rural Development, and any successor thereto, responsible for managing the implementation of more complex dam safety works and of inter-provincial water management works, and more specifically those units denominated SIO 416, SIO 414, SIO 403 and SIO 408 responsible for, respectively, the headworks and main canals of the Dau Tieng irrigation scheme; of the headworks for the Da Ban irrigation scheme; of the headworks and siphons of the Yen Lap irrigation scheme; and of the Quang Hue River flow stabilization works under Part C.1 of the Project; and a "Sub-implementation Office" and "SIO" mean any of said units.

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

(u) "Steering Committee" means the high-level committee to be established by the Borrower's Ministry of Agriculture and Rural Development in accordance with the provisions of paragraph 1(a) of Schedule 4 to this Agreement.

(v) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower, through MOF, and Electricity of Vietnam pursuant to Section 3.01 (c) of this Agreement, referred to in paragraph 16 of Schedule 4 to this Agreement, as the same may be amended from time to time, and such term includes all schedules to said Subsidiary Loan Agreement.

(w) "Water users groups" means groups of individuals and/or households benefiting from specific irrigation schemes under Part A of the Project and whose participation in irrigation management will be supported under said Part of the Project.

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 and five million seven hundred thousand Special Drawing Rights (SDR105,700,000).

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

(b) The Borrower may open and maintain in Dollars a special deposit account for the purposes of Parts A, B.1, C and E of the Project (the Special Account), in a commercial bank on terms and conditions satisfactory to the Association, including

appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2011 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 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 February 15 and August 15 commencing August 15, 2014 and ending February 15, 2044. Each installment to and including the installment payable on February 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: (i) carry out Parts A, B.1, C, D and E of the Project through MARD and the Project Provinces; and (ii) cause EVN to carry out Part B.2 of the Project; all with due diligence and efficiency and in conformity with appropriate administrative, financial, agricultural and engineering practices, and sound social and environmental standards acceptable to the Association;

and shall provide, and 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.

(c) For purposes of Part B.2 of the Project, the Borrower shall make available to EVN part of the proceeds of the Credit allocated from time to time to Categories (2)(b) and (3)(b), under a subsidiary loan agreement acceptable to the Association.

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain 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 25 of Schedule 4 to this Agreement the Borrower shall prepare, and cause to be prepared, and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

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

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

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

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

ARTICLE V

Effective Date; Termination

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

(a) The Borrower has: (i) established a Project Management Office for Parts A, B.1, C, D and E of the Project, and appointed thereto a Project director, a Project financial manager, two staff accountants, and two procurement specialists, all in accordance with the provisions of paragraph 1(b) of Schedule 4 to this Agreement; and (ii) appointed a Project accountant and a procurement specialist for each of SIO 416, SIO 414, SIO 403 and SIO 408, all in accordance with the provisions of paragraph 1(c) of Schedule 4 to this Agreement;

(b) Each Project Province has established its respective Project Management Unit, and appointed thereto a project accountant and a procurement specialist, all in accordance with the provisions of paragraph 1(d) of Schedule 4 to this Agreement;

(c) The Borrower has adopted a project implementation plan acceptable to the Association, in accordance with the provisions of paragraph 3 (a) of Schedule 4 to this Agreement;

(d) The Borrower has: (i) adopted a financial management manual; (ii) established a financial management system; and (iii) completed training for staff of the PMO, PMUs and the SIOs on financial management; all in a manner satisfactory to the Association, in accordance with the provisions of paragraph 3 (b) of Schedule 4 to this Agreement; and

(e) The Borrower has adopted a procurement manual acceptable to the Association, in accordance with the provisions of paragraph 3 (c) of Schedule 4 to this Agreement.

Section 5.02. 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, the Resettlement Action Plans and the Ethnic Minorities Policy Framework have all been duly adopted by the Minister of Agriculture and Rural Development; and are legally binding on the Borrower in accordance with their respective terms.

Section 5.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Governor or any Deputy Governor of the State Bank of Vietnam is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

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

For the Borrower:

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

Cable address:	Telex:	Facsimile:
VIETBANK 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

Lê Đức Thúy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Klaus Rohland

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Works for all Parts of the Project other than Part B.2	84,120,000	95%
(2) Goods:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 75% of local expenditures for other items procured locally
(a) for all Parts of the Project other than Part B.2	8,510,000	
(b) for Part B.2 of the Project	740,000	
(3) Consultants' Services		100% for expenditures for services of individuals domiciled outside the territory of the Borrower, and 93% for expenditures for all other consultants' services for all other consultants
(a) for all Parts of the Project other than Part B.2	9,780,000	
(b) for Part B.2 of the Project	70,000	
(4) Training and workshops for all Parts of the Project other than Part B.2	1,140,000	100%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(5) Incremental Operating Costs for all Parts of the Project other than Part B.2	1,340,000	70%
TOTAL:	105,700,000	

2. For the purposes of this Schedule:

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

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

(c) the term "Incremental Operating Costs" means the reasonable costs of incremental expenditures incurred by the Borrower in the management of all Parts of the Project other than Part B.2 (which expenditures would not have been incurred absent the Project), including travel costs, travel per diem, office consumables, communication expenses, but excluding salaries.

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

(a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding $800,000 equivalent, may be made in respect of Categories 3 and 4 on account of payments made for expenditures before that date, but after February 1, 2004; and

(b) in respect of Categories 2 (b) and 3 (b) until the Association shall have received evidence satisfactory to it that a Subsidiary Loan Agreement acceptable to the Association has been entered into between the Borrower and EVN in accordance with the provisions of paragraph 16 of Schedule 4 to this Agreement, and that said Agreement is valid, legally binding on the parties thereto and enforceable in accordance with its terms.

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 $200,000 equivalent per contract;

(b) goods costing less than $100,000 equivalent per contract;

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

(d) training and workshops; and

(e) incremental operating costs;

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

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to modernize and increase the productivity of Vietnamese agriculture, improve the management of water resources and reduce dam safety risks through: (i) the modernization of irrigation services in selected irrigation schemes within the Project Provinces; (ii) improvement of dam safety and management; and (iii) integrated development and management of the Thu Bon River Basin in Quang Nam Province.

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: Irrigation Modernization

Carry out a program to upgrade and modernize the infrastructure and management of the irrigation schemes of: (i) Dau Tieng in Tay Ninh Province and Ho Chi Minh City; (ii) Cau Son – Cam Son in Bac Giang Province; (iii) Phu Ninh in Quang Nam Province; (iv) Ke Go in Ha Tinh Province; (v) Yen Lap in Quang Ninh Province; and (vi) Da Ban in Khanh Hoa Province; said program consisting of:

1. Upgrade the hydraulic infrastructure of said irrigation schemes through the installation of water control and flow measurement structures, renovation of degraded canals and development of lower-level canal systems.

2. Improve the management of said irrigation schemes through: (a) the development and implementation by the Provincial irrigation management companies of comprehensive plans for the operation, maintenance and financial management of said schemes; and (b) fostering of water users groups to participate in irrigation management and improve the efficiency of irrigation water use.

3. Carry out remedial works to improve the safety of the dams which constitute the headworks of said irrigation schemes.

Part B: Dam Safety Management

1. (a) Carry out remedial works to improve the safety of selected small- and medium-sized dams; and

(b) Strengthen the management capacity of the Ministry of Agriculture and Rural Development in respect of MARD-related dams, through the establishment of a dam safety unit to supervise safety inspections, develop and enforce the regulatory framework for dam construction and management, support the capacity building of dam owners, operators and inspectors, and disseminate information on dams in Vietnam.

2. Upgrade the dam safety instrumentation at the Hoa Binh dam in Hoa Binh Province.

Part C: Thu Bon River Basin Development

1. Construct the river control works at the intersection of the Vu Gia and Quang Hue rivers in Quang Nam Province;

2. Carry out planning and feasibility studies for priority investments identified in the Thu Bon River Basin Master Plan covering Quang Nam Province and the Municipality of Da Nang.

Part D: Resettlement

Carry out the resettlement and rehabilitation of Affected Persons under the Project.

Part E: Project Management Support and Capacity Building

1. Strengthen the capacity of the Ministry of Agriculture and Rural Development and the Provincial authorities of the Project Provinces in the areas of irrigation modernization, dam safety, environmental management, construction supervision, project implementation and resettlement.

2. Build and strengthen the institutions responsible for the management of hydraulic infrastructure at the local levels in the Project Provinces, including the respective irrigation management companies, the Provincial Departments of Agriculture and Rural Development and the water users groups and associations; and support the further development of participatory irrigation management.

3. Support the implementation of the Project, including audit of Project accounts.

* * *

The Project is expected to be completed by June 30, 2011.

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 provision shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B, namely:

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.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Works estimated to cost less than $2,000,000 equivalent per contract, up to an aggregate amount not to exceed $115,600,000 equivalent, and goods estimated to cost less than $150,000 equivalent per contract, up to an aggregate amount not to exceed $5,000,000 equivalent, 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 estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $1,000,000 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.

3. Procurement of Small Works

Works on very small canals at the secondary and tertiary levels, estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $11,600,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to 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

With respect to each contract for works estimated to cost the equivalent of $200,000 or more, and each contract for goods estimated to cost the equivalent of $100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with 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

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.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services in respect of dam safety may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

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

3. Single Source Selection

Services for training in irrigation modernization and participatory irrigation management may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 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.

5. Dependent State-Owned Enterprises

Notwithstanding the provisions of clause (ii) of the Annex to this Schedule 3, services of engineering companies dependent on the Ministry of Agriculture and Rural Development and engineering companies dependent on the Project Provinces may be procured under sub-contracts under the Project, provided that (i) the value of a sub-contract with a MARD-dependent engineering company does not exceed fifty percent (50%) of the total value of the relevant contract, and (ii) the value of a sub-contract with a Project Province-dependent engineering company does not exceed twenty percent (20%) of the total value of the relevant contract.

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

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

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

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

(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. For purposes of Parts A, B.1, C, D and E of the Project, the Borrower shall, through MARD:

(a) by no later than December 31, 2004 establish and, throughout the period of Project implementation, maintain a Steering Committee to be chaired by a vice minister of the Ministry of Agriculture and Rural Development, and with representation from the Ministry of Planning and Investment, Ministry of Finance, State Bank of Vietnam, and from the People's Committee of each Project Province, assigned with such powers, responsibilities and resources as shall be necessary to provide overall guidance and support in the implementation of the Project;

(b) establish and, throughout the period of Project implementation, maintain a Project Management Office under MARD's Central Project Office, under the direction of qualified and experienced managers and staffed with competent personnel in sufficient numbers, including, inter alia, a Project director, a Project financial manager, two staff accountants, two procurement specialists, environment and social specialists and irrigation and dam safety experts, all with qualifications and experience acceptable to the Association, and provided with adequate resources, to be responsible for the overall management of Project activities under said Parts of the Project, including monitoring and evaluation, financial management, budgeting, procurement planning, and for review and approval of work plans prepared by the Project Management Units and the Sub-implementation Offices, all under terms of reference satisfactory to the Association;

(c) throughout the period of Project implementation, maintain the Sub-implementation Offices SIO 416, SIO 414, SIO 403 and SIO 408, under the direction of qualified and experienced managers and staffed with competent personnel in sufficient numbers, including, inter alia, a Project accountant and a procurement specialist with qualifications and experience acceptable to the Association, and provided with adequate resources, to be responsible for managing, respectively, the implementation of works on the headworks and main canals of the Dau Tieng irrigation scheme, the headworks of the Da Ban irrigation scheme, the headworks and siphons of the Yen Lap irrigation scheme, and works under Part C.1 of the Project, all under terms of reference satisfactory to the Association; and

(d) cause each Project Province to establish and, throughout the period of implementation of its respective part of the Project, maintain its respective Project Management Unit, under the direction of qualified and experienced managers and staffed with competent personnel in sufficient numbers including, inter alia, a Project accountant, a procurement specialist and an environment and social specialist, all with qualifications

and experience acceptable to the Association, and provided with adequate resources, to be responsible for the management of Project activities within said Project Province, all under terms of reference acceptable to the Association.

2. Throughout the period of implementation of the Project, the Borrower shall maintain the Irrigation Modernization Task Force, with membership acceptable to the Association, and assigned with such powers, responsibilities and resources as shall be necessary to provide technical and policy guidance on a national program of irrigation and dam safety modernization.

3. The Borrower shall, through MARD:

(a) (i) prepare and put into effect a Project implementation plan acceptable to the Association setting forth in detail the organizational structure, schedule of activities for the Project including a procurement plan, and incorporating therein the Financial Management Manual and Procurement Manual referred to in sub-paragraphs (b) and (c) of this paragraph 3; (ii) provide to the Association for its prior concurrence any revision proposed to be introduced to said plan, and thereafter introduce such revision into said plan as shall have been agreed with the Association;

(b) establish and, throughout the period of implementation of the Project, maintain a financial management system satisfactory to the Association. To this end, the Borrower shall, through MARD: (i) prepare and adopt a Financial Management Manual acceptable to the Association, setting forth the guidelines and procedures for financial planning, budgeting, control, records and reporting; (ii) establish a computerized accounting system satisfactory to the Association, at the PMO, the PMUs and the SIOs; and (iii) provide training to the financial management staff of the PMO, the PMUs and the SIOs on the application of the provisions of said Financial Management Manual, in a manner satisfactory to the Association; and

(c) (i) adopt and, throughout the period of implementation of the Project put into effect, a Procurement Manual satisfactory to the Association and consistent with the provisions of Schedule 3 to this Agreement to guide MARD, the PMO and SIOs, and the Departments of Agriculture and Rural Development and PMUs of the Project Provinces; and (ii) provide training to procurement staff of said ministry, departments and entities with training in the application of said Manual, in a manner satisfactory to the Association.

Project Implementation

Environmental Management

4. The Borrower shall, through MARD:

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

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

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

5. The Borrower shall, through MARD, cause each Project Province, prior to undertaking any work on its respective irrigation scheme to:

(a) obtain from the relevant authorities all necessary approval for the environmental impact assessment for said irrigation scheme; and

(b) provide to the Association for its prior review and concurrence any proposed modification to said environmental impact assessment.

6. In carrying out the successive phases of upgrading and modernization of the irrigation schemes under Part A of the Project and the selection of dams to be upgraded under Part B.1 of the Project, the Borrower shall, through MARD:

(a) undertake, and cause the respective Project Provinces to undertake, an environmental screening process satisfactory to the Association;

(b) as may be required following such screening process, prepare an environmental management plan or plans, as the case may be, in regard to said later phase of works and provide said plan or plans to the Association for its prior review; and

(c) thereafter implement in a manner satisfactory to the Association, such environmental management plan or plans, as the case may be, as shall have been agreed with the Association.

7. The Borrower shall, through MARD, cause each Project Province, in regard to the operation of its respective irrigation scheme, to:

(a) by no later than June 30, 2006, prepare and provide to the Association for its review and comment an environmental management plan in respect of the indirect impacts from irrigation scheme operation, which analyzes among other issues and as may be appropriate, those related to: (i) the design of a water quality monitoring program; (ii) aquaculture; (iii) municipal and industrial pollution control; and (iv) reservoir watershed management; and develop proposals for addressing problems identified; and

(b) implement such environmental management plan giving due consideration to the views of the Association thereon.

8. The Borrower shall, through MARD, cause each Project Province to:

(a) by no later than June 30, 2006, complete an assessment of the Integrated Pest Management program under implementation within said Province; and

(b) provide to the Association for its review and comment the report of such assessment.

Involuntary Resettlement

9. The Borrower shall, through MARD:

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

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

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

10. In carrying out the successive phases of upgrading and modernization of the irrigation schemes under Part A of the Project and the selection of dams to be upgraded under Part B.1 of the Project, the Borrower shall, through MARD:

(a) take, and cause to be taken, all necessary actions to minimize to the extent possible any involuntary relocation of persons, or their loss of shelter, of assets or access to assets, or loss of income sources or means of livelihood, temporarily or permanently;

(b) in the event that works under those Parts of the Project give rise to Affected Persons, prior to commencing such works, prepare, and cause to be prepared, a resettlement action plan or plans, satisfactory to the Association, in accordance with the policies and procedures set forth in the Resettlement Policy Framework, and thereafter implement said resettlement action plan or plans as so approved by the Association;

(c) furnish to the Association for its prior approval any revisions proposed to be introduced into any said resettlement action plan or into the Resettlement Policy Framework in order to achieve their respective objective, and thereafter introduce into said plan or Framework, as the case may be, such revision 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.

Ethnic Minorities

11. The Borrower shall, through MARD:

(a) implement, and cause to be implemented, the Ethnic Minorities Policy Framework in a manner satisfactory to the Association;

(b) wherever required pursuant to the provisions of said Framework, prepare and implement an ethnic minorities development plan satisfactory to the Association and designed to: (i) provide for full consultation with and the informed participation of ethnic minorities communities within the Project area in the design and implementation of the relevant Part of the Project; and (ii) ensure that measures designed and implemented under the relevant Part of the Project adequately address the needs, cultural practices and preferences of such communities;

(c) furnish to the Association for its prior approval any revision proposed to be introduced to said Framework or to any said development plan in order to achieve their objectives, and thereafter introduce into said Framework or said development plan, such revision 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.

Dam Safety

12. The Borrower shall:

(a) by no later than December 31, 2005, establish within the Ministry of Agriculture and Rural Development, a dam safety unit under the direction of qualified and experienced management and staffed with competent personnel; said unit to be responsible for: (i) establishing a system of dam inspections, including formulation and implementation of regulations, procedures and standards for dam construction and management to ensure dam safety; (ii) supervising dam safety inspections; (iii) establishing standards for and building the capacity of dam owners, operators and inspectors; and (iv) establishing and maintaining a database and dissemination of information on dams in Vietnam; all in respect of dams under MARD's jurisdiction; and (v) by no later than June 30, 2007, formulate and submit to the Borrower, recommendations regarding the development and establishment of a national dam safety coordination mechanism to ensure consistency among the various agencies responsible for dam safety; and

(b) by no later than December 31, 2007, provide to the Association for its review and comment, a time-bound action plan for the establishment of a national dam safety coordination mechanism on the basis of such recommendations, and thereafter put into effect such action plan giving due consideration to the Association's view thereon.

13. To ensure the safety of the dams to be upgraded and modernized under Parts A and B.1 of the Project and the adequacy of the remedial works to be carried under said Parts of the Project, the Borrower shall, through MARD:

(a) include under Part B.1(a) of the Project only those dams selected with the concurrence of the Association;

(b) prepare, and cause to be prepared, detailed plans for: (i) construction supervision and quality assurance, (ii) instrumentation, (iii) operation and maintenance; and (iv) emergency preparedness; and

(c) provide such plans to the Association for its review and comments, and thereafter, implement such plans as shall have been agreed with the Association, in a manner satisfactory to the Association.

14. The Borrower shall, by no later than December 31, 2004, through MARD, appoint a panel of qualified and independent dam specialists with expertise in various technical fields, and under terms of reference and with resources satisfactory to the Association; said panel to:

(a) (i) review and advise the Borrower on matters relative to dam safety and other critical aspects of the dams selected for upgrading under Parts A and B of the Project, their appurtenant structures, the catchment areas, the areas surrounding the reservoirs and downstream areas; (ii) review and evaluate the technical design and construction procedures of the remedial and modernization works and associated works; and (iii) review and evaluate instrumentation plans, operation and maintenance plans, emergency preparedness plans, and plans for periodic safety inspection of said dams following completion of the remedial and modernization works; and

(b) advise the Borrower on its national dam safety program as may be required from time to time.

Tender Documents

15. By no later than December 31, 2004 and prior to initiating any civil works under the Project, the Borrower shall, through MARD, complete tender documents for works to be commenced during the first year of Project implementation, satisfactory to the Association.

Subsidiary Loan to EVN

16. For purposes of Part B.2 of the Project and Section 3.01 (c) of this Agreement, the Borrower shall, through MOF, enter into a subsidiary loan agreement with EVN, acceptable to the Association, which shall include, unless otherwise agreed by the Association, the following terms and conditions:

(a) (i) the Borrower shall make available to EVN a principal amount, in United States Dollars (determined on the date, or respective dates, of withdrawal from the Credit Account) equivalent to the amounts allocated from time to time to Categories 2(b) and 3(b)in the table in paragraph 1 of Schedule 1 to this Agreement; (ii) EVN shall repay said principal amount, in United States Dollars, over a period of fifteen (15) years including a grace period of three (3) years commencing on the date of effectiveness of this Agreement; (iii) EVN shall pay a commitment charge on such principal amount not withdrawn from time to time at a rate equal to the rate set forth in Section 2.04 of this Agreement; and (iv) EVN shall pay interest on the principal amount withdrawn and outstanding from time to time at a rate equal to two-thirds (2/3) of the commercial interest reference rate (CIRR) announced by the Organization for Economic Cooperation and Development (OECD) as in effect on the date of execution of the Subsidiary Loan Agreement, plus a service charge at a rate of one-fourth of one percent (1/4 of 1%).

(b) EVN shall undertake to carry out Part B.2 of the Project with due diligence and efficiency and in accordance with appropriate management, financial, engineering and public utility practices and social and environmental standards acceptable to the Association, and provide, promptly as needed, the funds, facilities and other resources required for the purpose.

(c) EVN shall undertake to procure the goods and consultants' services for Part B.2 of the Project and to be financed out of the proceeds of the Credit, in accordance with the provisions of Schedule 3 to this Agreement, and utilize such goods and consultants' services exclusively in the carrying out of said Part of the Project.

(d) EVN shall undertake to enable the Borrower and the Association to inspect the sites and goods included in Part B.2 of the Project, the operation thereof, and any relevant records and documents.

(e) EVN shall undertake to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

(f) EVN shall undertake to carry on its operations and conduct its affairs in accordance with sound management, financial and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

(g) EVN shall undertake at all times to operate and to maintain its plants, machinery, equipment and other property, including any dams, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public utility practices.

(h) EVN shall undertake to maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to Part B.2 of the Project.

(i) EVN shall undertake to:

(A) have the financial statements referred to in sub-paragraph (h) above 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;

(B) 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), (xx) certified copies of the financial statements referred to in clause (A) of this sub-paragraph (i) for such year (or such other period agreed to by the Association), as so audited, and (yy) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

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

(j) EVN shall undertake 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 Borrower and the Association the carrying out of Part B.2 of the Project and the achievement of the objectives thereof;

(B) prepare, under terms of reference satisfactory to the Borrower and the Association, quarterly reports integrating the results of the monitoring and evaluation activities performed pursuant to clause (A) of this sub-paragraph (j) on the progress achieved in

the carrying out of Part B.2 of the Project during the period preceding the date of each such report; and

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

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

Other Implementation Covenants

18. The Borrower shall, through the Project Provinces and, in respect of the Dau Tieng irrigation scheme, through MARD, cause the Irrigation Management Companies of said Provinces and of MARD to:

(a) prepare and, by no later than December 31, 2006, provide to the Association for its review and comments, IMC management plans, each said plan setting forth: the organization structure of the respective IMC; procedures and guidelines for the administration, operation and maintenance of the irrigation system under the jurisdiction of said IMC; the financial management of said IMC and said irrigation system; an action plan and schedule for the gradual increase in irrigation service fees collection coverage over the respective design command area; principles and procedures for participatory irrigation management; and monitoring and evaluation plans;

(b) implement such management plans as shall have been agreed with the Association, in a manner satisfactory to the Association; and

(c) from time to time review with MARD and the Association the implementation of said management plans and put into effect any revisions thereto as may be necessary and as may be agreed with MARD and the Association, to achieve the objectives of said management plans.

19. (a) The Borrower shall, through MARD, cause the Project Provinces from time to time to: (i) at the request of MARD and the Association, review with MARD and the Association, the financial status of their respective IMCs; (ii) take all necessary actions to enable said IMCs to meet the costs of operation and maintenance as established in their respective management plans; and (iii) take all necessary actions to enable said IMCs to implement their management plans in a manner satisfactory to the Association.

(b) In respect of the Dau Tieng irrigation scheme, the Borrower shall, through MARD, from time to time: (i) at the request of the Association, review with the Association the financial status of the Dau Tieng IMC under MARD's jurisdiction; (ii) take all necessary actions to enable said IMC to meet the costs of operation and maintenance as established in its management plan; and (iii) take all necessary actions to enable said IMC to implement its management plan in a manner satisfactory to the Association.

20. The Borrower shall, by no later than June 30, 2006, establish and thereafter maintain, a Thu Bon Basin Coordination Committee, with representation from MARD, Quang Nam Province, the City of Da Nang and MONRE, with such powers, functions and resources as shall be necessary to support basin-wide flood management, water allocation, and planning and management of water resources infrastructure, and to be responsible for guiding and reviewing the feasibility studies prepared under Part C.2 of the Project.

21. By no later than December 31 of each year, commencing in 2004, the Borrower shall, through MARD:

(a) prepare a detailed rolling two-year plan, acceptable to the Association, for training and capacity building during the next succeeding two calendar years, in particular in regard to participatory irrigation management, in respect of Parts A and B.1 of the Project; and

(b) thereafter, implement each such plan in a manner satisfactory to the Association.

22. By no later than March 31, 2005, the Borrower shall, through MARD, engage and deploy a technical assistance team or teams with expertise in irrigation engineering and management, participatory irrigation management, dam safety, construction, procurement, environmental and social safeguards, with qualifications and experience and under terms of reference satisfactory to the Association.

23. The Borrower shall cause each Project Province, as a condition to its participation in the Project, by no later than December 31, 2004, to enter into a memorandum of understanding with the Borrower, through MOF, acceptable to the Association; said memorandum of understanding setting forth among other matters: (i) the authorization, and the terms and conditions, for said Project Province to use the proceeds of the Credit for the modernization and improvement of any part of its respective irrigation schemes, including canals serving areas of less than 150 hectares each, included in the Project Feasibility Study, provided that the Project Provinces shall be responsible for at least twenty percent of the costs for such works; (ii) the undertaking of said Project Province to procure goods, works and services for its respective part of the Project and to be financed out of the proceeds of the Credit in accordance with the provisions of Schedule 3 to this Agreement, and to utilize such goods, works and services

exclusively in the carrying out of its respective part of the Project; (iii) the undertaking of said Project Province to implement its respective part of the Project in accordance with the provisions of Schedule 4 to this Agreement, with due diligence, efficiency and in conformity with appropriate administrative, financial, engineering practices and sound environmental and social standards acceptable to the Borrower and to the Association, and to provide promptly as needed, the funds, facilities, services and other resources required for its respective part of the Project.

24. Promptly upon completion of the works on the Cat Hai water transfer facilities, the Borrower shall, through MARD, cause SIO 403 to transfer the ownership and associated responsibility for the operation and maintenance of said facility to the Hai Phong Water Supply Company.

Monitoring and Reporting

25. The Borrower shall, through MARD:

(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 March 1, and September 1 of each year, commencing September 1, 2004, a semi-annual report, and (ii) on or about September 1, 2006 and September 1, 2008, a comprehensive report, in each case integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 25, 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 25, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to $10,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $5,000,000 until the aggregate amount of withdrawals from the Credit Account allocated to Categories (1), (2)(a), (3)(a), (4) and (5) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for all Parts of the Project other than Part B.2, shall be equal to or exceed the equivalent of SDR35,000,000.

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

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

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

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

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

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

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

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

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

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

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

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories for the 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 all Parts of the Project other than Part B.2, shall be equivalent to twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all

such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

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

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

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

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