CREDIT NUMBER 3306 VN

Development Credit Agreement

(Rural Transport II Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 24 February, 2000

CREDIT NUMBER 3306 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated 24 February, 2000, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower expects to receive from the United Kingdom, Department for International Development (DFID), a grant (the DFID Grant) in an aggregate principal amount of sixteen million five hundred thousand Sterling Pounds (£16,500,000) to assist in financing the Project on the terms and conditions set forth in the agreement to be entered into between the Borrower and DFID (the DFID Grant Agreement) providing therein for: (a) an amount out of the proceeds of the DFID Grant of four million two hundred thousand Sterling Pounds (£4,200,000) to be provided directly by DFID to the Borrower to assist in financing Parts B, D and E of the Project; and (b) an aggregate amount of twelve million three hundred thousand Sterling Pounds (£12,300,000) to be provided to the Borrower on the terms and conditions set forth in the agreement to be entered into between the Borrower and the Association as administrator of those grant funds received from DFID (the DFID Trust Fund Grant Agreement), and to be earmarked as follows: (i) an amount out of the DFID Grant of two million three hundred thousand Sterling Pounds (£2,300,000) to assist in financing the consultants' services under Part A of the Project; and (ii) an amount out of the DFID Grant of ten million Sterling Pounds (£10,000,000) to assist in financing Part C.1 of the Project in the Project Provinces of Ha Tinh, Quang Binh, Quang Nam and Quang Tri; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through December 2, 1997) (the General Conditions) constitute an integral part of this Agreement.

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

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

(b) "Ethnic Minorities" means social groups disadvantaged in the development process and with social and cultural identity distinct from those which constitute the predominant ethnic group in Vietnam.

(c) "MOT" means the Borrower's Ministry of Transport, and any successor thereto.

(d) "Operational Manual" means the operational manual for carrying out Part C of the Project, including implementation procedures and guidelines and road selection criteria, satisfactory to the Association, and approved by MOT's Decision No. 3582/GTVT-KHDT dated October 15, 1999.

(e) "Project Implementation Division-1" and the acronym "PID-1" mean the Division established within PMU-18 pursuant to the provisions of paragraph 1 of Schedule 4 to the Development Credit Agreement for Credit No. 2929-VN (Rural Transport Project) entered into between the Socialist Republic of Vietnam and the Association dated January 6, 1997.

(f) "Provincial Department of Transport" and the acronym "PDOT" mean the Department established by each of the Provincial People's Committee responsible for transport services and infrastructure in the respective Province.

(g) "Policy Framework for Land Acquisition, Compensation and Rehabilitation" means the policy adopted by the Borrower pursuant to Prime Minister's Decision No. 786/CP-CN dated July 29, 1999, and MOT's Decision No. 2088/1999/QD-BGTVT dated August 17, 1999, satisfactory to the Association, to compensate, resettle and rehabilitate Affected Persons.

(h) "PMU-18" means the project management unit established within MOT by Decisions Nos. 1675 QD/TCCB-LD and 387 QD/TCCB-LD dated August 23, 1993 and March 25, 1994, respectively, responsible, inter alia, to administer road works under the Project.

(i) "Project Implementation Division" and the acronym "PID" mean the unit established in accordance with the provisions referred to in paragraph 1 of Schedule 4 to this Agreement.

(j) "Project Provinces" means the provinces of the Borrower listed in the Annex to Schedule 2 to this Agreement.

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

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

(m) "RAP" means a Resettlement and Rehabilitation Action Plan, satisfactory to the Association, for carrying out the compensation, resettlement and rehabilitation of each Affected Person and to be prepared by the Borrower pursuant to paragraph 5 of Schedule 4 to this Agreement, as such plan may be amended from time to time by agreement between the Borrower and the Association.

(n) "RTU" means the unit established within MOT pursuant to paragraph 1(b) of Schedule 4 to this Agreement for purposes of carrying out Part B of the Project.

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

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to seventy four million seven hundred thousand Special Drawing Rights (SDR74,700,000).

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

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and 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 June 30, 2006, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

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

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

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

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

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

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

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

outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MOT, PMU18 and the PDOTs with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, resettlement and environmental practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

(c) Unless otherwise agreed between the Borrower and the Association, the Borrower hereby undertakes that the proceeds of the Credit earmarked from time to time under Category 1 of Schedule 1 to this Agreement shall be made available to the Project Provinces in a timely manner and pursuant to their respective roads rehabilitation annual work programs, as approved by the Association pursuant to paragraph 5 of Schedule 4 to this Agreement.

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

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

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

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

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

Remedies of the Association

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

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

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

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

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

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

ARTICLE VI

Effective Date; Termination

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

(a) that the DFID Grant Agreement shall have been executed and delivered and all conditions precedent to the effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled; and

(b) that the RTU has been established pursuant to the provisions of paragraph 1(b) of Schedule 4 to this Agreement.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the provisions of the Policy Framework for Land Acquisition, Compensation and Rehabilitation are legally valid and enforceable in accordance with Vietnamese laws.

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

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Governor or any of the Deputy Governors of the State Bank of Vietnam is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

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

Cable address:	Telex:
VIETBANK Hanoi	412248 NHTWVT

For the Association:

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

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

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

SOCIALIST REPUBLIC OF VIETNAM

By _____ Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By _____ Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

	Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures To be Financed
(1)	Civil works under Part C.1 of the Project (except for works in Ha Tinh, Quang Binh, Quang Nam and Quang Tri Provinces)	68,300,000	95%
(2)	Goods under Part A of the Project	2,090,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 85% of local expenditures for other items procured locally
(3)	Consultants' services under Part C of the Project, and consultants' Services and training under Part A of the Project	720,000	100%
(4)	Unallocated	3,590,000	
	TOTAL	74,700,000	

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; and

(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.

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; and

(b) payments for expenditures in respect of Category 1 for each Project Province unless: (i) an accountant has been retained pursuant to paragraph 2 of Schedule 4 to this Agreement; and (ii) (A) an inventory and condition survey of existing rural roads, and (B) a basic roads access needs report on the respective Province is furnished to the Association pursuant to paragraph 6 of Schedule 4 to this Agreement.

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

(a) all goods under contracts costing less than $150,000 equivalent each;

(b) all works under contracts costing less than $200,000 equivalent each;

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

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

(e) training; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to: (a) improve and upgrade access to rural communities to markets, off farm economic opportunities and social services; (b) develop central and provincial capacity to improve and sustain the level of service of the Borrower's rural transport road network; and (c) encourage development of local contractors.

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

PART A: Institutional Development to PMU18 and PDOTs

Strengthening the capacity of the PMU18 and Provincial Department of Transport in planning, budgeting, implementing and monitoring rural roads rehabilitation programs, including development of an inventory of rural roads, and provision of consultants' services, staff training, vehicles, motor-bikes and office equipment.

PART B: Institutional Development to MOT

Strengthening the capacity of MOT to: (a) formulate and implement rural road transport policy and strategy; and (b) streamline technical and financial monitoring and supervision of rural roads rehabilitation and maintenance programs, including provision of consultants' services, staff training, vehicles and office equipment.

PART C: Rural Access Roads Rehabilitation

1. Rehabilitation and improvement of selected Communal, District and Provincial rural roads in the Project Provinces, including bridges therein, and provision of consultants' services therefor.

2. Resettlement and rehabilitation of the Affected Persons under Part C.1 of the Project.

PART D: Rural Road Maintenance

Strengthening the capacity of PDOT's, Districts and Communes in rural roads, maintenance planning and implementation, including development of maintenance planning and implementing guidelines, and the provision of staff training, workshops and consultants' services therefor.

PART E: Development of Domestic Contractors

Strengthening the capacity of domestic road contractors in the execution of road rehabilitation and maintenance contracts through the provision of training, inter alia, in project management, labor-based maintenance, cost accounting and contract bidding and management.

* * * *

The Project is expected to be completed by December 31, 2005.

ANNEX TO SCHEDULE 2

Project Provinces

1. Tuyen Quang
2. Quang Ninh
3. Hai Duong
4. Hung Yen
5. Thai Binh
6. Ha Tay
7. Nam Dinh
8. Ha Nam
9. Ninh Binh
10. Thua Thien Hue
11. Lam Dong
12. Tay Ninh
13. Dong Nai
14. Ba Ria-Vung Tau
15. Binh Duong
16. Long An
17. Tien Giang
18. Dong Thap
19. Vinh Long
20. An Giang
21. Can Tho
22. Kien Giang
23. Bac Ninh
24. Khanh Hoa
25. Gia Lai
26. Lai Chau
27. Binh Thuan
28. Ca Mau
29. Da Nang
30. Ninh Thuan
31. Binh Phuoc
32. Bac Lieu
33. Vinh Phuc
34. Thanh Hoa
35. Dak Lak
36. Nghe An
37. Ha Tinh
38. Quang Binh
39. Quang Nam
40. Quang Tri

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines) and (b) the following provisions of this Section I.

Part B: International Competitive Bidding

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

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

(a) Preference for domestically manufactured goods

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

(b) 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 Shopping

Goods estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount not to exceed $1,100,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. Procurement from UN Agencies

Vehicles may be procured from the United Nations Office of Procurement Services (UNOPS) in accordance with the provisions of paragraph 3.9 of the Guidelines.

3. National Competitive Bidding

Works estimated to cost less than $300,000 equivalent per contract, up to an aggregate amount not to exceed $68,400,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $36,800,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1

of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

The procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply with respect to: (i) each contract for works estimated to cost the equivalent of $200,000 or more; (ii) each contract for goods estimated to cost the equivalent of $150,000 or more; and (iii) the first contract for works to be procured by each Project Province in each Fiscal Year and to be awarded under National Competitive Bidding and Small Works, respectively, regardless of their amounts.

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

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

Part B: Quality- and Cost-based Selection

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, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Single Source Selection

Services for the independent monitoring of resettlement activities and development of Ethnic Minorities Development Plans under paragraphs 8 and 9 of Schedule 4 to this Agreement, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

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

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

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

3. Post Review

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

SCHEDULE 4

Implementation Program

A. Project Management

1. The Borrower shall: (a) maintain at all times during the implementation of the Project the Project Implementation Division-1 headed by a Division Manager with qualifications and experience satisfactory to the Association, and assigned with such functions, responsibilities and funds, satisfactory to the Association, and with competent staff in adequate numbers, as shall be required for coordinating, monitoring and supervising the implementation of the Project; and

(b) establish and thereafter maintain a rural transport unit (RTU) within MOT, headed by a qualified and experienced officer, and assigned with such functions, responsibilities and funds, satisfactory to the Association, and with competent staff in adequate numbers, as shall be required for coordinating, monitoring and supervising the implementation of the Project.

2. The Borrower shall cause the Provincial People's Committee of the Project Provinces to maintain at all times during the implementation of the Project the PDOTs, each headed by a qualified and experienced Director, and assigned with such functions, responsibilities, funds and competent staff in adequate numbers, including an accountant with qualifications and experience satisfactory to the Association, as shall be required for carrying out Parts C and D of the Project within their respective Provinces.

3. The Borrower undertakes not to amend, abrogate or waive the Operational Manual or any provision therein without the prior concurrence of the Association.

4. The Borrower shall take all steps necessary to ensure that PMU-18 and each of the PDOTs shall carry out its respective activities under the Project and, to that end, shall, on a timely manner and in accordance with the Operational Manual, make available to PMU-18 and each of the PDOTs the proceeds of the Credit and other funds allocated for such purposes.

B. Selection of Roads under Part C of the Project

5. (a) The Borrower shall, by August 31 in each year, commencing on August 31, 2000, furnish to the Association for its concurrence, a proposed annual work program and budget for Project activities in the following calendar year, including, a proposed list of roads and segments of roads to be rehabilitated and improved under Part C.1 of the Project in each Project Province; provided, however, that roads in forest reserved areas or traversing forest reserved areas or buffer zones of forest areas shall not form

part of any annual work program; provided, further, that the proposed annual work program and budget for Project activities in the calendar year 2000 shall be submitted by March 31, 2000.

(b) For each such road and segments of roads, the Borrower shall furnish to the Association for its concurrence:

(i) for roads or segments of roads giving rise to Affected Persons, a socio-economic survey of the Affected Persons and a time-bound action plan for asset acquisition, compensation, resettlement and rehabilitation or a RAP, pursuant to the provisions of paragraphs 7(b)(i) and (ii) of this Schedule, respectively;

(ii) for roads or segments of roads within areas occupied by Ethnic Minorities pursuant to paragraph 9 of this Schedule, an Ethnic Minorities development plan; and

(iii) an environmental screening and proposed mitigating measures for potential environmental impacts and time-bound action plan therefor, if needed.

(c) Thereafter, the Borrower shall implement such annual work programs, time-bound action plans and RAP, as the case may be, and development plan(s), as so approved, in a manner satisfactory to the Association.

6. The Borrower shall prepare and furnish to the Association, for its review and comments, for each Project Province: (a) an inventory and condition survey of existing rural roads; and (b) a basic roads access needs report on the respective Province and, thereafter, implement the findings of such report in a manner and substance satisfactory to the Association.

C. Resettlement and Ethnic Minorities

7. (a) For purposes of carrying out Part C.2 of the Project the Borrower shall, in a manner and substance satisfactory to the Association, apply the Policy Framework for Land Acquisition, Compensation and Rehabilitation;

(b) To that end, the Borrower shall:

(i) for those roads or segments of roads giving rise to Affected Persons in numbers less than one hundred fifty (150), prepare and furnish to the Association for its approval a socio-economic survey of the Affected Persons together with a time-bound action plan and estimated costs for

asset acquisition of, compensation to, and resettlement and rehabilitation of, Affected Persons and, thereafter, carry out such time-bound action plan as so approved;

(ii) for those roads or segments of roads giving rise to Affected Persons in numbers of one hundred fifty (150) or more, prepare and thereafter furnish to the Association for its approval a RAP and, thereafter, adopt and implement the RAP as so approved; and

(iii) before the commencement of works on road or segments of roads giving rise to Affected Persons, complete the provision of asset acquisition of, compensation to, and resettlement and rehabilitation of, Affected Persons pursuant to the provisions of paragraphs 7(b)(i) or 7(b)(ii) of this Schedule, as the case may be.

8. The Borrower shall by March 31, 2000, under terms of reference satisfactory to the Association and pursuant to paragraph 1, Section II of Schedule 3 to this Agreement, retain an independent agency to:

(i) undertake the external monitoring and supervision of the implementation of Part C.2 of the Project;

(ii) prepare and furnish to the Borrower and the Association annual monitoring reports thereof, the first of such reports to be furnished by August 31, 2001; provided, however, that an interim report covering the period between the date of this Agreement and July 31, 2000 shall be furnished by August 31, 2000; and

(iii) prepare and furnish to the Borrower and the Association a final evaluation report on completion of Part C.2 of the Project.

9. (a) The Borrower shall design and implement the respective Ethnic Minorities Development Plan referred to in paragraph 5(b)(ii) of this Schedule to provide for the informed participation of, and consultation with, communities with Ethnic Minorities, to ensure that the design and implementation thereafter of the roads or segments of roads under Part C.1 of the Project, and the asset acquisition of, and provision of compensation to, and resettlement and rehabilitation measures to, the members of such Ethnic Minorities community adequately address the needs and cultural preferences of such communities.

(b) Each development plan under paragraph 5(b)(ii) of this Schedule shall include provisions to retain, under terms of reference satisfactory to the Association, an independent monitoring agency with qualified and experienced staff to:

(i) undertake the external monitoring and supervision of the implementation of the said development plan;

(ii) prepare and furnish to the Borrower and the Association semiannual monitoring reports thereof; provided, however, that an interim report covering the period between the date of this Agreement and July 31, 2000 shall be furnished by August 31, 2000; and

(iii) prepare and furnish to the Borrower and the Association a final evaluation report on completion of the implementation of each such development plan.

D. Training

10. The Borrower shall: (a) carry out the training under the Project in accordance with training programs acceptable to the Association; and (b) to that end, by no later than August 31 of each year, commencing August 31, 2000, furnish to the Association for its review and comments a proposed time-bound action plan for each such training program for the forthcoming Borrower's fiscal year, and thereafter, implement such time-bound action plan taking into account the Association's comments; provided, however, that the proposed time-bound action plan for the training program for calendar year 2000 shall be submitted by March 31, 2000.

E. Monitoring and Evaluation

11. The Borrower shall establish and maintain operational procedures, satisfactory to the Association, to adequately monitor and evaluate, in accordance with indicators acceptable to the Association, progress in the carrying out of the Project, including, without limitation, the implementation of the Operational Manual, the carrying out of Part C.2 of the Project, and the impact of the Project on the various communities in the Project Provinces, in particular those with Ethnic Minorities.

12. The Borrower shall:

(a) not later than March 31 and September 30 of each year, commencing March 31, 2000, furnish to the Association semi-annual reports on the implementation of the Project, satisfactory to the Association, including recommendations of actions to be undertaken to further achieve the objectives of the Project; and

(b) by September 30, 2001, undertake a mid-term review with the Association to assess the overall implementation of the Project and any proposed measures resulting from the monitoring and evaluation activities carried out by the Borrower pursuant to

the provisions of paragraph 11 of this Schedule. For such purposes the Borrower shall prepare and furnish to the Association by August 31, 2001, a comprehensive report of the activities undertaken under the Project.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

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

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works 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 $8,000,000 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 $ 4,000,000 until the aggregate amount of withdrawals from the Credit Account allocated to the eligible Categories, plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for withdrawals under said Categories, shall be equal to or exceed the equivalent of SDR 15,000,000.

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