CREDIT NUMBER 4114-VN

Development Credit Agreement

(Natural Disaster Risk Management Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 12, 2004

CREDIT NUMBER 4114-VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 02, 2006, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower, dated July 29, 2005, describing a program designed to save lives, reduce vulnerability, protect economic assets and ensure rapid post-disaster recovery for poor communities living in hazard-prone areas (the Program) and declaring the Borrower's commitment to the execution of such program;

(B) the Borrower has requested that the Association support the Borrower's execution of the Program through a series of two credits over a period of approximately seven (7) years to be utilized by the Borrower in the implementation of the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which constitutes the first phase of the Program, has requested the Association to assist in the financing of the Project;

(D) by an agreement of even date herewith between the Borrower and the Association as administrator of grant funds provided by Japan under the Japan Policy and Human Resources Development Fund (PHRD), the Borrower will receive a grant in an amount not exceeding four million five hundred thousand Dollars ($4,500,000) (the PHRD Grant) to assist in the financing of Parts C.2 and D.2 of the Project, on the terms and conditions set forth in the PHRD Grant Agreement; and

(E) the Borrower expects to receive from the Netherlands a grant (the Netherlands Trust Fund Grant) to assist in the financing of Parts B, D.1(b) and D.3 of the Project, on the terms and conditions to be set forth in an agreement to be entered into between the Borrower and the Association as administrator of those grant funds to be provided by the Netherlands (the Netherlands Trust Fund Grant Agreement); and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

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

"Section 5.08. *Treatment of Taxes*

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

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

(c) Paragraph (c) of Section 9.06 of the General Conditions is amended to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."

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

(b) "CBDRM" means community-based disaster risk management.

(c) "CBDRM Operations Manual" means the manual to be prepared and adopted by the Borrower, through MARD, in accordance to the provisions of paragraph 8 of Schedule 4 to this Agreement, for purposes of Part B of the Project, as such Manual may be revised from time to time with the prior concurrence of the Association.

(d) "CCCC" means a Commune CBDRM Coordination Committee, referred to in paragraph 5 of Schedule 4 to this Agreement.

(e) "CCFSC" means the Central Committee for Flood and Storm Control, referred to in paragraph 1 of Schedule 4 to this Agreement, established pursuant to the Borrower's Decision 168-HDBT dated May 19, 1990, and responsible for supervising line ministries in the implementation of their respective annual plans for flood and storm prevention, control and recovery; for coordinating and supervising the implementation of floods and storms forecasts and early-warning systems; for mobilizing resources for the timely responses to emergencies due to floods and storms; and for disseminating information and raising public awareness on knowledge and experiences in disaster management and on related regulations.

(f) "CPMO" means the Central Project Management Office to be established and maintained in the Central Projects Office of the Ministry of Agriculture and Rural Development in accordance with the provisions of paragraph 2(b) of Schedule 4 to this Agreement.

(g) "CPMO Special Account" means the account referred to in clause (i) of Section 2.02 (b) of this Agreement.

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

(i) "Eligible Categories" means the Categories (1), (2), (3), (4), (5) and (6) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(j) "Eligible Expenditures" means the expenditures for goods, works and consultants' services referred to in Section 2.02 of this Agreement;

(k) "EMPF" and "Ethnic Minorities Policy Framework" mean the framework dated April 18, 2005, satisfactory to the Association, approved by the Borrower through Prime Minister's Decision 1017/TTg-QHQT of July 21, 2005, and adopted by MARD (as defined below) through Decision of July 29, 2005, and referred to in paragraph 15 of Schedule 4 to this Agreement, which sets out the policies and procedures to ensure meaningful consultation with, and the informed participation of, ethnic minorities within the Project area who are affected by the Project, and principles for the preparation of ethnic minorities development plans as may be required during implementation of the Project, as said Policy Framework may be revised from time to time with the prior concurrence of the Association.

(l) "EMP" means an environmental management plan, satisfactory to the Association, prepared, or, as the case may be, to be prepared, in respect of a Sub-project (as defined below) under Part A of the Project or of activities under Part B of the Project, and referred to in paragraph 13 of Schedule 4 to this Agreement, which sets out the environmental protection measures in respect of said Sub-project or activities, as well as administrative and monitoring arrangements to ensure the implementation of said Plan, as said Plan may be revised from time to time with the prior concurrence of the Association.

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

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

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

(p) "MOF Operations Manual" means the manual to be prepared and adopted by the Borrower, through MOF, for purposes of Part C of the Project and referred to in paragraph 10 of Schedule 4 to this Agreement, as such Manual may be revised from time to time with the prior concurrence of the Association.

(q) "MOF Special Account" means the account referred to in clause (ii) of Section 2.02 (b) of this Agreement.

(r) "MOFi" means the Borrower's Ministry of Fisheries, and any successor thereto.

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

(t) "MOT" means the Borrower's Ministry of Transport, and any successor thereto.

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

(v) "Participating Agencies" means, collectively, the line ministries and/or their related agencies: (i) which are responsible for the implementation of Sub-projects (as defined below) selected for financing under Part A of the Project, including, among others, MONRE, the Southern Regional Hydro-meteorological Center, MOT, MOFi, and such other ministries and related agencies as may be mutually agreed between the Borrower and the Association from time to time; or (ii) which are involved in post-disaster reconstruction activities under Part C of the Project; and any successors thereto; and a "Participating Agency" means any of said Agencies.

(w) "Participating Communes" means, collectively, those communes within Project Provinces selected to participate in Part B of the Project; and a "Participating Commune" means any of said Communes.

(x) "PCFSC" means a Provincial Committee for Flood and Storm Control, under the direction of the Provincial People's Committee, and responsible for coordinating emergency responses in the event of a natural disaster within the province.

(y) "PCU" means a Project Coordination Unit to be established and maintained (i) in each Participating Agency (as defined below) responsible for implementing a Sub-project (as defined below) under Part A of the Project, and (ii) in MOF for purposes of Part C of the Project; in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement.

(z) "PIM" means the Project Implementation Manual referred to in paragraph 6 of Schedule 4 to this Agreement, as such manual may be revised from time to time with the prior concurrence of the Association.

(aa) "PPMU" means a Provincial Project Management Unit established, or to be established, in each Project Province in accordance with the provisions of paragraph 4 of Schedule 4 to this Agreement.

(bb) "Project Provinces" means: (i) for purposes of Parts A, B and D of the Project, the Borrower's Provinces of Thanh Hoa, Nghe An, Ha Tinh, Quang Binh, Quang Nam, Quang Ngai, Binh Dinh, Phu Yen, Ninh Thuan, Long An, Dong Thap, Ben Tre, and such other provinces as may be mutually agreed between the Borrower and the Association from time to time; and (ii) for purposes of Part C of the Project, any of the Borrower's Provinces where post-disaster reconstruction activities under Part C.1 of the Project are carried out; and any successors thereto.

(cc) "Procurement Plan" means the Borrower's procurement plan, dated July 29, 2005, covering the initial eighteen (18) month period (or longer) of Project implementation in respect of Parts A, B and D of the Project, as the same shall be

updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding eighteen (18) month periods (or longer) of Project implementation in respect of said Parts of the Project.

(dd) "PSC" and "Project Steering Committee" mean the Project Steering Committee to be established and maintained in accordance with the provisions of paragraph 2 (a) of Schedule 4 to this Agreement.

(ee) "RAP" means each resettlement action plan, satisfactory to the Association, prepared, or to be prepared, by or on behalf of the Borrower in accordance with the provisions of the Resettlement Policy Framework (as defined below), and referred to in paragraph 14 of Schedule 4 to this Agreement, said Plan setting forth the policies and procedures for the acquisition of land and/or other assets, resettlement, compensation and rehabilitation of Displaced Persons in connection with a Sub-project under Part A of the Project, as said Plan may be revised from time to time with the prior concurrence of the Association.

(ff) "Respective Parts of the Project" means, in respect of each Project Province, its respective activities under the Project, including any Sub-project under Part A thereof.

(gg) "RPF" and "Resettlement Policy Framework" mean the Policy Framework dated April 18, 2005, satisfactory to the Association, approved by the Borrower through the Prime Minister's Decision 1017/TTg-QHQT of July 21, 2005, and adopted by MARD through Decision of July 29, 2005, and referred to in paragraph 14 of Schedule 4 to this Agreement, which sets out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement plans, as may be required. during the implementation of the Project, as said Policy Framework may be revised from time to time with the prior concurrence of the Association.

(hh) "Special Accounts" means, collectively, the CPMO Special Account and the MOF Special Account.

(ii) "Southern Regional Hydro-meteorological Center" means the center in charge of hydro-meteorological services in the southern region of Vietnam, a Participating Agency affiliated with MONRE, and responsible for the implementation of the Mekong River Delta Flood Warning and Monitoring System Sub-project under Part A.1 of the Project, and any successor thereto.

(jj) "Sub-project" means a specific investment project in structural or non-structural disaster risk management measures under Part A 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 this Agreement, an amount in various currencies equivalent to fifty-nine million Special Drawing Rights (SDR59,000,000).

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

(b) The Borrower may open and maintain in Dollars a separate special deposit account for purposes of:

(i) Parts A and D.1(a) of the Project (the CPMO Special Account); and

(ii) Part C.1 of the Project (the MOF Special Account);

in each case in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2010 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 (60) 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 March 1 and September 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 1 and September 1 commencing March 1, 2016 and ending September 1, 2045. Each installment to and including the installment payable on September 1, 2025 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three (3) 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 (6) 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 (5) 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 MARD, MOF, the Project Provinces and the Participating Agencies with due diligence and efficiency and in conformity with appropriate administrative, financial, and engineering practices and sound environmental and social standards acceptable to the Association, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

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

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

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

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months before 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, through MARD, 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 (6) 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 reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Borrower shall:

(i) retain, until at least one (1) 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 reports and 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 18 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, the PHRD Grant and any other co-financing grant, 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 forty-five (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 forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

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

(a) The Netherlands Trust Fund Grant Agreement shall have failed to become effective by June 30, 2006, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for Parts B, D.1 (b) and D.3 of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement;

(b) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of any grant made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefore;

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

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

ARTICLE VI

Effective Date; Termination

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

(a) the Borrower has established the Project Steering Committee in accordance with the provisions of paragraph 2 (a) of Schedule 4 to this Agreement.

(b) the Borrower, through MARD, has: (a) established the CPMO, and appointed thereto: a Project director, a senior accountant and a senior procurement officer, in accordance with the provisions of paragraph 2(b) of Schedule 4 to this Agreement; and (b) adopted a Project Implementation Manual in accordance with the provisions of paragraph 6 of Schedule 4 to this Agreement.

(c) (i) the Southern Regional Hydro-meteorological Center under MONRE has established a Project Coordination Unit and appointed thereto a procurement officer and an accountant, in accordance with the provisions of paragraph 3(a) of Schedule 4 to this Agreement; and

(ii) each of the Provinces of Nghe An and Ben Tre has established its respective Provincial Project Management Unit, and appointed thereto a Project director, a procurement officer, an accountant and a technical specialist, in accordance with the provisions of paragraph 4(a) of Schedule 4 to this Agreement;

(d) the procurement and financial management staff of the CPMO, of the PCU and of the PPMUs referred to in paragraph (c) of this Section 6.01 have completed training in procurement or financial management, as the case may be, in a manner satisfactory to the Association.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that (a) the Resettlement Policy Framework and the Ethnic Minorities Policy Framework have been duly approved by the Borrower's Prime Minister; and (b) the Resettlement Policy Framework and the Ethnic Minorities Policy Framework have been duly adopted by MARD, and are valid and binding in accordance with their respective terms.

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

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

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

Cable address:	Telex:	Facsimile:
VIETBANK Hanoi	412248 NHTWVT	(84-4) 8 250 612

For the Association:

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

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

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

SOCIALIST REPUBLIC OF VIETNAM

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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 under Part A of the Project	28,020,000	100%
(2) Goods under Parts A and D.1(a) of the Project	10,250,000	100% of foreign expenditures, 100% of local expenditures (ex factory cost) and 90% local expenditures for other items procured locally
(3) Consultants' Services under Parts A and D.1(a) of the Project	3,420,000	100%
(4) Training and workshops under Parts A and D.1(a) of the Project	340,000	100%
(5) Goods and Works for Eligible Post-disaster Reconstruction under Part C.1 of the Project	13,670,000	100%
(6) Incremental Operating Costs	550,000	70%
(7) Unallocated	2,750,000	
TOTAL	59,000,000	

2. For the purposes of this Schedule:

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

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

(c) the term "Eligible Post Disaster Reconstruction" means reconstruction, including civil works and the provision of equipment, taking place after the occurrence of natural events which qualify as a natural disaster in accordance with the criteria set forth in paragraph 10 (a) of Schedule 4 to this Agreement; and

(d) the term "Incremental Operating Costs" means the reasonable costs of incremental expenditures incurred by the CPMO, the PCUs and the PPMUs in carrying out the Project (which expenditures would not have been incurred absent the Project), including communication costs, publication of procurement notices, office consumables, translation and interpretation, travel and per diem expenses, and operation and maintenance of office equipment and vehicles, but excluding salaries and salary supplements of civil servants.

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

(a) payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 310,000 may be made in respect of Categories (1), (2), (3), (4) and (6) on account of payments made for expenditures before that date but after August 1, 2005; and

(b) payments made for expenditures under Category (5) until MOF has: (i) established its PCU in accordance with the provisions of paragraph 3 (b) of Schedule 4 to this Agreement; and (ii) completed the preparation of and adopted an MOF Operations Manual for Part C.1 of the Project, acceptable to the Association, in accordance with the provisions of paragraph 10 of Schedule 4 to this Agreement.

4. In regard to Parts A, C (except for works and goods for post-disaster reconstruction under Part C.1) and D.1(a) of the Project, 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) goods costing less than $150,000 equivalent each; (b) works costing less than $300,000 equivalent each; (c) services of individual consultants costing less than $50,000 equivalent each; (d) services of consulting firms costing less than $100,000 equivalent each; (e) training and workshops; and (f) incremental operating costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

5. In regard to works and goods for post-disaster reconstruction under Part C.1 of the Project, the Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account under Category (5), and subject to the provisions of paragraph 3(b) above, the Borrower shall submit to the Association only a statement with the projected source and applications of funds for Part C.1 of the Project for the twelve (12) month period following the date of such request.

B. Special Account

1. In accordance with the provisions of Section 2.02 (b) of this Agreement, the Borrower may open and maintain in Dollars the CPMO Special Account and the MOF Special Account, in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Accounts have been opened, withdrawals from the Credit Account of amounts to be deposited into the respective Special Accounts shall be made as follows:

(a) in respect of Parts A and D.1(a) of the Project where the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) in respect of Part C.1 of the Project where the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the respective Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the respective Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the respective Special Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) 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: (A) the records and accounts for the respective Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the respective Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the respective Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Association determines at any time that any payment out of the respective Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the respective Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the respective 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 determines at any time that any amount outstanding in the respective Special Account will not be required to cover payments for Eligible Expenditures during the six (6) month period following such determination, 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 respective Special Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Credit Agreement.

Annex A to Schedule 1

Operation of the CPMO Special Account
When Withdrawals Are Not Report-based Disbursements

1. For the purposes of this Annex, and in respect of the CPMO Special Account and Categories (1), (2) (3), (4) and (6) as set forth in the table in paragraph 1 of this Schedule 1, the term "Authorized Allocation" means the amount of $5,000,000 to be withdrawn from the Credit Account and deposited into the CPMO Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the CPMO 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 CPMO Special Account of an amount or amounts which in the aggregate do not exceed the respective Authorized Allocation. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the CPMO Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the CPMO Special Account, the Borrower shall furnish to the Association requests for deposit into the CPMO Special Account at such intervals as the Association shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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 CPMO 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 CPMO Special Account for Eligible Expenditures. Each such deposit into the CPMO Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories (1), (2), (3), (4) and (6).

3. The Association shall not be required to make further deposits into the CPMO Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments in respect of Parts A and D.1 (a) of the Project, entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the Eligible Categories (1), (2), (3), (4) and (6) 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 CPMO Special Account as of the date

of such notice will be utilized in making payments for Eligible Expenditures in respect of Parts A and D.1(a) of the Project.

Annex B to Schedule 1

Operation of the MOF Special Account
When Withdrawals Are Report-based Disbursements

1. In respect of Part C.1 of the Project, withdrawals from the Credit Account shall be deposited by the Association into the MOF Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the MOF Special Account shall be withdrawn by the Association from the Credit Account under Category (5) as set forth in the table in paragraph 1 of this Schedule 1.

2. Upon receipt of each application for withdrawal of an amount of the Credit in respect of Part C.1 of the Project, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the MOF Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures in respect of Part C.1 of the Project during the six (6) month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to establish a comprehensive natural disaster risk management framework to enable it to: (i) reduce the vulnerability of the Project Provinces to flood and storm hazards; (ii) increase the efficiency of post-disaster recovery and reconstruction efforts; and (iii) strengthen the capacity of national and local disaster risk management institutions.

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: Prevention and Mitigation Investments

Carry out a program to identify, plan and implement selected structural and non-structural measures in areas most vulnerable to flood and storm within the Project Provinces, consisting of:

1. Construction and rehabilitation of selected flood- and storm-control infrastructure, including stabilization of river banks, strengthening of river and sea dyke systems, improvement of river-flow capacity, construction of safe harbors, and rehabilitation of existing reservoirs.

2. Implementation of non-structural measures as basis for a system of flood and storm risk-management, including flood forecasting and modeling, and flood and tsunami early warning and response systems.

3. Identification and preparation of structural and non-structural investments to be carried out in the succeeding phase of the Program.

Part B: Community-based Disaster Risk Management

Apply the community-based disaster risk management methodology developed under a pilot program on a broader basis to selected communes within the Project Provinces for the preparation of safer village and safer commune plans for the selected communes on a participatory basis, and the initial implementation of measures for disaster risk reduction and mitigation and disaster risk preparedness developed in the safer commune plans.

Part C: Post-disaster Reconstruction Support

1. Carry out post-disaster reconstruction of public infrastructure, including schools, health facilities, roads, bridges, water and sewerage infrastructure, canals, dykes and pumping stations.

2. Improve the speed and efficiency of post-disaster reconstruction activities, through strengthening of the damage assessment process, and improvement of the management and effective use of resources for disaster relief and reconstruction.

Part D: Institutional Strengthening and Capacity Building

1. Strengthen Project management and implementation capacity, including in: (a) procurement and financial management, monitoring and evaluation, environmental protection and resettlement, and audit of Project accounts; and (b) overall Project management and technical design of structural and non-structural measures under Part A of the Project.

2. Strengthen institutions and mechanisms for disaster mitigation, response and recovery, including: integrating natural disaster risk management in development planning and establishing provincial natural disaster mitigation investment plans; updating the national disaster mitigation strategy; conducting a study on emergency management mechanisms; and implementing a training program on vulnerability reduction and natural disaster risk management at local and central levels, for decision makers and the general public.

3. Enhance institutional capacity to identify, analyze, assess and treat natural disaster risks through improvement of the risk management methodology and tools, including establishment of reference systems, risk-mapping and risk loss models, strengthening of search and rescue capability and contingency planning.

* * *

The Project is expected to be completed by December 31, 2009.

SCHEDULE 3

Procurement

Section I. General

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

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

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

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

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

B. Other Procurement Procedures

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

2. Shopping. Goods estimated to cost less than $30,000 equivalent per contract and works estimated to cost less than $30,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and works for the reconstruction of public infrastructure under Part C.1 of the Project to be carried out in accordance with the provisions of the MOF Operations Manual, which the Association agrees meet the

requirements for Direct Contracting, may be procured in accordance with the provisions of said procurement method.

4. Force Account. Works for the reconstruction of public infrastructure under Part C.1 of the Project to be carried out in accordance with the provisions of the MOF Operations Manual, which the Association agrees meet the requirements for Force Account, may be carried out in accordance with the provisions of said procurement method.

Section III. Particular Methods of Procurement of Consultants' Services

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

B. Other Procedures

1. Quality-based Selection. Services for Project monitoring, capacity building, and other services, which the Association agrees meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines, may be procured under contracts awarded on the basis of Quality-based Selection in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection. Services for engineering designs of simple works and for financial audits which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services for environmental and social monitoring, capacity building, delivery of training and undertaking studies, estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

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

5. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of

paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to the Association's prior agreement.

Section IV. Review by the Association of Procurement Decisions

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

(a) all contracts for goods or for works procured on the basis of International Competitive Bidding and all contracts for works estimated to cost more than $300,000 equivalent each which are procured on the basis of National Competitive Bidding;

(b) the first contract for goods and the first contract for works procured on the basis of National Competitive Bidding by each Participating Agency, regardless of the value thereof;

(c) in respect of Part A of the Project, all contracts for goods or for works which are procured on the basis of Direct Contracting;

(d) in respect of Part C.1 of the Project, all contracts for goods estimated to cost more than $200,000 each and all contracts for works estimated to cost more than $500,000 each, which are procured on the basis of Direct Contracting;

(e) each contract for consultants' services provided by a firm estimated to cost the equivalent of $100,000 or more; and

(f) all contracts for consulting services procured on the basis of Single Source regardless of the value thereof.

In addition, 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 qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Association.

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

Annex to Schedule 3

National Competitive Bidding Procedures

The Borrower represents that the procedures to be followed for National Competitive Bidding shall be those set forth in the Decree 88/1999/ND-CP dated September 1999, as modified by Decree 14/2000/ND-CP dated May 2000 and Decree 66/2003/ND-CP dated June 2003; and, in order to ensure economy, efficiency and transparency and broad consistency with the provisions of Section I of the Guidelines (as required by paragraph 3.3 of the Guidelines), goods and works for which this Schedule 3 allows procurement using National Competitive Bidding shall be procured in accordance with paragraphs 3.3 and 3.4 of the Guidelines and the following paragraphs.

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 88/1999/ND-CP which states that "All the procedures for submission, appraisal and approval of bidding results and bidder selection results shall follow the Procurement Regulation" means "Approvals of draft bidding documents, bid evaluation reports and proposals for award shall be obtained in accordance with the relevant rules and procedures of the Procurement Regulation".

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

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

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

(v) Prospective bidders shall be permitted to request bidding documents either in person or through the mail upon submission of a written application. Bidding documents shall be sold to anyone who is willing to pay the required fee of the bidding documents, and no other conditions shall be imposed on the sale of the bidding documents. The fee for the bidding documents should be reasonable and consist only of the cost of printing (or photocopying) the documents and their delivery to the purchaser. The bidding documents shall be delivered, at the prospective bidders' preference, either by hand or by mail/courier provided that the bidder is willing to pay the mail/courier delivery charges

which should be specified in the Invitation for Bids. Each bidder shall be allowed to purchase only one set of the bidding documents.

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

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

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

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

Advertising; time for bid preparation

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

Standard Bidding Documents

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

Qualification criteria and evaluation criteria

(xii) Qualification criteria shall be clearly specified in the bidding documents, *and* all criteria so specified, and *only* criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. When post qualification is applied, the assessment of bidders' qualifications shall be carried out only after the preliminary and detailed evaluation of bids has been completed by the Purchaser/Employer and, in doing so, the qualifications of the bidder who has submitted the lowest evaluated substantially responsive bid shall be assessed first. In carrying out the post-qualification assessment, the Employer/Purchaser shall exercise reasonable judgment in requesting, in writing, from a bidder only missing factual or historical supporting information related to the bidder's qualifications and shall provide a

reasonable time period (that is, a minimum of 7 days) to the bidder to provide his response.

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

Bid opening, evaluation and award of contract

(xiv) Bids shall be opened in public, immediately after the stipulated deadline for submission of bids. Bidders or their representatives shall be allowed to be present. The name of the bidder and total amount of each bid, including discounts, shall be read aloud and recorded. Immediately after completion of the bid opening proceedings, a copy of the bid opening record shall be posted at a prominent location, accessible to the public, outside the office of the concerned procuring entity and shall be retained at the same location until the award of contract has been notified. A copy of the bid opening record shall be promptly provided to all bidders who submitted bids.

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

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

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

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

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

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

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

(xxii) The Borrower shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association and the Government, if it at

any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, an Association-financed contract.

Suppliers and Contractors

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

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

Publication of the Award of Contract

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

Complaints by Bidders and Handling of Complaints

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

SCHEDULE 4

Implementation Program

Project Management

1. The Borrower shall maintain its Central Committee for Flood and Storm Control, with such powers, functions and terms of reference so as to enable it to: (a) provide strategic, policy and technical guidance in the implementation of the Project; (b) ensure the consistency of the Project with the Second National Strategy and Action Plan for Disasters Mitigation and Management; and (c) coordinate with other government agencies in planning preventive and mitigation measures, mobilizing resources to prepare investment proposals for purposes of risk mitigation, and disseminating information and experience in regard to natural disaster risk management.

2. The Borrower, through MARD, shall establish and, thereafter throughout the period of Project implementation, maintain:

(a) a Project Steering Committee responsible for overseeing and providing guidance to the CPMO in the implementation of the Project; said Committee to be under the chairmanship of the Minister or a vice-minister of MARD, and to include, without limitation, representatives from the Office of Government, MOF, MPI, MONRE, MOT, MOFi, Ministry of Health, Ministry of Education and Training and State Bank of Vietnam; and

(b) a Central Project Management Office within the Central Projects Office of MARD, to be responsible for the overall management of the Project, including planning, budgeting, financial management of the Project accounts, coordination with and among Participating Agencies and Project Provinces, monitoring of the implementation of environmental protection and social safeguard measures, and monitoring of and reporting on Project implementation; said CPMO to be provided with adequate resources, under the direction of experienced managers and staffed with competent personnel in sufficient numbers, including a full-time Project director, technical officers in sufficient numbers responsible for Parts A, B and D of the Project, a senior procurement officer, a senior accountant, an environmental officer, a training coordinator and a monitoring and evaluation officer, in each case with qualifications and experience and under terms of reference satisfactory to the Association.

3. The Borrower shall:

(a) for purposes of Part A of the Project, establish and, throughout the period of Project implementation, maintain a Project Coordinating Unit in each Participating Agency, to be responsible for managing the implementation of its respective Sub-projects under Part A of the Project, including financial management, procurement, monitoring and reporting; said PCU to be provided with adequate resources, under the direction of

experienced managers and staffed with competent personnel in sufficient numbers, including at least a procurement officer and an accountant, in all cases with qualifications and experience and under terms of reference satisfactory to the Association; and

(b) for purposes of Part C of the Project, through MOF, establish and, throughout the period of Project implementation, maintain a Project Coordinating Unit, to be responsible for managing the implementation of Part C of the Project, including financial management, monitoring and reporting; said PCU to be provided with adequate resources, under the direction of experienced managers and staffed with competent personnel in sufficient numbers, including at least a financial management specialist with qualifications and experience and under terms of reference satisfactory to the Association.

4. (a) The Borrower shall cause each Project Province to establish and, thereafter throughout the period of implementation of its Respective Parts of the Project, maintain a Provincial Project Management Unit to be responsible for managing the implementation of its Respective Parts of the Project; said PPMU to be under the direction of the Provincial People's Committee, provided with adequate resources and staffed with competent personnel in sufficient numbers, including a director, an accountant, a procurement officer and a technical specialist, in all cases with qualifications and experience and under terms of reference satisfactory to the Association.

(b) The Borrower shall cause each Project Province to draw upon the Provincial Committee for Flood and Storm Control to constitute a Provincial Project Steering Committee; said Committee supported by the PPMU shall be responsible for providing policy and technical guidance in the implementation of the Project Province's Respective Parts of the Project, ensuring the availability of provincial counterpart funding, ensuring the coordination of all responsible line agencies at the provincial level in the implementation of the Project Province's Respective Parts of the Project, and overseeing resettlement and compensation activities.

5. In respect of Part B of the Project, the Borrower shall, through the respective Project Province, cause each Participating Commune to establish a Commune CBDRM Coordination Committee, under the direction of a member of the People's Committee of said Commune and with representation from mass organizations; said Committee to be responsible for: (a) mobilizing the population of the commune in the preparation of Safer Commune Plans, and on the basis of such Plans, prioritizing, preparing and implementing structural and non-structural investments; and (b) selecting contractors and evaluating and certifying the satisfactory completion of works under the Safer Commune Plans.

Project Implementation

6. (a) To guide the implementation of the Project, but more particularly of Parts A and D of the Project, the Borrower shall, through MARD, adopt a Project Implementation Manual acceptable to the Association, setting forth procedures and guidelines for the implementation of the Project, and more particularly for the implementation of Parts A and D of the Project; in particular said Manual shall include: (i) selection criteria for the financing of Sub-projects under Part A of the Project; (ii) a procurement manual consistent with the provisions of Schedule 3 of this Agreement; (iii) a financial management manual consistent with the provisions of Article IV of this Agreement; (iv) the Ethnic Minorities Policy Framework; (v) the Resettlement Policy Framework; and (vi) guidelines for the environmental screening of activities proposed under the Project, and for the preparation of environmental assessments and, as may be required, environmental management plans for Sub-projects under Part A of the Project.

(b) The Borrower shall not amend, revise or waive; nor permit to be amended, revised or waived, the provisions of the Project Implementation Manual without the prior concurrence of the Association.

7. A Sub-project is eligible for financing under Part A of the Project only on condition that:

(a) it meets the selection criteria set forth in the Project Impiementation Manual;

(b) a feasibility study, satisfactory to the Association, has been completed which addresses technical alternatives as well as the environmental and social impacts of said Sub-project and such feasibility study has received all necessary approvals in accordance with the Borrower's regulations and procedures;

(c) the relevant Project Province, or Participating Agency, as the case may be, has established its respective PPMU or PCU in accordance with the provisions of paragraph 4(a) or paragraph 3(a) of this Schedule 4, as the case may be;

(d) the relevant Project Province, or Participating Agency, as the case may be, has adopted the Resettlement Policy Framework and the Ethnic Minorities Policy Framework; and, as may be required pursuant to such Frameworks, has prepared the necessary resettlement action plan and/or ethnic minorities development plan, satisfactory to the Association;

(e) the PPMU, or PCU, as the case may be, has carried out, or carried out an environmental screening in accordance with procedures acceptable to the Association, prepared an environment assessment and an environmental management plan, as may be required pursuant to such screening, all in a manner satisfactory to the Association; and

(f) the Association has completed its appraisal of such proposed Sub-project and communicated its no-objection to the CPMO.

8. (a) To guide the implementation of Part B of the Project, the Borrower shall, through MARD, prepare and adopt a CBDRM Operations Manual acceptable to the Association, setting forth procedures and guidelines for the implementation of said Part of the Project, including: criteria for the selection of the Participating Communes; the organizational structure and functional responsibilities to be established within each Participating Commune; guidelines for the mobilization and participation of the communities in the preparation of Safer Village and Safer Commune Plans; environmental screening procedures for structural investments included in said Plans and proposed for implementation under Part B of the Project; guidelines for the selection of contractors consistent with the provisions of Schedule 3 to this Agreement, and for the monitoring of construction, and for the operation and maintenance of the infrastructure constructed under the Project.

(b) As a condition for and prior to participating in Part B of the Project through their respective selected Participating Communes, each Project Province shall, through its respective People's Committee: (i) establish its respective PPMU in accordance with the provisions of paragraph 4(a) of this Schedule 4; (ii) adopt the CBDRM Operations Manual; and (iii) cause each of its Participating Communes to establish a Commune CBDRM Coordinating Committee in accordance with the provisions of the CBDRM Operations Manual and of paragraph 5 of this Schedule 4.

(c) The Borrower shall not amend, revise or waive, nor permit to be amended, revised or waived, the provisions of the CBDRM Operations Manual without the prior concurrence of the Association.

9. The Borrower shall: (a) through MOF and MARD jointly carry out, under terms of reference satisfactory to the Association, diagnostic analyses of the Borrower's disaster damage assessment processes and post-disaster resource management procedures; (b) provide the reports of such analyses to the Association for its review and comments; and (c) thereafter, in the preparation of the Operations Manual provided for in paragraph 10 of this Schedule 4 or in its subsequent revision, incorporate and implement the recommendations of such analyses giving due consideration to the Association's views thereon.

10. (a) To guide the implementation of Part C of the Project, the Borrower shall, through MOF, prepare and adopt an MOF Operations Manual acceptable to the Association, setting forth procedures and guidelines for the implementation of said Part of the Project, in particular: financial management, control and reporting requirements, including the preparation of financial monitoring reports adequate to support Reports-based disbursement in accordance with the provisions of Part A.5 of Schedule 1 to this Agreement; criteria for determining whether any specific natural occurrence qualify as a natural disaster and is eligible for post-disaster reconstruction financing under Part C of

the Project; mechanisms for flow of funds to Project Provinces or Participating Agencies for Eligible Post-disaster Reconstruction; procurement procedures for goods and works for such Reconstruction, consistent with the provisions of Schedule 3 to this Agreement; environmental screening procedures for all civil works proposed for such Reconstruction; and procedures for an independent annual technical evaluation of Eligible Post-disaster Reconstruction financed under Part C of the Project.

(b) The Borrower shall not amend, revise or waive, nor permit to be amended, revised or waived, the provisions of the MOF Operations Manual without the prior concurrence of the Association.

11. (a) By no later than December 31, 2006, the Borrower, through MARD, shall engage a damage assessment specialist with qualifications and international experience, and under terms of reference acceptable to the Association, to assist MOF and Project Provinces in the implementation of Part C of the Project.

(b) The Borrower, through MARD, shall: (i) by no later than December 31, 2006, engage an independent monitoring entity, acceptable to the Association, to carry out, annually, under terms of reference acceptable to the Association, a technical evaluation of all Eligible Post-disaster Reconstruction undertaken under Part C.1 of the Project during the preceding twelve (12) month period to assist MOF and Project Provinces in the implementation of Part C of the Project; and (ii) promptly provide to the Association all reports of the technical evaluation carried out by said independent monitoring entity.

12. The Borrower shall, through MARD: (a) by no later than September 30 of each year, commencing 2006, provide to the Association for its review and comments, an annual work program, including financing plan therefor, for the succeeding calendar year, including a list of proposed Sub-projects under Part A of the Project; and (b) thereafter, carry out such work program as shall have been agreed with the Association.

Environment; Resettlement; Ethnic Minorities Development; Dam Safety

13. To ensure that the Project is implemented in accordance with sound environmental practices and standards, the Borrower shall, through MARD, the Project Provinces and the Participating Agencies:

(a) carry out an environmental screening of each Sub-project and activity proposed under Parts A and B of the Project in accordance with procedures satisfactory to the Association;

(b) following such screening, prepare and provide to the Association for its prior approval any environmental management plan as may be required; and, thereafter implement in a manner satisfactory to the Association such plans as shall have been approved by the Association; and

(c) maintain policies and procedures adequate to enable it to monitor and evaluate the implementation of the environmental screening procedures and of any environmental management plans prepared pursuant to such screening, and the achievement of their objectives.

14. The Borrower shall, through MARD, the Project Provinces and the Participating Agencies:

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

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

(c) provide to the Association for its prior approval any revision proposed to be introduced into said Framework or into any resettlement plan prepared pursuant to said Framework in order to achieve its objectives, and thereafter only introduce such revision into said Framework or said plan as shall have been agreed with the Association; and

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

15. The Borrower shall, through MARD, the Project Provinces and the Participating Agencies:

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

(b) whenever implementation of the Project or any part thereof would take place in an area where an ethnic minority community resides, cultivates or use as grazing lands, prepare and provide to the Association for its approval an ethnic minorities development plan prepared in accordance with the principles and procedures set forth in said Framework and with the full and informed participation of such ethnic minority community, designed to ensure that Project activities adequately address the needs, cultural practices and preferences of such community; and, thereafter implement in a

manner satisfactory to the Association such ethnic minorities development plan as shall have been approved by the Association;

(c) provide to the Association for its prior approval any proposed revision of said Framework or any of said ethnic minorities development plans, and thereafter only introduce such revision into said Framework or said plans as shall have been agreed with the Association; and

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

16. To ensure the safety of dams which may be selected for rehabilitation, repair or strengthening under Part A of the Project, including the Vuc Mau Dam in Nghe An Province, and the adequacy of the remedial works to be carried in respect of such selected dams, the Borrower shall, through MARD:

(a) include under Part A.1 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.

Monitoring and Reporting

17. By no later than June 30, 2006, the Borrower, through MARD, shall: (a) prepare and provide to the Association for its review and comment a plan for the monitoring and evaluation of the implementation of the Project and the achievement of its objectives; and (b) thereafter, put into effect such plan in a manner satisfactory to the Association.

18. The Borrower shall:

(a) on the basis of the monitoring and evaluation plan referred to in paragraph 17 of this Schedule 4, 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 January 15 and July 15 of each year,

commencing 2006, a semi-annual report, and (ii) on or about December 31, 2007, a mid-term report, in each case integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 18, 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 such report referred to in sub-paragraph (b) of this paragraph 18 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 such reports and the Association's views on the matter.