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Legal Department
CONFIDENTIAL DRAFT
(Subject to Change)
Nguyen H.C.
24.II.2004

GRANT NUMBER TF 053182-VN

Japan PHRD Project Co-financing Grant Agreement

(Urban Upgrading Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
Acting as Administrator of Grant Funds Provided
By Japan

Dated

, 200_

GRANT NUMBER TF 053182-VN

JAPAN PHRD PROJECT CO-FINANCING GRANT AGREEMENT

AGREEMENT, dated _____, 200_, between SOCIALIST REPUBLIC OF VIETNAM (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) acting as Administrator in respect of grant funds provided by Japan.

WHEREAS (A) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the Policy and Human Resources Development Fund (PHRD) of Japan for funding Parts A.4, A.5, A.6, B.4, B.5, B.6, C.4, C.5, C.6, D.4, D.5 and E.1 of the Project, and said request having been approved by Japan;

(B) the Recipient has also requested International Development Association (the Association) to provide additional assistance towards the financing of the Project, and by an agreement of even date herewith between the Recipient and the Association (the Development Credit Agreement), the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to [\$223 million] Special Drawing Rights (SDR_____) (the Credit);

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

WHEREAS the Association, as administrator of PHRD grant funds provided by Japan has agreed, on the basis, inter alia, of the foregoing, to extend the PHRD Grant to the Recipient upon the terms and conditions set forth in this Agreement; and

WHEREAS the Recipient and the Association intend, to the extent practicable, that the proceeds of the PHRD Grant provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Credit provided for in the Development Credit Agreement are made;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 1, 1985, as amended through October 6, 1999, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 except (11), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Sections 4.01 and 4.05;
- (v) Article V;
- (vi) Sections 6.01, 6.02, 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01, 9.03, 9.04, 9.05, 9.06, 9.07, and 9.08;
- (ix) Article X;
- (x) Article XI; and
- (xi) Sections 12.01 (b), 12.02 (b), 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:

- (i) the term "Association," wherever used in the General Conditions, other than in Sections 2.01 (6) and 6.02 (e) thereof, and the last use of such term in Section 5.01 thereof, means the Association acting as Administrator of the PHRD Grant, except that in Section 6.02, the term "Association" shall also include the Association acting in its own capacity;
- (ii) the term "Borrower" wherever used in the General Conditions, means the Recipient;

- (iii) the term “Development Credit Agreement,” wherever used in the General Conditions, means this Agreement;
- (iv) the term “Credit,” wherever used in the General Conditions, means the PHRD Grant;
- (v) the term “Credit Account,” wherever used in the General Conditions, means the PHRD Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the PHRD Grant is credited; and
- (vi) Section 4.01 shall be modified to read:

“Withdrawals from the PHRD Grant Account shall be made in Dollars; provided, however, that if the expenditures to be financed out of the proceeds of the PHRD Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal.”

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

(a) “Affected Persons” means persons who, on account of the execution of the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and an “Affected Person” means any of the Affected Persons.

(b) “Agence Francaise de Developpement” means

(c) “BOLUC” means a building-ownership and land-use certificate.

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

(e) “Capital Aid Fund for Employment of the Poor” and “CEP” mean ...

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

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

(h) “Community Upgrading Plan” and “CUP” mean, in respect of the tertiary infrastructure upgrading in a Participating Community, a plan prepared, or to be prepared, by the relevant Project City with the full participation of said Participating Community, the ward and district authorities and utility companies, and referred to in paragraph 3 (a)(iii) of Schedule 4 to this Agreement; each such Plan setting out the layout, design and level of service of tertiary infrastructure and social infrastructure selected by such Community for upgrading or rehabilitation; the participation process in such selection, investment costs and cost recovery arrangements, community management structures including for operations and maintenance, and integrating therein the respective Community Environmental Management Plan; and “Community Upgrading Plans” and “CUPs” mean, collectively, all such Plans.

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

(j) “Environmental Management Plans” means, collectively: (i) the plan dated _____, approved by the Can Tho DONRE through Decision _____; (ii) the plan dated _____, approved by the Hai Phong DONRE through Decision _____; (iii) the plan dated _____, approved by the Ho Chi Minh City DONRE through Decision _____; and (iv) the plan dated _____, approved by the Nam Dinh DONRE through Decision _____; and referred to in paragraph 4 of Schedule 4 to this Agreement, which set out the environmental protection measures in respect of Phase I (as defined below) of the Project Cities’ Respective Parts of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said Plans, as said Plans may be revised from time to time with the prior concurrence of the Association.

(k) “Environmental Safeguards Framework” means the policy framework dated December 2003, adopted by the Project Cities (as defined below), referred to in

paragraph 4 of Schedule 4 to this Agreement, which sets out the principles and procedures for carrying out environmental impact assessments and preparing environmental management plans for Phases II and III (as defined below) of the Project Cities' Respective Parts of the Project, as said Framework may be revised from time to time with the prior concurrence of the Association.

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

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

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

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

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

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

(r) "Implementation Partners" means, collectively: (i) in connection with Can Tho's Respective Part of the Project, the Mekong Housing Bank (as defined below) in association with the Women's Union of Can Tho; (ii) in connection with Hai Phong's Respective Part of the Project, the Women's Union of Hai Phong; (iii) in connection with Ho Chi Minh City's Respective Part of the Project, the Women's Union of Ho Chi Minh City and the Capital Aid Fund for the Employment of the Poor of Ho Chi Minh City; (iv) in connection with Nam Dinh's Respective Part of the Project, the Women's Union of

Nam Dinh; and (v) any other eligible intermediary as may be selected from time to time by mutual agreement between the Borrower, the relevant Project City and the Association, and any respective successors thereto; and an “Implementation Partner” means any of said Implementation Partners.

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

(t) “Mekong Housing Bank” means ...

(u) “MOC” means the Borrower’s Ministry of Construction, and any successor thereto.

(v) “MOF” means the Borrower’s Ministry of Finance, and any successor thereto.

(w) “MONRE” means the Borrower’s Ministry of Natural Resources and Environment, and any successor thereto.

(x) “Nam Dinh” means the Borrower’s municipality of Nam Dinh, under the jurisdiction of Nam Dinh Province, and any successor thereto.

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

(z) “Phase I” means, in respect of each Project City, tertiary infrastructure upgrading, and primary and secondary infrastructure improvements to be carried out approximately during 200_-200_ of the Project in accordance with the respective Project Implementation Plan (as defined below); “Phase II” means, in respect of each Project City, tertiary infrastructure upgrading, and primary and secondary infrastructure improvements to be carried out approximately during 200_-200_ of the Project in accordance with said Project Implementation Plan; and “Phase III” means in respect of Can Tho, tertiary infrastructure upgrading, and primary and secondary infrastructure improvements to be carried out approximately during 200_-200_ of the Project in accordance with Can Tho’s Project Implementation Plan.

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

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

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

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

(ee) “Resettlement Action Plans” means, collectively: (i) the Can Tho Resettlement Action Plan, dated December 2003, adopted by the Can Tho [Provincial] People’s Committee through Decision _____; (ii) the Hai Phong Resettlement Action Plan, dated December 2003, adopted by the Hai Phong City People’s Committee through Decision _____; (iii) the Ho Chi Minh City Resettlement Action Plan, dated December 2003, adopted by the Ho Chi Minh City People’s Committee through Decision _____; and (iv) the Nam Dinh Resettlement Action Plan, dated December 2003, adopted by the Nam Dinh Provincial People’s Committee through Decision _____; and referred to in paragraph 5 of Schedule 4 to this Agreement; said Resettlement Action Plans setting out the principles and procedures governing the acquisition of land and other assets, resettlement, compensation and rehabilitation of Affected Persons in the respective Project Cities in connection with Phase I of the Project in the Project Cities, as well as administrative, reporting and monitoring arrangements to ensure compliance with said Plans, as said Plans may be revised from time to time with the prior agreement of the Association; and a “Resettlement Action Plan” means any of said Resettlement Action Plans.

(ff) “Resettlement Policy Framework” means the policy framework dated August 2003, adopted respectively by the Can Tho Provincial People’s Committee through Decision 3233/UB of August 21, 2003; by the Hai Phong City People’s Committee through Decision 4315/CV-UB of September 26, 2003; by the Ho Chi Minh City People’s Committee through Decision 4958/UB-DB of October 8, 2003; and by the Nam Dinh Provincial People’s Committee through Decision 211/VP5 of September 9, 2003; approved by the Borrower through the Prime Minister’s Decision 1513/CP-NN of

November 4, 2003, and referred to in paragraph 5 of Schedule 4 to this Agreement; said Policy Framework sets out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Affected Persons, and for the preparation of resettlement action plans whenever required during Phases II and III of the Project, as said Policy Framework may be revised from time to time with the prior concurrence of the Association.

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

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

(ii) “VND” means Dong, the currency of the Socialist Republic of Vietnam.

(jj) “Women’s Union” means the Vietnam Women’s Union, a social organization established on October 20, 1950.

ARTICLE II

The PHRD Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the PHRD Grant in an amount equal to four million eight hundred thirty-nine thousand Dollars (\$4,839,000).

Section 2.02. (a) The amount of the PHRD Grant may be withdrawn from the PHRD Grant 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 services required for Parts A.4, A.5, A.6, B.4, B.5, B.6, C.4, C.5, C.6, D.4, D.5 and E.1 of the Project and to be financed out of the proceeds of the PHRD Grant.

(b) The Recipient may open and maintain:

(i) a separate special deposit account for the purposes of Parts A.4, A.5 and A.6 of the Project (the Can Tho Special Account);

- (ii) a separate special deposit account for the purposes of Parts B.4, B.5 and B.6 of the Project (the Hai Phong Special Account);
- (iii) a separate special deposit account for the purposes of Parts C.4, C.5 and C.6 of the Project (the Ho Chi Minh City Special Account);
- (iv) a separate special deposit account for the purposes of Parts D.4 and D.5 of the Project (the Nam Dinh Special Account); and
- (v) a separate special deposit account for the purposes of Part E.1 of the Project (the MOC Special Account);

in each case in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2012 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out: Part A of the Project through Can Tho; Part B of the Project through Hai Phong; Part C of the Project through Ho Chi Minh City; Part D of the Project through Nam Dinh; and Part E of the Project through its Ministry of Construction; with due diligence and efficiency and in conformity with appropriate administrative, management, financial, engineering and urban planning practices, and sound social and environment standards acceptable to the Association; and shall provide, and shall cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

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

Section 3.02. Except as the Association shall otherwise agree, procurement of the consultants' services required for Parts A.4, A.5, A.6, B.4, B.5, B.6, C.4, C.5, C.6, D.4,

D.5 and E.1 of the Project and to be financed out of the proceeds of the PHRD Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

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

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

ARTICLE IV

Financial Conditions

Section 4.01. (a) The Recipient 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 Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial

statements, and concerning said auditors, as the Association may from time to time reasonably request.

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

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the PHRD Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraph 10 of Schedule 4 to this Agreement, the Recipient shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association¹, 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 PHRD 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 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

¹ Form and substance of these financial monitoring report to be discussed at negotiations and recorded in the minutes.

such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) The AFD Loan Agreement shall have failed to become effective by [February 1, 2005], or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Association that adequate funds for Part C.2 of the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

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

(A) the right of the Recipient to withdraw the proceeds of the Credit or of the AFD Loan shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Development Credit Agreement or of the AFD Loan Agreement, as the case may be; or

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

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

ARTICLE VI

Effectiveness, Termination

Section 6.01. This Agreement shall become effective upon its execution by the parties hereto or the Effective Date of the Development Credit Agreement, whichever is later.

Section 6.02. This Agreement shall continue in effect until disbursement under this Agreement has been completed and the parties to this Agreement have fulfilled all their obligations hereunder, provided, however, that if the Development Credit Agreement terminates prior to the termination of this Agreement, this Agreement shall terminate automatically and shall cease to have any further force or effect.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Governor or any Deputy Governor of the State Association of Vietnam is designated as representative of the Recipient 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 Recipient:

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

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

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS 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 _____, _____ as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
Acting as Administrator of Grant Funds Provided by Japan

By

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the PHRD Grant

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

<u>Category</u>	Amount of the PHRD Grant Allocated (<u>Expressed in</u> <u>Dollars</u>)	% of Expenditures <u>to be Financed</u>
(1) Can Tho's Respective Part of the Project: Consultants' services, training and workshops under Parts A.4, A.5 and A.6 of the Project	1,030,000	100%
(2) Hai Phong's Respective Part of the Project: Consultants' services, training and workshops under Parts B.4, B.5 and B.6 of the Project	1,000,000	100%
(3) Ho Chi Minh City's Respective Part of the Project: Consultants' services, training and workshops under Parts C.4, C.5 and C.6 of the Project:	1,029,000	100%
(4) Nam Dinh's Respective	1,030,000	100%

Part of the Project:
Consultants' services, training
and workshops under Parts
D.4 and D.5 of the Project:

(5) Consultants' services, training and workshops under Part E.1 of the Project	750,000	100%
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TOTAL:	\$4,839,000 =====
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2. For the purposes of this Schedule, the term "training and workshops" means local expenditures for the cost of training materials, facilities, course fees, travel and subsistence for trainees all in connection with in-country training.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Association may require withdrawals from the PHRD Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) consultants' services under contracts with firms costing less than \$100,000 equivalent each; (b) consultants' services under contracts with individuals costing less than \$50,000 each; and (c) training and workshops; all under such terms and conditions as the Association shall specify by notice to the Recipient.

5. If the Association shall have determined at any time that any payment made from the PHRD Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Association, refund to the Association for deposit into the PHRD Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to alleviate poverty in urban areas by improving the environmental and living conditions of the urban poor in the Project Cities through the use of participatory planning methods and the promotion of more inclusive and pro-poor urban planning processes.

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

PART A: Can Tho

In Can Tho City:

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

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

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

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

and organizational restructuring, and simplification of procedures for the issuance of land use permits.

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

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

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

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

PART B: Hai Phong

In Hai Phong City:

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

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

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

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

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

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

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

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

PART C: Ho Chi Minh City

In Ho Chi Minh City:

1. Tertiary Infrastructure Upgrading and Service Improvement: Carry out a program to provide or upgrade basic tertiary infrastructure and rehabilitate some social infrastructure in selected low-income areas, on the basis of priorities identified by the specific communities, including upgrading of alleys, provision of water supply, drainage, paved access, sanitation services and solid waste management, connection to electricity

network and provision of street lighting; rehabilitation of kindergartens, primary schools, health clinics, markets, public toilet facilities, and provision of community facilities.

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

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

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

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

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

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

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

PART D: Nam Dinh

In the city of Nam Dinh:

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

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

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

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

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

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

 (c) Carry out a program to strengthen the capacity of the Nam Dinh PMU for project management, including procurement and contract management, financial management and audit, monitoring of resettlement activities and environmental

protection measures, and monitoring and evaluation of Project impacts in the city of Nam Dinh.

PART E: National Urban Upgrading Program

1. Establish a National Urban Upgrading Program to improve the environmental and living conditions of low-income households across cities in Vietnam, consisting of: assessment of the demand for urban upgrading at the national level; dissemination of experiences and lessons learned; development of a clear strategy and investment plan for the National Urban Upgrading Program; and development of institutional arrangements to carry said Program.
2. Assess the need for peri-urban planning and development to prevent the creation of new low-income areas.
3. Evaluate the progress and impacts of the Project.

* * *

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

SCHEDULE 3

Procurement

Part A: General

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

Part B: Quality- and Cost-based Selection

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

2. The following provision shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

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

2. Least-cost Selection

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

3. Selection Based on Consultants' Qualifications

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

4. Individual Consultants

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

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

1. Selection Planning

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

2. Prior Review

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

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

3. Post Review

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

Annex to Schedule 3

National Competitive Bidding

In order to ensure economy, efficiency, transparency and broad consistency with the provision of Section I of the Guidelines, the procedures normally used for public procurement in the Socialist Republic of Vietnam shall be modified in accordance with the following provisions:

Participation in bidding and preferences

(i) For clarification purposes, it is understood that the last sentence of the amended Paragraph (c), Section 2, Article 2 of Decree 88/ND-CP which states that "All the procedures for submission, appraisal and approval of bidding results and bidder selection results shall follow the Procurement Regulation" means "Approvals of draft bidding documents, bid evaluation reports and proposals for award shall be obtained in accordance with the relevant rules and procedures of the Procurement Regulation".

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

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

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

(v) Foreign bidders shall not be required, in order to participate in bidding, to enter into a joint venture with a local bidder, or to subcontract part of their contract to a local bidder.

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

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

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

Advertising: time for bid preparation

(ix) Invitations to bid shall be advertised in at least one widely circulated national newspaper. In addition, the Borrower is encouraged to advertise in the Government Public Procurement Bulletin when established and on a free and open access website.

Standard Bidding Documents

(x) The Borrower's standard bidding documents shall be acceptable to the Bank. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission of bids. A minimum of 30 days for the preparation and submission of bids shall be provided. Bidders shall be allowed to submit bids by hand or by mail.

Qualification criteria and evaluation criteria

(xi) Qualification criteria shall be clearly specified in the bidding documents, *and* all criteria so specified, and *only* criteria so specified, shall be used to determine whether a bidder is qualified. Qualifications of a bidder found to meet the specified qualification criteria shall not be taken into account in the evaluation of such bidder's bid.

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

Bid evaluation and award of contract

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

(xiv) A bid containing material deviations from, or reservations to, the terms, conditions or specifications of the bidding documents shall be rejected as not substantially responsive. A bidder shall not be permitted to withdraw material deviations or reservations once bids have been opened.

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

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

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

SCHEDULE 4

Implementation Program

Project Management

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

2. The Borrower shall:

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

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

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

(a) prepare and adopt a Project Implementation Plan satisfactory to the Association, including therein: (i) a financial management manual acceptable to the Association, setting forth guidelines and procedures for financial management and control, record keeping, reporting and auditing, and programs of training therefore; (ii) a

procurement manual acceptable to the Association and consistent with the provisions of Schedule 3 to this Agreement, and (iii) guidelines for the engagement of local communities in participatory planning and design and formulation of the Community Upgrading Plans;

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

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

Project Implementation

Environment, Resettlement and Ethnic Minorities

4. The Borrower shall cause the Project Cities to:

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

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

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

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

5. The Borrower shall cause the Project Cities to:

(a) carry out the Resettlement Policy Framework and the respective Resettlement Action Plans in a manner satisfactory to the Association, designed to minimize the acquisition of land and other assets and involuntary resettlement and, wherever the acquisition of land and other assets and involuntary resettlement are unavoidable, to assist Affected Persons to improve their livelihoods and standards of living or at least to restore them to levels prevailing prior to Project implementation;

(b) in regard to later Phases of their Respective Parts of the Project, (i) take, and cause to be taken, all necessary actions to minimize to the extent possible any involuntary relocation of persons, or their loss of shelter, of assets or access to assets, or loss of income sources or means of livelihood, temporarily or permanently; and wherever the implementation of such later Phases would give rise to Affected Persons, prior to commencing any works, (ii) prepare and provide to the Association for its review a resettlement action plan or resettlement action plans, as the case may be, prepared in accordance with the principles and procedures set forth in the Resettlement Policy Framework; and (iii) implement, in a manner satisfactory to the Association, such resettlement action plan or resettlement action plans as shall have been approved by the Association;

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

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

6. The Borrower shall cause Can Tho to:

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

(b) wherever implementation of later Phases of Can Tho's Respective Part of the Project would affect ethnic minorities communities within the Project area, and pursuant to said Strategy, prepare with the full participation of the relevant ethnic communities, and provide to the Association for its prior review ethnic minorities development plans to ensure that activities under Can Tho's Respective Part of the

Project adequately address the needs, cultural practices and preferences of such communities; and, thereafter, implement in a manner satisfactory to the Association such ethnic minorities development plans as shall have been approved by the Association;

(c) provide to the Association for its prior approval any revisions proposed to be introduced into said Strategy and any ethnic minorities development plans prepared pursuant thereto, in order to achieve their objectives; and, thereafter, put into effect such revisions to said Strategy and plans as shall have been agreed with the Association; and

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

Housing Improvement Loan Program

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

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

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

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

(d) Each Implementation Partner shall undertake to maintain a financial management system including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect its operations, resources and expenditures in respect of the Housing Improvement Loan Program.

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

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

Utility Charges

9. The Borrower shall cause each Project City to implement a schedule of increases in wastewater charges acceptable to the Association.²

Monitoring and Evaluation

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

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association³, the carrying out of the Project and the achievement of the objectives thereof;

²Will need to record in the minutes of negotiations the agreed schedule for each Project City.

³ Indicators to be discussed at negotiations and recorded in the minutes. Agreed indicators will be established in a letter signed by the Borrower and given to IDA together with the signing of the DCA

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, (i) on or about ____ and _____ of each year, commencing _____, _____, a semi-annual report; and (ii) on or about _____, _____, 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 11, on the progress achieved in the carrying out of the Project during the period preceding the date of each such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) promptly review with the Association each report referred to in sub-paragraph (b) of this paragraph 11, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

Annex to Schedule 4

**Procedures, Terms and Conditions
of Housing Improvement Loans**

1. Eligibility

(a) Low-income households residing within districts of the Project Cities where infrastructure improvement activities are being carried out under the Project, even when not within the Participating Communities, are eligible to apply for Housing Improvement Loans, provided that the number of borrowers at any one time within any target area shall be limited to a maximum of 50% of all low-income households within said target area.

(b) To be eligible for a Housing Improvement Loan, a low-income household shall provide evidence of a source or sources of monthly income, such income may be derived from salaries, from day labor or from activities in the informal economy.

(c) Housing Improvement Loans shall not be made for purposes of constructing a new dwelling in a Project resettlement site.

2. Terms and Conditions of Housing Improvement Loans

Unless otherwise agreed by the Association:

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

(b) The principal amount of a Housing Improvement Loan shall not exceed VND 15 million; and the instalment of principal plus the amount of interest payable monthly shall not exceed twenty-five percent (25%) of the household monthly income.

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

3. Housing Improvement Loans may finance only the reasonable cost of goods and works for the Housing Improvement Project for which said Loan is made.

4. Each Housing Improvement Loan shall be made on terms whereby the relevant Implementation Partner shall obtain, by a written contract with the borrowing household,

rights adequate to protect the interests of the Implementation Partner, the respective Project City, and the Association, including the rights to:

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

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

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

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

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

SCHEDULE 5

PHRD Special Accounts

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means: Category (1) set forth in the table in paragraph 1 of Schedule 1 to this Agreement in respect of Part A of the Project under Can Tho; Category 2, in respect of Part B of the Project under Hai Phong; Category (3) in respect of Part C of the Project under Ho Chi Minh City; Category (4) in respect of Part D of the Project under Nam Dinh; and Category (5) in respect of Part E.1 of the Project under MOC;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of services required for the Respective Parts of the Project to be financed out of the proceeds of the PHRD Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

- (c)⁴
- (i) the term “Authorized Allocation” means an amount equal to [\$100,000] in respect of the Can Tho PHRD Special Account for Parts A.4, A.5 and A.6 of the Project, to be withdrawn from the PHRD Grant Account and deposited into the Can Tho PHRD Special Account pursuant to paragraph 3 (a) of this Schedule;
 - (ii) the term “Authorized Allocation” means an amount equal to [\$100,000] in respect of the Hai Phong PHRD Special Account for Parts B.4, B.5 and B.6 of the Project, to be withdrawn from the PHRD Grant Account and deposited into the Hai Phong PHRD Special Account pursuant to paragraph 3 (a) of this Schedule;
 - (iii) the term “Authorized Allocation” means an amount equal to [\$100,000] in respect of the Ho Chi Minh City PHRD Special Account for Parts C.4, C.5 and C.6 of the Project, to be withdrawn from the PHRD Grant Account and deposited into the Ho Chi Minh City PHRD Special Account pursuant to paragraph 3 (a) of this Schedule;
 - (iv) the term “Authorized Allocation” means an amount equal to [\$100,000] in respect of the Nam Dinh PHRD Special Account for Parts D.4 and D.5 of the Project, to be withdrawn from the

⁴ all thresholds indicated in this paragraph to be discussed with LOA

PHRD Grant Account and deposited into the Nam Dinh PHRD Special Account pursuant to paragraph 3 (a) of this Schedule; and

- (v) the term “Authorized Allocation” means an amount equal to [\$70,000] in respect of the MOC PHRD Special Account for Part E.1 of the Project, to be withdrawn from the PHRD Grant Account and deposited into the MOC PHRD Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

- (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the respective PHRD 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 Recipient, withdraw from the PHRD Grant Account and deposit into the respective PHRD Special Account such amount or amounts as the Recipient shall have requested.

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

- (ii) Prior to or at the time of each such request, the Recipient 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 Recipient, withdraw from the PHRD Grant Account and deposit into the respective PHRD Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective PHRD Special Account for eligible expenditures. All such deposits shall be withdrawn

by the Association from the PHRD Grant 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 Recipient out of the respective PHRD Special Account, the Recipient 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 PHRD Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Recipient directly from the PHRD Grant 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 Recipient 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 PHRD Special Accounts;

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

(d) in respect of any PHRD Special Account, once the total unwithdrawn amount of the PHRD Grant allocated to the eligible Categories for said PHRD Special Account, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the relevant Respective Parts of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation for such PHRD Special Account .

Thereafter, withdrawal from the PHRD Grant Account of the remaining unwithdrawn amount of the PHRD Grant allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the respective PHRD Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of any PHRD 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 Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the respective PHRD Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into any PHRD Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

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

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

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