LOAN NUMBER 3251-VIE

LOAN AGREEMENT
(Ordinary Operations)

(Viet Nam Water Sector Investment Program – Project 3)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 19 Nov, 2015

LOAN AGREEMENT
(Ordinary Operations)

LOAN AGREEMENT dated _____ between the SOCIALIST REPUBLIC OF VIET NAM ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a framework financing agreement dated 5 May 2011 between the Borrower and ADB, ADB has agreed to provide a multitranche financing facility to the Borrower for purposes of financing projects under the Viet Nam Water Sector Investment Program ("Investment Program");

(B) by a periodic financing request dated 14 November 2014, the Borrower has applied to ADB for a loan for the purposes of the project 3 described in Schedule 1 to this Loan Agreement ("Project");

(C) the Project will be carried out by the following water supply companies ("WSCs"): Bac Giang Water Supply and Sewerage One Member Limited Company, Cua Lo Water Supply One Member Limited Company, Nghe An Water Supply One Member Limited Company, Quang Nam Water Supply and Drainage Joint Stock Company, Song Chu One Member Limited Company, Thai Hoa Water Supply One Member Limited Company, and Thai Nguyen Water Joint Stock Company and for this purpose the Borrower will make available to WSCs the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(50) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB and WSCs;

(b) The term "Project Executing Agency" appearing in Section 7.04(b), 9.01(d), 9.01(f), 9.01(k), 10.01(c) and 10.02(c) of the Loan Regulations shall be substituted by the term "the PPC".

(c) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit; Maturity Premium. (a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(c) The Borrower shall pay a maturity premium at the rate specified in the Loan Agreement, which maturity premium shall remain fixed for the term of the Loan. ADB shall add the maturity premium to the interest payable by the Borrower.

(d) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(e) Section 3.07 is deleted and the following is substituted therefor:

> **Surcharge.** (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.
>
> (b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(b) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 4 of Schedule 1 to this Loan Agreement;

(c) "Coordinating Agency" or "CA" means MPI or any successor thereto acceptable to ADB, which is responsible for the overall supervision and execution of the Investment Program;

(d) "Environmental Assessment and Review Framework" or "EARF" means the environmental assessment and review framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(e) "Environmental Management Plan" or "EMP" means each environmental management plan for a Subproject, including any update thereto, incorporated in the IEE;

(f) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(g) "Facility" means the multitranche financing facility provided by ADB to the Borrower for purposes of financing projects under the Investment Program;

(h) "FAM" means the Facility administration manual dated 2 July 2012 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(i) "FFA" means the framework financing agreement dated 5 May 2011 between ADB and the Borrower with respect to the Facility;

(j) "Gender Action Plan" or "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed between the corresponding EA and WSC, and ADB.

(k) "Goods" means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(l) "Indigenous Peoples Planning Framework" or "IPPF" means the indigenous peoples planning framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(m) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;

(n) "Initial Environmental Examination" or "IEE" means each initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the respective WSC pursuant to the requirements set forth in the EARF and cleared by ADB;

(o) "Investment Program" means the Water Sector Investment Program;

(p) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(q) "km" means kilometer;

(r) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(s) "MPI" means the Borrower's Ministry of Planning and Investment or any successor thereto acceptable to ADB;

(t) "PAM" means the project administration manual for the Project dated 19 November 2014 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(u) "PFR" means the periodic financing request submitted or to be submitted by the Borrower, for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 14 November 2014;

(v) "PMU" means any and all Project Management Units established within each WSC, as more fully described in the PAM;

(w) "PPC" means any and all relevant city or provincial people's committees that are registered sole members of their respective WSC;

(x) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(y) "Procurement Plan" means the procurement plan for the Project dated 19 November 2014 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(z) "Project Executing Agency" or "EA" means each respective PPC owning or controlling the relevant WSC that is implementing a Subproject or any successor thereto acceptable to ADB;

(aa) "Project facilities" means the WTPs, piped water systems and other water supply-related facilities to be constructed or provided under the Project;

(bb) "Resettlement Framework" or "RF" means the resettlement framework for the Investment Program, including any update thereto, agreed between the Borrower and ADB and incorporated by reference in the FFA;

(cc) "Resettlement Plan" or "RP" means each resettlement plan for a Subproject, including any update thereto, prepared and submitted by the WSCs implementing subprojects in paragraph 3(a) Part 1 of Schedule 1 to this Loan Agreement pursuant to the requirements set forth in the RF and cleared by ADB;

(dd) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);

(ee) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of, and compliance with, the EMP, the RP and the IPP (as applicable), including any corrective and preventative actions;

(ff) "Subproject" means a subproject under the Project as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(gg) "Subsidiary Loan Agreement" means the agreements between the Borrower and each WSC, as described in Section 3.01 of this Loan Agreement;

(hh) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services;

(ii) "WSC" means each of Bac Giang Water Supply and Sewerage One Member Limited Company, Cua Lo Water Supply One Member Limited Company, Nghe An Water Supply One Member Limited Company, Quang Nam Water Supply and Drainage Joint Stock Company, Song Chu One Member Limited Company, Thai Hoa Water Supply One Member Limited Company, and Thai Nguyen Water Joint Stock Company; and

(hh) "WTP" means water treatment plant.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred forty-two million five hundred thousand Dollars ($142,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 19 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

(a) LIBOR;

(b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and

(c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 May and 15 November in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

(i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;

(ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and

(iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan together with other funds required for the Project to the WSCs under Subsidiary Loan Agreements upon terms and conditions satisfactory to ADB as follows: (i) $19.884 million to Bac Giang Water Supply and Sewerage One Member Limited Company, (ii) $13.190 million to Cua Lo Water Supply One Member Limited Company, (iii) $19.960 million to Nghe An Water Supply One Member Limited Company, (iv) $24.410 million to Quang Nam Water Supply and Drainage Joint Stock Company, (v) $30.523 million to Song Chu One Member Limited Company, (vi) $9.643 million to Thai Hoa Water Supply One Member Limited Company, and (vii) $24.890 million to Thai Nguyen Water Joint Stock Company.

(b) The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 2020 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall make available, or cause to be made available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.05. The Borrower shall take all actions which shall be necessary on its part to enable the WSCs to perform their obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.06. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

ARTICLE V

Effectiveness

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Delegation of Authority

Section 6.01. The Borrower hereby designates the WSCs as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02 and 3.03 of this Loan Agreement and under Sections 6.01, 6.02 and 6.03 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by the WSCs pursuant to the authority conferred under Section 6.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 6.03. The authority conferred on the WSCs under Section 6.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VII

Miscellaneous

Section 7.01. The Governor of the State Bank of Vietnam of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

State Bank of Vietnam
47 – 49 Ly Thai To
Ha Noi, Viet Nam

Facsimile Numbers:

(84-4) 38250-612
(84-4) 38258-385

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2336.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

SOCIALIST REPUBLIC OF VIET NAM

By _____
NGUYEN VAN BINH
Governor
State Bank of Vietnam

ASIAN DEVELOPMENT BANK

By _____
ERIC SIDGWICK
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Investment Program is the improved efficiency of participating water supply companies.

2. As a part of the Investment Program, the Project aims to (a) increase water supply network coverage; (b) improve WSC business planning, financial management, and asset management; and (c) effective non-revenue water reduction.

3. The Project shall comprise of the following Subprojects:

Implementing WSC / Executing PPC	Subproject description
Bac Giang WSC / Bac Giang Province	(a) Constructing an intake, pumping station and about 2.2 km D700 raw water transmission pipeline, and ancillary works (b) Constructing one WTP capacity about 25,000 m^3/day, and ancillary works (c) Constructing about 76 km D75-700 transmission and distribution pipes (d) Installing about 16,000 household connections
Cua Lo WSC / Nghe An Province	(a) Constructing one WTP capacity about 10,000 m^3/day (b) Constructing transmission and distribution pipes D100-450 (c) Constructing service network pipeline D40-90 (d) Constructing booster pumping station, office building and ancillary works (e) Installing about 7,352 household connections
Song Chu WSC / Thanh Hoa Province	(a) Constructing raw water intake, and ancillary works (b) Constructing three pumping stations, electricity supply stations, and ancillary works (c) Constructing about 39 km D400-1200 raw water transmission pipeline, and ancillary works
Quang Nam WSC / Quang Nam Province	Tam Hiep expansion: (a) Constructing raw water intake, pump station and about 300 m pipeline (b) Increasing capacity of Tam Hiep WTP from current 5,000 to about 20,000 m^3/day (c) Constructing about 18 km D300-500 transmission, about 39.0 km D110-250 distribution and about 75 km service network pipelines (d) Supplying and installing about 10,000 household connections Dien Nam and Dien Ngoc water supply: (a) Constructing an intake and about 2.4km D500 raw water pipeline (b) Constructing WTP capacity about 15,000 m^3/day (c) Constructing about 18 km D300-400 transmission, about 54

	km D110-250 distribution and about 90 km D32-63 service network pipelines; (d) Supplying and installing about 10,000 household connections
Thai Hoa WSC / Nghe An Province	(a) Constructing an intake, pumping station with 12,000 m^3/day and about 5.5 km D500 pipeline (b) Constructing one WTP capacity about 6,000 m^3/day, and ancillary works (c) Constructing about 34 km D110-D350 transmission and distribution pipes and about 93 km D32-D90 service pipeline (d) Supplying and Installing about 7,916 household connections
Thai Nguyen WSC / Thai Nguyen Province	(a) Constructing an intake, pumping station and about 0.17km D800 raw water pipeline, and ancillary works (b) Constructing WTP with capacity of about 50,000 m^3/day, and ancillary works (c) Constructing two treated water tanks (2 x 5,000 m^3), pumping station, chemical house, and ancillary works (d) Constructing about 22 km D300-800 transmission, about 20 km D100-200 distribution pipes, about 62 km D50 service network pipeline (e) Supplying and installing about 4,134 household connections
Nghe An WSC / Nghe An Province	(a) Constructing about 35 km transmission D250-500, about 33 km distribution pipes D100-200 and about 195 km service network pipeline D32-90 (b) Supplying and installing about 18,000 household connections in project areas (c) Defining NRW zoning with about 23 km D100-250 pipe replacement (d) Implementing Supervisory Control And Data Acquisition (SCADA) system at about 15 locations (e) Implementing an institutional strengthening program to upgrade financial information systems, improve operation and maintenance (O&M) capabilities and reduce NRW

4. The Project will include Consulting Services for contract management, project administration and safeguards monitoring and reporting in relation to the Project scope.

5. The Project is expected to be completed by 30 June 2020.

SCHEDULE 2

Amortization Schedule

(Viet Nam Water Sector Investment Program - Project 3)

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Date Payment Due	Installment share (Expressed as a %)
15 May 2021	2.631579
15 November 2021	2.631579
15 May 2022	2.631579
15 November 2022	2.631579
15 May 2023	2.631579
15 November 2023	2.631579
15 May 2024	2.631579
15 November 2024	2.631579
15 May 2025	2.631579
15 November 2025	2.631579
15 May 2026	2.631579
15 November 2026	2.631579
15 May 2027	2.631579
15 November 2027	2.631579
15 May 2028	2.631579
15 November 2028	2.631579
15 May 2029	2.631579
15 November 2029	2.631579
15 May 2030	2.631579
15 November 2030	2.631579
15 May 2031	2.631579
15 November 2031	2.631579
15 May 2032	2.631579
15 November 2032	2.631579
15 May 2033	2.631579
15 November 2033	2.631579
15 May 2034	2.631579
15 November 2034	2.631579

Schedule 2

Date Payment Due	Installment share (Expressed as a %)
15 May 2035	2.631579
15 November 2035	2.631579
15 May 2036	2.631579
15 November 2036	2.631579
15 May 2037	2.631579
15 November 2037	2.631579
15 May 2038	2.631579
15 November 2038	2.631579
15 May 2039	2.631579
15 November 2039	2.631577
Total	**100.000000**

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (a) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating

to said Conversion; or (b) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table).

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Interest and Commitment Charges

3. The amount allocated to Category 3 is for financing interest and commitment charges on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charges.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Schedule 3

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent to 10% of the Loan amount.

Condition for Withdrawals from Loan Account

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for expenditures under the Project until the respective WSC incurring such Project expenditure has (i) set up a PMU in accordance with Vietnamese legislation; and (ii) executed a Subsidiary Loan Agreement with the Ministry of Finance on terms and conditions acceptable to ADB. For avoidance of doubt, this withdrawal condition applies individually and severally to each WSC.

8. Further and without limiting the generality of the foregoing, no withdrawals shall be made from the Loan Account for expenditures on Works by Quang Nam Water Supply and Drainage Joint Stock Company, until it furnishes to ADB separate audited financial statements for its water supply and sanitation operations and its non-core operations that demonstrate no cross-subsidy for water tariff in a manner acceptable to ADB.

Attachment to Schedule 3

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Viet Nam Water Sector Investment Program – Project 3)				
CATEGORY				ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing ($) Category	Subcategory	Percentage and Basis for Withdrawal from the Loan Account
1	Works	128,313,000		
1A	Quang Nam Water Supply & Drainage Joint Stock Company** ***		22,153,000	100% of total expenditure claimed*
1B	Nghe An Water Supply One Member Company Ltd.**		18,138,000	100% of total expenditure claimed*
1C	Cua Lo Water Supply One Member Company Ltd.**		11,807,000	100% of total expenditure claimed*
1D	Thai Hoa Water Supply One Member Company Ltd.**		8,507,000	100% of total expenditure claimed*
1E	Song Chu One Member Company Ltd.**		27,132,000	100% of total expenditure claimed*
1F	Bac Giang Water Supply and Sewerage One Member Company Ltd.**		18,254,000	100% of total expenditure claimed*
1G	Thai Nguyen Water Supply Joint Stock Company**		22,322,000	100% of total expenditure claimed*
2	Consulting Services	6,695,000		
2A	Quang Nam Water Supply and Drainage Joint Stock Company**		1,149,000	100% of total expenditure claimed*
2B	Nghe An Water Supply One Member Company Ltd.**		817,000	100% of total expenditure claimed*
2C	Cua Lo Water Supply One Member Company Ltd.**		670,000	100% of total expenditure claimed*
2D	Thai Hoa Water Supply One Member Company Ltd.**		702,000	100% of total expenditure claimed*
2E	Song Chu One Member Company Ltd.**		1,551,000	100% of total expenditure claimed*
2F	Bac Giang Water Supply and Sewerage One Member Company Ltd.**		704,000	100% of total expenditure claimed*
2G	Thai Nguyen Water Supply Joint Stock Company**		1,102,000	100% of total expenditure claimed*
3	Interest and Commitment Charges	7,492,000		100% of amounts due
	Total	**142,500,000**		

*Exclusive of taxes and duties imposed within the territory of the Borrower.
** Subject to the condition for withdrawal for works described in paragraph 7 of Schedule 3.
*** Subject to the condition for withdrawal for works described in paragraph 8 of Schedule 3.

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.

2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

(a) International Competitive Bidding; and

(b) National Competitive Bidding.

4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Domestic Preference

5. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods.

National Competitive Bidding

6. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Conditions for Award of Contract

7. The Borrower shall cause the EA not to award any Works contract for which involves environmental impacts until the Project Executing Agency has:

(a) obtained the final approval of the IEE from the Borrower's Ministry of Natural Resources and Environment; and

(b) incorporated the relevant provisions from the EMP into the Works contract.

8. The Borrower shall cause the EA not to award any Works contract involving involuntary resettlement impacts for a Subproject until the Borrower has prepared and submitted to ADB the final RP for such Subproject based on the Subproject's detailed design, and obtained ADB's clearance of such RP.

9. The Borrower shall cause the EA not to award any Works contract which involves impacts on indigenous peoples until the Borrower has prepared and submitted to ADB the final IPP and obtained ADB's clearance of such IPP.

Consulting Services

10. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall cause the EA to apply quality- and cost-based selection for selecting and engaging Consulting Services.

11. The Borrower shall cause the EA to apply the following methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

(a) Least-Cost Selection for auditing; and

(b) Consultants' Qualification Selection for procurement assistance.

12. The Borrower shall cause the EA to recruit the individual consultants for safeguards monitoring and incremental administrative support in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

13. (a) The Borrower shall cause the EA to ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall cause the EA to ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

14. The Borrower shall cause the EA to ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

15. Contracts procured under international competitive bidding procedures and

contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower and the Project Executing Agency shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

2. The Borrower shall cause the Thanh Hoa PPC to use its best efforts in negotiating a concession agreement with the private company that provides water supply services in Nghi Son Economic Zone (Thanh Hoa Province), including regulatory arrangement for water tariff, quality of service and termination of services.

Environment

3. The Borrower shall cause the Project Executing Agency to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project, each Subproject and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

4. The Borrower shall cause the Project Executing Agency to ensure that all land and all rights-of-way required for the Project, each Subproject and all Project facilities are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the RF; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

5. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Borrower shall cause the Project Executing Agency to ensure that no physical or economic displacement takes place in connection with the Subprojects until:

(a) compensation and other entitlements have been provided to affected people in accordance with the updated RP; and

(b) a comprehensive income and livelihood restoration program has been established in accordance with the updated RP.

Schedule 5

Indigenous Peoples

6. The Borrower shall cause the Project Executing Agency to ensure that the preparation, design, construction, implementation and operation of the Project, each Subproject and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) the Indigenous Peoples Safeguards; (c) the IPPF; and (d) any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

7. The Borrower shall cause the Project Executing Agency to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

(a) comply with the measures and requirements relevant to the contractor set forth in the updated IEE and the EMP, and the updated RP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;

(b) make available a budget for all such environmental and social measures;

(c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the updated IEE and the EMP, or the updated RP;

(d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and

(e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Human and Financial Resources to Implement Safeguards Requirements

8. The Borrower shall cause the Project Executing Agency to make available necessary budgetary and human resources to fully implement the EMP and the RP.

Safeguards Monitoring and Reporting

9. The Borrower shall cause the Project Executing Agency to do the following:

(a) submit semiannual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;

(b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the updated IEE and the EMP, and the updated RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and

(c) report any actual or potential breach of compliance with the measures and requirements set forth in the updated EMP, and the updated RP promptly after becoming aware of the breach.

Prohibited List of Investments

10. The Borrower shall cause the Project Executing Agency to ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Gender and Development

11. The Borrower shall cause the Project Executing Agency to ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but not limited to:

(i) 100% of female headed households are connected over the Project area;

(ii) 30% female staff participation in training on technical issues like water supply management, scheme operations and maintenance (including operations and maintenance and non-revenue water reduction);

(iii) 50% female staff for new recruits in each PMU and water companies/enterprises; and

(iv) equal employment opportunities and equal pay for work of equal value, for local women and men in Works.

12. The Borrower shall ensure that the principles of gender equity aimed at increasing Project benefits and impacts on women in the Project area consistent with ADB's Policy on Gender and Development (1998) are followed during implementation of the Project, including (a) equal pay to men and women for work of equal value; (b) enabling working conditions for women workers; and (c) taking necessary actions to encourage women living in the Project area to participate in the design and implementation of Project activities.

13. The Borrower shall ensure that: (a) a GAP is developed, if required, and implemented in accordance with its terms for each Subproject following the GAP, which was prepared for the Project, including any update thereto, and agreed to between the Borrower, EA and ADB; (b) the bidding documents and contracts for the Subproject include relevant

provisions for contractors to comply with the targets set forth in the Subproject GAP; (c) adequate resources are allocated for the implementation of the Subproject GAP; and (d) progress toward achieving key gender outcome and output targets are regularly monitored and reported to ADB.

Governance and Anticorruption

14. The Borrower, the Project Executing Agency, and the implementing agencies shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

15. The Borrower, the Project Executing Agency and the implementing agencies shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.