HBAP19

LOAN NUMBER 3340-VIE

# LOAN AGREEMENT
(Ordinary Operations)

(Urban Environment and Climate Change Adaptation Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 25 March 2017

**LOAN AGREEMENT**
**(Ordinary Operations)**

LOAN AGREEMENT dated 25 March 2017 between SOCIALIST REPUBLIC OF VIET NAM ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) the Project will be carried out by the Provincial People's Committee of Quang Binh ("Quang Binh PPC") and the Provincial People's Committee of Quang Nam ("Quang Nam PPC") and for this purpose the Borrower will make available to Quang Binh PPC and Quang Nam PPC the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB;

(C) by a grant agreement of even date herewith between the Borrower and ADB ("Grant Agreement"), ADB has agreed to administer a grant provided by the Urban Climate Change Resilience Trust Fund under the Urban Financing Partnership Facility in an amount of four million Dollars ($4,000,000) for the purposes of the Project; 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 among ADB, Quang Binh PPC and Quang Nam PPC;

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 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.

(b) 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.

(c) 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) "CLOEZA" means the Chu Lai Open Economic Zone Authority or any successor thereto acceptable to ADB;

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

(c) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(d) "DARD" means, for each of the Provinces, the Department of Agriculture and Rural Development, or any successor thereto;

(e) "Environmental Management Plans" or "EMPs" means the environmental management plans for the Project, including any update thereto, incorporated in the IEEs;

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

(g) "GAP" means the gender action plan for the Project, including any update thereto, prepared by the relevant Project Executing Agency and cleared by ADB;

(h) "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;

(i) "Initial Environmental Examinations" or "IEEs" means the initial environmental examinations for the Project, including any update thereto, prepared and submitted by the relevant Project Executing Agency and cleared by ADB;

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

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

(l) "MOF" means the Borrower's Ministry of Finance or any successor thereto;

(m) "Output" means an output specified in Schedule 1 to this Loan Agreement;

(n) "PAM" means the project administration manual for the Project dated 14 October 2015 and agreed between the Borrower, the Project Executing Agencies and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(o) "PMUs" means the project management units established under the Project Implementing Agencies for the Project;

(p) "PPC" means a provincial people's committee;

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

(r) "Procurement Plan" means the procurement plan for the Project dated 14 October 2015 and agreed between the Borrower, the Project Executing Agencies and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(s) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means each of Quang Nam PPC and Quang Binh PPC or any successor thereto acceptable to ADB, which are responsible for the carrying out of their respective Outputs under the Project and "Project Executing Agencies" means both of them;

(t) "Project facilities" means any facilities to be constructed, provided, rehabilitated, operated and/or maintained under the Project;

(u) "Project Implementing Agency" or "IA" means each of QBPPMU and CLOEZA or any successor established or nominated by Quang Nam PPC or Quang Binh PPC, as applicable, to serve as a project implementing agency, and acceptable to ADB, and "Project Implementing Agencies" means both of them;

(v) "Province" means the Borrower's Quang Nam Province or Quang Binh Province and "Provinces" means both of them;

(w) "QBPPMU" means the Quang Binh Provincial Project Management Unit or any successor thereto acceptable to ADB;

(x) "Quang Binh PPC" means the PPC of the Borrower's Quang Binh Province or any successor thereto acceptable to ADB;

(y) "Quang Nam PPC" means the PPC of the Borrower's Quang Nam Province or any successor thereto acceptable to ADB;

(z) "Resettlement Plans" or "RPs" means the resettlement plans for the Project, including any update thereto, prepared and submitted by the relevant Project Executing Agency and cleared by ADB;

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

(bb) "Safeguards Monitoring Report" means each report prepared and submitted by the relevant Project Executing Agency to ADB that describes progress with implementation of and compliance with the EMPs and the RPs , including any corrective and preventative actions;

(cc) "Subsidiary Loan Agreements" means: (i) the agreement between the Borrower and Quang Nam PPC; and (ii) the agreement between the Borrower and Quang Binh PPC, pursuant to which the Borrower shall relend specified portions of the proceeds of the Loan to Quang Nam PPC and Quang Binh PPC, respectively, as more fully described in Section 3.01 of the Loan Agreement, and "Subsidiary Loan Agreement" means one of the above agreements;

(dd) "WTP" means wastewater treatment plant; and

(ee) "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.

## 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 million Dollars ($100,000,000) 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 19.5 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 1 May and 1 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 to Quang Binh PPC and Quang Nam PPC under the Subsidiary Loan Agreements upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, the terms for relending the proceeds of the Loan to Quang Binh PPC and Quang Nam PPC shall include (i) commitment charge and interest at the rates identical to those applied to the Loan; and (ii) the repayment period including the grace period identical to that applied to the Loan.

(b) The Borrower shall ensure that the proceeds of the Loan shall be relent to Quang Binh PPC and Quang Nam PPC in the following manner:

(i) $30,000,000 to Quang Binh PPC; and

(ii) $70,000,000 to Quang Nam PPC.

(c) 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 30 June 2023 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. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

Section 4.06. The Borrower shall take all actions which shall be necessary on its part to enable the Project Executing Agencies 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 4.07. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreements 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 Agreements shall be assigned, amended, abrogated or waived without the prior concurrence of ADB.

## ARTICLE V

## Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01(f) of the Loan

Regulations: the Grant Agreement shall have been duly executed and delivered on behalf of the Borrower, shall have become legally binding upon the Borrower in accordance with its terms, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 5.02. 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

## Miscellaneous

Section 6.01. 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 6.02. 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
Hanoi, 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:

(63-2) 636-2444
(63-2) 636-2018.

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 _____

LE MINH HUNG
Governor
State Bank of Viet Nam

ASIAN DEVELOPMENT BANK

By _____

ERIC SIDGWICK
Country Director
Viet Nam Resident Mission

## SCHEDULE 1

## Description of the Project

1. The objective of the Project is to improve people's access to climate change resilient urban infrastructure in Dong Hoi and Hoi An.

2. The Project shall comprise the following Outputs:

**Output 1: Dong Hoi New and Improved Climate Change Resilient Urban Infrastructure:** This Output comprises:

(a) **Bao Ninh Urban Development:** This component comprises: (i) finalization of the development plan for the new urban area in Bao Ninh Peninsula; (ii) construction of connecting roads with sewerage and drainage networks; and (iii) implementation of measures to protect coastal dune complex from erosion.

(b) **Wastewater Management:** This component comprises: (i) construction of tertiary sewerage networks; (ii) construction of combined sewer overflows and pumping stations; and (iii) installation of wastewater household connections.

**Output 2: Hoi An New and Improved Climate Change Resilient Urban Infrastructure:** This Output comprises:

(a) **Integrated Flood Management:** This component comprises: (i) increased detention capacity of Phap Bao Lake; (ii) establishment of flood forecast and warning system covering Vu Gia and Thu Bon river basin; and (iii) elevation of Provincial Road 608.

(b) **Co Co Urban Development**: This component comprises: (i) finalization of the development plan for the new urban area along Co Co River; (ii) construction of connecting roads with sewerage and drainage networks; (iii) installation of water supply and wastewater connections; and (iv) construction of access road to connect with Cua Dai Bridge.

(c) **Water Supply Improvement:** This component comprises: (i) increased capacity by dredging of Lai Nghi Reservoir; (ii) construction of new water intake for Lai Nghi Reservoir; and (iii) introduction of management information system for non-revenue water reduction.

**Output 3: Improved Competencies in Urban Environmental Management and Climate Change Adaptation:** This Output comprises: (i) strengthening knowledge and skills of the Project Executing Agencies and the Project Implementing Agencies in urban management, environmental protection and climate change

adaptation; (ii) training of the PMUs in project administration and implementation; and (iii) conducting programs for raising awareness on environmental protection and public health.

3. The Project is expected to be completed by 31 December 2022.

## SCHEDULE 2

## Amortization Schedule

## (Urban Environment and Climate Change Adaptation Project)

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 %) |
|---|---|
| 1 May 2022 | 2.564103 |
| 1 November 2022 | 2.564103 |
| 1 May 2023 | 2.564103 |
| 1 November 2023 | 2.564103 |
| 1 May 2024 | 2.564103 |
| 1 November 2024 | 2.564103 |
| 1 May 2025 | 2.564103 |
| 1 November 2025 | 2.564103 |
| 1 May 2026 | 2.564103 |
| 1 November 2026 | 2.564103 |
| 1 May 2027 | 2.564103 |
| 1 November 2027 | 2.564103 |
| 1 May 2028 | 2.564103 |
| 1 November 2028 | 2.564103 |
| 1 May 2029 | 2.564103 |
| 1 November 2029 | 2.564103 |
| 1 May 2030 | 2.564103 |
| 1 November 2030 | 2.564103 |
| 1 May 2031 | 2.564103 |
| 1 November 2031 | 2.564103 |
| 1 May 2032 | 2.564103 |
| 1 November 2032 | 2.564103 |
| 1 May 2033 | 2.564103 |
| 1 November 2033 | 2.564103 |
| 1 May 2034 | 2.564103 |
| 1 November 2034 | 2.564103 |

Schedule 2

| Date Payment Due | Installment Share (Expressed as a %) |
|---|---|
| 1 May 2035 | 2.564103 |
| 1 November 2035 | 2.564103 |
| 1 May 2036 | 2.564103 |
| 1 November 2036 | 2.564103 |
| 1 May 2037 | 2.564103 |
| 1 November 2037 | 2.564103 |
| 1 May 2038 | 2.564103 |
| 1 November 2038 | 2.564103 |
| 1 May 2039 | 2.564103 |
| 1 November 2039 | 2.564103 |
| 1 May 2040 | 2.564103 |
| 1 November 2040 | 2.564103 |
| 1 May 2041 | 2.564086 |
| 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: (i) 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 (ii) 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 4 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

Condition for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for expenditures for Works, Equipment and Consulting Services under Output 1 until the Quang Binh PPC has: (a) set up a PMU in accordance with the applicable laws and regulations of the Borrower; and (b) entered into a Subsidiary Loan Agreement with the Borrower, upon terms and conditions satisfactory to ADB.

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for expenditures for Works, Equipment and Consulting Services under Output 2 until the Quang Nam PPC has: (a) set up a PMU in accordance with the applicable laws and regulations of the Borrower; and (b) entered into a Subsidiary Loan Agreement with the Borrower, on terms and conditions satisfactory to ADB.

**TABLE**

| ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Urban Environment and Climate Change Adaptation Project) | | | | |
|---|---|---|---|---|
| **No.** | **Item** | **Total Amount Allocated for ADB Financing ($)** | | **Basis for Withdrawal from the Loan Account** |
| | | **Category** | **Subcategory** | |
| 1 | Works | 77,010,000 | | |
| 1A | Output 1: Dong Hoi[a] | | 23,080,000 | 85% of total expenditure claimed |
| 1B | Output 2: Hoi An[b] | | 53,930,000 | 88% of total expenditure claimed |
| 2 | Equipment | 940,000 | | |
| 2A | Output 1: Dong Hoi[a] | | 300,000 | 91% of total expenditure claimed |
| 2B | Output 2: Hoi An[b] | | 640,000 | 91% of total expenditure claimed |
| 3 | Consulting Services | 3,500,000 | | |
| 3A | Output 1: Dong Hoi[a] | | 1,030,000 | 65% of total expenditure claimed |
| 3B | Output 2: Hoi An[b] | | 2,470,000 | 65% of total expenditure claimed |
| 4 | Interest and Commitment Charges | 6,490,000 | | 100% of total amounts due |
| 5 | Unallocated | 12,060,000 | | |
| | **TOTAL** | **100,000,000** | | |

[a] Subject to the conditions for withdrawal described in paragraph 6 of Schedule 3.
[b] Subject to the conditions for withdrawal described in paragraph 7 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.

National Competitive Bidding

5. 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

6. The Borrower shall not and shall cause the Project Executing Agencies not to award any Works contract which involves environmental impacts until: (i) the Department of Natural Resources and Environment of each Province has granted the final approval of its IEE; and (ii) each Project Executing Agency has incorporated the relevant provisions from its EMP in the Works contracts.

7. The Borrower shall not and shall cause the Project Executing Agencies not to award any Works contract which involves involuntary resettlement impacts, until the Borrower has prepared and submitted to ADB the final RPs based on the Project's detailed design, and obtained ADB's clearance of such RPs.

Schedule 4

Consulting Services

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

9. The Borrower shall apply, or cause to be applied, the following method for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Least-Cost Selection for audit.

10. The Borrower shall recruit, or cause to be recruited, the individual consultants for project start-up in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

11. (a) The Borrower shall 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 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.

12. The Borrower shall 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

13. Contracts procured under international competitive bidding procedures, first contracts procured under national competitive bidding procedures for each Province 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 Agencies 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 Project Executing Agencies and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Counterpart Support

2. The Borrower shall and shall cause the Project Executing Agencies to ensure that all counterpart support necessary for the smooth and effective implementation of the Project shall be provided in a timely manner, which shall include: (i) provision of additional counterpart support for any shortfall of funds or cost overruns; and (ii) allocation in each fiscal year of adequate funds for the operation and maintenance of the Project facilities in order to allow for such facilities to be operated and maintained in accordance with sound engineering practices.

Wastewater and Water Tariff Roadmaps

3. The Borrower shall cause the Project Executing Agencies to implement tariff increases for water and wastewater in accordance with the updated roadmaps prepared for the Project and to ensure that socialized tariffs are established to guarantee access of poor households to the Project's improved water and wastewater systems.

4. In relation to Output 1, the Borrower shall cause Quang Binh PPC to ensure that increases in the wastewater tariff are implemented for the additional users for which connections are established under the Project, no later than the date of completion of such connections, as set out in the tariff roadmap approved by Quang Binh PPC, with a view to funding the operation and maintenance needs of the Dong Hoi wastewater management on the basis of tariff revenues.

5. In relation to Output 2, the Borrower shall cause Quang Nam PPC to ensure that an increase in the water tariff is implemented no later than the date of commissioning of Output 2(C), as set out in the tariff roadmap prepared for the Project.

Integrated Flood Management

6. The Borrower shall cause the Quang Nam PPC to establish a mechanism for periodic consultation and collaboration with all relevant stakeholders in the upper stream of the river basin to ensure effective flood forecasting and warning systems.

Schedule 5

Hoi An New Urban Development

7. The Borrower shall cause the Quang Nam PPC to ensure that all works relating to the WTP, funded by the Government of France shall be completed satisfactorily no later than the completion of Output 2(B).

Dong Hoi Wastewater Management

8. The Borrower shall cause Quang Binh PPC to ensure that all works on the WTP, funded by the World Bank shall be completed satisfactorily no later than the completion of Output 1(B).

Dong Hoi New Urban Development

9. The Borrower shall cause Quang Binh PPC to ensure the provision of water supply to the new urban areas developed or supported under the Project, no later than the date of completion of the Project.

Sustainable Operation and Maintenance of Project Facilities

10. Throughout the implementation of the Project and subsequently, the Borrower shall cause the Quang Binh PPC and the Quang Nam PPC to ensure adequate funding is available and actually expended for all necessary operations and maintenance activities on the Dong Hoi wastewaster treatment facilities and Hoi An water supply facilities.

Environment

11. The Borrower shall ensure and shall cause the Project Executing Agencies and the Project Implementing Agencies to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project 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; and (c) all measures and requirements set forth in the IEEs, the EMPs, and any corrective or preventative actions (i) set forth in a Safeguards Monitoring Report; or (ii) which are subsequently agreed between ADB and each Project Executing Agency (on behalf of itself and the Borrower).

Land Acquisition and Involuntary Resettlement

12. The Borrower shall ensure and shall cause the Project Executing Agencies and the Project Implementing Agencies to ensure that all land and all rights-of-way required for the Project are made available to the Works contractor in a manner and within timeframes compliant with the RPs 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; and (c) all measures and requirements set forth in the RPs, and any corrective or preventative actions (i) set forth in the Safeguards Monitoring Report; or (ii) which are subsequently agreed between ADB and each Project Executing Agency (on behalf of itself and the Borrower).

13. Without limiting the application of the Involuntary Resettlement Safeguards or the RPs, the Borrower shall ensure and shall cause the Project Executing Agencies and the Project Implementing Agencies to ensure that no physical or economic displacement takes place in connection with the Project until:

(a) compensation and other entitlements have been provided to the displaced persons under the Involuntary Resettlement Safeguards as described in and in accordance with the RPs; and

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

Indigenous Peoples

14. The Borrower shall ensure, and shall cause the Project Executing Agencies and the Project Implementing Agencies to ensure, that the Project does not have any indigenous peoples impacts, all within the meaning of the Safeguard Policy Statement. In the event that the Project does have any such impact, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

15. The Borrower shall and shall cause the Project Executing Agencies and the Project Implementing Agencies to make available necessary budgetary and human resources to fully implement the EMPs and the RPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

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

(a) comply with the measures relevant to the contractor set forth in the IEEs, the EMPs, and the RPs (to the extent they concern impacts on the respective affected people under the Environmental Safeguards and the Involuntary Resettlement Safeguards during construction), and any corrective or preventative actions set forth (i) in a Safeguards Monitoring Report; or (ii) which are subsequently agreed between ADB and each Project Executing Agency (on behalf of itself and the Borrower);

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

(c) provide the Borrower, the Project Executing Agencies, and ADB 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 IEEs, the EMPs and the RPs;

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

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

Safeguards Monitoring and Reporting

17. The Borrower shall cause the relevant Project Executing Agency to:

(a) submit Safeguards Monitoring Reports to ADB

(i) in respect of implementation of and compliance with Environmental Safeguards and the EMPs, semi-annually during the construction and the implementation of the Project and the EMPs, and thereafter annually during operation, until the issuance of ADB's Project completion report unless a longer period is agreed in the EMPs; and

(ii) in respect of implementation of and compliance with Involuntary Resettlement Safeguards and of the RPs, semi-annually during the implementation of the Project, and the RPs until the issuance of ADB's Project completion report unless a longer period is agreed in the RPs;

and disclose relevant information from such reports to the respective affected people under the Environmental Safeguards, and the Involuntary Resettlement Safeguards 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 IEEs, the EMPs, and the RPs, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;

(c) no later than commencement of land acquisition and resettlement activities, engage qualified and experienced external expert(s) or qualified NGO(s) under a selection process and terms of reference acceptable to ADB, to verify information produced through the Project monitoring process, and facilitate the carrying out of any monitoring activities by such external expert(s) or qualified NGO(s); and

(d) report any actual or potential breach of compliance with the measures and requirements set forth in the EMPs and the RPs promptly after becoming aware of the breach.

Schedule 5

Prohibited List of Investments

18. The Borrower shall 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 Safeguard Policy Statement.

Grievance Redress Mechanism

19. The Borrower shall ensure that separate safeguards grievance redress mechanisms acceptable to ADB are established in accordance with the provisions of the IEEs and the RPs at the PMUs and within the timeframes specified in the relevant IEEs and the RPs to consider safeguards complaints.

20. The Borrower shall further ensure that within three months of the Effective Date, a grievance redress mechanism, acceptable to ADB, is established and a task force is functioning effectively to review and document eligible complaints of Project stakeholders related to the Project, any of the service providers, any person responsible for carrying out the Project, complaints on misuse of funds and other irregularities as well as gender issues. The grievance redress mechanism and the task force shall (a) proactively address grievances; (b) provide the complainants with notice of the chosen mechanism/action; and (c) prepare periodic reports to summarize (i) the number of complaints received and resolved; (ii) chosen actions; and (iii) final outcomes of the grievances and make these reports available to ADB upon request.

Gender and Development

21. The Borrower shall cause the Project Executing Agencies to appoint and put into place a gender focal point at each PMU.

22. The Borrower shall and shall cause the Project Executing Agencies to ensure that (a) the GAP is implemented in accordance with its terms, and monitored and reported to ADB semi-annually, and progress in achieving the GAP targets is reflected in the Project progress reports and the Project completion report; (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 the implementation of the GAP; and (d) key gender output targets are monitored regularly and achieved, including, but not limited to: (i) at least 50% participants in consultations when designing Lai Nghi conjunctive use scheme are female; (ii) Viet Nam Women's Union establishes and manages a revolving fund to support connection costs of poor households in Dong Hoi (wastewater); (iii) 30% of the PMUs' staff in project supported capacity development training are female; and (iv) monitoring and evaluation data and reporting is disaggregated by sex in project management and information system.

Health Risks

23. In coordination with the local health bureaus, the Borrower shall cause the Project Executing Agencies and the Project Implementing Agencies to ensure that: (a) training for construction workers and local communities on HIV/AIDS prevention and control methods is carried out; (b) the Works contractors disseminate information and conduct awareness training on the risks and prevention measures of HIV/AIDS and other

communicable diseases to their employees, temporary laborers and family members, and subcontractors during Project implementation; (c) measures to prevent other communicable diseases are implemented, within the construction sites, as specified in the IEEs; and (d) the requirements of sub-clauses (b) and (c) are included in the Works contracts, monitored and reported quarterly to ADB.

Labor Standards

24. The Borrower shall, and shall cause the Project Executing Agencies and the Project Implementing Agencies to ensure that the construction contractors: (a) provide timely payment of wages and safe working conditions to all workers; (b) pay equal wages to female and male employees for equivalent labor; (c) provide safe and healthy working conditions for both male and female workers; (d) do not employ child labor as required by the relevant laws and regulations of the Borrower; (e) maximize the employment of local people, particularly women and ethnic minorities, who meet the job and efficiency requirements for Project construction, operation and maintenance; and (f) provide such workers with adequate on-the-job training and safety training.

Governance and Anticorruption

25. The Borrower, the Project Executing Agencies and the Project Implementing Agencies shall 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 practices relating to the Project; and (b) to cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

26. The Borrower, the Project Executing Agencies and the Project 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 Project Executing Agencies and the Project Implementing Agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.