FRAMEWORK FINANCING AGREEMENT

(Water Sector Investment Program)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 5 MAY 2011

FRAMEWORK FINANCING AGREEMENT

(Viet Nam Water Sector Investment Program[1]
Multitranche Financing Facility)

Parties

This Framework Financing Agreement (FFA) dated 5 May 2011 is made between Socialist Republic of Viet Nam (Viet Nam), and Asian Development Bank (ADB).

MFF Investment Program

Viet Nam is committed to and will implement the Viet Nam Water Sector Investment Program (VWSIP), which is an integral part of the investment program in water supply called for in the Government of Viet Nam's Draft Socioeconomic Development Plan (SEDP) 2011-2015, Decree 117/2007/ND-CP on water supply, Decision 1929/2009/QD-TTg on Orientation Plan for Urban Water Supply to 2025 with vision to 2050 (or latest Orientation Plan), and Decision 2147/2010/QD-TTg on National Unaccounted-for Water, Non-Revenue Water Program. The Orientation Plan targets coverage of households with piped water supply from 59% to 90% in urban areas by 2020 with nonrevenue water (NRW) of 18% from the current average of 30%. Both the VWSIP and the Investment Program are described in Schedule 1 hereto.

The total amount from ADB of the VWSIP over the period 2010 to 2020 is expected to be $1.00 billion equivalent. The total cost of the Investment Program over the period of 2010 - 2020 for Viet Nam water sector is expected to be in excess of $ 2,780 Million equivalent, including $2,000 Million just for Ho Chi Minh City between 2010 and 2020.

Multitranche Financing Facility

The Multitranche Financing Facility (the Facility) is intended to finance projects under the VWSIP provided that such projects comply with the criteria set out in Schedule 4 hereto and that understandings set out in this FFA are complied with.

These projects may include the following components: (i) construction, improvement, upgrading and rehabilitation of water pipeline networks to increase coverage, increase water conservation, reduce non-revenue water and introduce climate change mitigation measures; and (ii) institutional reform programs to improve the efficiency of water service delivery, including in financial management and revenue mobilization, asset management, operation and maintenance, disaster management and public private partnership development.

This FFA does not constitute a legal obligation on the part of ADB to commit any financing. At its sole discretion, exercised reasonably, ADB has the right to deny any financing request make by Viet Nam, cancel the

[1] Referred to in Vietnamese language as the Viet Nam Water Sector Development Program.

uncommitted portion of the Facility, and withdraw Viet Nam's right to request any financing tranche under the Facility. Financing tranches may be made available by ADB provided matters continue to be in accordance with the general understandings and expectations on which the Facility is based and which are laid out in this FFA.

This FFA does not constitute a legal obligation on the part of Viet Nam to request any financing. Viet Nam has the right not to request any financing under the Facility. Viet Nam also has the right at any time to cancel any uncommitted portion of the Facility.

Viet Nam and ADB may exercise their respective rights to cancel the Facility or any uncommitted portion thereof, and ADB may exercise its right to refuse a financing request, by giving written notice to such effect to the other party. The written notice will provide an explanation for the cancellation or refusal and, in the case of a cancellation, specify the date on which the cancellation takes effect.

Financing Plan

The Financing Plan for the VWSIP is summarized below:

Financing Source	Total ($ million)	Share (%) of Total
Asian Development Bank	1,000.00	100
Other sources of financing (under negotiation)		
Subtotal (VWSIP)	**1,000.00**	**100**
Other sources of financing – from official development agencies, internal resources, commercial sources and the private sector	**1,782**	**64**
Total (Investment Program)	**2,782.00**	**100**

Source: ADB Project Team

Financing Terms

ADB will provide loans to finance projects under the Investment Program, as and when the latter are ready for financing, provided Viet Nam is in compliance with the understandings hereunder, and the projects are in line with those same understandings. Each loan will constitute a tranche.

Each tranche may be financed under terms different from the financing terms of previous or subsequent tranches. The choice of financing terms will depend on the project, capital market conditions, and ADB's financing policies, all prevailing on the date of signing the legal agreement for such tranche.

Tranches may be provided in sequence or simultaneously, and some overlap in time with each other.

The maximum size of any one tranche is $500 million and the minimum is $10 million.

Commitment charges or guarantee fees are not payable on the Facility. They are payable only on financing actually committed by ADB as a loan or guarantee. ADB rules on commitment charges and guarantee fees which are in effect when the legal agreements are signed for a tranche will apply with respect to such tranche.

Amount
The maximum financing amount available under the Facility is $1.00 billion. It will be provided in individual tranches from ADB's ordinary capital resources[2].

Availability Period
The last date on which any disbursement under any tranche may be made will be 31st Dec 2020. The last financing tranche is expected to be executed no later than 31st Dec 2019.

Terms and Conditions
Viet Nam will cause the proceeds of each tranche to be applied to the financing of expenditures of the Investment Program, in accordance with the conditions set forth in this FFA and the legal agreements for each tranche. The loan proceeds under the Facility will be used to finance subprojects under the VWSIP, for which eligibility and approval criteria are set out in Schedule 4 to this FFA.

Execution

The Coordinating Agency (CA) for this Facility will be the Ministry of Planning and Investment (MPI). The CA will coordinate the implementation of the Investment Program in accordance with the principles set forth in Schedule 1 and the selection criteria set forth in Schedule 4 to this Agreement, and as supplemented in the legal agreements for each tranche.

Periodic Financing Requests

Viet Nam may request, and ADB may agree to provide, loans under the Facility to finance the Investment Program and its related projects upon the submission of a Periodic Financing Request (PFR). Each PFR will be confirmed by the water utilities that will be the final recipient/s of the proceeds and submitted by Viet Nam. Viet Nam will make available to the relevant water utility/ies the proceeds of the tranche in accordance with the related PFR and the legal agreements for the tranche through a subsidiary loan agreement on terms and conditions consistent with legislation and acceptable to ADB.

Each individual PFR will be for an amount of no less than $10 million or its

[2] The provisions of the Ordinary Operations Loan Regulations applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1st July 2001, will apply to each loan, subject to modifications, if any, that may be included in the Loan Agreement (said Ordinary Operations Loan Regulations as so modified being hereinafter called the Loan Regulations).

equivalent. ADB will review the PFR and, if found satisfactory, prepare the related legal agreements.

The subprojects for which financing is requested under the PFR will be subject to the selection criteria set out in Schedule 4 hereto, satisfactory due diligence and preparation of relevant safeguard and fiduciary frameworks and other documents.

Until notice is otherwise given by Viet Nam, State Bank of Viet Nam will be Viet Nam's authorized representative for purpose of executing PFRs.

General Implementation Framework

The Facility will be implemented in accordance with the general framework set out in Schedule 3 hereto.

Procedures

Tranches to be provided under the Facility will be subject to the following procedures and undertakings:

a) Viet Nam will have notified ADB of a forthcoming PFR in advance of the submission of the PFR.
b) Viet Nam will have submitted a PFR in the format agreed with ADB.
c) ADB may, in its sole discretion, decline to authorize the negotiation and execution of any legal agreement for a tranche.
d) If ADB confirms acceptance of the PFR, the legal agreements will be negotiated and executed by the parties.

PFR Information

The PFR will substantially be in the form attached hereto, and will contain the following details:

a) Loan amount;
b) Description of the subprojects to be financed;
c) Cost estimates and financing plan;
d) Implementation arrangements specific to the subprojects
e) Confirmation of the continuing validity of and adherence to the understanding in this Agreement;
f) Confirmation of compliance with the provisions under previous Loan Agreement(s) and Project Agreement(s), as appropriate; and
g) Other information as may be required under the Facility Administration Manual, or reasonably requested by ADB.

Safeguards

Attached as Schedule 5 are references to the Safeguard Frameworks that will be complied with during the implementation of the Facility.

ADB's Safeguard Policies in effect as of the date of signing of legal agreements for a tranche will be applied with respect to the subprojects financed under such financing tranche.

Procurement

All goods and services to be financed under the Facility will be procured in accordance with ADB's *Procurement Guidelines* (2010, as amended from time to time).

Consulting

All consulting services to be financed under the Facility will be procured in

Services	accordance with ADB's *Procurement Guidelines on the Use of Consultants* (2010, as amended from time to time).
Advance Contracting; Retroactive Financing	Under each tranche, ADB may, subject to its policies and procedures, allow on request (a) advance contracting and (b) retroactive financing of up to 10% of the proposed individual loan for eligible expenditures, incurred prior to loan effectiveness but not earlier than 12 months before the date of signing of the related legal agreement. Viet Nam acknowledges that any approval of advance contracting and/or retroactive financing will not constitute a commitment by ADB to finance the related project.
Disbursements	Disbursements will be made in accordance with ADB's Loan Disbursement Handbook (2007, as amended from time to time)
Monitoring, Evaluation, and Reporting Arrangements	Within 12 months of the signing of this FFA, the CA in consultation with ADB will establish a Program Performance Monitoring System (PPMS) for the VWSIP which will define key performance indicators to monitor and evaluate the financial and operational performance of water companies re-borrowing for the subprojects financed by the Facility. These indicators shall support the implementation of the current legislation and include the following: a) Financial Performance: (i) Self Financing Ratio (SFR) set at 20% would require revenues to take in full cost recovery (sufficient to cover operation and maintenance costs prior to depreciation, increases in working capital, and debt service) plus a minimum 20% of average capital expenditure over a 3-year period (previous year, current year and next year); (ii) Debt Service Ratio (DSR) of 1.20 to allow the company to cover its debt service and would indicate the possibility of taking on additional debt for future capital expenditures.; (iii) Provision for maintenance: Water companies with poor record on maintenance would be requested to increase their maintenance budget by 10-20% per annum over the duration of the project. b) Operational Efficiency (2020): (i) NRW reduced to 18% or 1% per annum from baseline; (ii) Coverage by piped water supply of 90% in urban areas. Within 6 months of the effectiveness date of the loan agreement for each loan under the Facility, the PMU of the respective subproject executing agency will establish a PPMS for the subproject acceptable to ADB. The PMU will establish baseline data for each of the selected indicators and will conduct annual surveys and update ADB on the progress against each indicator according to the reporting requirements of each legal agreement. The CA will: (i) collect and consolidate from the PMUs all Project progress reports, site reports, technical and financial reports and submit them to ADB; (ii) consolidate and submit bi-annual progress reports, a midterm Project evaluation report and an overall Project completion report prepared by the consultants and the PMUs; and (iii) submit other reports as may be reasonably requested by ADB.

Schedule 2 hereto contains the Design and Monitoring Framework for the Facility against which the implementation effectiveness will be evaluated.

Undertakings Attached as Schedule 6 are the undertakings provided by Viet Nam.

SOCIALIST REPUBLIC OF VIET NAM

By_____
Nguyen Van Giau
Governor
State Bank of Viet Nam

ASIAN DEVELOPMENT BANK

By_____
Haruhiko Kuroda
President

Attachments:

SCHEDULE 1:	MFF CONSTITUENTS
SCHEDULE 2:	DESIGN AND MONITORING FRAMEWORK FOR THE FACILITY
SCHEDULE 3:	IMPLEMENTATION FRAMEWORK
SCHEDULE 4:	SELECTION CRITERIA AND APPROVAL PROCESS FOR SUBPROJECTS
SCHEDULE 5:	SOCIAL DIMENSIONS AND SAFEGUARD REQUIREMENTS
SCHEDULE 6:	UNDERTAKINGS

SCHEDULE 1

MFF CONSTITUENTS

A. Road Map

1. The proposed project objective of the MFF is to support the Socialist Government of Vietnam Social Economic Development Plans (SEDPs) for both 2005/2010 and 2011/2015. Under these SEDPs, it aims to, among other things: i) develop urban centers as economic growth centers; ii) modernize technical and social infrastructure to attract investment and improve the standard of living while reducing gaps in economic development; and iii) reduce the disparity in the standard of living between urban and rural areas.

2. Specifically, one of key SEDP objectives is to ensure sustainable urban development, supporting the official Urban National Policy – "Orientation Master Plan for Urban Development 2020" which includes provision for basic urban services. It includes definite target for coverage of 98% for urban water supply under the new "Orientation Plan for Urban and Industrial Water Supply to 2025" – 1929/ND – TTg enacted on 20th Nov 2009 based on proposition through the Ministry of Construction requiring continuous water supply 24 hours per day; 90% coverage; reduction of Non Revenue Water (NRW) below 25%; water consumption up to 120 liters per capita and to prioritize water production from surface - all of which to be implemented by 2015. Policy for the reduction of Non-Revenue Water was recently strengthened with Decision 2147/2010/QD-TTg on National Unaccounted-for Water, Non-Revenue Water Program.

3. In tandem to these targets, ADB's Country Support Program for 2007-2010 aimed to ensure the delivery of sustainable investment reform and capacity building in Urban Water Services to support sustainable local economic development in cities. Investment lending will therefore be dedicated to cities and peri-urban areas in order to expand water services and encourage policy changes and institutional reforms at central and provincial level so as to enable sustainable development by making water companies financially viable through the enforcement of local regulation on full cost recovery and defining, measuring and benchmarking their performances through a set of performance indicators. Such reforms will also strengthen and indirectly enforce the requirements of Decree 117/2007/ND-CP for institutional reforms.

4. Ho Chi Minh City (HCMC) – as the first city to be targeted under the MFF – VWSIP (PFR 1), is Viet Nam's largest city, and the most important commercial and industrial center. Its 2009 population of 7.1 million is growing at about 1.1% per annum, and is likely to reach over 10 million by 2020. While Viet Nam's economy is growing at more than 8% per annum, HCMC is growing substantially faster, at around 11% per annum. This growth rate is placing very serious strains on the city's water supply system. Saigon Water Company (SAWACO) is responsible for the provision of water supply in HCMC. The water supply system consists of five major production plants with a total capacity of 1.34 million m^3 / day, 3,800 km of distribution network, with 734,000 connections, divided into six zones. About 1.2% of the population is supplied by small scale service providers.

5. HCMC is also one of the top ten cities in the world likely to experience early impacts of climate change, in particular due to sea level rise (SLR) projected at +13 centimetres (cm) in 2020, +33 cm in 2050 and +73 cm in 2100[3]. Raw water intakes will most probably have to be

[3] According to ADB/ JICA/ World Bank study titled "Ho Chi Minh City Adaptation to Climate Change" dated September 2009.

relocated further upstream because of saline intrusion. The Dong Nai River may first be affected by SLR. In addition, the water quality in the Sai Gon River is quickly deteriorating because of untreated wastewater discharges. Alternative new surface water sources from lakes are being studied.

6. The project to be funded under PFR 1 finances investments to address the most urgent constraints faced by SAWACO and will focus on: (i) increasing distribution capacity to benefit 528,645 new and existing households - including about 20,000 poor households with access to piped water supply for the first time; (ii) strengthening operational management through a comprehensive information and communication technology program; and (iii) supporting climate change action plan for SAWACO. The proposed project is based on the current approved Master Plan "Approving the Water Supply Planning for Three Key Northern, Central and Southern Economic Regions till 2020" under Prime Minister Decision 125/2008/QD-TTg and is in line with the draft Master Plan under preparation.

7. It is expected that when all these programs are in place, it will essentially attract private sector to collaborate with SAWACO in the form of investment, management and service contract or other operational support to its plants.

B. Strategic Context

8. The Social Economic Development Plan (SEDP) 2006/2010 and draft SEDP 2011/2015 aim to develop urban centers as economic growth centers in a comprehensive manner, modernize technical and social infrastructure to attract investment and improve living standards, while reducing gaps in economic development and reduce the disparity in living standards between urban and rural areas.

9. ADB's current Country Strategy and Program (CSP) for the period 2007-2010 is aligned with and supports implementation of the Government's SEDP 2005-2010 and draft SEDP 2011-2015. The CSP addresses infrastructure bottlenecks, social development, poverty reduction, and livelihood improvement. The CSP features a strong focus on addressing emerging bottlenecks to accelerate growth in private sector investment, including development of physical infrastructure, improvement of business enabling environment, and boosting human resource development.

10. The objectives of the Viet Nam's current Socioeconomic Development Plan (SEDP) 2006-2010 relevant to the water sector include: (i) provision of essential infrastructure, especially water supply and sanitation, to poor households in cities and towns across the country; (ii) improvement in socioeconomic development planning to include both country-wide and inter-region dimensions; (iii) integration of infrastructure plans into master plans and land-use plans; (iv) introduction of governance reforms to support devolved planning and implementation of infrastructure projects; (v) mobilization of resources for adequate Operation and Maintenance (O&M); and (vi) enhancement of cost recovery for infrastructure investments by setting and collecting appropriate tariffs and fees.

11. The MFF under the VWSIP therefore affords scope for programmatic, long-term approach to the development of basic water infrastructure - guided by clearly defined road maps for critical Operations and Institutional reforms. In addition, the MFF modality: (i) establishes the foundation for medium to long term partnership between the Viet Nam and ADB; (ii) combines interrelated physical and non-physical investments; (iii) allows for investments to be sequenced; and (iv) is supported by a sector road map and policy framework.

C. Policy Framework

12. The **policy and legal framework** for the sector is relatively strong, in particular with the issue of two key Decrees by Viet Nam - detailing a vision, targets and implementation measures under the following: (i) *Decree 117/2007/ND-CP* transforming the water from a social to a commercial commodity, requiring water supply tariffs to be set to full cost recovery with a reasonable profit; equitization of the water companies with the establishment of a service contract with the shareholders for accountability in the service delivery; and (ii) *Decree 88/2007/ND-CP* requiring wastewater to be charged through a surcharge of the water tariff, at a minimum of 10% in order to achieve cost recovery of the operation and maintenance costs, with subsidized capital investment.

13. Government targets for the water supply sector, as recorded in the Orientation Plan for urban water supply to 2025, are ambitious, in particular for NRW to be reduced to 25% by 2015, 18% by 2020 and 15% by 2025 from the current average of 40%.

14. **The Strategic Vision** of the Road Map is to improve the availability, quality, reliability, and sustainability of Water distribution services in urban and peri-urban areas as well as settlements surrounding their borders. The Road Map will comprehensively address the objectives of the following key strategic documents: (i) the ongoing Country Partnership Strategy (CPS); and (ii) the SEDPs for both 2005/2010 and 2011/2015.

15. The VWSIP will: i) increase distribution capacity to benefit new and existing households, including poor households with access to piped water supply for the first time; (ii) strengthen operational management through a comprehensive information and communication technology program; (iii) support climate change action plans; and (iv) reduce NRW.

16. **Main challenges and operating conditions.** The sector is faced with the following developmental challenges: (i) fiscal and financial constraints; (ii) limited ability to ensure infrastructure / asset creation on schedule based on limited construction capacity in the country; (iii) lack of skilled staff with joint stock companies to maintain and expand the water systems, (iv) need to progressively increase tariffs and overcome shortfall in operation and maintenance costs to achieve financial sustainability – full cost recovery; (v) limited ability to ensure environmental sustainability of investments; (vi) limited ability to develop staff capacity to plan, design and manage and maintain high quality services; and (vii) limited ability to institute good governance practices – management information systems, prudent financial management and accounting practices, human resource development – in service delivery. Overcoming the above challenges is contingent on the reform agenda adopted by the implementing agencies and their action plan to progressively improve the environmental, institutional and financial sustainability of the water services.

17. **Reform agenda.** The water sector's reform agenda will: (i) ensure service sustainability through institutional and managerial reforms; (ii) improve efficiencies in service delivery through strengthened management measures through the introduction of performance-based service contracts, (iii) improve system accountability through better information flow, decentralized systems and benchmarking costs and performance; and (iv) improve financial management through revenue enhancement measures, budget prioritization, and asset and liability management.

D. Investment Program

18. A set of sequenced reform actions and sector investments will bring about much needed improvements in service delivery. The proposed VWSIP supported by the MFF responds to these needs by adopting a medium to long-term approach to improving institutions, capacities and systems, and service delivery. The VWSIP will finance subprojects targeting: (i) institutional improvements for water service delivery; (ii) capacity building for better system planning, operations and maintenance; (iii) enhanced cost recovery through better metering, billing and collection tariffs; (iv) increased efficiency for timely processing of effective water projects; (v) asset management; and (vi) introducing a water performance benchmarking system. The VWSIP will also include management support program to help with the gender, safeguards and governance, legal, financial and administration matters; design works; and climate change.

19. The VWSIP will finance subprojects in the water supply sector in Viet Nam that meet with appraisal criteria. The proposed $1.00 billion Facility will be set up with $138 million allocated to SAWACO in PFR1.. Access to the VWSIP by future water utilities or companies will be subject to satisfactory appraisal of subprojects by both ADB and the relevant Viet Nam agencies. ADB funds are proposed to be made available over a 10 year period from 2010-2020 as the related sub-projects become ready for implementation.

20. The MFF modality is considered suitable for the Investment Program as it allows flexibility of actual costs of components enabling the various water companies to obtain and match funds from other sources such as the World Bank and other aid agencies. PFR 1 will be the first tranche to be implemented under the VWSIP and will cover priority subprojects identified by SAWACO. Further subprojects in HCMC may be identified after final design work.

21. Project 1 under PFR 1 will address the most urgent constraints faced by SAWACO and will focus on: (i) Increasing distribution capacity to benefit 528,645 new and existing households, including about 20,000 poor households with access to piped water supply for the first time; (ii) Strengthening operational management through a comprehensive information and communication technology program; (iii) Supporting a climate change action plan for SAWACO; and (iv) Reduction in NRW.

22. The project investment cost under PFR 1 is estimated at $154 million, including taxes and duties of $14.5 million. The total cost includes physical and price contingencies, and interest and other charges during implementation. (Table D.1)

Table D.1: Project Investment Plan: PFR 1 - SAWACO ($ Mil)

Item		Amounts
A. Base Cost[a]		
	1. Network 2,400 mm Pipeline	57.5
	2. Non Revenue Water Pipe Replacement and Extension	12.0
	3. Information Communication Technology	20.0
	4. Climate Change and Safeguards	2.4
	5. Consulting Services (Design / Supervision)	6.9
	6. Project Management	2.0
	7. Taxes and Duties	14.5
	Subtotal (A)	**115.3**
B. Contingencies [b]		**27.2**
C. Financing Charge During Development [c]		**11.5**
	Total (A+B+C)	**154.0**

[a] *Number may not sum precisely because of rounding*

[b] *Physical contingencies computed at 10% for civil works and goods of the base costs. Price contingencies on foreign exchange costs are computed at 1.0% for 2010, 0.0% for 2011, 0.3% for 2012, and 0.5% for 2013 and thereafter. Price contingencies on local costs are computed at 5.0% for 2010, and 6.0% for 2011 and thereafter.*

[c] *Includes interest and commitment charges. Interest during grace period has been computed at 2.99% based on the 5-year forward London Interbank Offered Rate plus a spread of 0.2%. Commitment charge is calculated at 0.15% on the undisbursed loan balance.*

Source: PPTA Consultant Estimates

E. Financing Plan

23. The financing plan under PFR 1 is provided in Table E.1 below. ADB will finance the first tranche utilizing OCR funds of $ 138 Million. This loan will have a term of 25 years, including a grace period of 5 years and an interest rate determined in accordance with ADB's LIBOR-based lending facility and a Commitment Charge of 0.15% on un-disbursed loan amount. Viet Nam counterpart funds of $16 Million will cover, among other things, taxes, duties, commitment charge in full and part of the safeguard costs. For subsequent PFRs, the financing plan will be subject to successful appraisal by both ADB and the relevant agencies of Viet Nam.

Table E.1: Financing Plan: PFR 1 ($ Million)

Source	Total	%
Asian Development Bank (OCR)	138.00	90
Viet Nam	16.00	10
Total	**154.00**	**100.00**

Source: ADB

SCHEDULE 2

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Sustainable provision of safe water in Viet Nam	Contribute to meet National targets Orientation Plan 2025: Coverage central water supply system from (2010): Urban 59% with NRW 30% To (2020): Urban 90%; with NRW 18% Increase of connections to 100% of identified FHH in the project area Provision of safe water by 2025 by the water companies financed under the investment program	PCR Annual water sector report Benchmarking surveys from Donors and MOC / VWSSA Annual Project Report, PCR PFR1 / MFF Water Quality Analysis Customer Satisfaction Surveys and ISO 24510 WHO Water safety plans	**Assumptions** • MFF implemented as designed **Risks** • Government's Policies not enforced
Outcome Efficiency of Vietnamese water supply companies improved	Meet target Decree 117/2007: - Increase tariff to meet full cost recovery by each PFR - Define within 1 year and monitor through the project implementation a series of up to 10 key performance indicators to improve operational efficiency - Water companies are equitized and operate in autonomous manner from local authorities as a condition of loan effectiveness. Achieve AIM and ISO Certification 9001, 14001, 18000, 24510 and 24512 and implement Continuous Improvement Process by 2020	Local authorities' decision on tariff increase Loan review mission report PCR Business Operation Plan Legal status of water companies AIM and ISO Certification	**Assumptions** • Creditworthiness of water companies • Management empowered to change and accountable **Risk** • Political interference prevents successful implementation and financial sustainability
Outputs 1. Increased coverage	Network extension to identified poor locations increases by 25% by 2020 from baseline data provided from each PFR with reporting on sex disaggregated data (100% of FHH are connected over	PCR, baseline data and sex disaggregated monitoring reports on number of connections.	**Assumptions** • Counterpart financing available and cost recovery mechanism endorsed for National NRW Program • Funding available for

	the project area)		CDTA
2. Improved business planning, asset and financial management	Roadmap for water tariff increase agreed in year 1 with gender and affordability considerations integrated.	Completion VIE: CDTA Water Supply Annual Project Report	**Risk** • Timely completion of works and maintain quality standards • Quick Implementation of land acquisition and resettlement
3. Effective NRW reduction	Expansion of National NRW Program to invest $500 M by 2020	Loan Review Report	
	Investment in pipe repair and pipe replacement (women constitute 33% of new recruits for operations and maintenance)	Annual Project Report	
	Target NRW 25% by 2015 and 18% by 2020 in water companies under the MFF (Baseline 30% with variation from 10 to 70%)	MOC reports	
	Implementation of decree 117/2007 to ensure lifeline tariff and free connections are provided to 100% of identified poor households and FHH over the project area)	PCR PCR	

Activities with Milestones

1. **Increased Coverage**
   - 1.1 Detailed Design and Supervision Contract issued in 2011
   - 1.2 Procurement for construction 10 km pipeline 2400 mm started in 2011 in HCMC
   - 1.3 Start pipe renewal and extension allocation

2. **Improved business planning, asset and financial management**
   - 2.1 Award Operation Management Contract to the Private Sector in 2011
   - 2.2 Procurement of ICT components (GIS, SCADA, MIS) in 2012
   - 2.3 Recruitment of consultant services by end of 2011
   - 2.4 Conduct gender and poverty analysis of households in the project areas vis-à-vis water supply/ access and affordability issues, in order to have baseline data

3. **Effective NRW reduction:**
   - 3.1 Pipeline (including meters/accessories) renewal and expansion started in 2012
   - 3.2 Information Communication Technology Contract completed by 2015
   - 3.3 Start National NRW Program (Phase 1) in 2011
   - 3.4 Complete National NRW Program (Phase 2) by 2020

Inputs

MFF: $1,000 M
- ADB: $1,000 M (OCR)
- Cofinancing (parallel): TBD

ADB = Asian Development Bank; AIM = Asset Inventory and Management; CDTA = Capacity Development Technical Assistance; = Female Headed Household; GIS = Geographic Information System; HCMC = Ho Chi Minh City; ISO = International Standards Organization; OMC = Operation Management Contract; MFF = Mutitranche Financing Facility; MIS = Management Information System; MOC = Ministry of Construction; MTR = Mid Term Review; NRW = Non-Revenue Water; OCR = Ordinary Capital Resources; PCR = Project Completion Report; PFR = Periodic Financing Request; SCADA = Supervisory Control And Data Acquisition; TBD = To Be Determined; VWSSA = Viet Nam Water Supply and Sewerage Association; WHO = World Health Organization
Source: ADB Project Team

SCHEDULE 3

GENERAL IMPLEMENTATION FRAMEWORK

A. Implementation Arrangements

1. Ministry of Planning and Investment (MPI) will be the Coordinating Agency (CA) for the MFF. It will be responsible for selecting subprojects for financing under the MFF and submitting the list to ADB at the Country Programming Mission and updates, if any, at the Country Programming Confirmation Mission. It will also be responsible for monitoring, evaluating and reporting to ADB on the implementation of the MFF in accordance with the agreed Project Performance Monitoring System for the MFF. ADB will provide grant assistance through its technical assistance program to assist the CA in coordinating the MFF.

2. The subproject EA (SEA) will be proposed by the relevant provincial or city government and endorsed by the CA and ADB.. The SEA will set up a Project Management Unit (PMU) within the company with the responsibility for planning and implementation of the subproject. The PMU will have responsibility to engage and direct the work of all consultants, manage and coordinate all the aspects of the project works with all the levels of Government, central and city level. The PMU will also have responsibility for overall management of the project including but not limited to: Consultant recruitment; procurement; land acquisition; monitoring of resettlement; stakeholder consultation; review and approval of detailed designs; review and approval of contract award; implementation of the physical works; quality assurance; monitoring of policy and regulations pertaining to the project; charting the progress of all operations, financial and institutional reforms committed under this Agreement; and managing and coordinating all the aspects of the project works and progress with all relevant authorities of Viet Nam.

B. Implementation Schedule

3. The VWSIP will be implemented over a 10-year period and the last disbursement is expected to be made by 31 December 2020. Implementation is proposed in up to eight tranches, with the last tranche to be approved no later than 31 December 2019.

C. Reporting and Review

4. Within 12 months of the signing of this FFA, the CA in consultation with ADB will establish a Program Performance Monitoring System (PPMS) for the VWSIP which will define key performance indicators to monitor and evaluate the financial and operational performance of water companies re-borrowing for the subprojects financed by the Facility. These indicators shall support the implementation of the current legislation and include the following:

a) Financial Performance: (i) Self Financing Ratio (SFR) set at 20% would require revenues to take in full cost recovery (sufficient to cover operation and maintenance costs prior to depreciation, increases in working capital, and debt service) plus a minimum 20% of average capital expenditure over a 3-year period (previous year, current year and next year); (ii) Debt Service Ratio (DSR) of 1.20 to allow the company to cover its debt service and would indicate the possibility of taking on additional debt for future capital expenditures; (iii) Provision for maintenance: Water companies with poor record on maintenance would be requested to increase their maintenance budget by 10-20% per annum over the duration of the project.

b) Operational Efficiency (2020): (i) NRW reduced to 18%; (ii) Coverage by piped water supply of 90% in urban areas.

5. Within 6 months of the effectiveness date of the loan agreement for each loan under the Facility, the PMU of the respective subproject executing agency will establish a PPMS for the subproject acceptable to ADB. The PMU will establish baseline data for each of the selected indicators and will conduct annual surveys and update ADB on the progress against each indicator according to the reporting requirements of each legal agreement.

6. The CA will: (i) collect and consolidate from the PMUs all Project progress reports, site reports, technical and financial reports and submit them to ADB; (ii) consolidate and submit bi-annual progress reports, a midterm Project evaluation report and an overall Project completion report prepared by the consultants and the PMUs; and (iii) submit other reports as may be reasonably requested by ADB.

7. Progress reports on the Project will be prepared by the supervision consultants twice a year, reviewed by the PMUs, and submitted by the PMU to the CA for consolidation before submitting to ADB. Progress reports will include a description of the physical progress, status of implementation of Resettlement Plan, status of work, procurement and contractual status, and highlights of any implementation issues. The progress reports will also contain a summary of project accounts, including details of the latest project expenditures and contract amounts. These reports will include an evaluation of progress in implementing the Project. Within 6 months of physical completion of the Project, the PMUs will furnish to the CA for consolidation prior to sending to ADB a project completion report covering details of project implementation, costs, and an evaluation of the Project's success in meeting performance targets.

8. Within 6 months of the close of the each year, the PMUs under each Tranche of the MFF will submit for consolidation by the EA audited annual project accounts, which provide a detailed description of the source of funds and expenditures made, and audited annual consolidated financial statements of the water company to ADB. The annual audit will include an audit opinion on the imprest account and statement of expenditures procedure operations, and whether the financial undertakings and loan covenants as stipulated in this FFA and the Loan and Project Agreements have been met based on its consolidated financial statements.

9. After review of the bi-annual progress reports, ADB will field review missions as required to discuss with the CA the progress of the subprojects under each loan, any changes in the implementation arrangements, or remedial measures that are needed to achieve the overall objectives of specific subprojects and of the overall VWSIP. Relevant PMUs will participate in the review missions.

10. In addition to regular reviews, including a midterm review for each loan, a detailed midterm review of the VWSIP will be done by the CA and ADB 3 years after the effectiveness of the loan for the first tranche. The midterm review for each loan will be done in accordance with the implementation period of each loan. Such midterm reviews will evaluate in detail the project activities, implementation arrangements, any outstanding issues, environment and resettlement as well as other safeguard issues, achievement of scheduled targets, contract management progress, and other issues, as appropriate.

SCHEDULE 4

SELECTION CRITERIA AND APPROVAL PROCESS FOR PROJECTS

A. Selection Criteria

1. The MFF is supporting the legal and institutional framework for the Viet Nam Water Sector, especially: Decree 117/2007/ND-CP on water supply (or any subsequent legislation),,Decision 1929/2009/QD-TTg on Orientation Plan for Urban Water Supply to 2025 with vision to 2050 (or latest Orientation Plan), and Decision 2147/TTg-QD on National Unaccounted-for Water, Non-Revenue Water Program to 2025 dated 21 Nov. 2010. As such, any water companies committed to the institutional reforms promoted under those two legislations will be entitled to request financing under any tranche of the MFF.

2. The key selection criteria would be a commitment from each water company and local authorities to implement during the project: (i) a road map for water tariff increase to full cost recovery and reasonable profit, with phasing out of targeted subsidies and debt service through tariff; (ii) a road map to reduce NRW; (iii) a road map to universal coverage and safe water delivery; (iv) Benchmarking and Continuous Improvement Progress, including ISO certification, customer service monitoring; (v) Service contract and annual business plan to the shareholders and communicated to the users; (vi) Equitization of the water company; (vii) availability of counterpart funding, as per ADB / GOV requirement, currently 10%; (viii) Feasibility Study Report (FSR) prepared under prevailing legislation, appraised by ADB and approved by the relevant government authorities, including a Draft Project Administration Manual; and (ix) Social and Safeguards documents developed in accordance with the MFF Social and Safeguards Frameworks and approved with the FSR, including an Environmental and Social Management System, Environmental Management Plan (with Initial Environmental Examination or Environmental Impact Assessment), Resettlement Plan and Ethnic Minority Development Plan (if required) and Gender Action Plan.

3. Some water companies have ongoing project preparation with other resources, but do not have enough funds to finance the project. These projects may be financed by the MFF provided that they are satisfactory to MPI and ADB. ADB strongly encourages cofinancing with the development partners and supports private sector development in the water sector in its most appropriate form for any particular project.

B. Approval Procedures

4. To access financing in any or several of the upcoming tranches of the MFF, local authorities and water companies will prepare projects and produce a FSR in accordance with relevant Vietnamese legislation and ADB requirements. ADB will monitor the project preparation and appraise the FSR. Local authorities and water companies that have been successfully appraised will submit a Project Detailed Outline.

SCHEDULE 6

UNDERTAKINGS

Viet Nam undertakes that it will:

1. Remain committed to the implementation of the SEDP and Orientation Plan as related to the water sector and will monitor and enforce implementation of key legislation in the water sector;

2. Ensure that the entire proceeds of the loans from the Facility will be made available to the relevant water companies under the appropriate on-lending arrangement; and ensure that the water companies utilize the proceeds of the loans for the purposes agreed to with ADB in the relevant legal agreement;

3. Ensure that all projects financed under the Facility are developed, implemented and maintained in accordance with the safeguards requirements set out in Schedule 5 to this FFA and its referenced safeguards documents;

4. Ensure that water companies receiving financing under the Facility operate on full cost recovery with matching water tariff revenues;

5. Acknowledge that ADB, consistent with its commitment to good governance, accountability, and transparency, reserves the right to investigate directly, or through its agents, any possible corrupt, fraudulent, collusive, or coercive practices relating to the VWSIP. To support these efforts, Viet Nam will ensure that the EAs include in the bidding documents and in all contracts financed by ADB in connection with the investment program: (a) provisions specifying the right of ADB to audit and examine the records and accounts of the EAs and all contractors, suppliers, consultants, and other service providers as they relate to the VWSIP; (b) periodic inspections of the contractor's activities related to fund withdrawals and settlements are carried out by the PMU; and (c) the auditors engaged by the PMUs have the right to conduct random or spot audits of contract implementation activities under the subprojects.

6. Ensure that civil works contracts under the VWSIP will follow all applicable labor laws and regulations, that civil works contractors (a) employ, to the extent possible, women and local people, including disadvantaged people, living in the vicinity of the relevant subproject; (b) provide equal pay to men and women for work of equal type; (c) provide safe working conditions for male and female workers; (d) do not employ child labor; and (e) carry out HIV/AIDS awareness programs for laborers and disseminate information at worksites on risks of sexually transmitted diseases and HIV/AIDS for construction workers; and that the above will be monitored and breaches result in termination of contracts; and

7. Ensure that a gender action plan will be prepared for each project.

SCHEDULE 5

SOCIAL DIMENSIONS AND SAFEGUARD REQUIREMENTS

1. Viet Nam will ensure that all the requirements prescribed in this Schedule, and the following social and safeguard frameworks and plans that have been prepared with respect to the Facility and the first tranche and of which ADB has been provided full copies, and which are deemed incorporated herein by reference, are complied with during the processing and implementation of the subprojects under the Facility.

For the Facility:

i) Environmental assessment and review framework dated 1 October 2010
ii) Resettlement framework dated 1 October 2010
iii) Indigenous peoples development framework dated 1 October 2010

For the first tranche:

iv) Initial Environmental Examination (including Environmental Management Plan) dated September 2010, Resettlement Framework dated 31 October 2009 and Draft Resettlement Plan dated October 2010
v) Gender action plan dated December 2010

2. The frameworks cover the Facility-specific information and requirements in accordance with ADB's safeguard policies: (i) the general anticipated impacts of the components or projects likely to be financed under the MFF on the environment, involuntary resettlement, and indigenous peoples; (ii) the requirements and procedure that will be followed for screening and categorization, impact assessments, development of management plans, public consultation and information disclosure (including the 120-day disclosure rule, if required), and monitoring and reporting; and (iii) the institutional arrangements (including budget and capacity requirements) and Vietnam's and ADB's responsibilities and authorities for the preparation, review and clearance of safeguard documents.

3. Prior to the preparation of each PFR, the applicability and relevance of each safeguard framework for environmental assessment, involuntary resettlement, and indigenous people will be reviewed by the concerned agency/ies and updated to ensure relevance and consistency with applicable country legal frameworks and ADB's safeguard policies, as amended from time to time.

4. In all cases, for each new PFR preparation, the concerned agency/ies will review ongoing projects to check on the status of compliance with the social and safeguard plans and frameworks, and submit the review reports to ADB, together with other required safeguard documents relevant to the subprojects included in the tranches being processed. If any major noncompliance is discovered in the course of the review of ongoing projects, a corrective action plan will be prepared and submitted to ADB.

FORM OF PERIODIC FINANCING REQUEST

Date : 26 May 2011

To : Asian Development Bank
6 ADB Avenue
Mandaluyong City, Metro Manila

ATTENTION : Director General, South East Asia Department
Fax No. 63 2 636-2232

Dear Director General:

Vietnam Water Sector Investment Program
- Periodic Financing Request (PFR) # 1

Please refer to the Framework Financing Agreement (FFA) for Vietnam Water Sector Investment Program dated 5 May 2011 between Asian Development Bank (ADB) and the Socialist Republic of Viet Nam (Viet Nam). Expressions defined in the FFA shall have the same meanings herein.

Pursuant to the provisions of the FFA, Viet Nam requests ADB to process this PFR for a tranche, in the form of a loan from its Ordinary Capital Resources. The proposed financing amounts, terms, conditions, and financing plan are specified in Attachment A hereto. Descriptions of the project for which financing is hereby requested are set out in Annexes 1 to 5 of Attachment A hereto.

By:

Nguyen Van Giau
Governor, State Bank of Viet Nam

Attachments:

Attachment A: Financing Amount; Terms; Conditions; and Financing Plan

Annex 1: Design and Monitoring Framework

Annex 2: Detailed Cost Estimate

Annex 3: Financing Plan

Annex 4: Procurement Plan

Annex 5: Outline Terms of Reference for Consultants

Annex 6: Summary feasibility studies, engineering designs and economic and financial assessments

Annex 7: Safeguards documents

Table 1A: Project Investment Plan (PFR1 Ho Chi Minh City)
($ million)

Item		Amounts
A. Base Cost[a]		
	1. Network 2,400 mm Pipeline	57.5
	2. Non Revenue Water Pipe Replacement and Extension	12.0
	3. Information Communication Technology	20.0
	4. Climate Change and Safeguards	2.4
	5. Consulting Services (Design / Supervision)	6.9
	6. Project Management	2.0
	7. Taxes and Duties	14.5
	Subtotal (A)	**115.3**
B. Contingencies		**27.2**
C. Financing Charge During Development		**11.5**
	Total (A+B+C)	**154.0**

[a] In mid-2010 prices; number may not sum precisely because of rounding
Source: PPTA Consultant

Table 1B: Project Financing Plan (PFR 1)
($ Million)

Source	Total	%
Asian Development Bank (OCR)	138.00	90
Viet Nam	16.00	10
Total	**154.00**	**100.00**

Source: ADB

Loan Amount and Terms

The request is for a loan of $138 million from the Ordinary Capital Resources of the Asian Development Bank (ADB), provided under ADB's London interbank offered rate (LIBOR) – based lending facility, with a 25-year term including a grace period of 5 years; an interest rate determined in accordance with ADB's LIBOR-based lending facility; and such other terms and conditions as agreed in the FFA, and further supplemented under the loan and project agreements for PFR 1.

Period of Loan Utilization

The project is expected to be completed by 31 December 2015. No disbursements from the loan account will be requested or made later than 30 June 2016.

Advance contracting

Advance contracting is requested for works, goods and consulting services.

Annex 1: Design and Monitoring Framework

Project Title	MULTITRANCHE FINANCING FACILITY: VIET NAM WATER SECTOR INVESTMENT PROGRAM PERIODIC FINANCING REQUIREMENT 1

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Sustainable provision of safe water in Ho Chi Minh City	Meet targets Orientation Plan 2025: HCMC Coverage central water supply system from 82 to 90% (2020) and 95% (2025) with NRW reduction from 40% to 32% (2015) and 25% (2025). Improved service delivery and coverage for 480,000 HH in HCMC Poor HH: First time 13,000 and own connection 6,500 access to pipe water in HCMC Increase of connections to FHH by 25% by 2015 and 50% by 2020 Drinking water quality by 2020	PCR PFR1 Annual water sector report Benchmarking surveys from Donors and MOC / VWSSA PCR PFR1 PCR PFR1 PCR MFF/PFR1 Water Quality Analysis Customer Satisfaction Surveys and ISO 24510	**Assumptions** • MFF implemented as designed **Risks** • Government's Policies not enforced
Outcome Efficiency of SAWACO improved	Meet target Decree 117/2007: - Increase tariff every year by 10% until 2013 - Increase tariff to meet full cost recovery after 2013 - Define within 1 year and monitor through the project implementation a series of up to 10 key performance indicators to improve operational efficiency - SAWACO is equitized and operates in autonomous manner from local authorities as a condition of loan effectiveness. Achieve AIM and ISO Certification 9001, 14001, 18000, 24510 and 24512 and implement Continuous Improvement Process by 2020	Local authorities' decision on tariff increase MTR - Loan review mission PCR Business Operation Plan Legal status of water companies AIM and ISO Certification	**Assumptions** • Creditworthiness of water companies • Management empowered to change and accountable **Risk** • Political interference prevents successful implementation and financial sustainability
Outputs 1. Increased coverage	Network extension to identified poor locations	PCR	**Assumptions** • Counterpart financing available and cost recovery mechanism

Annexes 2 and 3: Detailed Cost Estimate and Financing Plan

HCMC - Water Supply Improvements Project

Detailed Cost Estimate by Expenditure Category	VND billion			US$ Million			%	%
A. Investment Costs	Foreign	Local	Total	Foreign	Local	Total	Base Cost	Total Cost
Civil Works 1	725	311	1,035	40.3	17.3	57.5	49.9%	37.3%
Civil Works 2		108	108		6.0	6.0	5.2%	3.9%
Equipment[b]	270	198	468	15.0	11.0	26.0	22.6%	16.9%
Safeguards	23	11	34	1.3	0.6	1.9	1.6%	1.2%
Project Management[c]	72	97	169	4.0	5.4	9.4	8.1%	6.1%
Taxes and Duties	0	261	261	0.0	14.5	14.5	12.6%	9.4%
Sub-Total Base Cost	**1,090**	**986**	**2,076**	**60.6**	**54.7**	**115.3**	100.0%	74.8%
B. Contingencies								
Physical Contingency[d]	149	99	247	8.3	5.5	13.8	11.9%	8.9%
Price Contingency[e]	29	214	243	1.6	11.9	13.5	11.7%	8.8%
Sub-TotalContingencies	**177**	**313**	**490**	**9.9**	**17.4**	**27.25**	23.6%	17.7%
C. Financing Charges								
Interest During Construction	180	18	198	10.0	1.0	11.0	9.5%	7.1%
Commitment Fee	9	0	9	0.0	0.5	0.5	0.4%	0.3%
Front End Fee	0	0	0	0.0	0.0	0.0	0.0%	0.0%
Sub-Total Financing Charges	**189**	**18**	**207**	**10.0**	**1.5**	**11.5**	10.0%	7.5%
Total Costs	**1,456**	**1,316**	**2,773**	**80.4**	**73.6**	**154**	133.6%	100.0%
% of total costs	53%	48%	100%	52%	48%	100%		

FINANCING PLAN	Per cent			US$ million		
	FX	LC	Total	FX	LC	Total
ADB Loan	100%	78%	90%	80.4	57.6	138.0
GOV/SAWACO - Equity	0%	22%	10%	0.0	16	16
Total	**100%**	**100%**	**100%**	**80.4**	**73.6**	**154**

PROCUREMENT PLAN

A. General

Project Information	Viet Nam Water Sector Investment Program (MFF)
Country	Viet Nam
Name of Borrower	Socialist Republic of Viet Nam
Project Name	PFR1: Ho Chi Minh City
Loan Reference	
Date of Effectiveness	
Amount $	154
Of which committed $	138
Executing Agency	Saigon Water Corporation
Approval Date of Original Procurement Plan	

B. Procurement Thresholds, Goods and Related Services, Works and Supply and Install

Procurement Method	**To be used (Value $)**
International Competitive Bidding Works	Above $3,000,000
International Competitive Bidding Goods	Above $500,000
National Competitive Bidding Works	Below $3,000,000
National Competitive Bidding Goods	Below $500,000
Limited International Bidding	Below $500,000
Shopping Works / Goods	Below $100,000
Force Account	Below $200,000

C. Procurement Thresholds, Consultant Services

Procurement Method - Firms	**To be used (Value $)**
Quality and Cost Based Selection	Above $200,000
Least-Cost Selection	Below $200,000
Other selection methods: Consultants Qualifications (CQS), Fixed Budget (FBS) and Single Source (SSS)	
Procurement Method - Individual Consultant	**To be used (Value $)**
Individual Consultant	N/A

List of Contract Packages for Goods, Works and Consulting Services

Table 1: Procurement Packages

Contract Package	Content	Estimated Base Costs w/o taxes		Procurement Method	Review by Bank	Estimated Duration (months)	Type
		D Million	$ Million				
	A Component 1: Network 2400 mm Pipeline						
CW1	2400 mm Treated Water Pipeline Thu Duc	527,400	29.30	ICB	Prior	24	Works
CW2	2400 mm Treated Water Pipeline River Crossing	264,600	14.70	ICB	Prior	18	Works
CW3	2400 mm Treated Water Pipeline City	243,000	13.50	ICB	Prior	18	Works
	Sub-Total Network Expansion	**1,035,000**	**57.50**				
	B Component 2: NRW Pipes / Extension						
CW4	Pipe Installation, Testing, Commissioning I	18,000	1.00	NCB	Prior	48	Works
CW5	Pipe Installation, Testing, Commissioning II	18,000	1.00	NCB	Post	48	Works
CW6	Pipe Installation, Testing, Commissioning III	18,000	1.00	NCB	Post	48	Works
CW7	Pipe Installation, Testing, Commissioning IV	18,000	1.00	NCB	Post	48	Works
CW8	Pipe Installation, Testing, Commissioning V	18,000	1.00	NCB	Post	48	Works
CW9	Pipe Installation, Testing, Commissioning VI	18,000	1.00	NCB	Post	48	Works
GD1	Pipe Supply IA	22,500	1.25	ICB	Prior	24	Goods
GD2	Pipe Supply IB	22,500	1.25	ICB	Prior	24	Goods
GD3	Pipe Supply IIA	22,500	1.25	ICB	Prior	24	Goods
GD4	Pipe Supply IIB	22,500	1.25	ICB	Prior	24	Goods
GD5	Network Accessories IA	4,500	0.25	NCB	Prior	24	Goods
GD6	Network Accessories IB	4,500	0.25	NCB	Post	24	Goods
GD7	Network Accessories IIA	4,500	0.25	NCB	Prior	24	Goods
GD8	Network Accessories IIB	4,500	0.25	NCB	Post	24	Goods
	Sub-Total NRW Pipes / Extension	**216,000**	**12.00**				
	C Component 3: Information Communication Technology						
GD9	EPC - Information Communication Technology	360,000	20.00	ICB	Prior	60	Goods
	Sub-Total Information Communication Technology	**360,000**	**20.00**				
	D Component 4: Climate Change						
CS1	Water Conservancy Plan	4,500	0.25	QBS	Prior	24	Consulting
CS2	Disaster Management Plan	3,600	0.20	LCS	Prior	6	Consulting
	Climate Change	**8,100**	**0.45**				
	E Component 5: Safeguards						
CS3	Independent Resettlement Monitoring	3,600	0.20	LCS	Prior	36	Consulting
CS4	Social Development Services	19,800	1.10	QBS	Prior	24	Consulting
	Safeguards	**23,400**	**1.30**				
	F Consulting Services						
CS5	Detailed Design and Construction Supervision	108,000	6.00	QCBS	Prior	60	Consulting
CS6	Auditor	3,600	0.20	LCS	Prior	60	Consulting
CS7	Individual Consultants or Firm	18,000	1.00	Individual/QBS	Prior	60	Consulting
	Consulting Services	**129,600**	**7.20**				

Annex 5: Outline Terms of Reference of Consultants

Seven consulting packages are proposed. Outline TORs are set out hereunder.

Package 1 (CS1) – Consulting Services for Water Conservancy Plan: The consultants will assist and support SAWACO, as follows:

i) Prepare detailed report on water savings initiatives and water efficiency management scenario;

ii) Review effect of water tariff increases, audit of non-residential water users with higher than expected consumption, community education, appliance labelling regulations, system loss reduction, minimum performance standards and development standards;

iii) Undertake on-site audit of selected high water consumers, based on billing records. Prepare an action plan to reduce water wastage in selected facilities. This will be a collaborative effort between the JSC / SAWACO and the customer. Include repair / replacement of leaking pipes, taps; replacement of inefficient or leaking fittings and appliances; review of practices to identify options for increased efficiency; and identification of opportunities to recycle water on-site;

iv) Hold workshop with SAWACO, JSCs and stakeholders to discuss means of reducing water demand;

v) Recommend a pilot program to testing and labeling of water using fixtures and appliances, that could be adopted on a National scale. It is envisaged that this scheme would initially cover toilets and clothes washing machines. In later phases, the scheme could be expanded to include taps, dishwashers and showerheads. This program will become increasingly effective as more households have access to water-using fixtures and appliances;

vi) Draw up programmes for introduction of appliance labelling regulations , system loss reduction *and* minimum performance standards and development standards;

vii) Recommend minimum water efficiency standards for new buildings and developments. Development standards should cover efficient cooling systems, efficient operations and alternative source use and recycling;

viii) Design a public relations and appliance labeling programs to reduce water use in HCMC;

ix) Assist SAWACO with development of demand management initiatives;

x) Prepare detailed report summarizing conclusions and an Action Plan for SAWACO to follow in enhancing water demand management; and

xi) Initiate World Health Organization Water Safety Plan with SAWACO and the JSCs.

Package 2 (CS2) – Consulting Services for Disaster Management Plan: The consultants will assist and support SAWACO, as follows:

Package 4 (CS4) – Consulting Services for Social Development Services: The consultants will assist and support SAWACO, as follows:

i) Assist to ensure that community based approach is implemented to maximize the benefits from the infrastructure components of the project;

ii) Assist to ensure infrastructure planning and construction involves the target population in decision making;

iii) Assist to ensure water users understand and pay for water at a fair price;

iv) Assist to ensure barriers are removed which restrict access to water for the poor or force them to pay higher than usual tariffs;

v) Ensure public is well informed about water supply services;

vi) Assist SAWACO to articulate policies on connections to areas behind main road or remote locations in accordance with Decree 117/2007;

vii) Establish consultation methods to obtain the views of the poor and to obtain feedback on the impact of proposed policies and tariffs on them;

viii) Provision of clear information about connection policies and procedures, and tariffs, targeted to poor, migrants and illiterate households;

ix) Enhance community participation in water supply services, ethnic minorities, and poor households;

x) Strengthen processes for community consultation and input;

xi) Improve communications between SAWACO/JSCs and customers as well as other key stakeholders;

xii) Prepare a communications strategy with SAWACO;

xiii) Train staff in communications skills;

xiv) Support SAWACO and JSCs to undertake community satisfaction surveys and other forms of customer feedback through Citizen Report Card;

xv) Promote proactive communication by SAWACO/JSCs to People's Committees, mass organizations, and the wider community, including schools;

xvi) Implement an Information Education Communication Plan;

xvii) Implement the Gender Action Plan;

xviii) Increase women's participation in key decision-making and implementing structures;

xix) Encourage involvement of Vietnam Women's Union;

xiv) Prepare reports in accordance with ADB reporting procedure; and

xv) Assist periodic ADB's review mission, including preparation of mid-term review report and the Project Completion Report.

Package 6 (CS6) – Consulting Services for Auditing: The auditor will undertake the following tasks:

i) Audit consolidated financial statements of SAWACO, including ring fencing of the water operations;

ii) Audit SAWACO's compliance with Vietnamese and international accounting standards; Identify gap to meet international accounting standards;

iii) Assist to improve accounting procedures, especially in consolidation of the holding company;

iv) Verify SAWACO's compliance with ADB loan covenants;

v) Liaise with other independent auditors in auditing financial statements of SAWACO;

vi) Inspect and substantiate the accuracy and sustainability of accounting documents and figures and other accounting finalization reports kept by SAWACO; and

vii) SAWACO is recruiting auditor under the WB project. Liaise with World Bank project auditor in audit of both project annual accounts, those of parent company and SAWACO's consolidated accounts for 3 consecutive years from 2010 with a ring fencing of the water accounts.

Package 7 (CS7) – Provision for Consulting Services for assistance to the Project Owner for SAWACO, as required.