LOAN NUMBER 2034-VIE (SF)

LOAN AGREEMENT
(Special Operations)

(Central Region Urban Environmental Improvement Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 6 February 2004

LAS: VIE34355

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 06 February 2004 between SOCIALIST REPUBLIC OF VIET NAM (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called the Bank).

WHEREAS

(A) the Borrower has applied to the Bank 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 PPCs (defined in Section 1.02 below), with the assistance of, among others, the URENCOs (defined in Section 1.02 below), and for these purposes the Borrower will make available to the PPCs and the URENCOs the proceeds of the Loan provided for herein upon terms and conditions satisfactory to the Bank;

(C) the Borrower has also applied to Agence Française de Développement (hereinafter referred to as "AFD") for two loans (hereinafter referred to as the "AFD Loans") in the aggregate amount of thirty million euro (€30,000,000) to assist in financing a part of the Project, pursuant to agreements to be entered into between the Borrower and AFD (hereinafter referred to as the "AFD Loan Agreements"); and

(D) the Bank has agreed to make a loan to the Borrower from the Bank's Special Funds resources upon the terms and conditions set forth;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of the Bank, dated 7 December 1982, 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 thereof (said Special Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

(a) Section 2.01(17) is deleted and the following is substituted therefor:

17. The term "dollar" or "dollars" or the sign "$" means dollar or dollars in the currency of the United States of America.

(b) Section 2.01(27) is deleted and the following is substituted therefor:

27. The term "interest charge" means a charge made on the Loan pursuant to Section 3.02, and includes a portion to cover administrative expenses and a portion that does not.

(c) The term "service charge" wherever it appears in the Loan Regulations shall be substituted by the term "interest charge".

(d) Section 4.05 is deleted and Sections 4.06, 4.07 and 4.08 are renumbered as Sections 4.05, 4.06 and 4.07, respectively.

(e) Section 5.02 is deleted and the following is substituted therefor:

Commitment Letters by the Bank. Upon the Borrower's request, the Bank may issue commitment letters to pay amounts in respect of the cost of goods and services to be financed under the Loan Agreement notwithstanding any subsequent suspension or cancellation.

(f) Section 5.03 is deleted and the following is substituted therefor:

Application for Withdrawal. When the Borrower shall desire to withdraw any amount from the Loan Account or to request the Bank to issue commitment letters pursuant to Section 5.02, the Borrower shall deliver to the Bank an application in such form and containing such statements and agreements, as the Bank shall reasonably request. Except as the Bank and the Borrower shall otherwise agree, applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall be made promptly in relation to expenditures for the Project.

(g) Section 8.03 is deleted and the following is substituted therefor:

Cancellation by the Bank. If (i) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty (30) days, or (ii) at any time the Bank determines, after consultation with the Borrower, that any amount of the Loan will not be required for the purposes of the Project, or (iii) at any time the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement/consultant selection or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, or (iv) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement, or (v) by the date specified

in the Loan Agreement as the closing date for withdrawals an amount of the Loan shall remain unwithdrawn from the Loan Account, the Bank may by notice to the Borrower and the Guarantor, if any, terminate the right of the Borrower to make withdrawals with respect to such amount or contract. Upon the giving of such notice, the amount of the Loan or the relevant portion thereof shall be cancelled.

(h) Section 8.04 is deleted and the following is substituted therefor:

Amounts Subject to Commitment Letters. No cancellation or suspension shall apply to amounts subject to any commitment letter issued by the Bank pursuant to Section 5.02 except as expressly provided in such commitment letter.

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

(a) "CAPP" means Community Awareness and Participation Program;

(b) "CBS" means Community-based Sanitation;

(c) "DOC" means the Department of Construction in a PPC, or any successor thereto;

(d) "Dong" means the currency of the Borrower;

(e) "MOC" means the Ministry of Construction of the Borrower, or any successor thereto;

(f) "O&M" means operation and maintenance;

(g) "PAC" means, for the purpose of this Loan Agreement, the Project Advisory Committee referred to in paragraph 5 of Schedule 6 to this Loan Agreement;

(h) "PCU" means, for the purpose of this Loan Agreement, the Project Coordination Unit referred to in paragraph 5 of Schedule 6 to this Loan Agreement, to be appointed by the PAC to assist with overall implementation of this Project;

(i) "PPC" means the Borrower's Provincial People's Committee in each of the Project Provinces, which exercises authority over all executive functions in the respective Project Province;

(j) "PMU" means, for the purpose of this Loan Agreement, the Project Management Unit to be established by the PPC in each of the Project Town, as more fully described in paragraph 3 of Schedule 6 to this Loan Agreement;

(k) "Project Executing Agencies" for the purpose of, and within the meaning of, the Loan Regulations means the PPCs;

(l) "Project facilities" means the facilities to be constructed, provided or maintained under the Project;

(m) "Project Provinces" means the provinces of Ha Tinh, Quang Nam, Quang Ngai, Quang Tri, Thanh Hoa and Thua Thien Hue within the territory of the Borrower, which were selected to participate in the Project;

(n) "Project Towns" means the towns within the Project Provinces where the Project facilities are to be constructed, provided or maintained, as more fully described in paragraph 1 of Schedule 1 to this Loan Agreement.

(o) "PSC" means, for the purpose of this Loan Agreement, Provincial Project Steering Committee to be established in each of the Project Provinces;

(p) "Subsidiary Loan Agreement" means, for the purpose of this Loan Agreement, the agreements between the Borrower and each of the URENCOs, referred to in Section 3.01 of this Agreement;

(q) "TPC" means the Borrower's Town People's Committee in each of the Project Towns;

(r) "URENCO" means any of the Borrower's urban environmental companies, located in each of the Project Provinces, which is responsible for the management of drainage and flood protection, waste water and public sanitation, and solid waste collection in the Project Towns; and

(s) "WU" means Vietnam Women's Union located in the Project Provinces and the Project Towns.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower from the Bank's Special Funds resources an amount in various currencies equivalent to thirty million seven hundred thirty-one thousand Special Drawing Rights (SDR30,731,000.00).

Section 2.02. (a) The Borrower shall pay to the Bank an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment

date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 June and 15 December in each year.

Section 2.04. (a) Subject to the provisions of paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

(b) If the Bank shall determine, after due consideration by its Board of Directors, that (i) the Borrower's gross national product per capita (per capita GNP) has exceeded the Bank's per capita GNP operational cutoff in respect of the Bank's Special Funds resources for five consecutive years and (ii) the Borrower has achieved the capacity to borrow from the Bank's ordinary capital resources, the Bank may, by notice to the Borrower, modify the terms of repayment of the Loan by increasing by 100 percent the amount of each maturity due thereafter until the principal amount of the Loan shall have been fully repaid. However, at the request of the Borrower, the Bank may, in lieu of so increasing any such maturity amounts, charge interest, at an annual rate to be agreed between the Borrower and the Bank, on the principal amount of the Loan withdrawn and outstanding from time to time in such a manner and to such extent as to yield the same grant element as would be obtained under the above-stated increase of maturity amounts.

(c) If, at any time after a modification of the lending terms pursuant to the provisions of paragraph (b) above, the Bank shall, after due consideration by its Board of Directors, determine that the Borrower's economic condition has deteriorated significantly, the Bank may, at the request of the Borrower, restore the original lending terms with respect to the remaining amount of the Loan withdrawn and outstanding.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend part of the proceeds of the Loan to the URENCOs in Dong in an amount equivalent to eight million, seven hundred thirty thousand Special Drawing Rights (SDR8,730,000) under Subsidiary Loan Agreements upon terms and conditions satisfactory to the Bank which, except as the Bank shall otherwise agree, shall include a maturity of twenty (20) years with a grace period of six (6) years, and a fixed interest rate of five point four percent (5.4%) per annum, and shall cause the URENCOs to apply such proceeds to financing operation and maintenance equipment under Parts B to D of the Project in accordance with the provisions of this Loan Agreement and the Project Agreement. The Borrower shall bear the foreign exchange risk.

(b) The Borrower shall make part of the proceeds of the Loan available to the PPCs as grants and shall cause the PPCs to apply the proceeds of the Loan to the

financing of expenditures on the Project except as specified in paragraph (a) of this Section, in accordance with the provisions of this Loan Agreement.

Section 3.02. The goods and services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such goods and services and other items of expenditure shall be 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 the Bank.

Section 3.03. Except as the Bank may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 and Schedule 5 to this Loan Agreement. The Bank may refuse to finance a contract where goods or services have not been procured under procedures substantially in accordance with those agreed between the Borrower and the Bank or where the terms and conditions of the contract are not satisfactory to the Bank.

Section 3.04. Except as the Bank may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. Withdrawals from the Loan Account in respect of goods and services shall be made only on account of expenditures relating to

(a) goods which are produced in and supplied from and services which are supplied from such member countries of the Bank as shall have been specified by the Bank from time to time as eligible sources for procurement, and

(b) goods and services which meet such other eligibility requirements as shall have been specified by the Bank from time to time.

Section 3.06. The closing date for withdrawals from the Loan Account for the purposes of Section 8.03 of the Loan Regulations shall be 31 December 2009 or such other date as may from time to time be agreed between the Borrower and the Bank.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the PPCs to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and urban infrastructure 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 6 to this Loan Agreement.

Section 4.02. The Borrower shall make available to the PPCs, promptly as needed, the funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project and maintenance of the Project facilities.

Section 4.03. (a) In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to the Borrower and the Bank, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and the Bank.

(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and the Bank. The Borrower shall furnish, or cause to be furnished, to the Bank, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

Section 4.04. 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 4.05. (a) The Borrower shall maintain, or cause to be maintained, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of the agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof.

(b) The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements and the accounts and financial statements of the URENCOs audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to the Bank; (iii) furnish, or cause to be furnished, to the Bank, as soon as available but in any event not later than nine (9) months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the covenants of this Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish, or cause to be furnished, to the Bank such other information concerning such accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

(c) The Borrower shall cause the URENCOs and the Project Executing Agencies to enable the Bank, upon the Bank's request, to discuss the accounts and the financial statements for the Project and their financial affairs related to the Project and the financial statements of the URENCOs from time to time with the Project Executing Agencies' and URENCOs' auditors, and shall authorize and require any representative of such auditors to participate in any such discussions requested by the Bank, provided that any such

discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.

Section 4.06. The Borrower shall furnish, or cause to be furnished, to the Bank all such reports and information as the Bank shall reasonably request concerning (i) the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and services and other items of expenditure financed out of the proceeds of the Loan; (iii) the Project; (iv) the administration, operations and financial conditions of the PPCs, the URENCOs and any other agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof; (v) financial and economic conditions in the territory of the Borrower and the international balance-of-payments position of the Borrower; and (vi) any other matters relating to the purposes of the Loan.

Section 4.07. The Borrower shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.

Section 4.08. The Borrower shall ensure that the Project facilities are operated, maintained and repaired in accordance with sound administrative, financial, engineering, environmental and urban infrastructure practices.

Section 4.09. The Borrower shall take all action which shall be necessary on its part to enable and ensure the PPCs to perform all their obligations under the Project Agreements, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.10. (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 the Bank and to accomplish the purposes of the Loan.

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

Section 4.11. (a) It is the mutual intention of the Borrower and the Bank that no other external debt owed a creditor other than the Bank shall have any priority over the Loan by way of a lien on the assets of the Borrower. To that end, the Borrower undertakes (i) that, except as the Bank may otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest charge and any other charge on, the Loan; and (ii) that the Borrower, in creating or permitting the creation of any such lien, will make express provision to that effect.

(b) The provisions of paragraph (a) of this Section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) The term "assets of the Borrower" as used in paragraph (a) of this Section includes assets of any administrative subdivision or any agency of the Borrower and assets of any agency of any such administrative subdivision, including the State Bank of Viet Nam and any other institution performing the functions of a central bank for the Borrower.

ARTICLE V

Suspension; Cancellation; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.02(l) of the Loan Regulations: The AFD Loans shall have become liable for suspension or cancellation.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

(a) The Borrower shall have obtained confirmation from AFD that the AFD Loans have been approved; and

(b) the Subsidiary Loan Agreements, in form and substance satisfactory to the Bank, shall have been duly executed and delivered on behalf of the parties in accordance with their terms, subject only to the effectiveness of this Loan Agreement.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank: the Subsidiary Loan Agreements have been duly authorized or ratified by, and executed and delivered on behalf of, the parties, and are legally binding upon the parties in accordance with their terms, subject only to the effectiveness of this Loan Agreement.

Section 6.03. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Governor of the State Bank of Viet Nam is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

State Bank of Viet Nam
47 – 49 Ly Thai To
Hanoi, Viet Nam

Cable Address:

VIETBANK

Facsimile Number:

(84-4) 8258-385
(84-4) 8250-612

For the Bank

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Cable Address:

ASIANBANK
MANILA

Facsimile Numbers:

(632) 636-2444
(632) 636-2305

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 and to be delivered at the principal office of the Bank, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIET NAM

By _____
LE DUC THUY
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____
BRADFORD R. PHILIPS
Authorized Representative

SCHEDULE 1

Description of the Project

1. The long-term goals of the Project are to (i) improve the quality of life and health status of urban residents and reduce poverty in the Project Towns and surrounding areas; and (ii) promote balanced regional economic development and reduce migration from the Central region to Hanoi and Ho Chi Minh City. The objective of the Project is to improve urban environmental conditions in the Project Towns, comprising the provincial capital towns of Dong Ha, Ha Tinh, Quang Ngai, Tam Ky, and Thanh Hoa, and the district level town of Lang Co, and, for Part D of the Project, Chan May urban area, Phu Loc district town, and four communes in Phu Loc District of Thua Thien Hue province.

2. The Project consists of the following parts:

Part A: Awareness and Pro-poor Sanitation

Part A.1. Community awareness and participation program (CAPP): Conducting awareness and participation program to (i) raise community awareness on sanitation and health, including working with URENCO to better reach female staff and landfill scavengers on occupational health hazards; (ii) raise awareness in the protection and conservation of urban environmental infrastructure; (iii) motivate households to connect and pay for urban environmental infrastructure and services; and (iv) inform potential beneficiaries of the financial assistance available through the Project and other schemes to improve community or household environmental sanitation.

Part A.2. Community based sanitation (CBS): Provision of small grants, technical advice, and training for demand-driven, small-scale environmental sanitation improvements in urban areas not covered by the other major infrastructure components, with the aim to improve community small infrastructure and community participation and ownership in urban sanitation. Community groups and neighborhoods will select, design and implement local sanitation improvement, and contribute to the works.

Part A.3. Household sanitation program: Provision of grants to help poor and low-income households within urban town wards, to build septic tanks, toilets and/or connect household wastewater to public drainage or sewage systems.

Part B: Drainage and Flood Protection

Drainage improvement: Rehabilitation and cleaning of existing drains: construction or upgrading primary drains; construction of secondary drains and tertiary drains; and improvement of flood regulating basins.

Flood protection improvement: Construction of dykes/roads in Tam Ky town and dykes/roads in Dong Ha town.

Schedule 1

Part C: Wastewater and Public Sanitation

Wastewater system improvement: (i) In Thanh Hoa town, construction of (a) interceptor chambers on the combined drains close to their drainage points; (b) gravity sewers; (c) pumping stations; (d) sewage rising mains; and (e) a waste stabilization pond; and (ii) in Lang Co town, development of a separate sewage system, comprising sewers, sewage pumping stations, sewage rising system, a wastewater treatment plant, and access road with asphalt surface.

Public sanitation: With the aim to improve public health and to reduce pollution in the streets, canals, waterways and lakes, (i) introduction of a septic tank management system; (ii) improvement of sanitation facilities in public areas such as markets, primary and secondary schools, bus stations, culture centers, parks and health clinics; and (iii) supply O&M equipment for sanitation.

Part D: Solid Waste Management

Improvement of the collection, storage and transport of municipal, industrial and medical solid waste in the Project Towns, including (i) upgrading and expansion of sanitary landfills in towns of Dong Ha, Ha Tinh, Quang Ngai and Thanh Hoa and construction of a new landfill for the towns of Lang Co and Chan May, and Phu Loc district; (ii) upgrading landfill access roads in the towns of Dong Ha, Ha Tinh, Quang Ngai and Lang Co, and construction of new access road to the landfill in Thanh Hoa town; (iii) construction of local waste storage stations; and (iv) provision of equipment for O&M of solid waste management system including track mounted loader/dozers, excavators, compactor trucks, handcarts, pedicarts, and portable storage bins.

Part E: Project Implementation Assistance and Institutional Strengthening Program

Project implementation assistance program: (i) Design and construction supervision of urban infrastructure, and support for social, environmental and resettlement aspects, and training and support for the PCU and the PMUs; (ii) engineering and environmental surveys; and (iii) provision of incremental administration support, vehicles, computers and office equipment for the PCU, PMUs and town's WUs.

Institutional strengthening program (ISP): (i) Training of TPCs on urban management and planning, and service contract preparation and supervision; (ii) training of the URENCOs on management information systems, asset management systems, administrative and financial management, social and gender issues, O&M of pumping stations, landfills, septic tanks and wastewater treatment works, planning and budgeting, communication techniques, bookkeeping, accounting and reporting; (iii) technical support and on-the-job training to the Department of Urban Infrastructure of the MOC for the preparation of the Guidelines on Drainage, Sanitation and Solid Waste, ensuring the sustainability of urban environmental services and reducing the Government subsidiaries; (iv) training of town's WUs in public health awareness, community-based sanitation and household sanitation scheme; and (v) provision of computer hardware and software to the URENCOs.

3. The Project is expected to be completed by 30 June 2009.

SCHEDULE 2

Amortization Schedule

(Central Region Urban Environmental Improvement Project)

Date Payment Due			Payment of Principal (expressed in SDR)	
15	June	2012	SDR	640,229
15	December	2012		640,229
15	June	2013		640,229
15	December	2013		640,229
15	June	2014		640,229
15	December	2014		640,229
15	June	2015		640,229
15	December	2015		640,229
15	June	2016		640,229
15	December	2016		640,229
15	June	2017		640,229
15	December	2017		640,229
15	June	2018		640,229
15	December	2018		640,229
15	June	2019		640,229
15	December	2019		640,229
15	June	2020		640,229
15	December	2020		640,229
15	June	2021		640,229
15	December	2021		640,229
15	June	2022		640,229
15	December	2022		640,229
15	June	2023		640,229
15	December	2023		640,229
15	June	2024		640,229
15	December	2024		640,229

Date Payment Due				Payment of Principal (expressed in SDR)
15	June	2025	SDR	640,229
15	December	2025		640,229
15	June	2026		640,229
15	December	2026		640,229
15	June	2027		640,229
15	December	2027		640,229
15	June	2028		640,229
15	December	2028		640,229
15	June	2029		640,229
15	December	2029		640,229
15	June	2030		640,229
15	December	2030		640,229
15	June	2031		640,229
15	December	2031		640,229
15	June	2032		640,229
15	December	2032		640,229
15	June	2033		640,229
15	December	2033		640,229
15	June	2034		640,229
15	December	2034		640,229
15	June	2035		640,229
15	December	2035		640,237
			Total SDR	30,731,000

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of goods, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Taxes and Duties

2. No withdrawals from the Loan Account shall be made in respect of any local taxes and duties.

Percentages of Bank Financing

3. Except as the Bank may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

4. Notwithstanding paragraph 5 of this Schedule, any contract awarded to a local supplier after effective international competitive bidding or international shopping pursuant to the relevant provisions of Schedule 4 to this Loan Agreement shall be financed out of the proceeds of the Loan on the following basis:

(a) where the goods procured from a local supplier are manufactured locally, 100 percent of the ex-factory price of the goods supplied (exclusive of any taxes); and

(b) where the goods procured from a local supplier have been entirely imported, 100 percent of the foreign-currency component of the contract price.

Local Expenditure

5. (a) Loan proceeds up to the amount equivalent to seven million, eight hundred twenty-two thousand Special Drawing Rights (SDR7,822,000.00) may be withdrawn from the Loan Account in foreign currency for the purposes of financing local expenditure.

(b) Except as provided in this paragraph or as the Bank may otherwise agree, no withdrawals from the Loan Account shall be made in respect of any local expenditure on the Project.

Schedule 3

Interest Charge

6. The amount allocated to Category 6 is for financing interest charge on the Loan during the implementation period of the Project. The Bank 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 charge.

Reallocation

7. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table and subject to paragraph 5 of this Schedule,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, the Bank 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 the Bank, 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 then allocated to any Category appears to exceed all agreed expenditures in that Category, the Bank may, by notice to the Borrower, reallocate such excess amount to any other Category.

Imprest Accounts

8. (a) Except as the Bank may otherwise agree, the Borrower shall cause the PCU and the PMUs to each establish, immediately after the Effective Date, an imprest account at a commercial bank acceptable to the Borrower and the Bank. The imprest accounts shall be established, managed, replenished and liquidated in accordance with the Bank's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and the Bank. The initial amount to be deposited into each of the imprest accounts shall not exceed the equivalent of six months projected disbursements, and, except as the Borrower and the Bank may otherwise agree, shall not exceed the equivalent of $500,000.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures, in accordance with the Bank's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and the Bank. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of $100,000.

Condition for Withdrawal from the Loan Account

9. Notwithstanding any other provisions of this Loan Agreement, no withdrawals from the Loan Account shall be made:

(i) for Parts B and C of the Project in a particular province, until the PPC in such province has introduced a water tariff surcharge of at least ten percent (10%) over the water tariffs to recover O&M cost related to drainage and sewerage system, and has made arrangement to ensure that the funds collected by the provincial water supply company are transferred to a dedicated account of an URENCO; and

(ii) for Part D of the Project in a particular province, until the PPC in such province has increased the solid waste tariffs at least by thirty percent (30%) over the tariffs as of 1 July 2003 for all user groups.

Attachment to Schedule 3

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Central Region Urban Environmental Improvement Project)					
CATEGORY				PERCENTAGE OF BANK FINANCING	
Number	Item	Amount Allocated SDR		Percentage	Basis for Withdrawal from the Loan Account
		Category	Subcategory		
1	Civil Works	17,005,000			
1A	Drainage and Waste Water		13,346,000	43**	percent of total expenditure (43% for foreign and 0% for local)
1B	Solid Waste Management		3,659,000	79	Percent of total expenditure (41% for foreign and 38% for local)
2	Equipment and Materials	7,183,000			
2A	Drainage and Waste Water		3,448,000	100	percent of foreign expenditure
				100	percent of local expenditure*
2B	Solid Waste Management		3,735,000	100	percent of foreign expenditure
				100	percent of local expenditure*
3	Project Implementation Assistance	1,275,000			
3A	Consulting Services		975,000	23**	Percent of total expenditure* (23% for foreign and 0% for local)
3B	Incremental Administration***		299,000	100	Percent of total expenditure* (35% for foreign and 65% for local)
4	Awareness and Pro-poor Sanitation	467,000			
4A	CAPP		105,000	80	Percent of total expenditure (23% for foreign and 57% for local)
4B	CBS		118,000	60	Percent of total expenditure (0% for foreign and 60% for local)
4C	Household Sanitation Program		244,000	100	Percent of local expenditure*
5	Service Charge	882,000		100	Percent of amount due
6	Unallocated	3,920,000			
	Total	30,731,000			

*Excluding taxes and duties
**Expected to be co-financed with AFD
***Incremental administration for PCU and vehicles for PMUs

SCHEDULE 4

Procurement

1. Except as the Bank may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of goods and services to be financed out of the proceeds of the Loan. In this Schedule and the Attachment hereto, the term "goods" includes equipment and materials; the term "services" does not include consulting services.

2. Procurement of goods and services shall be subject to the provisions of the "Guidelines for Procurement under Asian Development Bank Loans" dated February 1999 (hereinafter called the Guidelines for Procurement), as amended from time to time, which have been furnished to the Borrower and each of the Project Executing Agencies.

3. (a) Procurement of goods and services shall be made without any restriction against, or preference for, any particular supplier or contractor or any particular class of suppliers or contractors, except as otherwise provided in sub-paragraph (b) below, and paragraphs 6, 8 and 9 below.

(b) The Borrower's State-owned enterprises shall only be eligible to bid for contracts if they are legally and financially autonomous, independently managed and operating on the basis of commercial practices, and if they are not in any way associated with the military forces.

4. (a) Each civil works contract estimated to cost the equivalent of more than $2,000,000 and each supply contract for equipment or materials estimated to cost the equivalent of more than $500,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement. Bidders for civil works contracts shall be prequalified before bidding.

(b) For contracts to be awarded on the basis of international competitive bidding, there shall be submitted to the Bank, as soon as possible, and in any event not later than 90 days before the issuance of either the first prequalification invitation or the first invitation to bid for the Project, a General Procurement Notice (which the Bank will arrange to publish separately) in such form and detail and containing such information as the Bank shall reasonably request. The Bank shall be provided the necessary information to update such General Procurement Notice annually as long as any goods and works remain to be procured on the basis of international competitive bidding.

(c) For contracts to be awarded on the basis of international competitive bidding, procurement actions shall be subject to review by the Bank in accordance with the procedures set forth in Chapter IV of the Guidelines for Procurement. Each draft prequalification invitation and each draft invitation to bid, to be submitted to the Bank for approval under such procedures, shall reach the Bank at least 21 days before it is issued and shall contain such information as the Bank shall reasonably request to enable the Bank to arrange for the separate publication of such invitation.

5. (a) Each supply contract for equipment or materials estimated to cost the equivalent of $500,000 or less (other than equipment or materials described in paragraph 9 below) shall be awarded on the basis of international shopping as described in Chapter III of the Guidelines for Procurement.

(b) Each draft invitation to bid and related bid document shall be submitted to the Bank for approval before they are issued.

(c) Notwithstanding paragraph 3.03(b) of the Guidelines for Procurement, any award of contract shall be subject to prior Bank approval.

6. In comparing bids under international competitive bidding, a margin of preference may be provided, at the option of the Borrower and in accordance with the provisions of the Attachment to this Schedule, for

(a) goods manufactured in the territory of the Borrower, provided that the bidder offering such goods shall have established to the satisfaction of the Borrower and the Bank that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods; and

(b) civil works to be carried out by eligible domestic contractors, as defined by the Bank.

7. Civil works contracts estimated to cost the equivalent of $2,000,000 or less may be awarded on the basis of local competitive bidding among prequalified contractors in accordance with the standard procurement procedures of the Borrower and acceptable to the Bank. Prequalification of contractors shall be subject to the approval of the Bank. As soon as the bids received have been evaluated, the proposal for award of contract shall be submitted to the Bank for approval. For this purpose, the Bank shall be furnished with three copies of (i) a report describing the public opening of bids; (ii) a summary and evaluation of the bids; (iii) the proposal for award; and (iv) a draft contract or a draft letter of acceptance. Promptly after each contract is awarded, the Bank shall be furnished with three copies of the contract as executed.

8. Works related to cleaning and rehabilitation of drains, estimated to cost in aggregate the equivalent of $693,000 or less, may be carried out by the URENCOs on a force account basis.

9. Equipment that is locally available, and estimated to cost the equivalent of $100,000 or less, may be procured directly in accordance with procedures acceptable to the Bank.

10. (a) The Borrower shall ensure that all Bank-financed goods and services 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 Bank-financed contracts for the procurement of goods and services 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.

11. (a) The Borrower shall ensure that the civil works contracts include mandatory provisions on health, sanitation, and appropriate working conditions for construction workers at campsites during the construction period.

(b) The Borrower shall ensure that the civil works contractors comply with all applicable labor laws.

12. Notwithstanding any other provisions of this Loan Agreement and unless the Borrower and the Bank otherwise agree, no contract shall be awarded for a particular civil work, until for the purpose of such civil work, (a) the required lands have been fully acquired; and (b) affected people have been compensated and relocated and income restoration measures are duly in place in accordance with the Resettlement Framework and the Resettlement Plans.

Attachment to Schedule 4

(Page 1)

Preference for Domestically Manufactured Goods

1. In the procurement of goods through international competitive bidding, goods manufactured in the territory of the Borrower may be granted a margin of preference in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Borrower and the Bank that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

(a) For application of domestic preference, all responsive bids shall first be classified into the following three categories:

Category I -- bids offering goods manufactured in the territory of the Borrower which meet the minimum domestic value added requirement;

Category II -- bids offering other goods manufactured in the territory of the Borrower; and

Category III -- bids offering imported goods.

(b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods.

(c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I or Category II is found to be the lowest, it shall be selected for the award of contract.

(d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category III, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category III by adding either

(i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such Category III bid; or

(ii) 15 percent of the CIF bid price of such goods if the customs duties and import taxes referred to above exceed 15 percent of the CIF bid price.

If, after such further comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category III shall be selected for the award.

2. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference, including the minimum domestic value added.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

Domestic Preference for Turnkey Contracts and Supply-and-Installation Contracts

3. In single-responsibility turnkey (including design-build) contracts and supply-and-installation contracts for large and complex packages, procured through international competitive bidding and in which discrete items of goods are grouped into one contract package and where the CIF cost of goods to be used for or in the permanent works under such contracts is estimated, prior to bidding, to equal or exceed 60 percent of the total cost of such works, a margin of preference shall be applied to the domestically manufactured goods in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Borrower and the Bank that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

(a) The margin of preference shall not be applied to the whole package but only to the domestically manufactured goods within the package.

(b) Goods offered from outside the territory of the Borrower shall be quoted CIF and goods offered domestically shall be offered ex-factory or ex-works (free of sales and similar taxes).

(c) All other cost components, such as design as well as works installation and supervision, shall be quoted separately.

(d) In the comparison of bids (which should not be classified into Categories I, II or III as with the domestic preference for goods), only the CIF price in each bid of the goods offered from outside the territory of the Borrower shall be increased by the applicable duty and other taxes payable by a nonexempt importer or by 15 percent, whichever is less.

(e) If duties vary from item to item within a package, the appropriate tariff for each item shall apply.

(f) No margin of preference shall be applied to any associated services or works included in the package.

(g) Bidders will not be permitted or required to modify the mix of domestic and foreign goods after bid opening.

4. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

Preference for Domestic Contractors

5. In the selection of civil-works contractors, single-responsibility turnkey (including design-build) contractors or supply-and-installation contractors where the CIF cost of goods to be used for or in the permanent works under such contracts is less than 60 percent of the total cost of such works, eligible domestic contractors, as defined below, through international competitive bidding may be granted a margin of preference in accordance with the following provisions.

(a) For application of domestic preference, all responsive bids shall first be classified into the following two categories:

Category I -- bids offered by domestic contractors and joint ventures eligible for the preference in accordance with the applicable criteria as set forth in paragraph 6 below; and

Category II -- bids offered by other contractors.

(b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves.

(c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I is found to be the lowest, it shall be selected for the award of contract.

(d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category II, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category II by adding an amount equal to seven-and-one-half percent of the bid price. If, after such comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category II shall be selected.

6. (a) To be eligible for the preference set forth in paragraph 5 above, domestic contractors must meet the following criteria:

(i) firms are registered in the territory of the Borrower;

(ii) firms have majority ownership by nationals of the Borrower; and

(iii) firms will not subcontract more than 50 percent of the total value of their work to foreign contractors.

(b) A joint venture between a domestic contractor and its foreign partner shall be eligible for the preference only if it meets the following criteria:

(i) the domestic partner(s) is individually eligible for the preference according to the criteria stated above;

(ii) the domestic partner(s) would not qualify for the contract works on technical or financial grounds without the foreign participation; and

(iii) the domestic partner(s) will, under the arrangements proposed, carry out at least 50 percent of the contract works measured in terms of value.

(c) Contractors applying for the preference shall be required to provide, as part of the data for qualification, necessary information, including details of ownership, for determining whether, according to the applicable criteria, a particular firm or group of firms qualifies for the preference.

7. The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of firms for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above. Bidders applying for the preference shall provide such additional information in support of such eligibility as may be requested by the Borrower and the Bank.

SCHEDULE 5

Consultants

1. The services of consultants shall be utilized in the carrying out of the Project, particularly with regard to:

(a) Project management and support to the PMUs;

(b) Project design;

(c) Construction supervision;

(d) Social and environmental matters; and

(e) Institutional strengthening programs for the URENCOs, TPCs and WUs, and support for MOC to prepare guidelines.

The terms of reference of the consultants shall be as determined by agreement between the Bank and the Borrower and the Project Executing Agencies.

2. The selection, engagement and services of the consultants shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers" dated April 2002 (hereinafter called the Guidelines on the Use of Consultants), as amended from time to time, which have been furnished to each of the Project Executing Agencies.

3. The consultants shall be selected and engaged as consulting firm by the PCU using the quality-and-cost-based selection (QCBS) method in accordance with the following procedures.

(a) Invitation for technical and financial proposals. The invitation to submit technical and financial proposals (hereinafter called the Request for Proposals or RFP) and all related documents shall be approved by the Bank before they are issued. For this purpose, three copies of the draft RFP, the names of consultants to be short-listed, the proposed criteria for evaluation of both proposals, a draft consultancy contract, and other related documents shall be submitted to the Bank. A period of at least 60 days shall be allowed for submission of both proposals. A copy of the final RFP as issued, together with all related documents, shall be furnished to the Bank for information promptly after issuance. The validity period for the technical and financial proposals as provided in the RFP shall usually not exceed three months from the date specified for submission of the technical and financial proposals. The approval of the Bank shall be obtained for any request to extend such validity period. Except as the Bank may otherwise agree, the validity period, including any extensions, shall not exceed a maximum total period of six months. If the contract is not signed within the validity period in accordance with the Guidelines on the Use of Consultants, the selection shall be invalid and the selection and engagement process as provided in this paragraph shall be followed again.

(b) Evaluation and scoring of technical proposals. Immediately after the technical proposals have been evaluated and scored, approval of the Bank shall be obtained to the evaluation and scoring of the technical proposals. For this purpose, the Bank shall be furnished with three copies of the technical proposals.

(c) Public opening of financial proposals. The financial proposals of the firms whose technical proposals meet the minimum qualifying technical score shall be opened publicly after adequate notice is given to such firms or their representatives to attend the opening of the financial proposals.

(d) Evaluation and scoring of financial proposals and ranking of technical and financial proposals. After the financial proposals have been evaluated and scored, the ranking of the technical and financial proposals shall be made. Before negotiations are started with the first-ranked consultants, approval of the Bank shall be obtained to the evaluation and scoring of the financial proposals and the ranking of the technical and financial proposals. For this purpose, the Bank shall be provided with three copies of (i) the evaluation and scoring of the financial proposals and (ii) the ranking of the technical and financial proposals.

(e) Execution of contract. After the conclusion of negotiations but before the signing of the contract, the Bank shall be furnished with the contract as negotiated for approval. Promptly after the contract is signed, the Bank shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to the Bank for prior approval.

4. The Borrower shall ensure that all contracts with consultants financed under the Loan 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.

SCHEDULE 6

Execution of Project and Operation of

Project Facilities; Financial Matters

Project Management Structure

1. The Provincial People's Committees (PPCs) located in each of the Project Provinces shall be the Project Executing Agencies. Each PPC shall be responsible for the implementation of the Project in its respective Province.

2. Unless otherwise agreed with the Bank, the Borrower shall cause each of the PPCs to maintain a Provincial Project Steering Committee (PSC) in each of their respective Provinces, comprising senior officials from the relevant PPC, DOC, Department of Finance (DOF), Department of Planning and Investment (DPI), Department of Natural Resources and Environment (DNRE), TPCs, WU, URENCO and the director of the relevant PMU. The PSCs shall provide policy guidance, and coordinate provincial agencies in their respective Provinces to ensure standards and quality, and timely implementation of the Project.

3. The Borrower shall cause each of the PPCs to set up a PMU in the respective Project Town under the TPC, except in the provinces of Thua Thien Hue and Quang Ngai where the PMU shall be established in the DOC of the Province and the URENCO respectively. Each PMU shall support the PSC in its respective Province, and shall be responsible for daily implementation of the Project activities.

4. The Borrower shall ensure that the PMU comprises staff from the relevant TPC, the URENCO and, if necessary, other provincial, town or district level agencies, with expertise in project management, drainage and sanitary engineering, environmental management, accounting, and community education and development.

5. The Borrower shall establish, if necessary, a Project Advisory Committee (PAC) comprising one senior official from the Borrower's Ministry of Construction, who shall act as the chairperson; and one senior official from each of the Project Provinces. PAC meetings shall be convened, if requested by any of the members, to discuss common problems affecting the implementation of the Project, and to exchange policy, technical, and financial lessons learnt, and may include other relevant ministries, the Bank or the AFD staff as observers. The Borrower shall maintain a Project coordination unit (PCU) in the MOC, comprising full time and part time professional staff with adequate project experience and proficiency in English language. The PCU shall act as a secretariat to the PAC and be responsible for carrying out all of the necessary actions at the central level, including, but not limited to, overall coordination of the Project; selection and management of consultants; the handling of audited statements of Project accounts; and consolidation of Project reports to be submitted to the Bank, the AFD and the Borrower.

Schedule 6

6. The Borrower shall ensure that upon the request from the PMUs, the PCU will provide the PMUs with assistance in project implementation, particularly with respect to the Bank's procedures.

7. Within three (3) months of the Effective Date, the Borrower shall cause each of the PPCs to set up a Community Management Committee (CMC), chaired by a senior member of the town's WU, in the respective Province. The CMC shall be responsible for overall management and oversight of Part A of the Project set forth in Schedule 1 of this Loan Agreement, and shall include representatives of the URENCO, the TPC, and the WU, as well as representatives from other mass organizations as the case may be. The specific tasks of the CMCs shall be as agreed between the PSCs, the CMCs and the Bank.

Implementation and Financing of Part A of the Project

8. The Borrower shall ensure that each of the PPCs will cause the WU in each of the Project Towns to be responsible for daily implementation activities under the Community Awareness and Participation Program, Community-based Sanitation (CBS) and the Household Sanitation Program (HSP) in the Project Towns. The PPCs will approve implementation plans for Part A to be prepared and submitted, through the PMUs, by the WUs.

9. Funds for Part A of the Project shall be provided by each of the PMUs to the respective town's WU. The PPCs shall ensure timely disbursement of the funds to the town's WUs, to meet (a) up to eighty percent of the cost for the CAPP; (b) up to sixty percent of the cost of CBS aiming for demand-driven, small-scale environmental sanitation improvements in urban areas not covered by the other infrastructure components; and (c) the cost of building septic tanks, toilets and/or connections of household wastewater to public drainage or sewage systems. The WU of each Project Town shall administer the HSP, and provide technical information to beneficiaries of the HSP with the assistance of the URENCOs and the TPCs.

10. The Borrower shall ensure that (a) within eighteen (18) months of the Effective Date, each of the WUs in the Project Towns will develop, under the CMC guidance and in consultation with the PMU, the HSP with conditions and eligibility criteria acceptable to the Bank to provide grants to low-income and poor household; and (b) the WUs apply the conditions and eligibility criteria during the implementation of the Project.

Sanitation Legislation and Regulations

11. Within twenty-four (24) months of the Effective Date, the MOC shall, in coordination with the Ministry of Finance, the Ministry of Planning and Investment, and the Ministry of Natural Resources and Environment, prepare and submit to the Government for approval, (i) the guidelines on urban management for provincial towns, defining the responsibilities of the TPCs and the URENCOs; and (ii) the tariff guidelines on drainage, sanitation and solid waste, ensuring the sustainability of urban environmental services and reducing the Government subsidies.

Schedule 6

Monitoring and Evaluation

12. The Borrower shall cause each of the PPCs to be responsible for ensuring that a comprehensive program for project benefit monitoring and evaluation (BM&E) acceptable to the Bank is carried out as part of the project performance monitoring system (PPMS) to (i) examine the Project's technical performance; (ii) evaluate the delivery of the planned facilities; (iii) assess the achievement of the Project's objectives; and (iv) measure the Project's social and economic benefits. A set of BM&E indicators has been developed at the start of the Project by the consultants and staff of the PMUs in consultation with the local communities. The BM&E will be integrated into the management information system of the PMUs and the URENCOs, to be developed under the institutional development program, so that the monitoring of social and economic benefits can continue beyond project implementation. Annual BM&E reports will be prepared by each of the PMUs, then consolidated by the PCU and submitted to the Bank. The integrated system for the management, monitoring, and evaluation of project benefits, social impact, and physical improvements will be in accordance with the Bank's guidelines for PPMS.

Resettlement

13. The Borrower shall cause the PPCs to ensure that any and all activities required for land acquisition, compensation and resettlement processes are taken in accordance with all applicable laws and regulations, and the Bank's "Policy on Involuntary Resettlement", as set forth in the agreed Resettlement Plans (RPs) and Resettlement Framework (RF). The policies and principles outlined in the RF and the RPs shall apply with respect to the compensation and resettlement of persons affected by the Project. The Borrower shall ensure that, in case of any discrepancies between Viet Nam's laws, regulations and/or procedures and the Bank's requirements including the "Policy on Involuntary Resettlement", the Bank's Policy will apply.

14. The Borrower shall cause the PPCs to be responsible for the internal monitoring of the implementation of the RPs. The PPCs shall, through the PMUs, supervise land acquisition and resettlement, and prepare quarterly reports to the PCU for inclusion in the Borrower's quarterly progress reports to the Bank.

15. For external monitoring and post-evaluation activities, the Borrower shall cause the PCU to recruit, for all resettlement activities under the Project, an independent external monitoring agency or experts (external monitor) for independent review of the resettlement implementation, with approval from the Bank as to the terms of reference, qualifications and experience of the external monitor. The external monitor shall review achievement of goals and compensation rates, and recommend appropriate changes. The external monitor shall be engaged prior to commencement of the resettlement process. The budget provided to the external monitor shall include funds sufficient, in the opinion of the Bank, for the external monitor to adequately perform its functions.

Schedule 6

Environment

16. The Borrower shall cause the PPCs to ensure that the Initial Environmental Examination (IEE) in local language will be made available on request at the town offices for the public and other interested parties prior to the commencement of the Project.

17. The Borrower shall cause the PPCs, through the PMUs, to update the subproject IEEs and environmental management plans (EMPs) following completion of the detailed designs and after further consultations with local communities. The updated IEEs and EMPs for the subprojects shall be submitted to DNRE and the Bank for review and approval, prior to the commencement of civil works. At least one environmental specialist shall be included as part of the staff at each of the PMUs.

Gender

The Borrower shall ensure that under Part A of the Project, each of the PPCs, through their PMUs, will update and revise the Gender Strategy and Plan if necessary and in accordance with the Bank's Gender and Development Policy. Any negative gender effects arising as a result of the Project shall be avoided and mitigated when unavoidable. The PPCs shall ensure that the Gender Strategy and Plan will be implemented in a timely manner, and have adequate resources allocated for both its finalization and implementation.

18. The Borrower shall ensure that, within twelve (12) months of the Effective Date, at least one representative of the WU will be included in each of the PSCs and at least fifty (50) percent of the members of each of the CMCs will consist of women, and the CMCs are headed by representatives of the WUs.