HB 2147

LOAN NUMBER 2961-VIE

LOAN AGREEMENT
(Ordinary Operations)

(Viet Nam Water Sector Investment Program – Project 2)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 23 MAY 2013

VIE 41456

LOAN AGREEMENT
(Ordinary Operations)

LOAN AGREEMENT dated 23 May 2013 between the SOCIALIST REPUBLIC OF VIET NAM ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) by a periodic financing request dated 5 November 2012 submitted by the Borrower, the Borrower has applied to ADB for a loan for the purposes of Project 2 described in Schedule 1 to this Loan Agreement (hereinafter referred to as the Project);

(C) the Project will be carried out by the following water supply companies ("WSCs"): Bac Giang Water Supply and Sewerage One Member Limited Company, Binh Duong Water Supply, Sewerage and Environment One Member Limited Company, Cua Lo Water Supply One Member Limited Company, Dak Lak Water Supply and Construction Investment One Member Limited Company, Danang Water Supply One Member Limited Company, Hai Phong Water Supply One Member Limited Company, Lam Dong Water Supply and Sewerage One Member Limited Company, Nghe An Water Supply One Member Limited Company, Quang Nam Water Supply and Drainage Joint Stock Company, Quang Tri Water Supply and Construction One Member Limited Company, Song Chu One Member Limited Company, Thai Hoa Water Supply One Member Limited Company, Thai Nguyen Water Joint Stock Company, Thuan An Construction and Investment Limited Company, and Thua Thien Hue Construction and Water Supply State One Member Limited Company, and for this purpose the Borrower will make available to the WSCs the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

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

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

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

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

Commitment Charge; Credit; Maturity Premium.

(a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

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

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

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

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

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

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

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

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

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

(a) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

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

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

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

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

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

(g) "Ethnic Minority Development Plan" or "EMDP" means the ethnic minorities plan for a Subproject, including any update thereto, prepared and submitted by DAKWACO pursuant to the requirements set forth in the IPDF and cleared by ADB;

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

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

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

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

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

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

(n) "Initial Environmental Examination" or "IEE" means each initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the WSCs implementing subprojects in paragraph 3(a) Part 1 of Schedule 1 to this Loan Agreement pursuant to the requirements set forth in the EARF and cleared by ADB;

(o) "Investment Program" means the Viet Nam Water Sector Investment Program (referred to in Vietnamese language as the Viet Nam Water Sector Development Program);

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

(q) "km" means kilometer;

(r) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2012, as amended from time to time);

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

(t) "PAM" means the project administration manual for the Project dated 8 November 2012 and agreed between the Borrower, the WSCs and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and the WSCs and ADB;

(u) "PFR" means the periodic financing request submitted or to be submitted by the Borrower, for the purposes of each loan under the Facility, and for the purpose of this Loan Agreement means the periodic financing request dated 5 November 2012;

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

(w) "Procurement Guidelines" means ADB's Procurement Guidelines (2010, as amended from time to time);

(x) "Procurement Plan" means the procurement plan for the Project dated 8 November 2012 and agreed between the WSCs and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(y) "Project Executing Agency" means each respective city or provincial people's committee owning or controlling the relevant WSC that is implementing a Subproject or part of the Project's scope within such city or provincial people's committee area as detailed in the PAM, or any successor thereto;

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

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

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

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

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

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

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

(gg) "WTP" means water treatment plant;

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

(ii) "WSC" means each of Binh Duong Water Supply, Sewerage and Environment One Member Limited Company (BIWASE), Dak Lak Water Supply and Construction Investment One Member Limited Company (DAKWACO), Danang Water Supply One Member Limited Company (DAWACO), Hai Phong Water Supply One Member Limited Company (Hai Phong Water), Thua Thien Hue Construction and Water Supply State One Member Limited Company (HueWACO), Quang Tri Water Supply and Construction One Member Limited Company (QTWASUCO), Quang Nam Water Supply and Drainage Joint Stock Company, Lam Dong Water Supply and Sewerage One Member Limited Company, Nghe An Water Supply One Member Limited Company, Cua Lo Water Supply One Member Limited Company, Thai Hoa Water Supply One Member Limited Company, Thai Nguyen Water Joint Stock Company, Bac Giang Water Supply and Sewerage One Member Limited Company, Song Chu One Member Limited Company, Thuan An Construction and Investment Limited Company, or any successors thereto acceptable to ADB.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of two hundred twelve million Dollars ($212,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

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

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

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

(a) LIBOR;
(b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.20% as provided by Section 3.03 of the Loan Regulations; and

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

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

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1 June and 1 December in each year.

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

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

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

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

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

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

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend the proceeds of the Loan to the WSCs under Subsidiary Loan Agreements upon terms and conditions satisfactory to ADB as follows: (i) $39.90 million to BIWASE; (ii) $24.59 million to DAKWACO; (iii) $30.00 million to DAWACO; (iv) $56.80 million to Hai Phong Water; (v) $20.50 million to QTWASUCO; (vi) $35.16 million to HueWACO; (vii) $0.59 million to Quang Nam Water Supply and Drainage Joint Stock Company; (viii) $0.79 million to Lam Dong Water Supply and Sewerage One Member Limited Company; (ix) $0.52 million to Nghe An

Water Supply One Member Limited Company; (x) $0.37 million to Cua Lo Water Supply One Member Limited Company ; (xi) $0.44 million to Thai Hoa Water SupplyOne Member Limited Company; (xii) $0.61 million to Thai Nguyen Water Joint Stock Company; (xiii) $0.53 million to Bac Giang Water Supply and Sewerage One Member Limited Company; (xiv) $0.86 million to Song Chu One Member Limited Company; and (xv) $0.29 million to Thuan An Construction and Investment Limited Company.

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

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

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

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

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2020 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

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

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

Section 4.02. The Borrower through the relevant Project Executing Agency shall make available to the WSCs, or cause to be made available, promptly as needed, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project.

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

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

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

Section 4.06. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for the imprest fund and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

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

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.07. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreements in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

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

ARTICLE V

Effectiveness

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

ARTICLE VI

Delegation of Authority

Section 6.01. The Borrower hereby designates the relevant WSC as its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02 and 3.03 of this Loan Agreement and under Sections 6.01, 6.02, and 6.03 of the Loan Regulations regarding the withdrawal of the proceeds of the Loan to be onlent to it and procurement with the same.

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

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

ARTICLE VII

Miscellaneous

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

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

For the Borrower

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

Facsimile Numbers:

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

For ADB

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

Facsimile Numbers:

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

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

SOCIALIST REPUBLIC OF VIET NAM

By _____
NGUYEN VAN BINH
Governor
State Bank of Viet Nam

ASIAN DEVELOPMENT BANK

By _____
TOMOYUKI KIMURA
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Investment Program is: the sustainable provision of safe water in Viet Nam through improvement in the efficiency of Vietnamese water utilities.

2. As a part of the Investment Program, the Project aims to (a) increase coverage in the service area of the WSCs; (b) improve WSCs' business planning, financial management and asset management; and (c) reduce non-revenue water, through the implementation of prepared sub-projects and preparation of similar sub-projects for financing.

3. The Project shall consist of two parts:

(a) Part 1 - Subprojects implemented by the following WSCs as follows:

1. DAWACO - (i) constructing approximately 151km of transmission and distribution mains D200-1,000; (ii) rehabilitating and replacing approximately 40 km of distribution main; (iii) implementing an institutional strengthening program; and (iv) implementing an operational management contract to improve and upgrade maintenance and operational procedures.

2. Hai Phong Water - (i) constructing 3 new Water Treatment Plants with capacity of 25,000 m^3/day each, upgrading a Water Treatment Plant to capacity of 200,000 m^3/day and converting a Water Treatment Plant to a pumping station; (ii) constructing approximately 80 km of transmission mains, including booster pumping station(s); and (iii) constructing distribution systems for about 20,000 households.

3. HueWACO - (i) constructing a WTP approximately 8,000m^3/day; (ii) constructing an approximately 40km transmission pipeline D400-1,200; and (iii) constructing an approximately 378 km distribution pipeline D40-355.

4. BIWASE - (i) constructing a water intake, pumping station and an approximately 5 km D1,200 pipeline from the intake; (ii) constructing a WTP 45,000m^3/day including treated water storage reservoir 15,000m^3, pumping station, chemical house, and sludge drying beds; (iii) constructing approximately 179 km of transmission and distribution main; and (iv) installing 30,000 household connections in Di An town and Thuan An town.

5. QTWASUCO - (i) constructing Quat Xa Water Treatment Plant capacity 30,000 m^3/day, and a 19 km D400-800 transmission main to Dong Ha; (ii) constructing Tan Luong Water Treatment Plant capacity 15,000 m^3/day; (iii) upgrading existing 3,500 m^3/day Quang Tri Water Treatment Plant to capacity 13,500 m^3/day (with 7,005m D400 raw water pipeline); about 25km of D100-300 transmission and distribution main; and (iv) implementing an institutional strengthening program to upgrade financial and billing operations, improve operation and maintenance capabilities, and reduce non-revenue water.

6. DAKWACO - (i) constructing 4 water intakes, 4 pumping stations and a storage reservoir 5,000m^3; (ii) constructing 4 WTPs; (iii) constructing an approximately 12 km D600-700 of treated water gravity pipeline, 138 km D150-600 of transmission main, and 198 km D50-100 distribution main; (iv) installing 25,000 household connections in Buon Ma Thuot city, and 7,175 household connections in three district towns; and (v) implementing an institutional strengthening program.

(b) Part 2 – support to Quang Nam Water Supply and Drainage Joint Stock Company; Lam Dong Water Supply and Sewerage One Member Limited Company; Nghe An Water Supply One Member Limited Company; Cua Lo Water Supply One Member Limited Company; Thai Hoa Water Supply One Member Limited Company; Thai Nguyen Water Joint Stock Company; Bac Giang Water Supply and Sewerage One Member Limited Company; Song Chu One Member Limited Company, and Thuan An Construction and Investment Limited Company in completing preparation of sub-projects proposed for financing in subsequent PFRs, including (i) review and update of feasibility study reports, including safeguard documents; (ii) completion of detailed design; and (iii) preparation of bidding documents.

4. The Project will finance Consulting Services relating to Parts 1 and 2 above.

5. The Project is expected to be completed by 31 December 2019.

SCHEDULE 2

Amortization Schedule

(Viet Nam Water Sector Investment Program – Project 2)

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

Payment Due	Installment Share (Expressed as a %)
1 June 2019	2.631579
1 December 2019	2.631579
1 June 2020	2.631579
1 December 2020	2.631579
1 June 2021	2.631579
1 December 2021	2.631579
1 June 2022	2.631579
1 December 2022	2.631579
1 June 2023	2.631579
1 December 2023	2.631579
1 June 2024	2.631579
1 December 2024	2.631579
1 June 2025	2.631579
1 December 2025	2.631579
1 June 2026	2.631579
1 December 2026	2.631579
1 June 2027	2.631579
1 December 2027	2.631579

1 June 2028	2.631579
1 December 2028	2.631579
1 June 2029	2.631579
1 December 2029	2.631579
1 June 2030	2.631579
1 December 2030	2.631579
1 June 2031	2.631579
1 December 2031	2.631579
1 June 2032	2.631579
1 December 2032	2.631579
1 June 2033	2.631579
1 December 2033	2.631579
1 June 2034	2.631579
1 December 2034	2.631579
1 June 2035	2.631579
1 December 2035	2.631579
1 June 2036	2.631579
1 December 2036	2.631579
1 June 2037	2.631579
1 December 2037	2.631577
TOTAL	100.000000

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

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

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph

1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

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

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

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

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

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

Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Interest and Commitment Charges

3. The amount allocated to Category 4 is for financing interest and commitment charges on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest and commitment charges.

Reallocation

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

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

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

Disbursement Procedures

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

Schedule 3

Retroactive Financing

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

Condition for Withdrawals from Loan Account

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

Attachment to Schedule 3

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Viet Nam Water Sector Investment Program – Project 2)				
CATEGORY				ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing ($) Category	Subcategory	Percentage and Basis for Withdrawal from the Loan Account
1	**Works**	**121,245,400**		
1A	BIWASE		28,900,000	90.90% of total expenditure claimed
1B	DAKWACO		19,206,000	82.70% of total expenditure claimed
1C	DAWACO		8,760,000	92.3% of total expenditure claimed
1D	Hai Phong Water		39,529,400	83.10% of total expenditure claimed
1E	HueWACO		9,790,000	89.70% of total expenditure claimed
1F	QTWASUCO		15,060,000	86.70% of total expenditure claimed
2	**Equipment (Goods)**	**30,800,000**		
2A	DAWACO		12,100,000	92.30% of total expenditure claimed
2B	Hai Phong Water		1,080,000	86.90% of total expenditure claimed
2C	HueWACO		17,580,000	89.70% of total expenditure claimed
2D	QTWASUCO		40,000	86.80% of total expenditure claimed
3	**Consulting Services**	**21,201,400**		
3A	BIWASE		1,500,000	34.10% of total expenditure claimed
3B	DAKWACO		1,484,000	84.0% of total expenditure claimed
3C	DAWACO		5,040,000	92.30% of total expenditure claimed
3D	Hai Phong Water		5,317,400	66.90% of total expenditure claimed
3E	HueWACO		1,470,000	89.70% of total expenditure claimed

3F	QTWASUCO		1,390,000	86.80% of total expenditure claimed
3G	Quang Nam Water Supply and Drainage Joint Stock Company		590,000	100% of total expenditure claimed*
3H	Lam Dong Water Supply and Sewerage One Member Co. Ltd.		790,000	100% of total expenditure claimed*
3I	Nghe An Water Supply One Member Co.Ltd.		520,000	100% of total expenditure claimed*
3J	Cua Lo Water Supply One Member Co.Ltd.		370,000	100% of total expenditure claimed*
3K	Thai Hoa Water Supply One Member Co.Ltd.		440,000	100% of total expenditure claimed*
3L	Thai Nguyen Water Joint Stock Company		610,000	100% of total expenditure claimed*
3M	Bac Giang Water Supply and Sewerage One Member Co.Ltd.		530,000	100% of total expenditure claimed*
3N	Song Chu One Member Co.Ltd.		860,000	100% of total expenditure claimed*
3O	Thuan An Construction and Investment Co.Ltd.		290,000	100% of total expenditure claimed*
4	**Interest and Commitment Charges**	**18,937,500**		100% of amounts due
5	**Unallocated**	**19,815,700**		
	Total	**212,000,000**		

* Exclusive of taxes and duties imposed within the territory of the Borrower.

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

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

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

Goods and Works

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

(a) International Competitive Bidding;
(b) National Competitive Bidding; and
(c) Shopping.

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

Domestic Preference

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

National Competitive Bidding

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

Conditions for Award of Contract

7. The Borrower shall not award any Works contracts which involve involuntary resettlement impacts until the Borrower has prepared and submitted to ADB the final RP based on the Project's detailed design, and obtained ADB's clearance of such RP.

Schedule 4

Consulting Services

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

9. The WSCs shall apply the following methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

(a) Least Cost Selection for audit;
(b) Consultant Qualification Selection for resettlement monitoring; and
(c) Fixed Budget Selection for the operation and management contract.

10. The WSCs shall recruit the individual consultants as needed in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

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

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

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

ADB's Review of Procurement Decisions

13. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. MPI shall be the Coordinating Agency for the Project. It shall be responsible for the overall supervision of the Project, including but not limited to inter-ministry coordination as needed; monitoring and evaluation of the Project; and preparation of semi-annual and annual progress reports.

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

3. The Borrower through relevant Project Executing Agencies shall ensure that the WSCs update their roadmaps for water tariff increase every year during the loan review mission, and implement tariff increases in compliance with the methodology required under Inter-Circular 75/2012 dated 15 May 2012, as may be amended from time to time.

Environment

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

Land Acquisition and Involuntary Resettlement

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

6. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Borrower, Project Executing Agencies and the WSCs shall ensure that no physical or economic displacement takes place in connection with the Subprojects until:

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

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

Indigenous Peoples

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

Human and Financial Resources to Implement Safeguards Requirements

8. The Borrower, Project Executing Agencies and WSCs shall make available necessary budgetary and human resources to fully implement the EMP, the RP and the EMDP.

Safeguards-related Provisions in Bidding Documents and Works Contracts

9. The Borrower, Project Executing Agencies and WSCs shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

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

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

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

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

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

Safeguards Monitoring and Reporting

10. The Borrower, Project Executing Agencies and the WSCs shall do the following:

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

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

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

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

Labor and Health Standards

11. The Borrower, Project Executing Agencies and the WSCs shall ensure that (a) all Works contractors under the Project (i) comply with all applicable labor laws of the Borrower and related international treaty obligations and do not employ child labor, (ii) target employment of female laborers and do not provide differential wages or benefits to men and women for work of equal value, (iii) provide basic water and sanitation facilities for men and women in the construction sites, (iv) provide safe working conditions for male and female workers, (v) provide day-care services for the child care needs of female construction workers, and (vi) carry out HIV/AIDS, STI and human trafficking education and awareness campaigns in the construction sites; and (b) all Works contracts contain provisions requiring compliance with the above requirements and provide sufficient budget, and that compliance is closely monitored.

Gender and Development

12. The Borrower, Project Executing Agencies and the WSCs shall ensure that the gender action plans agreed under the Subprojects will be implemented in a timely manner, including the following specific actions: (a) at least 40% of residents consulted on construction design and planning will be women, including poor women and women-headed households; (b) at least 40% of members of the Community Supervision Boards involved in planning and construction of Subprojects will be women, including from the commune Women's Union; (c) where land or land use rights are granted to affected persons for compensation purposes, when applicable, they are jointly registered in the names of both the husband and wife; (d) information, education and communication campaigns are targeted to men and women and at least 50% of information, education and communication facilitators are women; (e) water supply coverage includes 100% of female headed households in the relevant project areas; (f) at least 40% of participants in all training on water supply

management, operations and maintenance are women; (g) WSCs take all reasonable and necessary steps to recruit at least 30% women in the PMUs, and (h) the PMU will develop sex-disaggregated monitoring indicators for purposes of monitoring and reports. In addition, the WSCs shall take all reasonable and necessary steps to encourage women's participation in planning and implementation of the Project, including gender-sensitive provisions in the bidding and contract documents for Works as provided in paragraph 10 above.

Governance and Anticorruption

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

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

15. The Borrower, through MPI, the Project Executing Agencies and WSCs shall ensure that the PMUs publicly disclose information on how Loan proceeds are being used, presenting procurement contract award information within 2 weeks after each award, including for each such contract (a) the list of participating bidders, (b) name of the winning bidder, (c) basic details on bidding procedures adopted, (d) amount of the contract awarded, (e) list of Goods and/or Consulting Services purchased, and (f) intended and actual utilization of Loan proceeds under each contract.

16. The Borrower, Project Executing Agencies and WSCs shall within 9 months after the Effective Date establish a grievance redress mechanism to receive and resolve complaints or act on reports by stakeholders of misuse of funds or other irregularities.