LOAN NUMBER VIE-2272(SF)

LOAN AGREEMENT
(Special Operations)

(Central Region Small and Medium Towns Development Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 24 MAY 2007

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 24 May 2007 between SOCIALIST REPUBLIC OF VIET NAM ("the Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) part of the Project will be carried out by the PPCs (defined in Section 1.02 below), with the assistance of the POEs (defined in Section 1.02 below), and for this purpose the Borrower will make available to the PPCs and the POEs parts of the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein, and in the Project Agreement of even date herewith between ADB and the POEs;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (the "Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Loan Regulations are applicable to this Loan Agreement, unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "Consulting Guidelines" means ADB's "Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers" dated April 2006, as amended from time to time;

(b) "Dong" or the sign "D" means dong in the currency of the Borrower;

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

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

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

(f) "PCU" means the Project Coordination Unit to be established by the Borrower at the central level within MOC, as described in paragraph 2 of Schedule 5 to this Loan Agreement;

(g) "POE" means a public operating entity in a Project province and refers to each or any of the Dak Nong Water Supply, Drainage and Urban Works Management Company, Ninh Thuan Water Supply Company, Ninh Hoa Urban Joint Stock Company, Cam Ranh Urban Works Joint Stock Company, Binh Thuan Water Supply and Drainage Company and Phu Yen Water Supply and Drainage Co., Ltd.;

(h) "PPC" means a Provincial People's Committee of the Borrower, or any successor thereto;

(i) "PPMU" means a Provincial Project Management Unit, as described in paragraph 3 of Schedule 5 to this Loan Agreement;

(j) "PSC" means a Provincial Steering Committee, as described in paragraph 5 of Schedule 5 to this Loan Agreement;

(k) "Procurement Guidelines" means ADB's "Procurement Guidelines" dated April 2006, as amended from time to time;

(l) "Procurement Plan" means the procurement plan prepared for the Project and agreed between the Borrower and ADB on 13 October 2006, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(m) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means any of the the PPCs which are responsible for the carrying out of the Project;

(n) "Project Facilities" means the facilities and equipment to be provided under the Project;

(o) "Project provinces" mean the provinces of Binh Thuan, Dak Nong, Khanh Hoa, Ninh Thuan and Phu Yen in the territory of the Borrower;

(p) "Project towns" mean the towns of Tuy Hoa and Song Cau of Phu Yen province, Cam Ranh and Ninh Hoa of Khanh Hoa province, Thap Cham and Ca Na of Ninh Thuan province, Phan Thiet of Binh Thuan province and Gia Nghia of Dak Nong province;

(q) "Resettlement Framework" means the Resettlement Framework prepared for the Project and endorsed by the Borrower on August 2006;

(r) "Resettlement Plan" means any of the Resettlement Plans prepared specifically for the Project provinces and formally endorsed by the Borrower on August 2006;

(s) "Subsidiary Loan Agreement" means the agreement between the Borrower and the POEs referred to in Section 3.01 of this Loan Agreement;

(t) "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

(u) "VWU" means Viet Nam Women's Union.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to thirty six million thirty one thousand Special Drawing Rights (SDR36,031,000).

Section 2.02. (a) The Borrower shall pay to ADB 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 April and 15 October in each year.

Section 2.04. 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.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall make part of the proceeds of the Loan in the amount of twenty nine million eight hundred twenty three thousand Special Drawing Rights (SDR29,823,000) available to the PPCs upon terms and conditions satisfactory to ADB. The Borrower shall apply and shall cause the PPCs to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

(b) The Borrower shall relend part of the proceeds of the Loan in the amount of six million two hundred eight thousand Special Drawing Rights (SDR 6,208,000) to the POEs under Subsidiary Loan Agreements upon terms and conditions satisfactory to ADB.

(c) The Borrower shall cause the PPCs to ensure that POEs 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 Goods, Works and consulting 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, Works and consulting 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 ADB.

Section 3.03. Withdrawals from the Loan Account in respect of Goods, Works and consulting 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 ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and

(b) Goods, Works and consulting services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.04. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2012 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. 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..

Section 4.02. (a) The Borrower shall cause PPCs or the POEs, as may be applicable, to (i) maintain separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 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 financial 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 to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works financed out of the proceeds of the Loan and any relevant records and documents.

Section 4.04. The Borrower shall take all action which shall be necessary on its part to enable the PPCs to perform their obligations under the Project Implementation Agreement, including the establishment and maintenance of tariffs as stipulated in paragraph 10 of Schedule 5 to this Loan Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

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

ARTICLE V

Suspension; Cancellation; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the POEs shall have failed to perform any of their material obligations under their respective Subsidiary Loan Agreements.

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: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. 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) 8250-612; 8258-385

For ADB

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

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

(632) 636-2444
(632) 636-2228

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 ADB, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIET NAM

By _____
LE DUC THUY
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____
AYUMI KONISHI
Authorized Representative

SCHEDULE 1

Description of the Project

Objective

1. The objective of the Project is to contribute to the sustained economic growth, improved quality of life and reduced poverty for the population of the Project towns through sustainable water supply and improved sanitation.

Scope of the Project

2. The scope of the Project comprises:

Part A: Water Supply Development and Expansion

(i) rehabilitation of headworks and construction of water treatment plants and pumping stations; and
(ii) expansion of water distribution networks for increased piped water supply in the Project towns of Ca Na, Gia Nghia and Ninh Hoa.

Part B: Drainage and Wastewater Management

(i) construction of interceptor sewers and wastewater stabilization ponds; and
(ii) expansion of drainage networks for improved drainage, flood prevention and wastewater treatment in the Project towns of Cam Ranh, Gia Nghia, Phan Thiet, Song Cau, Thap Cham and Tuy Hoa.

Part C: Solid Waste Management

(i) construction and rehabilitation of landfill sites;
(ii) procurement of solid waste equipment; and
(iii) establishment of solid waste management systems in the Project towns of Cam Ranh, Gia Nghia and Song Cau.

Part D: Community Environmental Sanitation and Awareness

(i) promotion of public awareness on the importance of good environmental hygiene through public campaigns; and
(ii) improvement of access to sanitation services for the poor.

Part E: Project Management and Institutional Strengthening

(i) restructuring of the POEs into financially viable and responsive entities through strengthening of planning and management capacities, and development of a time-bound action plan to ensure improved and sustained delivery of water supply and sanitation services in the Project towns; and

(ii) provision of support for day-to-day implementation and administration of the Project.

3. The Project also includes provision of consulting services. The Project is expected to be completed by 31 December 2011.

SCHEDULE 2

Amortization Schedule for

VIE: Central Region Small and Medium Towns Development Project

Period	Date Payment Due	Payment of Principal (expressed in SDR)*
1	15-Apr-2015	750,646.00
2	15-Oct-2015	750,646.00
3	15-Apr-2016	750,646.00
4	15-Oct-2016	750,646.00
5	15-Apr-2017	750,646.00
6	15-Oct-2017	750,646.00
7	15-Apr-2018	750,646.00
8	15-Oct-2018	750,646.00
9	15-Apr-2019	750,646.00
10	15-Oct-2019	750,646.00
11	15-Apr-2020	750,646.00
12	15-Oct-2020	750,646.00
13	15-Apr-2021	750,646.00
14	15-Oct-2021	750,646.00
15	15-Apr-2022	750,646.00
16	15-Oct-2022	750,646.00
17	15-Apr-2023	750,646.00
18	15-Oct-2023	750,646.00
19	15-Apr-2024	750,646.00
20	15-Oct-2024	750,646.00
21	15-Apr-2025	750,646.00
22	15-Oct-2025	750,646.00
23	15-Apr-2026	750,646.00
24	15-Oct-2026	750,646.00
25	15-Apr-2027	750,646.00
26	15-Oct-2027	750,646.00
27	15-Apr-2028	750,646.00
28	15-Oct-2028	750,646.00
29	15-Apr-2029	750,646.00
30	15-Oct-2029	750,646.00
31	15-Apr-2030	750,646.00
32	15-Oct-2030	750,646.00

* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

33	15-Apr-2031	750,646.00
34	15-Oct-2031	750,646.00
35	15-Apr-2032	750,646.00
36	15-Oct-2032	750,646.00
37	15-Apr-2033	750,646.00
38	15-Oct-2033	750,646.00
39	15-Apr-2034	750,646.00
40	15-Oct-2034	750,646.00
41	15-Apr-2035	750,646.00
42	15-Oct-2035	750,646.00
43	15-Apr-2036	750,646.00
44	15-Oct-2036	750,646.00
45	15-Apr-2037	750,646.00
46	15-Oct-2037	750,646.00
47	15-Apr-2038	750,646.00
48	15-Oct-2038	750,638.00
	TOTAL	**36,031,000.00**

* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, 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.)

Percentages of ADB Financing

2. Except as ADB 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.

Interest Charge

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

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 then 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, all Goods, Works and consulting services to be financed out of the Loan proceeds shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2001 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, six imprest accounts at a commercial bank acceptable to ADB for the use of the PCU and the five PPMUs. The imprest accounts shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest accounts shall be Dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest accounts, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of $100,000.

Condition of Withdrawals from Loan Account

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for re-lending to a POE under Part A of the Project until (a) the respective Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and the POE concerned and shall have become fully effective and binding upon the Borrower and the POE concerned in accordance with its terms; and (b) legal opinions shall have been furnished to ADB, for the purposes of Section 9.02(d) of the Loan Regulations, stating that such Subsidiary Loan Agreement has been duly executed and delivered on behalf of the Borrower and the POE concerned, and is legally binding on the Borrower and the POE in accordance with its terms.

Attachment to Schedule 3

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Central Region Small and Medium Towns Development Project)				
A. CATEGORY				ADB FINANCING
Number	Item	Amount Allocated SDR Category	Subcategory	Percentage and Basis for Withdrawal from the Loan Account
1	Works	25,021,665		
1A	Water Supply		5,330,111	70 percent of total expenditure
1B	Drainage and Wastewater		18,915,022	70 percent of total expenditure
1C	Solid Waste		776,532	70 percent of total expenditure
2	Equipment	1,435,264		
2A	Water Supply		394,021	100 percent of total expenditure*
2B	Drainage and Wastewater		849,649	100 percent of total expenditure*
2C	Solid Waste		191,594	100 percent of total expenditure*
3	Project Management	1,268,719		
3A	PCU		350,692	100 percent of total expenditure*
3B	PPMUs		918,027	100 percent of total expenditure*
4	Training/Surveys	875,375		
4A	Public Awareness		259,295	100 percent of total expenditure*
4B	Capacity Building		186,178	100 percent of total expenditure*
4C	Surveys		429,902	100 percent of total expenditure*
5	Consulting Services	2,479,216		100 percent of total expenditure*
6	Interest Charge	598,478		100 percent of amount due
7	Unallocated	4,352,283		
	Total	36,031,000		

* Exclusive of local taxes and duties

SCHEDULE 4

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods and Works, and consulting services, to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.

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

B. Procurement for 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:

International Competitive Bidding
National Competitive Bidding
Shopping
Force Account

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.

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

5. No procurement activity may be undertaken under National Competitive Bidding until ADB and the Borrower have agreed in writing on any necessary modifications or clarifications to the Borrower's public procurement procedures to ensure consistency with ADB's Procurement Guidelines. Such modifications or clarifications shall be subsequently reflected in the Procurement Plan and are hereby incorporated by reference to this Loan Agreement.

C. Conditions for Award of Contract

6. The Borrower shall not award, in any Project province, any Works contracts financed under the Loan until the Resettlement Plan for the respective Project province is revised and updated, based on the final technical design, and endorsed by the Borrower's relevant authority and ADB accordingly.

D. Selection of Consulting Services

7. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

8. The Borrower 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:

Least-Cost Selection
Single Source Selection

E. Industrial or Intellectual Property Rights

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

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

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

F. ADB's Review of Procurement Decisions

11. All 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 and Operation of Project Facilities; Financial and Other Matters

A. PROJECT IMPLEMENTATION

Executing Agency

1. As the Project Executing Agencies, the PPCs shall have overall responsibility for Project coordination and implementation, including provision of policy guidance and monitoring and evaluating the Project at the provincial level.

Project Coordination

2. (a) The Borrower shall establish the PCU within MABUTIP within 1 month after the Effective Date to (i) provide technical support for Project implementation, supervision and training to the Project provinces through Project consultants, (ii) monitor withdrawal applications for disbursement of the Loan proceeds, (iii) monitor the preparation and submission of Project financial reports at the provincial level, (iv) ensure that periodic Project audits are properly carried out in a timely manner, (v) coordinate all reporting activities of the PPMUs, consolidate reports and ensure timely submission of semi-annual reports to MOC and ADB, (vi) monitor and coordinate all Project-related procurement to ensure compliance with the requirements of the Borrower and ADB, (vii) prepare and implement training programs for the PPMUs, and (viii) act as liaison between the Borrower and ADB with respect to the Project.

(b) MOC shall be responsible at the central level for coordinating the Project implementation, including recruiting and managing the consultants for the Project, except for Part D - Public Awareness component of the Project, through the PCU under the Management Board for Urban Technical Infrastructure Development (MABUTIP).

Provincial Project Management Units

3. The Borrower shall cause the PPCs to set up a PPMU within each Project province within 2 months after the Effective Date, under either the respective provincial Water Supply and Drainage Company or the Urban Works Company, as may be applicable, to (i) directly manage day-to-day Project implementation in the Project towns, (ii) supervise the Project consultants in designing, preparing bid documents, and construction activities, (iii) manage the acquired land, resettlement, and environmental and social safeguard compliance, (iv) implement the Gender Action Plan prepared for the Project, (v) prepare withdrawal applications and financial documents, and (vi) submit periodic progress reports with assistance from the Project consultants for submission to the PCU and the respective PPC. The PPMUs shall establish resettlement working groups (RWGs) and environmental monitoring units (EMUs) which shall monitor and update information in their relevant areas of expertise.

Viet Nam Women's Union

4. The Borrower shall also cause the PPCs to ensure that the PPMUs work with the respective VWU offices at the provincial level to design and implement Part D of the Project. The VWU shall report to the PPMUs and coordinate with other relevant agencies of the Borrower. At least one person from the PPMU shall be assigned to work with the VWU to ensure timely implementation of Project activities under Part D.

Provincial Steering Committees

5. The Borrower shall cause the PPCs to establish a PSC in each Project province within 2 months after the Effective Date to assist the PPCs during Project implementation and resolve matters that require interdepartmental coordination at the provincial level. The PSC shall be chaired by a vice chairman of the respective PPC and comprise representatives from relevant stakeholders, including but not limited to the VWUs and provincial departments of finance, planning and investment, health, environment and natural resources, construction and public works.

B. FINANCIAL AND OTHER MATTERS

Institutional Reforms

6. The Borrower shall ensure that (a) implementation regulations for the Unified Enterprise Law (2005) are prepared and adopted by the relevant agencies of the Borrower in a timely manner in order to facilitate effective corporatization and equitization of the POEs; (b) the PPCs adopt promptly the necessary resolutions required to be taken at the provincial level to further facilitate application and enforcement of the Unified Enterprise Law; (c) corporatization and equitization of the POEs are carried out in accordance with the corporatization and equitization program of the respective Project province as may be approved by the Borrower;and (d) policy dialogue is maintained between the Borrower and ADB with respect to performance and operation of the POEs throughout the Project implementation period.

7. The Borrower, through the PPCs, shall ensure that the POEs, within 3 years after the Effective Date and in a manner satisfactory to the Borrower and ADB, develop, adopt and implement a time-bound action plan, which shall include (a) new employment policies, strategies and guidelines on hiring practices, including performance based remuneration systems, enhanced transparency in hiring practices and staff incentives, in accordance with the relevant laws and regulations of the Borrower; (b) training programs to improve staff capabilities; (c) improved accounting procedures; and (d) O&M plans and procedures.

8. The Borrower shall ensure that the PPCs adopt tariffs, immediately upon commissioning of the Project facilities, that provide full cost recovery in the case of water supply, and recover sufficient costs to cover full O&M costs in the case of drainage, wastewater and solid waste management services.

Counterpart Funds

9. The Borrower shall cause the PPCs to allocate the counterpart funds, at the provincial level, required for the Project from the respective PPCs' annual budget in a timely manner and in accordance with the Borrower's Budget Law (2002).

Resettlement Plans

10. The Borrower shall cause the PPCs to (a) carry out the Resettlement Plans prepared for the Project provinces in an effective and timely manner; (b) update the Resettlement Plans based on the final technical design, in accordance with the Resettlement Framework prepared for the Project and with prior approval of ADB; and (c) prepare, revise, implement and monitor the Resettlement Plans in accordance with the related regulations of the Borrower and ADB's Policy on Involuntary Resettlement (1995) and other related requirements. Provisions and principles adopted in the Resettlement Framework and the Resettlement Plans shall supersede the provisions of Borrower's regulations wherever there is a conflict or gap.

Gender Action Plan

11. The Borrower shall cause the PPCs to ensure that the Gender Action Plan prepared for the Project is fully implemented and monitored in accordance with its terms, related Borrower regulations and ADB's Policy on Gender and Development (1998) in a timely manner, and adequate resources are allocated for this purpose. In particular, the Borrower shall ensure that (a) female-headed households are eligible for equal compensation and additional support measures for rehabilitation; (b) in ethnic minority groups where women hold higher status than men, such status is maintained where asset transfers are concerned; (c) at least 30 percent of each PPMU staff are female; and (d) at least one member of the PSC in each Project province is a member of the provincial VWU.

Ethnic Minorities

12. The Borrower shall cause the PPCs to ensure that (a) ethnic minorities have equal access to the Project benefits, have culturally appropriate awareness and education materials, and are safeguarded against adverse impacts; (b) the specific actions indicated in the Resettlement Plans for ethnic minorities, including their customary rights to forest products, are fully implemented in accordance with the relevant terms of the respective Resettlement Plans, related Borrower regulations and ADB's Policy on Indigenous Peoples (1998) in a timely manner, and that adequate resources are allocated for this purpose; and (c) where relevant, the PSC concerned includes a representative from the provincial department of Community for Ethnic Minorities in Mountainous Areas (CEMMA).

Public Awareness Campaigns

13. The Borrower shall cause the PPCs to ensure timely flow of funds from the PPMUs to the VWUs allocated for the Project activities under Part D. The Borrower shall also ensure that (a) the VWUs work effectively with the respective PPMUs to implement the community environmental sanitation and public awareness campaigns under Part D, (b) at least 50 percent of the motivators selected for the public awareness campaign are female,

and (c) at least 30 percent of the teams formed to discuss the Project with communities are composed of female members.

Environment

14. The Borrower shall ensure that adverse environmental impacts of the Project are minimized. In particular, the Borrower shall, through the PPCs, cause (a) the PPMUs and the relevant authorities to monitor and supervise the construction activities to minimize short-term adverse impacts by adopting appropriate mitigation measures and good engineering and construction practices, including replanting of trees, ensuring working safety, sanitation and health care of workers; (b) the existing O&M manual and emergency/inspection plans to be reviewed and revised, as needed, to improve the operation performance for delivery of safe drinking water and minimize a potential risk overflow and flooding of raw sewage; (c) surface and ground water quality testing to be conducted regularly to ensure compliance with drinking water quality and wastewater standards, and detect any sign of ground water contamination; (d) periodic monitoring and inspection to be conducted to maintain daily soil cover of landfill sites; (e) waste pickers to be employed to recover recyclable wastes at the separation area adjacent to the landfill sites and to provide income generation opportunities; and (f) an EMU to be set up within each PPMU to be responsible for implementation of environmental mitigation measures and monitoring, as referred to in paragraph 3 hereabove.

Anticorruption Measures

15. The Borrower shall comply with, and shall cause the PPCs and the POEs, as applicable, to comply with ADB's Anticorruption Policy. The Borrower (i) acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; and (ii) agrees to cooperate fully with, and to cause the PPCs and POEs, as applicable, to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation.

16. Without limiting the generality of the preceding paragraph, the Borrower shall (a) ensure that the PPCs and POEs conduct periodic inspections on the contractors' activities related to fund withdrawals and settlements and (b) ensure and cause the PPCs and POEs, as applicable, to ensure that all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts held by the PPMUs on behalf of the PPCs and POEs, and all contractors, suppliers, consultants and other service providers as they relate to the Project.

17. In addition to these requirements, to deter corruption and increase transparency, the Borrower shall maintain the procurement website to disclose information about public procurements, including those related to the Project. For each contract, the website shall include information on, among others, the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods/services procured. In addition to the web-based disclosure, stakeholders, which include civil society and non-governmental organizations, shall be provided detailed information on each PPMU-level procurement on public notice boards in their respective provinces.