LOAN NUMBER 1855-VIE(SF)

LOAN AGREEMENT
(Special Operations)

(Second Red River Basin Sector Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 14 Jan., 2002

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated _____ 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 Borrower has also applied to the Agence Française de Développement (hereinafter called AFD) for a loan to finance a portion of the Project;

(C) the Borrower has also applied to the Government of the Netherlands for a grant to finance a portion of the Project; 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 hereinafter 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 Section 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) "AFD Loan" means the loan provided or to be provided by AFD for the purposes of the Project;

(b) "CBO" means community-based organization;

(c) "CPO" means the Central Project Office under MARD;

(d) "Dong" or "VND" means Dong in the currency of the Borrower;

(e) "DWRHWM" means the Department of Water Resources and Hydraulic Works Management under MARD, and any successor thereto;

(f) "Implementing Agency" means the relevant departments under MARD, or, in respect of Part B, the relevant Project Province as the case may be in accordance with paragraph 13 of Schedule 6 to this Loan Agreement;

(g) "MARD" means the Ministry of Agriculture and Rural Development of the Borrower, and any successor thereto;

(h) "Netherlands Grant" means the grant provided or to be provided by the Government of the Netherlands for the purposes of the Project;

(i) "NWRC" means the National Water Resources Council established in accordance with the Borrower's Water Resources Law, and any successor thereto;

(j) "Part A" means Part A of the Project, as described in Schedule 1 to this Loan Agreement;

(k) "Part B" means Part B of the Project, as described in Schedule 1 to this Loan Agreement;

(l) "PIU" means a Provincial Implementation Unit established or to be established in each Project Province in accordance with paragraph 5 of Schedule 6 to this Loan Agreement;

(m) "PMO" means the Project Management Office established within the CPO for Part B;

(n) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MARD which is responsible for the carrying out of the Project;

(o) "Project facilities" means the structures, equipment and vehicles provided under the Project;

(p) "Project Province" means any of the provinces of Bac Can, Thai Nguyen, Vinh Phuc, Bac Giang, Bac Ninh, Hai Duong, Yen Bai, Tuyen Quang, Ha Tay, Ha Nam, Nam Dinh, and Ninh Binh, and any other province that may be agreed upon between the Borrower and the Bank;

(q) "RDS" means rural development support under Part B, as described in Schedule 1 to this Loan Agreement;

(r) "RRBC" means the Red River Basin Council established as part of the RRBO, and any successor thereto;

(s) "RRBO" means the Red River Basin Organization, established by decision of the Minister of MARD dated 9 April 2001 and comprising the RRBC and the Office of the RRBC, and any successor thereto; and

(t) "subproject" means a subproject financed or to be financed under Part B, as described in Schedule 1 to this Loan Agreement.

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 fifty-four million three hundred thirty-eight thousand Special Drawing Rights (SDR 54,338,000).

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 1 April and 1 October 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. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The allocation of amounts of the Loan towards different components of the Loan 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 30 June 2008 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 Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental, water resource management and rural 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 6 to this Loan Agreement.

Section 4.02. The Borrower shall make available, 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 for the operation 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 make arrangements satisfactory to the Bank for insurance of the Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 4.06. (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 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 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 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 enable the Bank, upon the Bank's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the Borrower's 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 4.07. (a) 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 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; (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.

(b) Without limiting the generality of the foregoing, the Borrower shall cause MARD to furnish to the Bank quarterly reports on the carrying out of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in

such form and in such detail and within such a period as the Bank shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.

(c) Promptly after physical completion of the Project, but in any event not later than three (3) months thereafter or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, in such form and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by the Borrower of its obligations under this Loan Agreement and the accomplishment of the purposes of the Loan.

Section 4.08. 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 4.09. The Borrower shall ensure that the Project facilities are operated, maintained and repaired in accordance with sound administrative, financial, engineering, environmental, water resource management, rural development, and maintenance and operational practices.

Section 4.10. (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 political subdivision or any agency of the Borrower and assets of any agency of any such political 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:

(a) the AFD Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date; and

(b) the Netherlands Grant 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 8.06(d) of the Loan Regulations: either 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 Loan has been approved; and

(b) the Borrower shall have obtained confirmation from the Government of the Netherlands that the Netherlands Grant has been approved.

Section 6.02. 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
49 Ly Thai To
Hanoi, Viet Nam

Cable Address:

VIET BANK

Telex Number:

412248 NHTW VT

Facsimile Number:

(84-4) 825 0612

For the Bank

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) 636-2300.

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 _____
JOHN SAMY
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to improve agricultural performance (and thereby incomes) of poorer communities through sustainable improvements in irrigation, better drainage, watershed protection and flood protection, within a framework of integrated water resource management in the Red River Basin. The Project consists of two parts, as follows:

Part A: Integrated Water Resource Management and Institution Building

Provision of consulting services, training, vehicles and equipment for purposes of the following components:

(i) Capacity building for the RRBO

(a) Enhancing RRBO's awareness and capacity regarding integrated water resources management and implementation;
(b) Developing a strategic planning process for RRBO;
(c) Establishing cooperative exchange arrangements between the RRBO and other river basin organizations;
(d) Training for RRBO staff in operational aspects of a river basin organization;
(e) Support for RRBO office facilities;
(f) Finalizing a brief water sector action plan for the Red River Basin as framework for selection and design of water service investment subprojects under Part B;
(g) Developing the brief water sector action plan into an integrated framework basin plan for the Red River Basin;
(h) Facilitating the collaboration among provinces in the Cau River and Day River Sub-basins in water resources management, and assisting to develop an environmental protection plan for the Cau River Sub-basin; and
(i) Developing and implementing procedures to monitor and evaluate the effectiveness of the Red River Basin planning process.

(ii) Public Awareness and Education Programs

Design and implementation of mass media programs and school education programs to increase public awareness and education regarding water resource management issues, and particularly issues related to watershed management, flood forecasting, water quality, water-related health and hygiene, and water allocation, rights and permits.

(iii) Pilot Water Licensing System

Implementation of a pilot surface water exploitation licensing system and a wastewater discharge permit system in the Cau River sub-basin, in accordance with the Water Resources Law and appropriate decrees, by-laws and regulations.

(iv) Water Quality Monitoring Network

Development of a water quality monitoring network, including, among other things, installation, operation, monitoring and evaluation of a trial network in the Cau River sub-basin, and, based on the experience of the trial network, installation, monitoring and evaluation of a network for the whole Red River basin.

(v) Project Management Support

Support to MARD in consultant selection and recruitment, procurement, design, implementation, coordination, monitoring, review, reporting, quality assurance, financial management, and evaluation of the activities under Part A, and to help coordinate activities under Part A and Part B.

Part B: Water Service Investment Subprojects

Part B of the Project comprises the following components:

(i) subprojects to improve irrigation systems and watershed protection in the uplands;

(ii) subprojects to improve delta irrigation and drainage systems, and performance monitoring and minor repairs of facilities completed under the Bank-financed Red River Delta Water Resources Sector Project (Loan No. 1344-VIE(SF)) and of the Hanoi dyke improvements completed under the Bank-financed Irrigation and Flood Protection Rehabilitation Project (Loan No. 1259-VIE(SF));

(iii) subprojects to strengthen flood protection systems in the delta;

(iv) project implementation support; and

(v) research studies.

Part B(i), B(ii) and B(iii) – Subprojects.

(a) All subprojects under Part B(i) and B(ii) comprise two complementary sub-components: (i) improving water resources infrastructure through civil works and provision of equipment, and (ii) providing agricultural support services and small-scale water-related infrastructure at community level through decentralized and participatory RDS activities. Flood protection subprojects (Part B(iii)) may include small RDS sub-components as needed.

(b) The RDS activities shall be based on the priority needs of poor farmers and may include (i) community-based reforestation in the uplands, (ii) improvement of local extension services for water distribution and participatory irrigation management, agriculture, livestock, forestry, fruit and tea crops; (iii) support services for credit utilization; (iv) small-scale community infrastructure such as small irrigation pumps, foot bridges, rural feeder roads, community wells for safe water supply; (v) skills development training for alternative income generation, especially for women; (vi) research on market availability and price information. The RDS sub-component shall not include the provision of credit, social services, social infrastructure, such as investments in health and education, and direct funding to individual households.

Part B(iv) - Project Implementation Support

Provision of consulting services to assist in coordination of subproject implementation and local level capacity building; and establishment of an electronic communication network to link the CPO with implementing agencies, other departments in MARD, local authorities and Project consultants.

Part B(v) - Research Studies

Research on relevant subjects of water resources management in the Red River Basin in support of the objectives of the Project.

2. The Project is expected to be completed by 31 December 2007.

SCHEDULE 2

AMORTIZATION SCHEDULE
(Second Red River Basin Sector Project)

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)
1 April 2010	1,132,041
1 October 2010	1,132,041
1 April 2011	1,132,041
1 October 2011	1,132,041
1 April 2012	1,132,041
1 October 2012	1,132,041
1 April 2013	1,132,041
1 October 2013	1,132,041
1 April 2014	1,132,041
1 October 2014	1,132,041
1 April 2015	1,132,041
1 October 2015	1,132,041
1 April 2016	1,132,041
1 October 2016	1,132,041
1 April 2017	1,132,041
1 October 2017	1,132,041
1 April 2018	1,132,041
1 October 2018	1,132,041
1 April 2019	1,132,041
1 October 2019	1,132,041
1 April 2020	1,132,041
1 October 2020	1,132,041
1 April 2021	1,132,041
1 October 2021	1,132,041
1 April 2022	1,132,041
1 October 2022	1,132,041
1 April 2023	1,132,041
1 October 2023	1,132,041
1 April 2024	1,132,041
1 October 2024	1,132,041
1 April 2025	1,132,041
1 October 2025	1,132,041

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* 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 2

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)
1 April 2026	1,132,041
1 October 2026	1,132,041
1 April 2027	1,132,041
1 October 2027	1,132,041
1 April 2028	1,132,041
1 October 2028	1,132,041
1 April 2029	1,132,041
1 October 2029	1,132,041
1 April 2030	1,132,041
1 October 2030	1,132,041
1 April 2031	1,132,041
1 October 2031	1,132,041
1 April 2032	1,132,041
1 October 2032	1,132,041
1 April 2033	1,132,041
1 October 2033	1,132,073
Total	54,338,000

* 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 (hereinafter called the Table) sets forth the Loan Components and the allocation of amounts of the Loan to each such Loan Component. (Reference to "Loan Component" in this Schedule is to a Loan Component listed in the Table.)

Taxes

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

Local Expenditure

3. (a) Loan proceeds up to the amount equivalent to SDR38,813,000 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.

Interest Charge

4. The amount allocated to Loan Component (v) 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

5. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table and subject to paragraph 3 of this Schedule,

(a) if the amount of the Loan allocated to any Loan Component appears to be insufficient to finance all agreed expenditures for that Loan Component, the Bank may, by notice to the Borrower, reallocate to such Loan Component, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Loan Component but, in the opinion of the Bank, are not needed to meet other expenditures; and

(b) if the amount of the Loan then allocated to any Loan Component appears to exceed all agreed expenditures for that Loan Component, the Bank may, by notice to the Borrower, reallocate such excess amount to any other Loan Component.

Schedule 3

Imprest Accounts; Statement of Expenditures

6. (a) Except as the Bank may otherwise agree, the Borrower shall establish immediately after the Effective Date, imprest accounts for each of Part A and Part B at a commercial bank acceptable to 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 imprest account shall not exceed the estimated expenditures for the relevant Part for the first six (6) months of Project implementation.

(b) The statement of expenditures (SOE) procedure may be used to liquidate advances provided into the imprest accounts, 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.

Attachment to Schedule 3

TABLE

ALLOCATION OF LOAN PROCEEDS (Second Red River Basin Sector Project)		
Number	**LOAN COMPONENT**	**AMOUNT ALLOCATED (SDR)**
(i)	Subprojects – Water Resources Infrastructure	35,770,000
(ii)	Subprojects – Rural Development Support Activities	10,681,000
(iii)	Project Implementation Support	6,800,000
(iv)	Interest Charge	1,087,000
	TOTAL	**54,338,000**

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.

3. 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 paragraph 6 and paragraph 9 below.

4. (a) Each civil works contract estimated to cost the equivalent of more than $1,000,000 and each supply contract for vehicles, 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 42 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 vehicles, equipment or materials estimated to cost the equivalent of $500,000 or less (other than minor items) shall be awarded on the basis of international shopping as described in Chapter III of the Guidelines for Procurement.

(b) Draft invitations to bid and related bid documents for contracts estimated to cost the equivalent of $1,000,000 or more and for the first contract that each of MARD and each Implementing Agency will enter into, except contracts for RDS activities, 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 for contracts with a value of $1,000,000 or more 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. (a) Civil works contracts estimated to cost less than $1,000,000 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. Promptly after each contract is awarded, the Bank shall be furnished with three copies of the contract as executed.

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

8. (a) No civil works contract for any subproject shall be signed until RDS Committees for the relevant communes have been established and agreements have been concluded as described in paragraph 20 of Schedule 6 to this Loan Agreement.

(b) No civil works contract for any subproject which involves any involuntary resettlement shall be signed until the relocation activities and payment of compensation in accordance with the resettlement plan for the subproject have been satisfactorily completed and MARD shall have informed the relevant Implementing Agency accordingly.

9. (a) Contracts for implementation of RDS activities may be awarded to capable and responsible CBOs. The estimated value of the first contract to be awarded to any CBO shall not exceed the equivalent of $10,000. CBOs that have shown good performance under the first contract may be awarded subsequent contracts for RDS activities estimated to cost the equivalent of $30,000 per contract or less. The CBOs shall be selected and engaged by the PIUs. The PIUs may delegate such selection and engagement to communes capable of undertaking this task.

(b) Subject to paragraph 9(a) above, contracts for RDS activities estimated to cost more than the equivalent of $10,000 per contract shall be awarded on the basis of local competitive bidding among local contractors in accordance with the standard procurement procedures of the Borrower, acceptable to ADB.

10. Vehicles, equipment and materials estimated to cost less than the equivalent of $100,000 per contract, may be purchased directly.

11. (a) The Borrower shall ensure that all goods and services procured and financed under the Loan and the Netherlands Grant (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 services financed under the Loan and the Netherlands Grant 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.

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. Part A:

(a) capacity building for the RRBO;
(b) public awareness and education programs;
(c) pilot water licensing system;
(d) water quality monitoring network; and
(e) project management support.

B. Part B:

(a) supporting project implementation by the CPO in agricultural economics, social development, farming systems, and flood protection;

(b) improving governance in water services of the irrigation and drainage management companies, involving their institutional development, financial management, irrigation and drainage operations, and human resources development;

(c) advisory contracts to CPO during project implementation, in forestry extension, postharvest/marketing, training, gender and ethnic minorities, resettlement, social development, environment, and other areas as needed; and

(d) preparing and implementing the investment subprojects, including feasibility studies, detailed design, review of procurement evaluation, social assessment, social mobilization, design of RDS activities, implementation support, and benefit monitoring and evaluation.

2. (a) The consulting services for flood protection under Part B will be financed under the AFD Loan.

(b) The terms of reference of the consultants shall be as determined by agreement between the Bank, MARD and, in respect of the flood protection consultants, AFD.

3. 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 October 1998, as amended from time to time, which have been furnished to the Borrower.

4. Except the flood protection consultants under Part B, who will be selected and engaged in accordance with AFD's procedures, and except as provided in paragraphs 5, 6 and 7 below, the consultants shall be selected and engaged by MARD in accordance with the following procedures.

(a) Invitation for proposals. The invitation to submit proposals and all related documents shall be approved by the Bank before they are issued. For this purpose, three copies of the draft invitation to submit proposals, a list of consultants to be invited, the proposed criteria for evaluation of proposals and other related documents shall be submitted to the Bank. A period of at least 60 days shall be allowed for submission of proposals. A copy of the final invitation as issued, together with all related documents, shall be furnished to the Bank for information promptly after issuance.

(b) Draft Contract. A draft contract with consultants shall be furnished to the Bank for approval sufficiently before the commencement of evaluation of proposals.

(c) Execution of Contract. After the conclusion of negotiations but before the signing of the contract, the Bank shall be furnished with (i) the contract as negotiated for approval and (ii) the evaluation of the proposals. 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.

5. The services of individual consultants shall be utilized to provide Project management support under Part A and some of the services under Part B as shall be agreed upon between the Bank and MARD. These consultants shall be selected and engaged by MARD in accordance with the following procedures.

(a) A list of the candidates together with their qualifications and a draft contract shall be furnished to the Bank for approval before the selection of consultants.

(b) Promptly after the contract is signed, the Bank shall be furnished with the evaluation of the candidates and a brief justification for the selection, together with three copies of the signed contract.

(c) If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to the Bank for prior approval.

6. The consultants mentioned above under paragraph 1.B(i)-(r) and some of the consultants mentioned under paragraph 1.B(c) shall be selected and engaged from domestic consulting firms or institutes in accordance with procedures acceptable to the Bank, and the selection and engagement of the consultants shall be subject to the approval of the Bank with regard to their competence and experience for carrying out the assignment. After the conclusion of negotiations but before the signing of the contract, the contract as negotiated shall be furnished to the Bank 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.

7. The experts mentioned above under paragraph 1.B(s)-(w) shall be selected and engaged from social research institutes and non-governmental organizations with the relevant qualifications in accordance with procedures acceptable to the Bank.

8. The Borrower shall ensure that all contracts with consultants financed under the Loan and under the Netherlands Grant 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; Other Matters

Central Level Project Implementation

Part A.

1. DWRHWM shall be the Implementing Agency for Part A, responsible for the day-to-day implementation of Part A. The Director, DWRHWM shall be the Project Director for Part A and shall be assisted throughout project implementation by a full-time Project Manager.

Part B.

2. The Director, CPO shall be the Project Director for Part B. The CPO shall through the PMO be responsible for coordinating implementation of Part B. Throughout Project implementation, the PMO shall be headed by a full-time Project Manager and staffed with senior experts in the areas of agriculture extension, forestry extension, social development, environmental assessment and management, resettlement, and financial management, assigned on a full-time basis. MARD shall complete the staffing of the PMO within one month of the Effective Date.

3. MARD shall, within twelve (12) months of the Effective Date, establish in the CPO a computerized management information system for efficient monitoring, financial management, and reporting of subproject progress and status of contracts.

Provincial Level Project Implementation

4. MARD shall approve and disseminate detailed Project implementation guidelines within three (3) months after mobilization of the consultants for Part B, and a field manual for Project implementation staff within six (6) months after mobilization of the consultants for Part B.

5. The Project Provinces or MARD, as the case may be in accordance with paragraph 13 of this Schedule 6, shall be the Implementing Agencies for subprojects under Part B. Within one month of the Effective Date, each Project Province shall have established a PIU reporting to the provincial Department of Agriculture and Rural Development (DARD). Under the guidance of the CPO, DARD, and the Provincial People's Committees, the PIUs shall arrange for the preparation, implementation, and monitoring of subprojects and/or works that have been delegated by MARD to provinces. The Borrower shall provide PIUs with support for incremental staff, vehicles, and operation costs to carry out their tasks under the Project.

Overall Project Coordination

6. (a) As soon as the RRBO is fully operational, the RRBC shall serve as Project Steering Committee (PSC). The Office of the RRBC shall be staffed on a full-time basis with staff assigned from the Institute of Water Resources Planning and other relevant ministries and agencies. The PSC shall be responsible for coordination of implementation of Part A and Part B and coordination among all agencies concerned with Project activities, including

VBARD, the Women's Union, the Committee for Ethnic Minorities and Mountainous Areas, the Ministry of Labor, Social Affairs and Invalids, the Steering Committee for Protection and Exploitation of the Cau River in Six Provinces, the Project Provinces and the Central Committee for Storm and Flood Control.

(b) Until the RRBO is fully operational, MARD shall convene PSC meetings to be chaired by a MARD Vice-Minister and comprising Chairpersons or Vice-Chairpersons of People's Committees of participating provinces and representatives of other ministries and agencies concerned.

7. (a) Throughout Project implementation, MARD shall maintain two interdepartmental working groups, for Part A and for Part B respectively, to ensure effective coordination and cooperation between MARD's departments in implementing the Project.

(b) Throughout Project implementation, MARD shall seek the active collaboration of non-government organizations, experts, and representatives of other projects in the Red River Basin. At least twice a year, MARD shall organize consultation workshops with these stakeholders in conjunction with meetings of the RRBC or its Standing Committee.

Water Resources Management Issues

8. The Borrower shall regularly convene the NWRC in accordance with the Prime Minister's Decision on the Establishment of the National Water Resources Council, dated 15 June 2000 (Decision 67/2000/QD-TTg), and shall maintain a fully operational Office of the NWRC staffed on a full-time basis with staff assigned from MARD. The Borrower shall cause working groups with participants from MARD and other relevant ministries to be established under the Office of NWRC. The Borrower shall cause the NWRC and RRBC to hold special meetings whenever MARD so requires to ensure successful Project implementation.

9. By December 2002 or such other date as may be agreed between the Bank and MARD, MARD shall, upon the recommendation of the NWRC and following endorsement by the Borrower, implement a reorganization to separate water resources management activities and responsibilities regulated by the Water Resources Law from irrigation and drainage management activities and responsibilities.

10. By December 2003, RRBC shall have endorsed and the Borrower shall have approved the Red River Basin Framework Plan, taking into account the recommendations made under the Bank-financed Technical Assistance No. 2871-VIE.

11. By March 2002, MARD shall provide the Bank with a draft revision of Decree 112/CP on cost recovery in water resources projects, for consultation. The Borrower shall cause the Decree to be approved and implemented during Project implementation.

Subproject Preparation, Approval and Implementation

12. MARD shall be responsible for appraisal of all subprojects in consultation with the respective Project Province, and for approval of all subprojects. The appraisal reports of the first two upland and the first two delta irrigation rehabilitation subprojects shall be subject to

review by the Bank prior to MARD's approval. Subsequent subproject appraisal reports shall be subject to review by the Bank prior to MARD's approval, on a sample basis.

13. (a) The identification of candidate subprojects in the uplands shall be undertaken by Provincial People's Committees. MARD shall, upon request of Project Provinces that have sufficient capacity, delegate to them the responsibility for preparation and implementation of subprojects in the uplands, which are not expected to be technically complex.

(b) The identification of candidate subprojects in the delta shall be undertaken by MARD or Provincial People's Committees. The responsibility for implementation of contracts for subprojects in the delta shall be delegated by MARD to the Project Provinces on a case-by-case basis to be determined in consultation between MARD and the relevant Project Provinces for each subproject. MARD shall not delegate responsibility for implementation of (i) contracts for headworks that are technically complex and/or require interprovincial water management, (ii) contracts that require procurement through international competitive bidding, and (iii) contracts for flood protection works on national dykes.

14. Each subproject feasibility study shall include a financing plan showing the percentages of the estimated subproject cost to be financed by (i) the Loan, (ii) counterpart funds from the Borrower, and (iii) contributions by the subproject beneficiaries, respectively. Promptly upon approval of a subproject, the Borrower shall, through MARD, make the required counterpart funds available to the budget of the Project Province concerned.

Subproject Selection Criteria

15. In the selection of subprojects it shall be ensured that at least thirty (30) percent of the funds for subprojects are allocated for subprojects in the upland areas.

16. The initial selection of subprojects during the subproject identification stage shall be made on the basis of the following subproject screening criteria:

(a) the subproject will provide improved irrigation, drainage, watershed protection and/or flood protection and rural development support;

(b) the subproject is consistent with the river basin plan or sub-basin plan, and included in the provincial or district investment plan;

(c) the estimated cost of subprojects is at least $1,000,000 equivalent and not more than $5,000,000 equivalent;

(d) the people's committees of the communes, districts and provinces where the subproject will be located have provided written support for it;

(e) the proportion of beneficiaries below the poverty line is at least 33 percent on the basis of the international classification of poverty;

(f) the subproject proposal describes feasible and participatory operation and maintenance arrangements;

(g) the subproject will be based on proven technology;

(h) the subproject has no obvious negative social impact such as the loss of productive assets, livelihood, and physical displacement of a significant number of people; and

(i) the subproject has no obvious negative environmental impacts such as the diversion or pollution of sizeable bodies of water or the destruction of environmentally sensitive areas such as wetlands, mangrove or forest areas;

17. The following subproject selection criteria shall apply during the subproject appraisal stage:

(a) it is confirmed that the subproject continues to meet the preliminary screening criteria, including its consistency with Project objectives;

(b) the subproject has been shown to be technically feasible;

(c) the subproject has been shown to be financially sustainable;

(d) feasible subproject implementation arrangements have been spelled out for design, construction, operation, maintenance and monitoring, with well-defined roles for beneficiary participants and water user organizations at all stages of implementation, but not requiring onerous labor contributions;

(e) detailed cost estimates have been prepared, including costs related to social mobilization, benefit monitoring and evaluation, rural development activities, capacity building, and mitigation of adverse social and environmental impacts, if any;

(f) sources of counterpart funding (national budget, provincial budget, beneficiary contributions) have been identified and confirmed;

(g) procurement packages have been clearly identified as well as the method of procurement, which must be in accordance with the Bank's Guidelines on Procurement;

(h) implementation monitoring procedures have been clearly spelled out and are in accordance with the implementation guidelines for the Project;

(i) at least two public hearings on the subproject proposal have been held with beneficiaries in the subproject area, at the start and completion of the subproject feasibility study, and it has been confirmed that the subproject supports priority development needs of the beneficiaries and will have no negative social impact, and where such impact is unavoidable, adequate provision has been made to mitigate, compensate for, and resolve the impact or conflict identified, including through the preparation of a resettlement plan, where required;

(j) the subproject has been shown to have no significant adverse environmental impact and measures have been set out in the feasibility study to mitigate any adverse impacts;

(k) the subproject has been shown not to have any significant adverse effects for either upstream or downstream water users;

(l) the subproject has an economic rate of return of at least 12 per cent; and

(m) irrigation and drainage rehabilitation subprojects have an adequate management plan, based on participatory irrigation management principles, that will improve the financial autonomy and accountability of the irrigation and drainage service providers.

Social and Environmental Issues

18. (a) In the preparation of subprojects it shall be ensured that the interests of poor and disadvantaged groups, especially women and ethnic minorities are taken into account through consultation with them during subproject preparation, in accordance with the Guidelines for the Participation of Ethnic Minorities in the Project and the Gender Action Plan approved by MARD and the Bank for the Project. The CPO, in close cooperation with the PIUs in the provinces concerned shall ensure that any negative social impact that may occur as a result of the implementation of any subproject will be prevented, mitigated, or resolved in accordance with the measures set out for that purpose in the feasibility study for such subproject.

(b) If any subproject would involve any resettlement, a resettlement plan shall be prepared in accordance with the Bank's Handbook on Resettlement and the Guidelines for Resettlement and Land Acquisition agreed by MARD and the Bank for the Project, and the resettlement shall be undertaken and affected people shall be compensated following this plan. The Bank shall be provided with a copy of the resettlement plan before the relevant subproject is approved. In case of a significant resettlement impact as defined in the Bank's Handbook on Resettlement, an independent monitoring organization shall be invited to monitor the correct implementation of the resettlement plan.

19. As part of each subproject appraisal, the CPO shall carry out an environmental screening. Where appropriate, an initial environmental examination and, if required, an environmental impact assessment shall be carried out in accordance with the Bank's Environmental Assessment Requirements dated March 1998, as amended from time to time, and the relevant procedures of the Borrower. The CPO, in close cooperation with the PIU and Province concerned shall ensure that any negative environmental impact that may occur as a result of the implementation of any subproject shall be mitigated in accordance with the measures set out for that purpose in the feasibility study for such subproject, and that the costs of mitigation, management, and monitoring are incorporated in the subproject cost and budgets.

Schedule 6

Implementation of RDS Activities

20. The communes shall be responsible for managing the implementation of RDS activities under guidance of the relevant PIU. The relevant district, PIU, and Project Province shall provide technical implementation support as needed. Communes in which RDS activities will be undertaken shall, prior to the implementation of the RDS activities, establish an RDS Committee including representatives of the commune level farmers' association, cooperative, Women's Union and water users' organization, village organizers and women organizers. The relevant PIUs, commune authorities and RDS Committees shall conclude agreements regarding the scope, budget, financing and implementation arrangements for the participatory irrigation management work and RDS activities under each subproject with an RDS component. The RDS Committees shall submit quarterly progress reports to the PIU of the relevant Project Province. The CPO shall be responsible for monitoring the RDS activities and identifying needs for implementation support.

Implementation of Research

21. Within six (6) months of the Effective Date, MARD shall submit to the Bank for consultation proposals for a detailed agenda and implementation arrangements for the research studies under Part B(v). The research component shall be managed by the CPO, with guidance from the Project management support consultants under Part A to ensure the quality of the research studies and their application into subproject design.

Operation and Maintenance of Subprojects

22. The Project Province concerned shall ensure that the operation and maintenance of each subproject is undertaken in accordance with the operation and maintenance plan contained in the feasibility study for each subproject. Each operation and maintenance plan shall follow the Borrower's policy for cost recovery in water resources projects.

Benefit Monitoring and Evaluation

23. The CPO, the relevant PIU, and the subproject beneficiaries shall be responsible for monitoring and evaluating the impact of each subproject. During appraisal of each subproject, a socio-economic baseline survey shall be carried out within the subproject area. During and after subproject implementation, benefits generated as a result of the subproject shall be measured against the data from the baseline survey. The monitoring and evaluation system for Part B shall include means to monitor and evaluate poverty alleviation impacts of the Project.