LOAN NUMBER 8745-VN

Loan Agreement

(Vietnam Coastal Cities Sustainable Environment Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated October 27 **, 2017**

LOAN AGREEMENT

Agreement dated October 27, 2017, between SOCIALIST REPUBLIC OF VIETNAM ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS the Borrower has requested the International Development Association (the "Association") to provide financial assistance in support of Parts 1 and 3 (a) of the project described in Schedule 1 to this Agreement ("Project"), and the Association has agreed to provide such financial assistance upon the terms and conditions set forth in an agreement of even date herewith between the Borrower and the Association (the "Financing Agreement").

NOW THEREFORE, the Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions, the Financing Agreement or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of forty-six million Dollars (USD 46,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing Part 2 of the Project.

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, however, that the interest payable shall in no event be less than zero percent (0%) per annum; and provided furthermore that, upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are January 1 and July 1 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts

required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through the Project Provinces in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4. 01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is the Governor, or a Deputy Governor, of State Bank of Vietnam.

5.02. The Borrower's Address is:

State Bank of Vietnam
49 Ly Thai To
Hanoi, Vietnam

Cable address:	Telex:	Facsimile:
VIETBANK	412248	(84-4) 3825 0612

5.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C.20433
United States of America

Telex:	Facsimile:
248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By _____
Authorized Representative

Name: Le Minh Hung

Title: Governor

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By _____
Authorized Representative

Name: Ousmane Dione

Title: Country Director for Vietnam

SCHEDULE 1

Project Description

The objective of the Project is to increase access to sanitation services and improve the operational performance of sanitation utilities in the Project Cities.

The Project consists of the following parts:

Part 1: Sanitation Infrastructure Expansion

(a) Flood Reduction Works: provision of support to Project Cities for the rehabilitation and improvement of selected embankments of lakes, canals, and rivers; and construction of a new retention lake and rehabilitation of existing lakes.

(b) Drainage and Wastewater Collection Networks: provision of support to Project Cities for the construction of primary and/or secondary sewers, tertiary sewers, pumping stations, and household and commercial connections.

(c) Wastewater Treatment Plants: provision of support to Project Cities for the upgrading of the Supervisory Control and Data Acquisition (SCADA) system; and construction of a new wastewater treatment plant (WWTP) and upgrading selected existing WWTPs.

(d) School Sanitation and Public Toilets: provision of support to Project Cities to improve access to sanitation services at selected schools and public toilets.

(e) Revolving Funds for Household Connections: provision of support to increase the wastewater connections capacity through the establishment of a revolving fund in the Borrower's Phan Rang – Thap Cham city to assist in the financing for Sanitation Loans to eligible households in the said city to increase the number of household connections to the drainage and sewerage networks.

(f) Solid Waste Management: provision of support to Project Cities for the construction of a new landfill cell, upgrading of selected leachate treatment facilities, and purchase of solid waste collection vehicles and equipment.

(g) Design and Supervision: provision of support to Project Cities for associated implementation support, including engineering design, construction supervision, financial audits, and environmental and social management.

Part 2: Urban Connectivity Improvement

Provision of support to Project Cities for: (a) constructing priority roads and bridges along selected canals, drains or rivers to enhance drainage and sewer investments and urban road transport networks; and (b) associated implementation support, including engineering design, construction supervision, financial audits, and environmental and social management.

Part 3: Compensation and Site Clearance

(a) Infrastructure of Resettlement: provision of support to Phan Rang – Thap Cham city for the construction of residential infrastructure for its resettlement areas under the Project.

(b) Compensation and site clearance: provision of support to the Project Cities for the compensation and site clearance under the Project.

Part 4: Implementation Support and Institutional Reform

Carry out a capacity strengthening program for Project management and implementation activities, including: (a) provision of support to enhance overall engineering design, construction supervision, and environmental and social management; (b) carrying out of capacity building activities through workshops, and training; (c) provision of support to for the financial management, procurement, contract supervision and monitoring and evaluation activities for the Project; and (d) provision of support for the operation of Project Management Units.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall, through each Project Province, throughout the period of implementation of each Project Province's Respective Part of the Project, maintain:

   (a) a Project Steering Committee (PSC) chaired by a provincial leader of its Provincial People's Committee and comprising representatives from its Provincial People's Committee, Department of Planning and Investment, Department of Finance, Department of Construction, and relevant line departments, for the purpose of monitoring and guiding overall implementation of the Respective Part of the Project in each Project City; and

   (b) a Project Management Unit (PMU) responsible for: (i) planning and managing the implementation of its Respective Part of the Project, including financial management and procurement; (ii) ensuring coordination among all relevant departments and agencies of said Project Province and of respective Project City, and service providers; and (iii) monitoring and reporting on all Project activities; each such Project Management Unit shall be under the direction of qualified management, provided with sufficient resources, and staffed with competent personnel in adequate numbers, including a director, a chief accountant, a procurement specialist and a chief engineer, in each case with qualifications and experience and under terms of reference acceptable to the Bank.

2. The Borrower shall, through each Project Province:

   (a) prepare and adopt a Project Operations Manual (POM) satisfactory to the Bank setting forth guidelines and procedures for the implementation of each Project Province's Respective Part of the Project, including: (i) technical components; (ii) monitoring and evaluation arrangements; (iii) environmental and social safeguards compliance; (iv) policies, procedures and requirements under the Project in regard to financial management, flow of funds, definition of roles and responsibilities, internal control and reconciliation, record keeping, reporting and auditing; (v) guidelines and procedures for procurement consistent with the provisions of Section III of this Schedule 2, as well as the allocation of roles and responsibilities for

procurement review and approval; (vi) an integrity action plan; and (vii) performance indicators; and

(b) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of said POM or any part thereof, without the prior written agreement of the Bank.

3. In case of any inconsistency between the provisions of the POM and those of this Agreement, the provisions of this Agreement shall prevail.

4. For purposes of Part 1 (e) of the Project, the Borrower shall, through its Ninh Thuan province:

(a) prepare and adopt a Revolving Fund Manual, satisfactory to the Bank, setting forth the procedures and requirements for the establishment and operation of a revolving fund in the Borrower's Phan Rang - Thap Cham city; the fiduciary and other arrangements for said fund; eligibility criteria for households applying for the Sanitation Loans; and the terms and conditions of the Sanitation Loans;

(b) enter into an implementation arrangement with the Women's Union, satisfactory to the Bank, whereby the Women's Union shall manage the revolving fund in the Borrower's Phan Rang – Thap Cham city to make Sanitation Loans to eligible households, in accordance with the provisions of the Revolving Fund Manual; and

(c) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of said Revolving Fund Manual or any part thereof, without the prior written agreement of the Bank.

B. Subsidiary Agreement

1. To facilitate the implementation of each Project Province's Respective Part of the Project, the Borrower shall make the proceeds of the Loan and Financing available to each Project Province under a Subsidiary Agreement between the Borrower, represented by its Ministry of Finance, and the respective Project Province, under terms and conditions acceptable to the Bank, which shall include the obligations of the respective Project Province to:

(a) with respect to the proceeds of the Loan made available to the said Project Province: (i) pay the Borrower a front-end fee in an amount equal to the Front-end Fee specified in Section 2.03 of this Agreement; (ii) repay the proceeds of the Loan over a period of twenty-nine (29) years, inclusive of a grace period of ten (10) years; (iii) pay the Commitment Charge at the rate payable by the Borrower pursuant to Section 2.04 of this Agreement; and (iv) interest on the principal amount of the Loan withdrawn and outstanding from time to time at the rate payable by the Borrower pursuant

to Section 2.05 of this Agreement, subject to any request that the Borrower may make pursuant to Section 2.08 of this Agreement;

(b) with respect to the proceeds of the Financing made available to each Project Province: (i) pay the Borrower a commitment charge on the respective Unwithdrawn Credit Balance at the rate specified in Section 2.03.(a) of the Financing Agreement; (ii) repay the respective proceeds of the Financing over a period applicable to the Borrower pursuant to Section 2.07 of the Financing Agreement; (iii) pay a Service Charge on the respective Unwithdrawn Credit Balance at the rate specified in Section 2.04 (a) of the Financing Agreement; and (iv) pay interest on the respective Withdrawn Credit Balance at the rate specified in Section 2.05 (a) of the Financing Agreement;

(c) ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Financing and Loan proceeds other than the Borrower;

(d) ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Project Operations Manual, and except as the Bank shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof;

(e) ensure that its Respective Part of the Project is carried out in accordance with the provisions of the Safeguard Instruments, and except as the Bank shall otherwise agree in writing, not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof;

(f) ensure that: (i) an acceptable financial management system is maintained and financial statements are prepared in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the respective Project Province, including the operations, resources, and expenditures related to the Respective Part of the Project; and (ii) such statements are audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and such audited financial statements are furnished to the Borrower and the Bank and made publicly available in a timely fashion and in a manner acceptable to the Bank; and

(g) ensure that procurement of the goods, works, and non-consulting and consultants' services required for the Respective Part of the Project is carried out in accordance with the provisions of Section III of this

Schedule 2, as said provisions may be further elaborated in the Procurement Plan.

2. The Borrower shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan and the Financing. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards

1. The Borrower shall, through each Project Province:

(a) take all necessary actions to avoid or minimize to the extent possible any involuntary relocation of persons, or their loss of shelter, assets, or access to assets, or loss of income sources or means of livelihood, temporarily or permanently; and

(b) in the event that Project activities give rise to Displaced Persons, prior to the commencement of such activities, cause to be prepared, a Resettlement Action Plan, acceptable to the Bank, in accordance with the guidelines, requirements and procedures set forth in the Resettlement Policy Framework, and thereafter implement in a timely manner said Resettlement Action Plan as approved by the Bank.

2. The Borrower shall, through each Project Province, ensure that all land acquisition required for the purposes of carrying out works under the Project are financed exclusively out of its own resources, and shall provide, promptly as needed, the resources needed for these purposes, including: (a) all land acquisition required for the purposes of carrying out the Project; (b) resettlement and rehabilitation payments to Displaced Persons; and (c) all other costs associated with environmental and/or social mitigation measures set forth in the Safeguard Instruments.

3. The Borrower, through each Project Province, shall:

(a) implement in a timely manner the Environmental and Social Management Plans, in accordance with the Environmental and Social Impact Assessment acceptable to the Bank, as the case may be;

(b) ensure that no civil works carried out under the Project, shall commence unless and until the relevant Safeguards Instruments are furnished to the Bank and all requisite consultation and public disclosure activities have been carried out, all in a manner and form satisfactory to the Bank; and

(c) ensure, that all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the Bank's Safeguards Policies.

4. The Borrower, through each Project Province, shall:

(a) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the Safeguard Instruments or any provision of any one thereof, without the prior written agreement of the Bank; and

(b) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Safeguard Instruments.

5. In case of any inconsistency between the provisions of any of the Safeguard Instruments and this Agreement, the provisions of this Agreement shall prevail.

6. Without limitation to the provisions of paragraph 1 of Section II.A of this Schedule 2, the Borrower shall take all measures necessary on its part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:

(a) measures taken in furtherance of the Safeguards Instruments;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and

(c) remedial measures taken or required to be taken to address such conditions.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators acceptable to the Bank set forth in the Project Operations Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Borrower shall carry out jointly with the Bank, not later than twenty-four (24) months after the Effective Date, or such other period as may be agreed by the Bank, a midterm review to assess the status of Project implementation, as measures against the performance indicators set forth in the Project Operations Manual. Such review shall include an assessment of: (i) the progress in implementation; (ii) the results of monitoring and evaluation activities; (iii) the progress on procurement and disbursement; (iv) compliance with safeguard requirements; (v) adequacy of implementation arrangements; and (vi) the need to make any adjustments to the Project to improve performance.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall, through Project Provinces, prepare and furnish to the Bank as part of the Project Report not later than forty five (45) days after the end of each semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall, through Project Provinces, have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services**. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

(a) National Competitive Bidding, subject to the additional provisions set forth in the Annex to this Schedule 2;

(b) Shopping; and

(c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services**. The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan:

(a) Least Cost Selection;

(b) Selection Based on Consultants' Qualifications;

(c) Selection of Individual Consultants; and

(d) Single Source Selection.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan and Financing Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan and the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify by notice to the Borrower (including the "Disbursement Guidelines for Investment Project Financing" dated February 2017, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan and the Financing ("Category"), the allocation of the amounts of the Loan and the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consultants' services for Quang Binh province's Respective Part of the Project	13,033,000	26,501,400	100%
(2) Goods, works, non-consulting services, and consultants' services for Binh Dinh province's Respective Part of the Project	4,562,000	33,210,400	100%

(3) Goods, works, non-consulting services, and consultants' services for Khanh Hoa province's Respective Part of the Project	14,797,000	32,682,200	100%
(4) Goods, works, non-consulting services, consultants' services and Sanitation Loans for Ninh Thuan province's Respective Part of the Project	8,855,000	48,106,000	100% and 100% of amount disbursed under Sanitation Loans
(5) Front-end Fee	115,000		Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(6) Interest and other charges on the Loan accrued on or before the last Payment Date immediately preceding the Closing Date	4,638,000		Amount payable pursuant to Sections 2.04 and 2.05 of this Agreement in accordance with Section 2.07 (c) of the General Conditions
(7) Interest Rate Cap or Interest Rate Collar premium	0		Amount due pursuant to Section 2.08 (c) of this Agreement in accordance with Section 4.05 (c) of the General Conditions
TOTAL AMOUNT	**46,000,000**	**140,500,000**	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement; or

(b) under each of Categories (1) – (4) unless the Borrower has furnished to the Bank evidence acceptable to the Bank that: (i) a Subsidiary Agreement has been duly authorized or ratified by the Borrower, through its Ministry of Finance, and the respective Project Province; (ii) the counterpart fund allocation for Project Province's Respective Part of the Project has been approved by its Provincial People's Committee; and (iii) the roadmap for cost recovery and wastewater tariff increase for the respective Project City has been approved by the respective Provincial People's Committee.

2. The Closing Date is December 31, 2022.

ANNEX to SCHEDULE 2

National Competitive Bidding Procedures

The procedures to be followed for the procurement of goods, non-consulting services, and works under contracts awarded on the basis of National Competitive Bidding shall be those set forth in: (a) Article 20 on Open Bidding of the Borrower's Law on Procurement No. 43/2013/QH13 dated November 26, 2013 and related provisions necessary to effect the same; and (b) the Borrower's Decree No. 63/2014/ND-CP dated June 26, 2014 Guiding Implementation of the Law on the Procurement (collectively, "National Procurement Laws"), subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the "Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" dated January 2011 and revised July 2014 ("the Procurement Guidelines") and the following provisions:

Conflict of Interest

1. A bidder shall not have a conflict of interest. Any bidder found to have a conflict of interest shall be ineligible for award of a contract. The provisions on conflict of interest as stated under Section I of the Procurement Guidelines shall apply.

Eligibility

2. The eligibility of bidders shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Bank for reasons other than those provided in Section I of the Guidelines. Foreign bidders shall be eligible to participate in bidding under the same conditions as national bidders. In particular, no domestic preference over foreign bidders shall be granted to national bidders in bid evaluation, nor shall foreign bidders be asked or required to form joint ventures with or be subcontractors to national bidders in order to submit a bid.

3. Government-owned enterprises or institutions of the Borrower's country are eligible to bid in the Borrower's country only if they can establish that they: (i) are legally and financially autonomous, (ii) operate under commercial law, and (iii) are not dependent agencies of the Borrower or Sub-Borrower.

Time for Bid Preparation

4. The time allowed for the preparation and submission of bids for large and/or complex packages shall not be less than thirty (30) days from the date of the invitation to bid or the date of availability of the bidding documents, whichever is later.

Standard Bidding Documents

5. The standard bidding documents acceptable to the Bank shall be used.

Bid Opening and Bid Evaluation

6. Bids shall be opened in public, immediately after the deadline for submission of bids, regardless of the number of bids received.

7. Evaluation of bids shall be made in strict adherence to the criteria that shall be clearly specified in the bidding documents and quantified in monetary terms for evaluation criteria other than price; merit points shall not be used in bid evaluation. No bid shall be eliminated from detailed evaluation on the basis of minor, non-substantive deviations. The evaluation of bidder's qualifications shall be conducted separately subsequent to the technical and commercial evaluation of the bid.

8. A contract shall be awarded, within the period of the validity of bids, to the bidder who meets the appropriate standards of capability and resources and whose bid has been determined (i) to be substantially responsive to the bidding documents and (ii) to offer the lowest evaluated cost. A bidder shall neither be required nor permitted, as a condition for award, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted.

9. No bid shall be rejected on the basis of a comparison with the employer's estimate and budget ceiling without the Bank's prior written agreement.

Rejection of All Bids and Re-bidding

10. Rejection of all bids is justified when there is lack of effective competition, or all bids are not substantially responsive, or no bidder meets the specified qualification criteria, or the bid price of the lowest evaluated winning bid is substantially higher than the Borrower's updated estimated cost or available budget. All bids shall not be rejected or new bids solicited without the Bank's prior written agreement.

Complaints by Bidders and Handling of Complaints

11. The Borrower shall implement an effective and independent protest mechanism, acceptable to the Bank, allowing bidders to protest and have their protests handled in a timely manner.

SCHEDULE 3

Amortization Schedule

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

Principal Payment Date	**Installment Share (Expressed as a Percentage)**
On each January 1 and July 1 Beginning July 1, 2027 through July 1, 2045	2.63%
On January 1, 2046	2.69%

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

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

   (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as

withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

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

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.

2. "Bank's Safeguards Policies" means the operational policies and procedures for financing of development projects by the Bank at the date of this Agreement and relating to Environmental Assessment, Natural Habitats, Pest Management, Indigenous Peoples (Ethnic Minorities), Physical Cultural Resources, Involuntary Resettlement, Forests, Safety of Dams, Projects on International Waterways, and Projects in Disputed Areas, as published under www.WorldBank.org/opmanual.

3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

4. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).

5. "Displaced Persons" means persons who, on account of implementation of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.

6. "Department of Construction" means the Borrower's department of construction at the provincial level under a Provincial People's Committee, and any successor thereto.

7. "Department of Finance" means the Borrower's department of finance at the provincial level under a Provincial People's Committee, and any successor thereto.

8. "Department of Planning and Investment" means the Borrower's department of planning and investment at the provincial level under a Provincial People's Committee, and any successor thereto.

9. "Environmental and Social Impact Assessment" or "ESIA" means the assessment, acceptable to the Bank, referred to in Section I.D.3 of Schedule 2 to this Agreement, and approved by the respective Provincial People's Committee in each Project Province.

10. "Environmental and Social Management Plans" or "ESMPs" means the plans acceptable to the Bank, referred to in Section I.D.3 of Schedule 2 to this Agreement, and approved by the respective Provincial People' Committee in each Project Province; which set forth the specific actions, measures and policies designed to maximize the benefit of the respective activities under the Project, as well as eliminate, offset or mitigate any adverse environmental and social impacts, or reduce such impacts to acceptable levels, along with administrative and monitoring arrangements to ensure the implementation of said actions, measures and policies, as said ESMP may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.

11. "Financing Agreement" means the agreement between the Borrower and the Association for the Project, of the same date as this Agreement, as such agreement may be amended from time to time. "Financing Agreement" includes all appendices, schedules and agreements supplemental to the Financing Agreement.

12. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

13. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).

14. "Procurement Plan" means the Borrower's procurement plan for the Project, dated March 29, 2017, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

15. "Project Cities" means the Borrower's cities of Dong Hoi, Nha Trang, Quy Nhon and Phan Rang-Thap Cham, or such other city in the Project Provinces agreed with the Bank; and "Project City" means any of said Project Cities.

16. "Project Management Units" and "PMUs" mean, collectively, the Units established and maintained by the Project Provinces in respect of their Respective Parts of the Project, in accordance with Section I.A.1 (b) of Schedule 2 to this Agreement, and any successor thereto; and a "Project Management Unit" and "PMU" mean any of said Units.

17. "Project Operations Manual" or "POM" means, collectively, the project operations manuals, adopted by each Project Province in accordance with Decision Number 3309/QD-UBD dated December 20, 2016 by Ninh Thuan province, Decision Number 314/QD-UBND dated February 8, 2017 by Binh Dinh province, Decision

Number 476/QD-UBD dated February 22, 2017 by Khanh Hoa province and Decision Number 810/QD-UBD dated March 14, 2017 by Quang Binh province, as referred to in Section I.A.2 of Schedule 2 to this Agreement, which sets forth guidelines, policies and procedures for the implementation of the Project, as the same may be amended from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules or amendments to such manual.

18. "Project Provinces" means the Borrower's provinces of Quang Binh, Binh Dinh, Khanh Hoa, Ninh Thuan, or such other province as agreed with the Bank, as each of them is represented by its respective Provincial People's Committee; and "Project Province" means any of such Project Provinces."

19. "Project Steering Committees" or "PSCs" mean, collectively, the Committees established and maintained by the Project Provinces in respect of their Respective Parts of the Project, in accordance with the Section I.A.1 (a) of Schedule 2 to this Agreement; and a "Project Steering Committee" means any of said Committees.

20. "Provincial People's Committees" means, collectively, the local governments of the Project Provinces at the Provincial level; and "Provincial People's Committee" means any one of the Provincial People's Committees in the Project Provinces.

21. "Resettlement Action Plans" or "RAPs" means the resettlement plans acceptable to the Bank, referred to in Section I.D.1 of Schedule 2 to this Agreement, to be prepared and adopted by the respective Provincial People's Committees at each Project Province; which set forth principles and procedures governing the acquisition of land and related assets, and the compensation, resettlement, and rehabilitation of Displaced Persons in accordance with the guidelines and procedures set forth in the RPF, as said plans may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.

22. "Resettlement Policy Framework" or "RPF" means the policy framework for resettlement and land acquisition acceptable to the Bank, referred to in Section I.D.1 of Schedule 2 to this Agreement, approved by the Prime Minister in accordance with the Decision Number 1078/TTg-QHQT dated June 22, 2016; which sets forth principles for formulating entitlements and/or support for affected households, mitigation measures, grievance redress mechanisms, monitoring and evaluations of resettlement activities, budget and implementation arrangements, including capacity building through training, to carry out the acquisition of land and related assets under the Project and compensation, resettlement, support and livelihoods rehabilitation of Displaced Persons, and the preparation of RAPs during the implementation of the Project, as said RPF may be revised from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such framework.

23. "Revolving Fund Manual" means the manual, adopted by the Borrower's Ninh Thuan province, in accordance with its Decision Number 3309/QD-UBND dated December 30, 2016, as referred to in Section I.A.4 of Schedule 2 to this Agreement, which sets forth procedures and requirements for the establishment and operation of a revolving fund; the fiduciary and other arrangements for said fund; eligibility criteria for households applying for the Sanitation Loans; and the terms and conditions of the Sanitation Loans, as the same may be amended from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules or amendments to such manual.

24. "Safeguards Instruments" means, collectively, the Environmental and Social Impact Assessments, the Environmental and Social Management Plans, the Resettlement Policy Framework and the Resettlement Action Plans.

25. "Sanitation Loans" means loans made, or to be made by the Provincial People's Committee of Ninh Thuan province, through the Women's Union, from its revolving fund to eligible households of the Phan Rang – Thap Cham city to assist in the financing of sanitation facilities improvements for said households under Part 1 (e) of the Project in accordance with paragraph 4 of Section I.A of Schedule 2 to this Agreement.

26. "Respective Part of the Project" means, in respect of each Project Province, Project activities carried or to be carried out in any of its Project Cities.

27. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan and the Financing available to each Project Province.

28. "Women's Union" means the Borrower's social organization established on October 20, 1950, or any successor thereto.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

"Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of "Front-end Fee" is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term "Loan Payment" is modified to read as follows:

"68. "Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of "Payment Date" is modified by deleting the word "is" and inserting the words "and Commitment Charge are" after the word "interest".