LOAN NUMBER 2937-VIE(SF)

LOAN AGREEMENT
(Special Operations)

(Greater Mekong Subregion - Flood and Drought Risk Management and Mitigation Project)

(Viet Nam Component)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 21 DECEMBER 2012

VIE 40190

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 21 December 2012 between SOCIALIST REPUBLIC OF VIET NAM ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) the Borrower has also applied to the Government of Australia for a grant in an amount equivalent to five million eight hundred eighty-seven thousand four hundred Dollars ($5,887,400) for the purposes of Components 1, 3 and part of 4 of the Project ("Government of Australia Grant"), and the Government of Australia has agreed to provide the amount, to be administered by ADB;

(C) ADB has agreed to administer the Government of Australia Grant upon the terms and conditions set forth in the Externally Financed Grant Agreement between the Borrower and ADB of even date herewith ("Grant Agreement"); and

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

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

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

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

(a) "CBDRM" means community based disaster risk management;

(b) "Commune CBDRM TWG" means the technical working group which serves as the coordinating committee for CBDRM in each or any of the 63 communes participating in the Project;

(c) "Components" means each and any of Component 1 through Component 4 described in Schedule 1 to this Loan Agreement;

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

(e) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 2 of Schedule 1 to this Loan Agreement;

(f) "CPMU" means the Central Project Management Unit established within MARD, as more fully described in the PAM;

(g) "DARD" means the Department of Agriculture and Rural Development for each of Tien Giang and Dong Thap provinces;

(h) "Environmental Management Plan" or "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

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

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

(k) "ha" means a hectare;

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

(m) "Initial Environmental Examination" or "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

(o) "km" means a kilometer;

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

(q) "MARD" means the Borrower's Ministry of Agriculture and Rural Development or any successor thereto acceptable to ADB;

(r) "NGO" means a non-government organization registered under the prevailing laws of the Borrower;

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

(t) "PAM" means the project administration manual for the Project dated 10 July 2012 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(u) "Plain of Reeds" means a wetland depression of about 13,000 square km encompassing the provinces of Long An, Tien Giang and Dong Thap in the territory of the Borrower and within the Mekong delta;

(v) "Plain of Reeds Subproject" means the Subproject described in paragraph 2, Component 2, subparagraph (a) of Schedule 1 to this Loan Agreement;

(w) "PPMU" means the Provincial Project Management Units to be established within the DARDs in the provinces of Dong Thap and Tien Giang in the territory of the Borrower;

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

(y) "Procurement Plan" means the procurement plan for the Project dated 10 July 2012 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(z) "Project area" means the area in which the Project facilities are located;

(aa) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MARD, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(bb) "Project facilities" means the canals, embankments, other flood control and water management infrastructure, and any other facilities to be provided, installed, constructed, rehabilitated, upgraded and operated under the Project;

(cc) "Provincial and District People's Committees" means the executive arms of the corresponding provincial and district government, respectively, within the territory of the Borrower;

(dd) "Resettlement Plan" or "RP" means the resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

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

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

(gg) "Subproject" means four subprojects within the Project activities to be financed under Component 2 as described in Schedule 1 to this Loan Agreement;

(hh) "Tram Chim National Park" means the national park located in Dong Thap province in the territory of the Borrower;

(ii) "UXO" means unexploded ordnance; and

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

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to twenty-nine million six hundred fifty thousand Special Drawing Rights (SDR29,650,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 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 the first Principal 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 May and 1 November in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

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

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

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account in respect of Goods, Works, and Consulting Services shall be made only on account of expenditures relating to:

(a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and

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

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 September 2019 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. (a) The Borrower shall (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 ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6

months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest accounts and statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB'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 auditors appointed by the Borrower pursuant to subparagraph (a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, 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 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the grant financed under the Grant Agreement shall have become liable for suspension or cancellation.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event 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 execution and delivery of the Grant Agreement shall have been duly executed and delivered and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled or arrangements satisfactory to ADB shall have been made for the fulfillment thereof within a period of time satisfactory to ADB; and

(b) a PPMU has been established within each DARD in a manner satisfactory to ADB, with key staff appointed, including safeguard officers who will be responsible for monitoring safeguard compliance during subproject design and implementation.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Grant Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

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

ARTICLE VII

Miscellaneous

Section 7.01. The Governor of the State Bank of Vietnam 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 Vietnam
47 – 49 Ly Thai To
Hanoi, Viet Nam

Facsimile Numbers:

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

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2231.

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

SOCIALIST REPUBLIC OF VIET NAM

By _____
NGUYEN VAN BINH
Governor
State Bank of Viet Nam

ASIAN DEVELOPMENT BANK

By _____
TOMOYUKI KIMURA
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is improved preparedness to manage and mitigate the impacts of flood and drought events.

2. The Project shall comprise four Components:

Component 1. **Enhancing regional data, information and knowledge base for the management of floods and droughts** – support for two studies:

(a) to establish design criteria for water control infrastructure in the Mekong delta; and

(b) to assess flood management options to mitigate flood risks in border areas of the Plain of Reeds in the Mekong delta.

Component 2. **Upgrading water management infrastructure** – construction or rehabilitation of infrastructure for four flood and drought risk management Subprojects in Dong Thap and Tien Giang provinces, comprising:

(a) Upgrading the Main Canal System to Drain and Irrigate Plain of Reeds Area (Dong Thap Province): upgrading to rehabilitate four canals including by dredging approximately 80 km of canal;

(b) Thuong Thoi Tien Bank Protection (Dong Thap Province): upgrading and strengthening of approximately 3 km of flood embankments to stabilize left bank of the Tien River in vicinity of Thuong Thoi Tien town;

(c) Control and Mitigation of Flood Risk for the Ba Rai-Phu An area (Tien Giang Province): upgrading the flood control system by constructing approximately 24 sluice gates to mitigate flood risks; and

(d) Upgrading the Salinity Intrusion System for the Go-Cong Area (Tien Giang Province): constructing approximately 3 sluice gates to enhance control of tidal and brackish water movement.

Component 3. **Enhancing capacity for community based flood and drought management** – support for CBDRM actions in the 50 communes in Dong Thap and Tien Giang provinces directly affected by the infrastructure upgrades in Component 2 and a further 13 communes in Dong Thap and Tien Giang provinces to be identified in collaboration with the Provincial and District People's Committees, including:

(a) training of provincial, district, commune and village level participants in flood and drought risk assessment and analysis, and prioritization,

definition and implementation of locally appropriate flood and drought risk management measures;

(b) development of safer village and commune plans; and

(c) implementation of community driven flood and drought risk reduction measures in all selected communes.

Component 4. **Project Management** – support for Project management including:

(a) strengthening the capacity of the executing and implementing agencies, and provincial, district and commune administrations;

(b) providing national and international consulting services;

(c) providing office equipment; and

(d) providing vehicles for supervision.

3. The Project is expected to be completed by 31 March 2019.

SCHEDULE 2

Amortization Schedule

(Greater Mekong Subregion - Flood and Drought Risk Management and Mitigation Project)

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
1 May 2021	617,708
1 November 2021	617,708
1 May 2022	617,708
1 November 2022	617,708
1 May 2023	617,708
1 November 2023	617,708
1 May 2024	617,708
1 November 2024	617,708
1 May 2025	617,708
1 November 2025	617,708
1 May 2026	617,708
1 November 2026	617,708
1 May 2027	617,708
1 November 2027	617,708
1 May 2028	617,708
1 November 2028	617,708
1 May 2029	617,708
1 November 2029	617,708
1 May 2030	617,708
1 November 2030	617,708
1 May 2031	617,708
1 November 2031	617,708
1 May 2032	617,708
1 November 2032	617,708
1 May 2033	617,708
1 November 2033	617,708
1 May 2034	617,708
1 November 2034	617,708
1 May 2035	617,708
1 November 2035	617,708
1 May 2036	617,708
1 November 2036	617,708
1 May 2037	617,708
1 November 2037	617,708
1 May 2038	617,708
1 November 2038	617,708
1 May 2039	617,708
1 November 2039	617,708
1 May 2040	617,708
1 November 2040	617,708

Schedule 2

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
1 May 2041	617,708
1 November 2041	617,708
1 May 2042	617,708
1 November 2042	617,708
1 May 2043	617,708
1 November 2043	617,708
1 May 2044	617,708
1 November 2044	617,724
Total	29,650,000

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

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

Percentages of ADB Financing

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

Interest Charge

3. The amount allocated to Category 7 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

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

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

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

Disbursement Procedures

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

Schedule 3

Condition for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account in respect of Works, equipment and materials, Consulting Services, and/or land acquisition and resettlement, until the CPMU shall have been established in a manner satisfactory to ADB in Can Tho city with key staff (Project director, finance officer/accountant and procurement officer) being in place.

Attachment to Schedule 3

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Greater Mekong Subregion - Flood and Drought Risk Management and Mitigation Project)				
CATEGORY				ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing SDR		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Land Acquisition and Resettlement	1,629,000		47 percent of total expenditure claimed
2	Works	19,575,000		
2A	Infrastructure Subprojects		18,895,000	90 percent of total expenditure claimed
2B	Infrastructure O&M		680,000	90 percent of total expenditure claimed
3	Vehicles for Components 2 and 4	99,000		100 percent of total expenditure claimed
4	Office refurbishment and equipment for Component 2	88,000		95 percent of total expenditure claimed
5	Consultants – project implementation excluding CBDRM consultant	1,269,000		100 percent of total expenditure claimed
6	Project implementation and management	1,176,000		
6A	Component 2		357,000	90 percent of total expenditure claimed
6B	Component 4*		819,000	100 percent of total expenditure claimed
7	Interest during Implementation	1,130,000		100 percent of total amount due
8	Unallocated	4,684,000		
	Total	29,650,000		

* Excluding CPMU salaries

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

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

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

Procurement of Goods and Works

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

(a) International Competitive Bidding;
(b) National Competitive Bidding;
(c) Shopping; and
(d) Community participation in procurement of Works.

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

Domestic Preference

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

National Competitive Bidding

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

Schedule 4

Conditions for Award of Contract

7. The Borrower shall not award any Works contracts:

(a) for Works contracts for canals, until the Borrower has confirmed to ADB that the Project provinces have undertaken to provide the necessary funding to meet their counterpart obligations for tertiary and on-farm canals;
(b) until the Borrower has incorporated the relevant provisions from the EMP into the Works contract; and
(c) involving involuntary resettlement impacts until the Borrower has prepared and submitted to ADB the final RP based on the Project's detailed design, and obtained ADB's clearance of such RP.

Selection of Consulting Services

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

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

(a) Consultant Qualification Selection (CQS) procedures for: (i) independent external monitoring of the implementation of resettlement plans and environment management plans; (ii) auditing; and (iii) construction supervision; and
(b) Quality-Based Selection for engagement of NGOs and similar for community based disaster risk management support.

Industrial or Intellectual Property Rights

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

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

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

Schedule 4

ADB's Review of Procurement Decisions

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

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

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

Future Operation

2. The Borrower through MARD and relevant provincial administrations shall make the necessary budgeting and operational arrangements acceptable to ADB to manage operations of the hydraulic structures developed under the Project. In addition, the Borrower shall ensure that adequate resources are allocated and maintenance work done on the hydraulic structures and flood embankment constructed and upgraded under the Project to ensure their sustainability.

CBDRM Groups

3. The Borrower shall cause MARD and the DARDs to ensure that CBDRM groups shall be established at each Subproject site and are the focal point for consultation and training.

UXO

4. The Borrower through MARD shall ensure that all Works contracts contain a provision that in the event UXO clearance is needed, the services of a reputable and experienced mine security organization, acceptable to ADB, shall be engaged to carry out and then certify that the subproject area is clear of UXO.

Environment

5. The Borrower shall ensure or cause the Project Executing Agency to ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report. If there is any discrepancy between the Borrower's relevant laws and regulations and the requirements of ADB's Safeguard Policy Statement (2009), ADB's policy shall apply.

6. The Borrower shall ensure and cause MARD and the Dong Thap Provincial People's Committee to ensure that, prior to operation of the Thong Nhat Canal (the "Thong Nhat Canal") following completion of Works in the Plain of Reeds Subproject, DARD in Dong Thap province and the Management Board of the Tram Chim National Park enter into an

agreement on (a) the timing and quantity of water to be released at the four water gates into the national park; and (b) arrangements for monitoring the same.

Land Acquisition and Involuntary Resettlement

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

8. Without limiting the application of the Involuntary Resettlement Safeguards or the RP, the Borrower shall ensure or cause MARD to ensure that no physical or economic displacement takes place in connection with the Subprojects until:

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

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

9. The Borrower or MARD shall cause that the CPMU shall not issue a notice to proceed to the contractors for specific sections of the Works of a Subproject until the Borrower has satisfactorily completed, in accordance with the approved RP for that Subproject, compensation and assistance payments and relocation to new sites, and ensured rehabilitation assistance is in place prior to obtaining possession and rights to the land.

10. The Borrower or MARD shall cause the CPMU to submit requests for withdrawal from the Loan Account for land acquisition and resettlement expenditures in compliance with the final RPs based on detailed design of the Subprojects and in accordance with the milestones set out in each such RP.

Indigenous Peoples

11. The Borrower shall ensure that the Project does not have any indigenous peoples impacts within the meaning of the Safeguard Policy Statement. In the event that the Project does have any such impact, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with the Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

12. The Borrower shall make available or cause MARD to make available necessary budgetary and human resources to fully implement the EMP and the RP.

Schedule 5

Safeguards-related Provisions in Bidding Documents and Works Contracts

13. The Borrower shall ensure or cause MARD to ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

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

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

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

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

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

Safeguards Monitoring and Reporting

14. The Borrower shall do the following or cause MARD to do the following:

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

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

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

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

Schedule 5

Labor Standards

15. The Borrower shall ensure or cause MARD to ensure that the Works contractors (a) provide timely payment of wages and safe working conditions to all workers; (b) maximize the employment of local poor people who meet the job and efficiency requirements for the Works, including at least 30% women; (c) pay equal wages to men and women employees for work of equal value; (d) do not employ child labor, as required by the relevant laws and regulations of the Borrower; (e) carry out HIV/AIDS and human trafficking education and awareness campaigns in the construction sites; and (f) include specific provisions to give effect to this clause in the Works contracts and monitor their compliance.

Gender and Development

16. The Borrower shall ensure and cause MARD to ensure that the gender action plan prepared for the Project shall be fully implemented and the resources needed for its implementation shall be made available in a timely manner, and specifically that: (a) at least 40% of trainees in all training on community based disaster risk management are women; (b) at least 40% of participants in all public consultations for the development of safer village and commune plans are women; (c) at least 40% of Commune CBDRM-TWG members are women; (d) at least 30% unskilled laborers for Works are women; and (e) gender indicators are included in the overall Project monitoring and evaluation framework.

Governance and Anticorruption

17. The Borrower shall comply with, and shall cause MARD and the DARDs to comply with ADB's *Anticorruption Policy* (1998, as amended to date). The Borrower (a) acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; and (b) agrees to cooperate fully with, and to cause MARD and the DARDs to cooperate fully with, any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation.

18. The Borrower shall cause MARD and the DARDs to ensure that anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project. The Borrower shall ensure that MARD and the DARDs conduct periodic inspections of the contractors' activities related to fund withdrawals and settlements.

19. The Borrower shall cause MARD to establish and publicize the existence of a grievance redress mechanism to receive and facilitate resolution of affected peoples' concerns, complaints, and grievances about the Project's performance, including possible corruption, and environmental, social, and other concerns.

Schedule 5

20. To deter corruption and increase transparency, the Borrower shall cause MARD to maintain a Project-specific web page on its website to disclose information about procurements related to the Project. For each contract, the web page shall include information on, among others, the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of Goods/Works/Consulting Services procured. In addition to the web-based disclosure, stakeholders, which include civil society and NGOs, shall be provided detailed information on procurement on public notice boards in the Project areas.

GRANT NUMBER 0317-VIE(EF)

GRANT AGREEMENT

(Greater Mekong Subregion - Flood and Drought Risk Management and Mitigation Project)

(Viet Nam Component)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 21 DECEMBER 2012

GRANT AGREEMENT

GRANT AGREEMENT dated 21 December 2012 between SOCIALIST REPUBLIC OF VIET NAM ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by an agreement of even date herewith between the Recipient and ADB (hereinafter called the "Loan Agreement"), ADB has agreed to lend to the Recipient from ADB's Special Funds resources an amount in various currencies equivalent to twenty-nine million six hundred fifty thousand Special Drawing Rights (SDR 29,650,000) for the purposes of the Project described in Schedule 1 to the Loan Agreement;

(B) the Recipient has also requested ADB to apply on its behalf to the Government of Australia, represented by the Australian Agency for International Development, for an untied grant to be administered by ADB to finance Components 1, 3 and part of 4 of the Project described in Schedule 1 to the Loan Agreement; and

(C) ADB has agreed to administer the Grant from the Government of Australia to the Recipient upon the terms and conditions hereinafter set forth.

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Externally Financed Grant Regulations of ADB, dated 8 April 2009 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Grant Regulations and the Loan Agreement are applicable to this Grant Agreement unless the context requires otherwise.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient the Grant from the Government of Australia in an amount not exceeding five million eight hundred eighty seven thousand four hundred Dollars ($5,887,400).

Section 2.02. Notwithstanding any other provision of this Grant Agreement, ADB is only obligated to make disbursements of the Grant to the extent that there are funds available in the Dollar denominated Grant Account. ADB assumes no liability for any exchange rate fluctuations during ADB's administration of the Grant.

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 1 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 4 to the Loan Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

(a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and

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

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 September 2019 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 2 to this Grant Agreement and Schedule 5 to the Loan Agreement.

Section 4.02. (a) The Recipient 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 ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest accounts and statement of expenditures) all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to Section 4.02(a) above, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Recipient unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Grant, and any relevant records and documents.

ARTICLE V

Suspension

Section 5.01. The following is specified as an additional event for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations: the loan financed under the Loan Agreement shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the Loan Agreement shall have been duly executed and delivered, and all conditions precedent to its effectiveness, other than a condition requiring the effectiveness of this Grant Agreement, shall have been fulfilled or arrangements satisfactory to ADB shall have been made for the fulfillment thereof within a period of time satisfactory to ADB.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB: the Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of the Recipient, and is legally binding upon the Recipient in accordance with its terms, subject only to the effectiveness of this Grant Agreement.

Section 6.03. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Governor of the State Bank of Vietnam of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

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

For the Recipient

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

Facsimile Numbers:

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

For ADB

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

Facsimile Number:

(632) 636-2444

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

SOCIALIST REPUBLIC OF VIET NAM

By _____
NGUYEN VAN BINH
Governor
State Bank of Viet Nam

ASIAN DEVELOPMENT BANK

By _____
TOMOYUKI KIMURA
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Allocation and Withdrawal of Grant Proceeds

General

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

Percentages of Grant Financing

2. Except as ADB may otherwise agree, the items of the Categories listed in the Table shall be financed out of the proceeds of the Grant on the basis of the percentages set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

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

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

Disbursement Procedures

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

Condition for Withdrawals from Grant Account

5. Notwithstanding any other provision of this Grant Agreement, no withdrawals shall be made from the Grant Account in respect of civil works or equipment and materials, until the CPMU shall have been established in a manner satisfactory to ADB in Can Tho city with key staff (Project director, finance officer/accountant and procurement officer) being in place.

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SCHEDULE 2

Execution of Project

Implementation Arrangements

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