
LOAN NUMBER 2511-VIE (SF)

LOAN AGREEMENT
(Special Operations)

(Thanh Hoa City Comprehensive Socioeconomic Development Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 17 APRIL 2009

LAS:VIE 41013

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 17 April 2009 between the SOCIALIST REPUBLIC OF VIET NAM (the "Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for (i) a loan for the purpose of financing Component 2 (i) and (ii), Component 3 (i) through to (vi), Component 4, and Component 5 of the Project described in Schedule 1 to this Loan Agreement (the "Project"); and (ii) a grant from the Water Financing Partnership Facility, administered by ADB, for the purpose of financing Component 2 (iii) and Component 3 (vii) of the Project;

(B) the Borrower has also applied to the Government of Korea for a loan in an amount equivalent to thirty-three million Dollars (\$33,000,000) to finance, on a parallel basis, Component 1 of the Project;

(C) Component 2 of the Project shall be implemented by the Thanh Hoa Water Supply Company (hereinafter referred to as "THWSC") and for this purpose the Borrower shall re-lend to THWSC part of the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB;

(D) by a Project Agreement of even date herewith between THWSC and ADB, THWSC has agreed to undertake certain obligations towards ADB as set forth in the said Project Agreement;

(E) ADB has agreed to make to the Borrower a grant in the amount of two million dollars (\$2,000,000) from the Water Financing Partnership Facility administered by ADB upon terms and conditions that will be set forth in the Grant Agreement to be signed between the Borrower and ADB (further referred to as the WFPF Grant); and

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

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 (the "Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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

- (a) "CMC" means Commune Management Council;
- (b) "Component" refers to a component of the Project, as detailed in Schedule 1 to this Loan Agreement;
- (c) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2007, as amended from time to time);
- (d) "Goods" means equipment and materials to be financed out of the proceeds of the Loan; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;
- (e) "IEE" refers to the initial environmental examination for the Project, agreed upon between the Borrower and ADB, as set out in Supplementary Appendix J to the RRP (defined hereunder) for the Project;
- (f) "km" means kilometers;
- (g) "MOF" means the Borrower's Ministry of Finance and includes any successor thereto;
- (h) "O&M" means operation and maintenance;
- (i) "PIU" means Project implementation unit, established in accordance with paragraph 4 of Schedule 5 to this Loan Agreement;
- (j) "PPMU" means provincial Project management unit, established in accordance with paragraph 3 of Schedule 5 to this Loan Agreement;
- (k) "Procurement Guidelines" means ADB's Procurement Guidelines (2007, as amended from time to time);
- (l) "Procurement Plan" means the procurement plan for the Project dated 4 November 2008 and agreed between the Borrower and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;
- (m) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means THPPC (defined hereunder), or any successor thereto, which is responsible for the carrying out of the Project;
- (n) "Project facilities" means the equipment and facilities to be provided or upgraded under the Project;

(o) "PSC" means Project Steering Committee, established in accordance with paragraph 2 of Schedule 5 to this Loan Agreement;

(p) "Resettlement Committee" refers to the committee established in accordance with the provisions of the RP (defined hereunder), with terms of reference to implement such RP;

(q) "RP" means the resettlement plan for the Project, agreed upon between the Borrower and ADB, as set out in Supplementary Appendix H to the RRP for the Project;

(r) "RRP" refers to the Report and Recommendation of the President of ADB to the Board of Directors of ADB for the Project;

(s) "SLA" means Subsidiary Loan Agreement and refers to the loan agreement between the Borrower and THWSC referred to in preamble (C) of this Loan Agreement;

(t) "THC" means Thanh Hoa City;

(u) "THP" means Thanh Hoa Province;

(v) "THPPC" means Thanh Hoa Provincial People's Committee;

(w) "THWSC" means Thanh Hoa Water Supply Company, established as a Limited Company under the Borrower's Decree No. 63/2001/ND-CP dated 14 September 2001 and operating under Business License No. 2604000004 issued on 3 October 2005 and revised on 17 August 2008, and includes any successor thereto acceptable to ADB;

(x) "URENCO" means Urban Environmental Company, established as a State-Owned Enterprise under the Borrower's Decree 88/2007/ND-CP dated 28 May 2007; and

(y) "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 forty-eight million three hundred and twenty-one thousand Special Drawing Rights (SDR 48,321,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-

half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 June and 15 December in each year.

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

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

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall re-lend the portion of the proceeds of the Loan allocated for water supply, equivalent to eight million five hundred and seventy three thousand dollars (\$8,573,000), to THWSC under a SLA upon terms and conditions satisfactory to ADB. The SLA shall be in line with the Borrower's Decision QD 181/2007/QD - TTg dated 26 November 2007, as may be amended from time to time.

(b) 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 Goods, Works, consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works, consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all Goods, Works, and consulting services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. 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 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 31 December 2014 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. 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 six (6) months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest account, second generation imprest accounts, statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

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

Section 4.04. The Borrower shall take all action which shall be necessary on its part to enable THWSC to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

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

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

ARTICLE V**Suspension, Acceleration of Maturity**

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations:

(a) the Loan between the Borrower and the Government of Korea referred to in Recital (B) of this Loan Agreement shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date; and

(b) THWSC shall have failed to perform any of its material obligations under the SLA.

Section 5.02. The following are specified as additional events for acceleration of maturity for the purposes of Section 8.01(d) of the Loan Regulations: either of both of the events specified in Section 5.01 of the 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 PPMU shall have been established with key staff in place;

(b) The PIUs shall have been established;

(c) The SLA, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Borrower and THWSC, and shall have become legally binding upon the parties in accordance with its terms, subject only to the effectiveness of this Loan Agreement; and

(d) The loan agreement between the Government of Korea and the Borrower referred to in Preamble (B) of this Loan Agreement shall have become effective, subject only to the effectiveness of this Loan Agreement.

Section 6.02. The following are specified as additional matters, 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:

(a) that the SLA, in form and substance satisfactory to ADB, has been duly executed and delivered on behalf of the Borrower and THWSC, and has become legally

binding upon the parties in accordance with its terms, subject only to the effectiveness of this Loan Agreement; and

(b) that the loan agreement between the Government of Korea and the Borrower referred to in Preamble (B) of this Loan Agreement has become effective, subject only to the effectiveness of this Loan Agreement.

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

ARTICLE VII

Miscellaneous

Section 7.01. The Governor of the State Bank of Viet Nam is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

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

For the Borrower

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

Facsimile Numbers:

(84-4) 8250-612
(84-4) 8258-385.

For ADB

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

Facsimile Numbers:

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

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names 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 GIAU
Authorized Representative

ASIAN DEVELOPMENT BANK

By 

AYUMI KONISHI
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Project

1. The expected impact of the Project is the establishment of THC as a competitive, livable, and sustainable city, leading to socio-economic development of THP. The intended outcome is well-managed, safe and functional, affordable, and physically accessible urban infrastructure, competitive tourism, and industrial development.

2. The Project shall consist of the following Components:

Component 1: Urban Road Development

- (i) Constructing four bridges over the Le river and the North canal;
- (ii) Constructing about 11 km ring road around THC, including infrastructure to receive power and telecommunications grid;
- (iii) Upgrading about 11 km of secondary and access roads, including drainage channels, culverts, and streetlights in peri-urban areas around THC; and
- (iv) Developing and implementing a public awareness program on road safety.

Component 2: Water Supply Expansion and Upgrading

- (i) Constructing about 19 km of primary and secondary piped water supply in peri-urban areas around THC;
- (ii) Replacing about 19 km of damaged primary and secondary pipes in the center of THC; and
- (iii) Updating and implementing an institutional and policy reform agenda, action plan, and capacity building activities in the area of water supply services.

Component 3: Drainage and Wastewater Treatment

- (i) Constructing about 20 km of interceptors for sewerage and drainage in peri-urban areas around THC;
- (ii) Upgrading about 28 km of interceptors for sewerage and drainage in the center of THC;
- (iii) Constructing 13 pumping stations in and around THC;
- (iv) Constructing a wastewater treatment pond with a capacity of 15,000 cubic meters per day;
- (v) Constructing a wastewater treatment unit in each of the 3 hospitals in THC;
- (vi) Developing and implementing a community awareness strategy on household sanitation; and
- (vii) Updating and implementing an institutional and policy reform agenda, action plan, and capacity building activities in the area of drainage and wastewater treatment.

Component 4: Human Resource Development

- (i) Upgrading six vocational training centers, including providing equipment;
- (ii) Providing skills upgrading to teachers of the vocational training centers mentioned under (i) above, and developing and implementing action plans to address skills mismatch and increase skilled labor;
- (iii) Establishing and equipping a one-stop-shop in THC for job seekers; and
- (iv) Organizing annual job fairs.

Component 5: Tourism Development

- (i) Upgrading the infrastructure of the Thanh Hoa Museum;
- (ii) Constructing access roads, a welcome center, tourist amenities, and developing a 60 hectare botanical park in the Ham Rong tourist area;
- (iii) Upgrading pathways and infrastructure and renovating buildings in the Dong Son archaeological site;
- (iv) Upgrading infrastructure in Mat Son, including beautification of the Le river; and
- (v) Strengthening THP's and THC's capacity to manage tourist facilities.

3. The Project will also include the provision of consulting services. The Project is expected to be completed by 30 June 2014.

SCHEDULE 2

Amortization Schedule
(Thanh Hoa City Comprehensive Socioeconomic Development Project)

| Period | Date Payment Due | Payment of Principal (expressed in SDR)* |
|---------------|-------------------------|---|
| 1 | 15-Jun-2017 | 1,006,688.00 |
| 2 | 15-Dec-2017 | 1,006,688.00 |
| 3 | 15-Jun-2018 | 1,006,688.00 |
| 4 | 15-Dec-2018 | 1,006,688.00 |
| 5 | 15-Jun-2019 | 1,006,688.00 |
| 6 | 15-Dec-2019 | 1,006,688.00 |
| 7 | 15-Jun-2020 | 1,006,688.00 |
| 8 | 15-Dec-2020 | 1,006,688.00 |
| 9 | 15-Jun-2021 | 1,006,688.00 |
| 10 | 15-Dec-2021 | 1,006,688.00 |
| 11 | 15-Jun-2022 | 1,006,688.00 |
| 12 | 15-Dec-2022 | 1,006,688.00 |
| 13 | 15-Jun-2023 | 1,006,688.00 |
| 14 | 15-Dec-2023 | 1,006,688.00 |
| 15 | 15-Jun-2024 | 1,006,688.00 |
| 16 | 15-Dec-2024 | 1,006,688.00 |
| 17 | 15-Jun-2025 | 1,006,688.00 |
| 18 | 15-Dec-2025 | 1,006,688.00 |
| 19 | 15-Jun-2026 | 1,006,688.00 |
| 20 | 15-Dec-2026 | 1,006,688.00 |
| 21 | 15-Jun-2027 | 1,006,688.00 |
| 22 | 15-Dec-2027 | 1,006,688.00 |
| 23 | 15-Jun-2028 | 1,006,688.00 |
| 24 | 15-Dec-2028 | 1,006,688.00 |
| 25 | 15-Jun-2029 | 1,006,688.00 |
| 26 | 15-Dec-2029 | 1,006,688.00 |
| 27 | 15-Jun-2030 | 1,006,688.00 |
| 28 | 15-Dec-2030 | 1,006,688.00 |
| 29 | 15-Jun-2031 | 1,006,688.00 |
| 30 | 15-Dec-2031 | 1,006,688.00 |
| 31 | 15-Jun-2032 | 1,006,688.00 |
| 32 | 15-Dec-2032 | 1,006,688.00 |
| 33 | 15-Jun-2033 | 1,006,688.00 |
| 34 | 15-Dec-2033 | 1,006,688.00 |
| 35 | 15-Jun-2034 | 1,006,688.00 |
| 36 | 15-Dec-2034 | 1,006,688.00 |
| 37 | 15-Jun-2035 | 1,006,688.00 |
| 38 | 15-Dec-2035 | 1,006,688.00 |
| 39 | 15-Jun-2036 | 1,006,688.00 |
| 40 | 15-Dec-2036 | 1,006,688.00 |
| 41 | 15-Jun-2037 | 1,006,688.00 |
| 42 | 15-Dec-2037 | 1,006,688.00 |
| 43 | 15-Jun-2038 | 1,006,688.00 |
| 44 | 15-Dec-2038 | 1,006,688.00 |

| | | |
|----|--------------|----------------------|
| 45 | 15-Jun-2039 | 1,006,688.00 |
| 46 | 15-Dec-2039 | 1,006,688.00 |
| 47 | 15-Jun-2040 | 1,006,688.00 |
| 48 | 15-Dec-2040 | 1,006,664.00 |
| | TOTAL | 48,321,000.00 |

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

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of Goods, Works and consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Percentages of ADB Financing

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

Interest Charge

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

Reallocation

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

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

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

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works, and consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Accounts; Statement of Expenditures

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

(b) Immediately after the Effective Date, each PIU, as well as the Resettlement Committee, shall establish a second generation imprest account (SGIA) at a commercial bank agreed upon between the Borrower and ADB. The SGIA shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The initial amount to be deposited into each SGIA shall not exceed the equivalent of six months estimated expenditures to be funded through the imprest account, or \$500,000, whichever is lower.

(c) Within one month of the Effective Date, the PPMU shall have submitted to ADB, for its approval, all proposed staffing, financial management systems, and procedures for the imprest account and the SGIA's.

(d) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest accounts, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The ceiling for each payment under the SOE procedure shall be \$100,000.

TABLE

| ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Thanh Hoa City Comprehensive Socioeconomic Development Project) | | | | |
|--|-----------------------------------|---------------------------------|--------------------|--|
| CATEGORY | | | | ADB FINANCING |
| Number | Item | Amount Allocated SDR | | Percentage and Basis for Withdrawal from the Loan Account |
| | | Category | Subcategory | |
| 1 | Works | 25,382,000 | | |
| 1A | Water Supply | | 3,733,000 | 100 percent of total expenditure* |
| 1B | Wastewater | | 14,114,000 | 100 percent of total expenditure* |
| 1C | Education | | 3,113,000 | 100 percent of total expenditure* |
| 1D | Tourism | | 4,422,000 | 100 percent of total expenditure* |
| 2 | Goods | 3,041,000 | | 100 percent of total expenditure* |
| 3 | Consulting Services | 3,035,000 | | 100 percent of total expenditure* |
| 4 | PPMU and PIU Incremental Costs | 1,285,000 | | 100 percent of total expenditure* |
| 5 | Resettlement Costs | 3,234,000 | | 100 percent of total expenditure* |
| 6 | Interest Charge | 1,178,000 | | 100 percent of amount due |
| 7 | Contingencies | 11,166,000 | | |
| | Total | 48,321,000 | | |

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

SCHEDULE 4

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods and Works

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

| |
|-----------------------------------|
| International Competitive Bidding |
| National Competitive Bidding |
| Limited International Bidding |
| Shopping |

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

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

5. National Competitive Bidding. 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 written approval of such change by the Borrower and ADB.

C. Selection of Consulting Services

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

7. The Borrower shall apply the following method for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Least-Cost Selection for an audit firm.

8. The Borrower shall recruit an individual consultant for independent resettlement monitoring consulting services in accordance with procedures acceptable to ADB for recruiting individual consultants.

D. Industrial or Intellectual Property Rights

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

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

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

E. ADB's Review of Procurement Decisions

11. (a) All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

(b) The first contract procured under national competitive bidding and under limited international bidding shall be subject to prior review by ADB. Thereafter, post review shall be required unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5**Project Implementation and Other Matters****A. Responsibilities for Project Management and Implementation****1. Executing Agency**

1. THPPC shall be the Executing Agency, responsible for overall Project supervision and guidance.

2. Project Steering Committee

2. Within one month of the Effective Date, THPPC shall have established a PSC. The PSC shall comprise representatives of THP, THC, ADB, and other co-financiers. The PSC shall meet whenever necessary, but not less than once every quarter to assess the Project implementation status and provide guidance to the PPMU on Project implementation matters raised by the PPMU, ADB, or other co-financiers.

3. Provincial Project Management Unit and Project Implementation Unit

3. Within three months of the Effective Date, the PPMU shall be fully staffed. The PPMU, which shall be responsible for the planning and implementation of the Project, shall be headed by a Project Director. He/She shall be assisted by three Deputy Project Directors, one in charge of finance and administration, one in charge of technical and procurement matters, and one in charge of monitoring, evaluation, and safeguard compliance. The PPMU shall engage, direct, and supervise the work of all consultants, manage all aspects of the Project, and coordinate among central, provincial, and city levels of government as well as with ADB and other co-financiers. The PPMU shall be fully staffed at all times during Project implementation.

4. The PPMU shall delegate each Component to a PIU which shall be integrated within existing management structures of THP and THC. Each PIU shall be responsible for the day-to-day implementation and management of its Project component, including endorsement of bidding documents, as well as for the coordination with the PPMU.

5. The PIUs, under the authority of the PPMU, shall liaise with the communities affected under the Project through the CMC, to be established within three months of the Effective Date. The CMC shall be responsible for the implementation of the RP, the IEE, the gender action plan, as well as the resolution of any related issues that may arise at community level. The CMC shall liaise and report back to the PIUs and the PPMU through monthly progress meetings; the PPMU shall keep records of minutes of such meetings.

B. Project implementation**1. Financial Matters**

6. The Borrower shall cause THPPC to ensure that during each year of Project implementation, adequate budgetary allocations of required counterpart funds shall be made and released by the relevant authorities on a timely and regular basis.

7. The Borrower shall cause THPPC to allocate all necessary O&M resources for the Project facilities. Throughout Project implementation, at the latest by 31 October of each year, the PPMU shall prepare and submit to ADB an annual O&M plan, with resource allocation.

8. The Borrower shall cause THPPC to ensure that (i) the provisions of the Borrower's Decree 117/2007/ND-CP, dated 11 July 2007, are fully applied to THWSC, resulting in an equitized THWSC that operates on full cost recovery basis; and (ii) the provisions of the Borrower's Decree 88/2007/ND-CP, dated 28 May 2007, are fully applied to URENCO, resulting in URENCO's operating on full cost recovery basis. THPPC shall also ensure that any shortfall in the revenue of THWSC and URENCO shall be funded from the THP and THC budgets, respectively.

2. Policy Matters

9. At the latest by 31 December 2009, THPPC and ADB shall have (i) taken stock of the capacity building activities in THC financed by the Cities Development Initiative and the WFPF Grant referred to in Preamble E of this Loan Agreement; and (ii) updated the schedule for equitization and policy reforms in line with the Borrower's requirements. The Borrower shall cause THPPC to take all necessary and appropriate measures to ensure the timely and effective implementation of such reform agenda.

10. The Borrower shall ensure that, within two years of the completion of the city development strategy for THC funded by the Cities Alliance, THPPC has finalized an updated draft master plan for THC for submission to the Borrower's Prime Minister's Office. Such draft master plan shall include details on (i) funding sources for capital expenditures as well as for O&M; and (ii) the agency responsible, as well as a timetable, for the implementation of the various components of the master plan.

3. Human Resources Development Component

11. The Borrower shall ensure that, within three months of the Effective Date, THPPC has constituted an advisory group to provide inputs and feedback for the design and implementation of Component 4 of the Project. The inputs and feedback shall include, but not be limited to, the type of skills development to be provided by the vocational training centers to be upgraded under the Project. The advisory group shall comprise representatives from (i) the vocational training centers to be upgraded under the Project; (ii) relevant industries, in particular tourism, manufacturing, and processing; (iii) the relevant industrial zones; (iv) the Department of Labour, Invalids, and Social Affairs; and (v) the Viet Nam Women's Union.

12. The Borrower shall ensure that, within six months of the Effective Date, the PPMU has finalized a detailed needs assessment, with budget allocation, for Component 4 of the Project.

13. The Borrower shall ensure that THPPC takes all necessary and appropriate measures, including through bonding arrangements in compliance with the Borrower's legislation, to ensure that staff of the vocational training centers who receive training under the Project shall remain in their position for at least two years.

4. Public Consultation

14. The Borrower shall cause THPPC to ensure that the detailed design of Project activities as well as Project implementation shall be done in close consultation with all stakeholders, as appropriate. This shall include consultations with private sector representatives, as well as with representatives from communities and urban poor. For this purpose, the PPMU, in close collaboration with the PIUs and the PSC, shall organize the following workshops: (i) during the design phase of the Project, four workshops in THC to present the different stages of the Project design, namely, the inception, the basic design, the draft detailed design, and bidding documents; (ii) during Project implementation, one workshop per year to present the status of Project implementation.

5. Safeguard Issues

15. The Borrower shall ensure that all land and right-of-way required for the Project shall be made available in a timely manner and that compensation at replacement cost and other entitlements shall be provided prior to the award of Works contracts, and prior to affected people being displaced from their houses, land, and assets.

16. The Borrower shall ensure that any involuntary resettlement is carried out in accordance with the RP agreed between THPPC and ADB, the Borrower's laws and regulations on resettlement, and ADB's Involuntary Resettlement Policy (1995). In case of any discrepancy between the Borrower's legislation and ADB's policy, ADB's policy shall prevail. The RP shall be updated following detailed design, and shall be publicly disclosed, in places and language accessible to all affected people, prior to submission to ADB for its review and approval before awarding any Works contracts. The RP shall be disclosed in accordance with ADB's Public Communication Policy (2005). THPPC shall submit internal and external monitoring reports to ADB for uploading on ADB's website, in a manner and language accessible to all affected people.

17. The Borrower shall cause THPPC to ensure that (i) the Project is carried out in accordance with (a) the existing environmental laws and regulations of the Borrower and ADB's Environment Policy (2002); and (b) all monitoring, mitigation, capacity building, consultation, and reporting measures indicated in the IEE and the environmental management plan for the Project; and (ii) environmental requirements are incorporated in the bidding documents and Works contracts. In case of any discrepancy between the Borrower's legislation and ADB's policy, ADB's policy shall prevail.

18. In the event of a change in the design of the Project that may cause significant environmental impacts not included in the current IEE for the Project, the Borrower shall cause THPPC to undertake an additional environmental study and impact assessment and obtain the necessary approval and clearances from the Borrower's Ministry of Natural

Resources and Environment for the redesigned Project. The changes in the design shall be screened for their environmental significance and the environmental category of the redesigned Project shall be determined. The necessary IEE shall be prepared in accordance with ADB's Environment Policy (2002) and related requirements and shall be submitted to ADB for its review and evaluation.

19. In the event any issues related to indigenous people arise in the course of Project implementation, the Borrower shall cause THPPC to address them in accordance with the applicable laws and regulations of the Borrower and ADB's Policy on Indigenous Peoples (1998). In case of any discrepancy between the Borrower's legislation and ADB's policy, ADB's policy shall prevail.

20. The Borrower shall cause THPPC to ensure that all Works contracts under the Project incorporate provisions, with the necessary budget allocation, to require that contractors: (i) comply with all applicable labor laws; (ii) do not employ child labor for construction or maintenance activities; and (iii) do not provide differential wages or benefits to men and women for work of equal value.

6. Gender Action Plan

21. The Borrower shall cause THPPC to take all necessary and appropriate measures to ensure that (i) the PPMU and the PIUs shall implement the Project in accordance with the gender action plan for the Project, agreed upon between THPPC and ADB, as set out in Supplementary Appendix G to the RRP for the Project; and (ii) sufficient resources are allocated for the implementation of such plan.

7. Governance Issues

22. The Borrower shall ensure that, within one month of being established, the PPMU has created a Project website including detailed information on procurement matters. The website shall contain at a minimum the following procurement-related information: (i) the list of participating bidders; (ii) the name of the winning bidder; (iii) the details on the bidding procedures adopted; (iv) the amount of the contracts awarded; (v) the goods and services procured; and (vi) the intended and actual utilization of Loan proceeds under each contract. The PPMU shall update the website within two weeks of each contract award.

8. Project Review

23. The Borrower shall ensure that THPPC, jointly with ADB and other co-financiers, reviews the Project twice a year.

24. The Borrower shall ensure that , within three years of the Effective Date, THPPC, jointly with ADB and co-financiers, conducts a comprehensive midterm review (MTR) of Project implementation. The MTR shall review the status of the Project and its progress for both physical investment and institutional reforms.

9. Project Performance Monitoring System

25. The Borrower shall ensure that, within six months of the Effective Date, the PPMU shall have (i) conducted initial physical and socio-economic surveys; and (ii) submitted to ADB for its review and concurrence a detailed implementation plan for monitoring Project

performance and for preparing benchmark information. Throughout Project implementation, the PPMU shall prepare and submit to ADB semi-annual Project performance monitoring and evaluation reports. Data shall be disaggregated by gender.