
LOAN NUMBER 2747 - VIE (SF)

LOAN AGREEMENT – SUPPLEMENTARY LOAN (Phase 2)
(Special Operations)

(Phuoc Hoa Water Resources Project – Supplementary)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 27 May 2011

LAS:VIE 29296

**LOAN AGREEMENT – SUPPLEMENTARY LOAN (Phase 2)
(Special Operations)**

LOAN AGREEMENT dated 27 May 2011 between SOCIALIST REPUBLIC OF VIET NAM (the "Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a Loan Agreement (Loan No. 2025-VIE(SF): Phuoc Hoa Water Resources Project) dated 8 April 2004 (the "Initial Loan Agreement"), ADB made to the Borrower a loan of sixty three million forty two thousand Special Drawing Rights (SDR63,042,000) from ADB's Special Funds resources for the purposes of the Project described in Schedule 1 to the Initial Loan Agreement (the "Initial Project");

(B) the Initial Loan Agreement has been previously amended by agreement between the Borrower and ADB and reflected in ADB's letter dated 7 April 2009 and co-signed by the Borrower on 31 July 2009 (the "Amendment Letter");

(C) the Borrower has applied to ADB for a supplementary loan for the purposes of financing cost overruns under the Initial Project, as restated and described in Schedule 1 to this Loan Agreement (the "Project");

(D) the Borrower has also applied to Agence Française de Développement ("AFD") for a loan (the "AFD Loan") to finance a portion of the Project to cover the increased costs under the Initial Project and AFD has agreed to provide a supplementary loan in the amount of twenty million Euros (€20,000,000) for this purpose; and

(E) ADB has agreed to provide a supplementary loan in the amount of thirty eight million five hundred ninety four thousand Special Drawing Rights (SDR38,594,000) from ADB's Special Funds resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto 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, Section 1.02 of the Initial Loan Agreement and the Amendment Letter are applicable to this Loan Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "Affected People" or "AP" means any person, household or community whose living environment and/or livelihood activities have been or will be adversely affected by the resettlement or other Project activities undertaken or proposed to be undertaken under the Project;

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

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

(d) "EIA" means the environmental impact assessment prepared for the Project;

(e) "EMDF" means the ethnic minorities development framework for the Project;

(f) "EMP" means the environmental management plan and any revisions included in the EIA prepared for the Project to detail the mitigation measures and monitoring activities to avoid or mitigate negative environmental impacts arising from the Project;

(g) "Gender Action Plan" or "GAP" means the gender action plan attached to the RRP, containing gender measures to be undertaken during Project implementation;

(h) "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;

(i) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2007, as amended from time to time);

(j) "PAM" means the project administration manual for the Initial Project agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB which includes, among other things: (i) implementation arrangements for the operations of the Project; (ii) procurement procedures (including the Procurement Plan); and (iii) reporting requirements and financial management procedures, including audit procedures as set forth in Section 4.02 of this Loan Agreement;

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

(l) "Procurement Plan" means the procurement plan for the Project dated 25 February 2011 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;

(m) "Project" means the Project as referred to in Schedule 1 to this Loan Agreement and includes Subprojects as the context may require;

(n) "RF" means the Resettlement Framework agreed under the Initial Project and revised for the Project, to be used as the basis for preparing a RP following completion of relevant detailed designs by the Works contractors;

(o) "RP" means a Resettlement Plan approved by the Borrower and ADB and updated from time to time following completion of the relevant Subproject detailed designs by the Works contractors;

(p) "RRP" means the Report and Recommendation of the President to the Board of Directors of ADB in relation to the Project;

(q) "Subproject" means a component of the Project described in Part B of Schedule 1 to this Loan Agreement (Part B) which collectively comprise Part B; and

(r) "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 thirty eight million five hundred ninety four thousand Special Drawing Rights (SDR38,594,000).

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 15 March and 15 September 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 of 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 2014 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants and Incorporation of the Provisions of the Initial Loan Agreement

Section 4.01. (a) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 6 of the Initial Loan Agreement (other than the obligation set forth in paragraphs 5 and 6(b) of Schedule 6) and in Schedule 5 to this Loan Agreement and are hereby incorporated in this Loan Agreement and shall have the same force as if they were fully set forth therein, subject to any necessary modification as required for the Project.

(b) Subject to the provisions of this Loan Agreement, all of the provisions of Sections 4.02, 4.03, 4.04 and Schedule 6 (other than the provision set forth in paragraphs

5 and 6(b) of Schedule 6) to the Initial Loan Agreement are hereby incorporated in this Loan Agreement and shall have the same force as if they were fully set forth therein subject to any necessary modification as required for the Project.

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 account 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) hereabove, 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; Cancellation; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.02(l) of the Loan Regulations:

- (a) the AFD Loan shall have become liable for suspension or cancellation or shall have become repayable prior to the agreed maturity date; or
- (b) the ADB Loan under the Initial Project shall have become liable for suspension or cancellation or shall have become repayable prior to the agreed maturity date.

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: either of the events under Section 5.01 shall have occurred.

ARTICLE VI**Effectiveness**

Section 6.01. A date 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 SBV is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

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

For the Borrower

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

Facsimile Numbers:

+84 4 825-0612
+84 4 825-8385

For ADB

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

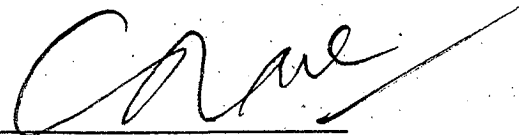
Facsimile Numbers:

+63 2 636-2444
+63 2 636-2231
+84 4 933-1373.

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 GIAU
Authorized Representative

ASIAN DEVELOPMENT BANK

By



AYUMI KONISHI
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Project

1. The Project will assist in achieving the objectives of the Initial Project by financing cost overruns under the parts and components of the Initial Project as follows:

Part A – Support for Institutional and Integrated Development

- (a) Provide support to the Project through the development of (i) sustainable system management to facilitate overall management and coordination of Project activities, and (ii) institutional capacity including enhancement of technical skills and a capacity building program for institutions of the Borrower, IMCs, and WUGs;
- (b) Support on-farm and social development, including implementing the Social Support Program, (which comprises installing small-scale water supply systems, conducting workshops and training to improve hygiene, education, and livelihood skills, and incorporates the gender action plan agreed with ADB), implementing the community mobilization program, developing an institutional framework for sustainable future management of the tertiary system, and establishing a network of irrigation WUGs;
- (c) Finance implementation of the Resettlement Plans; and
- (d) Enhance environmental management support to implement the measures recommended under the EMP to mitigate any adverse environmental impacts caused by the Project, undertake necessary surveys and studies, and monitor environmental impacts during and after Project implementation.

Part B – Water Resources Infrastructure

- (a) Construct the Duc Hoa main canal extending about 17.7 kilometers; and
- (b) Develop 2 new irrigation systems comprising Tan Bien irrigation system, in the province of Tay Ninh, and the Duc Hoa irrigation system in the province of Long An.

2. The Project, which includes the provision of Consulting Services including short term technical experts, workshops, training seminars, and equipment, is expected to be completed by 31 March 2014.

SCHEDULE 2

Amortization Schedule
(Phuoc Hoa Water Resources Project – Supplementary)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 September 2019	804,042
15 March 2020	804,042
15 September 2020	804,042
15 March 2021	804,042
15 September 2021	804,042
15 March 2022	804,042
15 September 2022	804,042
15 March 2023	804,042
15 September 2023	804,042
15 March 2024	804,042
15 September 2024	804,042
15 March 2025	804,042
15 September 2025	804,042
15 March 2026	804,042
15 September 2026	804,042
15 March 2027	804,042
15 September 2027	804,042
15 March 2028	804,042
15 September 2028	804,042
15 March 2029	804,042
15 September 2029	804,042
15 March 2030	804,042
15 September 2030	804,042
15 March 2031	804,042
15 September 2031	804,042
15 March 2032	804,042
15 September 2032	804,042
15 March 2033	804,042
15 September 2033	804,042
15 March 2034	804,042
15 September 2034	804,042
15 March 2035	804,042
15 September 2035	804,042
15 March 2036	804,042
15 September 2036	804,042
15 March 2037	804,042
15 September 2037	804,042
15 March 2038	804,042
15 September 2038	804,042
15 March 2039	804,042

15 September 2039	804,042
15 March 2040	804,042
15 September 2040	804,042
15 March 2041	804,042
15 September 2041	804,042
15 March 2042	804,042
15 September 2042	804,042
15 March 2043	804,026
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Total	38,594,000

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

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

1. The table attached to this Schedule 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.

Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower (i) shall cause the EA to establish immediately after the Effective Date, an imprest account at a commercial bank acceptable to the Borrower and ADB; and (ii) may cause the 2 Implementing Agencies

to each establish a Second Generation Imprest Account (SGIA) at the commercial bank, or branch thereof, where the imprest account is to be established. The imprest account and each of the SGIAs shall be established, managed, replenished, and liquidated in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The imprest account shall only be used for the purposes of the Project. The currency of the imprest account shall be the Dollar. The ceiling for the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first 6 months of Project implementation, or (ii) the equivalent of 10% of the Loan amount. The initial amount to be deposited into each SGIAs shall be equivalent to 6 months' estimated expenditures, but in any event not exceeding the amount of \$500,000 equivalent.

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

Retroactive Financing

7. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with the production of detailed design and resettlement compensation payments, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Phuoc Hoa Water Resources Project – Supplementary)			
CATEGORY			ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (SDR) ('000) Category	Percentage and Basis for Withdrawal from the Loan Account
1	Works	17,419	86% of total expenditure claimed
2	Resettlement Compensation**	9,579	100% of total expenditure claimed*
3	Project Management and Operating Costs	273	92% of total expenditure claimed
4	Equipment	29	100% of total expenditure claimed*
5	Training/Services	2,552	92% of total expenditure claimed
6	Consulting Services	2,889	100% of total expenditure claimed*
7	Interest	1,281	100% of amounts due
8	Unallocated	4,572	
	Total	38,594	

* exclusive of taxes and duties

** exclusive of land acquisition costs

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) Direct contracting.
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 and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.

National Competitive Bidding

6. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding (NCB), 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.

Other procurement

7. Equipment or materials with similar specifications shall, where possible, be combined into one package.

8. The Borrower's State-owned enterprises shall only be eligible to bid for contracts if they are legally and financially autonomous, independently managed and operating on the basis of commercial practices under the Borrower's Enterprise Law, and are neither a dependent agency of the contracting agency nor are they in any way associated with the military forces or security operations, except as otherwise agreed with ADB.

Conditions for Award of Contract

9. The Borrower shall not:

(a) award any Works contracts for the canals for any Subproject until the Borrower has caused the EA to confirm to ADB in writing that the Project Provinces have undertaken to the Borrower to provide the necessary funding to meet their counterpart obligations for the Project related on-farm canals; and

(b) permit Works to commence for any section of a Subproject unless the Borrower has ensured that, in accordance with the approved RP for that Subproject, compensation and assistance payments and relocation to new sites have been satisfactorily completed, and ensured rehabilitation assistance is in place prior to obtaining possession and rights to the land.

10. Prior to the award of any Works contract, the Borrower shall cause to be provided to ADB confirmation, acceptable to ADB, that the site where the relevant Works will be undertaken has been cleared of all UXOs.

Conditions for Works

11. The Borrower shall ensure that notices of possession of specific property sections relating to the Project are not issued to the relevant Works contractors until the Borrower's Chairman of relevant District Peoples' Committee has officially confirmed in writing that: (a) payment has been fully disbursed to the Affected Persons and rehabilitation measures are in place for that specific section as per the RP; (b) already-compensated Affected Persons have cleared the specific sections in a timely manner; and (c) the specific section is free from any encumbrances.

Selection of Consulting Services

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

13. The Borrower shall cause to be applied 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:

- (a) Consultants' Qualifications Selection for:
 - (i) on-farm and social development; and
 - (ii) environmental management.

(b) Single Source Selection for:

- (i) Project implementation and integrated management,
- (ii) Project and sustainable management,
- (iii) on-farm and social development, and
- (iv) environmental management.

14. The Borrower shall cause to be recruited the individual consultants for: (a) Project and sustainable management; and (b) participatory irrigation management in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

15. (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.

16. 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.

ADB's Review of Procurement Decisions

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

18. The Borrower shall and shall cause the EA to ensure that PPMBs use the same format as the first NCB documents approved by ADB for subsequent NCB procurement.

SCHEDULE 5

Execution of Project; Safeguards and Other Matters

Implementation Arrangements

1. The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements established under the Initial Loan Agreement and as set forth in the PAM, with MARD continuing as the Project Executing Agency (EA) and day-to-day Project management being undertaken by MARD's ICMB9. Implementing Agencies shall be: (a) the Borrower's relevant Provincial People's Committee (PPC) in Tay Ninh and Long An Provinces and Ho Chi Minh City which are responsible for land acquisition and resettlement under the Project; and (b) in coordination with their DARDs, PPMBs which are responsible for implementation management of design and construction of the primary, secondary and tertiary, and on-farm canal systems in the irrigation areas, and the implementation of on-farm and Social Support Programs. 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.

2. The Borrower shall ensure that: (a) MARD (i) continues to monitor and ensure that each PPMB, for the duration of the Project, comprises key staff acceptable to ADB, including a Project manager, social and environment sectors coordinator, economist, accounting, financial management, engineering, and technical staff consistent with the number and complexity of Subproject to be managed, and (ii) maintains the system management task force established under the Initial Project to facilitate development of sustainable system management for the duration of the Project; and (b) MONRE coordinates with MARD and other relevant agencies of the Borrower to ensure effective water basin integrated river basin management.

Environment

3. The Borrower shall ensure that all Project activities will comply with the Borrower's environmental laws and regulations, and ADB's Safeguard Policy Statement (2009) (SPS). Should there be any discrepancy between the Borrower's laws and regulations and ADB's policy, ADB's policy shall prevail.

4. The Borrower shall ensure that: (a) the construction and operation of the Project will be carried out in accordance with the EMP; (b) all bidding documents and civil works contracts include the EMP and require contractors to comply with its provisions; (c) all portions of the Project, regardless of the source of funding, will adopt the provisions of the EMP and will comply with the SPS; (d) the EA (i) adequately supervises the Works carried out by contractors to ensure compliance with the monitoring and mitigation measures set forth in the EMP, (ii) ensures that consultants engaged for construction supervision closely monitor the contractors' compliance with the EMP, and (iii) the construction contractors develop a SEMP based on the EMP; and (e) semiannual reports on implementation of the EMP are submitted to ADB on a timely basis.

5. The Borrower shall take all reasonable measures to ensure that: (a) the minimum environmental flow as agreed between ADB and the Borrower, shall be released at all times for the Be River in order to minimize the impact on water quality in the Be River downstream of the Phuoc Hoa Barrage; and (b) adequate treatment of effluent from polluting industries located along the Be River is undertaken in accordance with the Borrower's regulations and standards prior to the start of diversions.

6. In the event that there are additional components or major changes in the Project such as the location and/or design, that are not within the scope of the EIA and are expected to result in adverse environmental impacts, a new or supplementary environmental assessment report shall be prepared in compliance with the EARF and SPS and submitted to ADB for clearance prior to the implementation of the additional component or changes.

Resettlement

7. The Borrower shall ensure that: (a) the RPs agreed with ADB will be revised following completion of the detailed design and submitted to ADB for review and concurrence; (b) no land acquisition or site clearing for a Subproject will be done until after the RP has been agreed with ADB and the RP provisions covering land acquisition and resettlement have been completed to the satisfaction of ADB; and (c) any involuntary resettlement is carried out in accordance with the RP, the SPS, and the Borrower's laws and regulations on involuntary resettlement. In case of any difference between the Borrower's laws and regulations and the SPS, the SPS shall prevail. The Borrower shall engage an independent external consultant before the detailed measurement survey is conducted, to monitor resettlement activities and land acquisition and to report on a semiannual basis to the Borrower and ADB.

Indigenous Peoples

8. The Borrower shall ensure that: (a) the Project is implemented in accordance with the applicable laws and regulations of the Borrower and the SPS; (b) to the extent that any ethnic minorities are likely to be affected under the Project, the measures set forth in the EMDF will apply. In case of discrepancies between the Borrower's laws, regulations, and procedures, and ADB's requirements, or to the extent there is a discrepancy with the SPS, then the SPS shall prevail.

Labor Standards

9. The Borrower shall ensure that: (a) the Works' contractors comply with all applicable laws related to gender, labor, and workers' safety, including ensuring that women are given pay for work that is equal to that paid to men; and (b) Works contracts (i) include appropriate clauses requiring contractors to allow their workers to attend planned campaigns on HIV/AIDS and human trafficking prevention during construction and to maintain adequate sanitation and working conditions, and (ii) include clauses for termination by the Borrower in case of any breach of these provisions by the contractors.

10. The Borrower shall ensure that: (a) the HIV/AIDS and human trafficking program agreed with ADB (the program) is implemented in the construction camps, towns, and rural areas of the Project Area, and will monitor the operation and effectiveness of the

program; and (b) training is provided to strengthen the institutional capacity of the PPCs and other agencies involved in planning and implementation of the program.

Gender and Development

11. The Borrower shall, and shall ensure that the EA: (a) undertakes the gender development measures outlined in the GAP and the Summary Poverty Reduction and Social Strategy to promote the participation of women in Project activities; (b) monitors that district resettlement committees established according to the RP include representatives from Affected Persons, including, to the extent possible, female representatives from households affected under the Project, including women from severely affected households, households headed by women, and from ethnic communities' households.

12. The Borrower shall, and shall ensure that the EA: (a) conducts gender sensitization training on gender and resettlement for its relevant staff; and (b) ensures that women leaders and youth from affected households of all major ethnic communities are included in the HIV/AIDS and human trafficking awareness program.

Counterpart Support

13. The Borrower shall ensure that: (a) the EA makes timely submission of annual budgetary appropriation requests; and (b) prompt and adequate disbursement of appropriated funds occurs during each year of Project implementation.

Governance and Anticorruption

14. The Borrower shall, and shall cause the EA to: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation; (c) institute, maintain, and comply with internal procedures and controls following international best practice standards for the purpose of preventing corruption, money laundering activities, and/or the financing of terrorism; and (d) ensure that the Project auditors have the right to conduct random or spot audits for contract implementation activities under the Project, with the cost of this auditing to be covered by the Project.

15. The Borrower shall, and shall cause the EA to ensure that the 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 EA and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

16. Within 3 months of the Effective Date, the EA shall modify the Project website to disclose information about various matters on the Project. The website will include or link to information on Project procurement including the list of participating bidders, name of each winning bidder, basic details on bidding procedures adopted, the value of each contract awarded, and the list and value of goods/services procured and the intended utilization of Loan proceeds under each contract being awarded. The website shall also include general Project information, Project progress, and contact details for the EA's and ICMB9's

counterpart staff in Vietnamese and English languages, and shall link to ADB's Integrity Unit website at <http://www.adb.org/Integrity/complaint.asp> for reporting to ADB any grievances or allegations of corrupt practices arising out of the Project and/or Project activities. The Borrower shall cause the EA to ensure that all Project staff are fully aware of ADB's procedures, including, but not limited to, procedures for implementation, procurement, use of consultants, disbursements, reporting, monitoring, and prevention of fraud and corruption.

Audit

17. The Borrower shall ensure that all representation letters from the Project auditor are submitted to ADB and any outstanding issues attended to within 1 month of receipt by the EA, unless otherwise agreed with ADB.

Sustainability

18. The Borrower shall ensure that the EA is responsible for the O&M of the Project facilities through proper technical supervision and adequate allocation of funds.

Other Safeguard Issues

19. Within 3 months of the Effective Date, the EA shall: (a) update its grievance redress mechanism (GRM), acceptable to ADB, to receive and facilitate resolution of concerns, complaints, and grievances about the Project's performance, including possible corruption, and environmental, social, and other concerns from Affected People; (b) ensure a designated group is retained to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances caused by resettlement and environmental issues, which will: (i) make public the existence of this GRM through a public awareness campaign; (ii) review and address grievances of stakeholders in relation to the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; (iii) proactively and constructively respond to such grievances within the established time protocol, and (iv) review the effectiveness of the GRM from time to time and implement necessary enhancements.

Participatory Irrigation Management

20. The Borrower shall ensure that Project Provinces confirm their commitment to implement the Project according to the principles of Participatory Irrigation Management (PIM) outlined in the Borrower's Framework Strategy on Development of Participatory Irrigation Management.