



Project Administration Manual

Project Number: 41456
Loan Number: 2961
December 2012

Socialist Republic of Viet Nam: Viet Nam Water
Sector Investment Program – Multitranche Financing
Facility (MFF) - Periodic Financing Request 2

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Project Administration Manual Purpose and Process

The Project Administration Manual (PAM) describes the essential administrative and management requirements to implement the project on time, within budget, and in accordance with Government and Asian Development Bank (ADB) policies and procedures. The PAM should include references to all available templates and instructions either through linkages to relevant URLs or directly incorporated in the PAM.

The executing agency is wholly responsible for the implementation of ADB financed projects, as agreed jointly between the borrower and ADB, and in accordance with Government of Vietnam (GOV) and ADB's policies and procedures. ADB staff is responsible to support implementation including compliance by PFR2 water companies of their obligations and responsibilities for project implementation in accordance with ADB's policies and procedures.

At Loan Negotiations the borrower and ADB shall agree to the PAM and ensure consistency with the Loan agreement. Such agreement shall be reflected in the minutes of the Loan Negotiations. In the event of any discrepancy or contradiction between the PAM and the Loan agreement, the provisions of the Loan agreement shall prevail.

After ADB Management approval of the project's Periodic Financing Request Report (PFR), changes in implementation arrangements are subject to agreement and approval pursuant to relevant GOV and ADB administrative procedures (including the Project Administration Instructions) and upon such approval they will be subsequently incorporated in the PAM.

ABBREVIATIONS

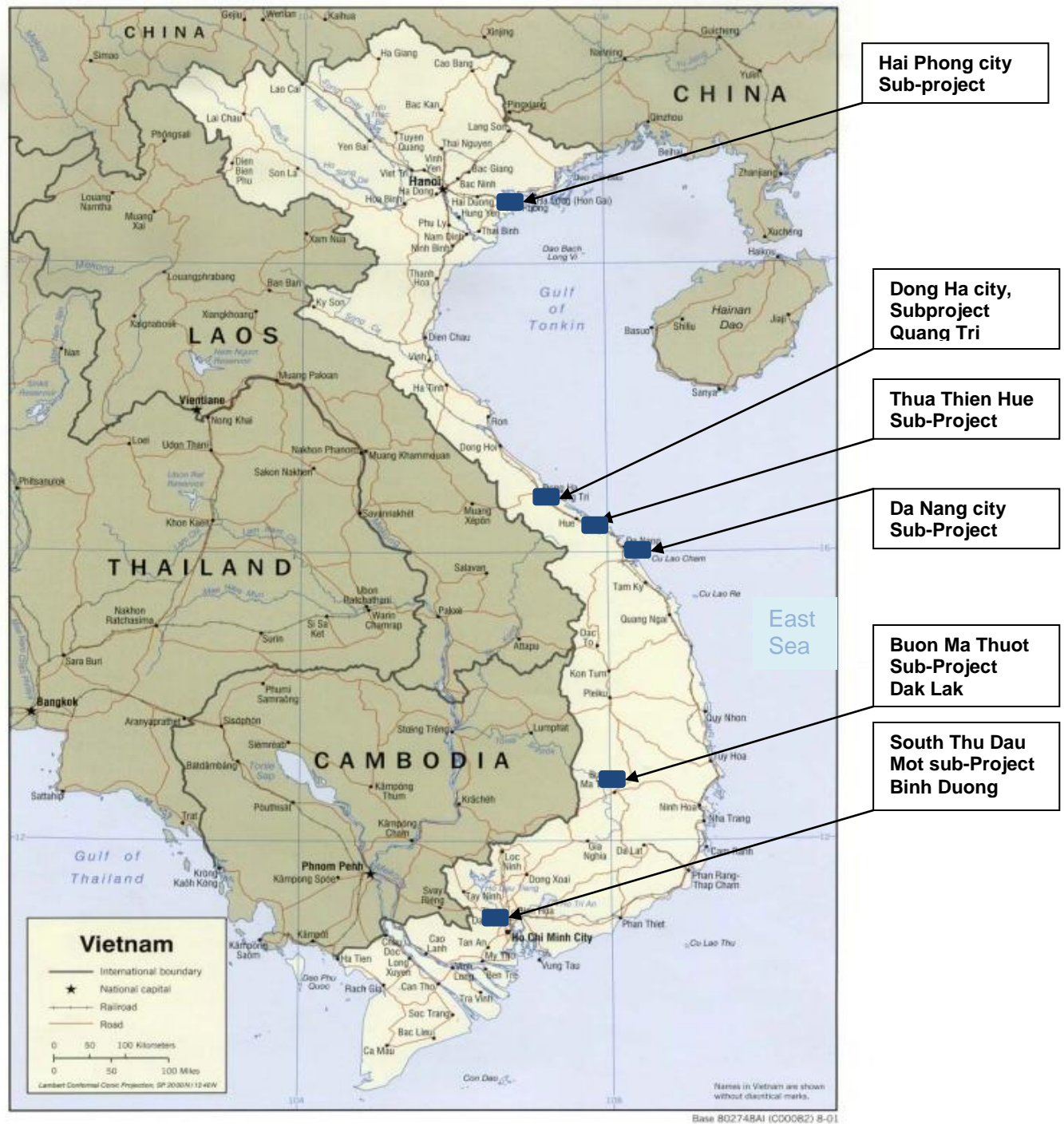
ADB	=	Asian Development Bank
AFS	=	audited financial statements
BIWASE		Binh Duong Water Supply, Sewerage and Environment One Member Limited Company
CQS	=	consultant qualification selection
PPC/CPC	=	Provincial/City People Committee
DAKWACO		Dak Lak Water Supply and Construction Investment One Member Limited Company
DAWACO	=	Danang Water Supply One Member Limited Company
DMF	=	design and monitoring framework
EARF	=	environmental assessment and review framework
EIA	=	environmental impact assessment
EMP	=	environmental management plan
ESMS	=	environmental and social management system
GACAP	=	Governance and anticorruption action plan
Hai Phong Water	=	Hai Phong Water Supply One Member Limited Company
HueWACO	=	Thua Thien Hue Construction And Water Supply State One Member Limited Company
ICB	=	international competitive bidding
IEE	=	initial environmental examination
IPP	=	indigenous people plan
IPPF	=	indigenous people planning framework
LAR	=	land acquisition and resettlement
LIBOR	=	London interbank offered rate
NCB	=	national competitive bidding
NGOs	=	non-government organizations
PAI	=	project administration instructions
PAM	=	project administration manual
PIU	=	project implementation unit
PPMS	=	project performance monitoring system
QBS	=	quality- based selection
QCBS	=	quality- and cost based selection
QTWASUCO		Quang Tri Water Supply and Construction One Member Limited Company
SBD	=	standard bidding documents
SOE	=	statement of expenditure
SPS	=	Safeguard Policy Statement
WSIP	=	Viet Nam Water Sector Investment Program

NOTES

- (i) The fiscal year (FY) of the Government and its agencies ends on 31 December.
- (ii) In this report, "\$" refers to US dollars unless otherwise stated.

MAP

SUB-PROJECTS LOCATION IN VIETNAM



I. PROJECT DESCRIPTION

1. **Rationale:** The Water and Sanitation Sector Assessment Strategy and Roadmap shows that the Viet Nam water sector has achieved impressive gains to improve coverage, during the last two decades. However, there are significant gaps in the reliability of service.

2. Specifically, Asian Development Bank (ADB) focuses its support in improving operational efficiency and financial performance of water supply companies. As such, the availability and access to reliable and up-to-date information on the system and its operation are critical: asset inventory and management is an essential prerequisite for attracting any interest from the private sector to collaborate by providing investment, management or operational support. Therefore, ADB will support initiatives to introduce, improve and expand the development of information and control systems.

3. The level of non-revenue water (NRW)¹ in Vietnamese cities is still unacceptably high, ranging from 15% to 70%. To meet Government targets and to improve the financial viability of water utilities, considerable effort is required to identify the physical and commercial losses, and subsequently invest massively in pipe replacement programs. ADB will support operational work needed on distribution networks to identify NRW and will finance pipe repair and replacement, as required.

4. **Policy Framework** for the water sector is strong, in particular with the issue by Government of two key Decisions, detailing a vision, targets and implementation measures: (i) the water supply decree,² transforming water from a social to a commercial commodity, requiring water supply companies (WSCs) to operate according to the principle of full cost recovery³ through a combination of water tariffs and subsidies; and (ii) the orientation plan for urban water supply⁴ and the Decision on NRW⁵ set ambitious targets for the water sector, in particular for reducing NRW to 25% by 2015, 18% by 2020 and 15% by 2025. The objectives of the Government's current Socio-Economic Development Plan 2011–2015 relevant to the water sector include: (i) supporting local economic development, with water identified as a limiting factor for growth, by developing large scale modern urban infrastructures; (ii) improving the quality of life and health of the people by providing safe water; (iii) improving the level of service and the efficiency of the WSCs, as key providers of basic urban services; and (iv) enhancing environmental protection by the appropriate and effective use of water, as a limited natural resource in the current context of Viet Nam as a water stressed country, which is strongly impacted by climate change. ADB's sector program within the VIE: Country Partnership Strategy (2011–2015) is consistent with these policies. The ADB Water Operational Plan (2011–2020) is also built around the theme of water security.

5. **Multitranche Financing Facility (MFF)** In February 2011, the Board of Directors of ADB approved a multitranche financing facility (MFF) for \$1 billion from the Ordinary Capital Resources (OCR). This is the first time the Government of Viet Nam borrowed on OCR terms and conditions for the water sector. The framework financing agreement (FFA) was signed on 5 May 2011 with a

¹ Non-revenue water (NRW) is the portion of water produced but not sold because of physical losses from old pipes and poor installation, commercial losses from stolen water, defective meters, and non-commercial uses such as cleaning and firefighting. NRW below 20% indicates a very good operation of the distribution network.

² Decree 117/2007/ND-CP on Clean Water Production, Supply and Consumption.

³ Cost of operation and maintenance (O&M) and the higher of the depreciation or debt service.

⁴ Decision 1929/2009/QĐ-TTg approving orientations for developing water supply in Viet Nam's urban centers and industrial parks up to 2025, and a vision towards 2050.

⁵ Decision 2147/2010/QĐ-TTg on Approval of National Unaccounted-for Water and NRW Program to 2025.

first periodic financing request (PFR1) for \$138 million submitted and processed into a corresponding loan for the project owner for PFR1, Saigon Water Supply Corporation (SAWACO), Ho Chi Minh City (HCMC) was signed on 8 June 2011 and declared effective on 23 May 2012.

6. **Project Financing Request 2 (PFR2).** Six WSCs completed the project preparation and can borrow \$207 million for physical and non-physical investment to supply water to over 3 million persons with 94,000 households, including 17,500 poor households, receiving safe water with their own piped connection for the first time.⁶ The remaining nine WSCs can borrow \$5 million in PFR2 for advance action to prepare their investment project for financing under PFR3, after appraisal by ADB and Viet Nam Development Bank⁷ (VDB). Some WSCs took advantage of the 'finance as you go' option under the MFF by phasing the financing over several tranches.⁸

7. All the WSCs proposed for financing under PFR2 have been equitized.⁹ As such, the WSCs are managed in an autonomous manner and can produce their own financial statements, following Vietnamese accounting standards. There is no independent regulation, but the regulatory function is performed by the People's Committee, the executive branch of the local government, with oversight from the People's Council (legislative branch). All the WSCs have increased water tariffs in the last two years, as a prerequisite for loan processing, and have presented water tariff increase roadmaps to satisfy undertakings and assurance under the loan.

8. **Location:** PFR2 is intended to improve water supply services in Hai Phong City in the north; Quang Tri province (Dong Ha city), Da Nang City and Thua Thien Hue (TTH) province in the central region; and Binh Duong province (Thu Dau Mot) in south, and Dak Lak Province (Buon Ma Thuot and three District Towns Ea Kar, Buon Don and Krong Nang) in central highland. The location of subprojects is as shown on the map.

9. **Impact:** The impact of PFR2 is the sustainable provision of safe water in the Provinces of Binh Duong, Dak Lak, Thua Thien Hue and Quang Tri as well as in the cities of Da Nang and Hai Phong.

10. **Outcome:** The outcome will be improved efficiency of participating WSCs.

11. **Outputs:** The MFF outputs, which are in line with PFR2 outputs, are (i) increased coverage; (ii) improved business planning, financial management and asset management; and (iii) effective NRW reduction. Each participating WSC is implementing water supply subprojects for PFR2 (Table 1). Nine remaining WSCs from Bac Giang, Thai Nguyen, Thanh Hoa, Vinh, Thai Hoa, Cua Lo, Buon Ma Thuot/Cu Kuin, Quang Nam, and Lam Dong are borrowing in the second tranche to finance non-physical investment for advance action to (i) review and update FSRs, including safeguard documents; (ii) complete the detailed design; and, (iii) prepare bidding documents for components proposed for financing in subsequent PFRs.

⁶ The six water supply companies (WSCs) are from Binh Duong Province, Da Nang City, Dak Lak Province (Buon Ma Thuot), Hai Phong City, Quang Tri Province, Thua Thien Hue Province.

⁷ Ministry of Finance (MOF) has delegated the project appraisal to the Viet Nam Development Bank, owned by MOF.

⁸ Participating WSCs are from Da Nang City, Quang Nam Province, Quang Tri Province, Thua Thien Hue Province.

⁹ A privatization process under Prime Minister's Decision No. 38/2007/QĐ-TTg, in which provincial and city state-owned water companies are corporatized and incorporated into a 'one member limited company' or a joint stock company with shares.

II. IMPLEMENTATION PLANS

A. Project Readiness Activities

12. Readiness criteria for loan fact finding includes: (i) approval of Project Detailed Outline (PDO) according to Decree 131/2006/ND-CP or any subsequent legislation; (ii) endorsement of feasibility study report (FSR), according to Decision 48/2008/QD-TTg by the water companies before submission to the city or provincial government for approval after loan fact finding; (iii) Project Administration Manual (PAM), including procurement plan discussed and agreed; (iv) cost estimate, financing and counterpart funds agreed; (v) project management unit (PMU) structure and staffing levels agreed; (vi) draft project implementation plan discussed and agreed; (vii) safeguard framework and tranche frameworks or plans agreed; (viii) financial management system and auditing arrangements discussed and agreed; and (viii) consulting services and technical assistance as discussed and agreed.

13. Prior to loan effectiveness, the following readiness criteria need to be complied: (i) Project Administration Manual (PAM) confirmed; (ii) counterpart funds for first year of implementation confirmed; (iii) project management unit (PMU) established with key staff appointed; (iv) project implementation plan agreed; (v) environmental impact assessment/initial environment examination and Resettlement Plan (RP)/Resettlement Framework (RF) confirmed; if there is a need for an Indigenous People Development Framework or Plan; (vi) procurement plan confirmed; and (vii) auditing arrangements confirmed. A list of indicative Project Readiness Activities and their target completion dates are shown below in Table 1.

Table 1: Project Readiness Activities

Indicative Activities	Months									Who responsible
	Oct 11	Mar 11	Apr 12	May 12	Jun 12	Nov 12	Dec 12	Feb 12	Mar 13	
Loan FF Signing										EAs
ADB Appraisal										ADB
ADB MRM										ADB
Loan Negotiation										SBV/ADB
President approval										ADB
Loan Signing										ADB, MOF, EAs
Submit to Prime Minister										GOV
Loan Approval										GOV
Loan Effectiveness										ADB / GOV

ADB = Asian Development Bank; EAs = subproject executing agency; GOV = Government of Viet Nam; MOF = Ministry of Finance; SBV = State Bank of Viet Nam.

B. Overall Project Implementation Plan - PFR2 Components

Activities	2013 (Qtr)				2014 (Qtr)				2015 (Qtr)				2016 (Qtr)				2017 (Qtr)			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
DMF																				
1 Increased coverage																				
1.1 Design & Supervision																				
1.2 Procurement																				
1.3 WTP construction																				
1.4 Pipe renewal																				
2. Business processes																				
2.1 Award O&M Contract																				
2.2 Award IS contract																				
2.3 Gender/poverty survey																				
3. Effective NRW reduction																				
3.1 Pipeline renewal																				
3.2 Asset Management																				
Management Activities																				
Procurement plan activities																				
Consultant selection																				
Environment MP																				
Gender action plan																				
Communication strategy																				
Annual/Mid-term review																				
Project completion report																				

DMF = design and monitoring framework, MP = management plan, NRW = non-revenue water, O&M = operation and maintenance, WTP = water treatment plant.

14. The Foreign Economic Relations Department, Ministry of Planning and Investment (MPI) is the coordinating agency for the overall MFF for the Periodic Financing Request (PFR2). The MPI is responsible for: (i) shortlisting of future local governments and/or water utilities that wish to access the MFF, submitting the list to ADB at the Country Programming Mission and updating this list, if needed, at the Country Programming Confirmation Mission; (ii) consolidated reporting, through consultants, and with the assistance of the WSCs; and (iii) submission of the annual audit report.

15. MPI will have no role in procurement of consultants and civil works contracts. ADB will provide grant assistance through its technical assistance program, to assist the coordinating agency in reporting, monitoring and evaluation and dissemination. For PFR2, the project management is delegated to the WSCs, as project owner and the respective city peoples committee (CPC) or provincial peoples committee (PPC), as Project executing agency (EA), under Decree 131/2006/ND-CP. Each participating WSC will set-up a PMU within its

organizational structure. The project owners and respective project executing agencies are detailed hereafter after:

	Executing Agency	Project Owner
1	Binh Duong PPC	Binh Duong Water Supply, Sewerage and Environment One Member Limited Company (BIWASE)
2	Dak Lak PPC	Dak Lak Water Supply and Construction Investment One Member Limited Company (DAKWACO) Thuan An Construction and Investment Limited Company
3	Da Nang CPC	Danang Water Supply One Member Limited Company (DAWACO)
4	Hai Phong CPC	Hai Phong Water Supply One Member Limited Company (HAI PHONG WATER)
5	Thua Thien Hue PPC	Thua Thien Hue Construction and Water Supply State One Member Limited Company (HueWACO)
6	Quang Tri PPC	Quang Tri Water Supply and Construction One Member Limited Company (QTWASUCO)
7	Quang Nam PPC	Quang Nam Water Supply and Drainage Joint Stock Company
8	Lam Dong PPC	Lam Dong Water Supply and Sewerage One Member Limited Company
9	Nghe An PPC	Nghe An Water Supply One Member Limited Company (NAWASCO) Cua Lo Water Supply One Member Limited Company Thai Hoa Water Supply One Member Limited Company
10	Thai Nguyen PPC	Thai Nguyen Water Joint Stock Company (TWACO)
11	Bac Giang PPC	Bac Giang Water Supply and Sewerage One Member Limited Company
12	Thanh Hoa PPC	Song Chu One Member Limited Company

16. Under the second tranche, Da Nang,¹⁰ Hai Phong,¹¹ Hue¹² and Quang Tri¹³ benefited from ADB funded project preparatory technical assistance (TA) and completed the project preparation. Dak Lak Province received World Bank assistance for project preparation in 2009. Binh Duong Province recently completed an ADB financed project¹⁴ and completed the project preparation with its own resources. The FSRs of the PFR2 cities follow the format of Decision No. 48/2008/QĐ-TTg¹⁵ and will submit their respective FSRs for ADB and Government of Viet Nam (GOV) appraisal and approval following Decree 131/2006/ND-CP. ADB has appraised the proposed PFR2 projects and discussed with MPI and each water company the scheduling and the financing plan for each participating city.

¹⁰ ADB. 2008. *Technical Assistance to the Socialist Republic of Viet Nam for preparing the Da Nang Water Supply Project* (TA7144-VIE). Manila.

¹¹ ADB. 2008. *Technical Assistance to the Socialist Republic of Viet Nam for preparing the Hai Phong Water Supply Project* (TA7151-VIE). Manila.

¹² ADB. 2008. *Technical Assistance to the Socialist Republic of Viet Nam for preparing the Hue Water Supply Project* (TA7089-VIE). Manila.

¹³ ADB. 2008. *Regional Technical Assistance for preparing the Mekong Water Supply and Sanitation Project* (TA6484-REG). Manila.

¹⁴ Third Provincial Towns Water Supply and Sanitation Project (Loan 1880-VIE).

¹⁵ Prime Minister's Decision, 3 April 2008. *Issuing general guidelines on feasibility study reports of projects using ODA funds of the 5-bank group (the Asian Development Bank, the French Development Agency AFD, the Japan Bank for International Cooperation, the German KfW, and the World Bank).*

17. The PFR2 project outputs are as follows:

- (a) DAWACO - (i) constructing approximately 151 km of transmission and distribution mains D200-1,000; (ii) rehabilitating and replacing approximately 40 kilometer (km) of distribution main; (iii) implementing an institutional strengthening program; and (iv) implementing an operational management contract to improve and upgrade maintenance and operational procedures.
- (b) Hai Phong Water - (i) constructing three new water treatment plants (WTPs) with capacity of 25,000 cubic meter per day (m^3/day) each, upgrading a WTP to capacity of 200,000 m^3/day and converting a WTP a pumping station; (ii) constructing approximately 80 km of transmission mains, including booster pumping station(s); and (iii) constructing distribution systems for about 20,000 households.
- (c) HueWACO - (i) constructing a WTP approximately 8,000 m^3/day ; (ii) constructing an approximately 40 km transmission pipeline D400-1,200; and (iii) constructing approximately 378 km distribution pipeline D40-355.
- (d) BIWASE - (i) constructing a water intake, pumping station and an approximately 5 km D1,200 pipeline from the intake; (ii) constructing a WTP 45,000 m^3/day including treated water storage reservoir 15,000 m^3 , pumping station, chemical house, and sludge drying beds; (iii) constructing approximately 179 km of transmission and distribution main; and (iv) installing 30,000 household connections in Di An town and Thuan An town.
- (e) QTWASUCO - (i) constructing Quat Xa Water Treatment Plant capacity 30,000 m^3/day , and a 19 km D400-800 transmission main to Dong Ha; (ii) constructing Tan Luong WTP capacity 15,000 m^3/day ; (iii) upgrading existing 3,500 m^3/day Quang Tri WTP to capacity 13,500 m^3/day (with 7,005 m D400 raw water pipeline); about 25 km of D100-300 transmission and distribution main; and (iv) implementing an institutional strengthening program to upgrade financial and billing operations, improve operation and maintenance (O&M) capabilities, and reduce non-revenue water.
- (f) DAKWACO - (i) constructing four water intakes, four pumping stations and a storage reservoir 5,000 m^3 ; (ii) constructing four WTPs; (iii) constructing approximately 12 km D600-700 of treated water gravity pipeline, 138 km D150-600 of transmission main, and 198 km D50-100 distribution main; (iv) installing 25,000 household connections in Buon Ma Thuot city; and 7,175 household connections in three district towns (v) implementing an institutional strengthening program

18. Nine other water supply companies were expressed of interest included in PFR2. However, due to time constraints, project feasibility documents need to be reviewed and upgraded, before appraisal by ADB and VDB. The remaining water supply companies are proposed to be able to benefit from PFR2, through limited lending, to (i) review their feasibility study reports; (ii) complete the detailed design of the proposed project, including updating the safeguards documents; and, (iii) prepare the bidding documents. An allocation of \$5 million has therefore been included in PFR2 for Bac Giang (\$0.53 million), Thai Nguyen (\$0.61 million), Thanh Hoa (\$0.86 million), Vinh (\$0.52 million), Thai Hoa (\$0.44 million), Cua Lo (\$0.37 million), Dak Lak BOO (Cu Kuin) (\$0.29 million), Quang Nam (\$0.59 million) and Lam Dong (\$0.79 million). MPI, as Coordinating Agency is in charge of selecting and confirming WSCs that will participate in subsequent tranches and to consolidate reporting from the WSCs receiving financing under each tranche.

III. PFR2 PROJECT MANAGEMENT ARRANGEMENTS

A. Project Implementation Organizations – Roles and Responsibilities

Project implementation organizations	Management Roles and Responsibilities
Project EAs (Project owners)	Primarily responsible for implementation of the Project, including finance and administration, technical and procurement matters, monitoring and evaluation (M&E), and safeguards compliance, including reporting for M&E and for auditing, including the submission of financial statements. The EA is also responsible for setting up and administering the imprest account.
Project Management Unit (under EAs)	Primarily responsible for disbursement of loan/counterpart funds. Responsible for arranging the necessary counterpart financing, debt servicing and loan repayment. Responsible for submitting withdrawal applications, retention of project documents and maintaining the imprest account.
Asian Development Bank	Primarily responsible for financing and monitoring of ADB-funded components of the Project.
Project Leading Group	Provide policy guidance during implementation Oversees implementation of the Project.

B. Key Persons Involved in Implementation

Coordinating Agency	Dr. Hoang Viet Khang, Director General Foreign Economic Relations Department, Ministry of Planning and Investment
Project Owners	
Hai Phong Water	Chairman-Director General: Vu Hong Duong Telephone: 031 3610 366 Email address: hpwspmu@vnn.vn Office Address: 54 Dinh Tien Hoang Street, Hoang Bang District, Haiphong city
DAWACO	Director: Nguyen Truong Anh Telephone: 0511 3826 037, Email address: danawasco@dng.vnn.vn , Office Address: Xo Viet Nghe Tinh street, Hoa Cuong Nam ward,, Hai Chau District, Da Nang City
HueWACO	Director: Truong Cong Nam Telephone: 054 3823 137 Email address: ctnth@dng.vnn.vn Office Address: 103 Bui Thi Xuan Street, Hue city, Thua Thien Hue province

BIWASE

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DAKWACO

Director: Tran Van Thien
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 Address: 70 Nguyen Tat Thanh, Buon Ma Thuot city, Dak Lak province

Quang Nam Water Supply and Drainage Joint Stock Company

Director: Ngo Duc Trung
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 Email: tctnqnam@gmail.com
 Address: Lot 6, Phan Boi Chau Str, Tam Ky city, Quang Nam province

Lam Dong Water Supply and Drainage One Member Limited Company

Director: Vo Quang Tuan
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 Email: banquanlyctnlamdong@gmail.com
 Address: No. 7 Bui Thi Xuan, Ward No.2, Da Lat city, Lam Dong province

Nghe An Water Supply One Member Limited Company

Director: Phan Canh De
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nawasco@gmail.com
 Address: No. 32 Phan Dang Luu - Vinh city – Nghe An province

Cua Lo Water Supply One Member Limited Company

Director: Nguyen Huu Luan
 Tel: 038 3 943177
 Email: congtycapnuoccualo@yahoo.com
 Address: Nghi Tan Ward – Cua Lo Town – Nghe An province

Thai Hoa Water Supply One Member Limited Company

Director: Pham Van Viet
 Tel: 038 3 943177
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 Address: Lien Thang, Hoa Hieu ward, Thai Hoa town, Nghe An province

Thai Nguyen Water Supply Joint Stock Company

Director: Tran Quang Han
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Bac Giang Water Supply and Sewerage One Member Limited Company

Director: Huong Xuan Cong
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Song Chu One Member Limited Company

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ADB

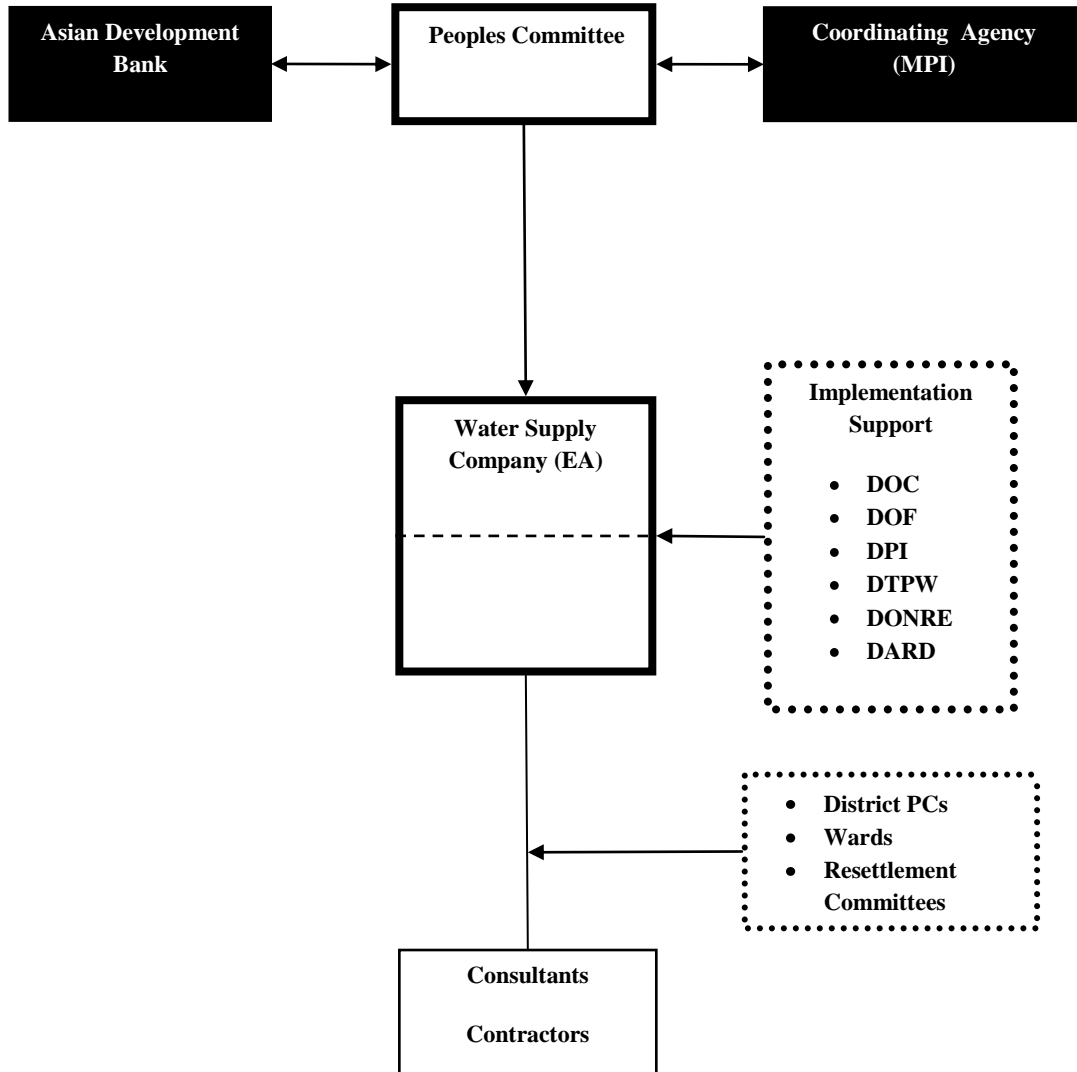
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C. Project Organization Structure



IV. COSTS AND FINANCING

19. The tentative project investment plan for the second tranche (PFR2) for a total cost of \$255.00 million is listed in Table 3.

Table 3: Tentative Project Investment Plan (PFR2 2011)

Project Components	Amount^a
A. Base Cost^b	
Subproject 1: Thua Tien Hue Province	32.22
Subproject 2: Da Nang City	28.06
Subproject 3: Hai Phong City	60.63
Subproject 4: Binh Duong Province	36.30
Subproject 5: Quang Tri Province	19.02
Subproject 6: Dak Lak Province (Public)	26.05
Subproject 7: Non-Physical Investment (Advance Action) ^c	5.00
Subtotal (A)	207.28
B. Contingencies	25.88
C. Financing Charges During Development^d	21.74
Total (A+B+C)^e	255.00

^a Includes taxes and duties of about \$21.00 million to be financed from counterpart funds.

^b In mid-2011 prices, including taxes and duties.

^c For Bac Giang Province (\$0.53 million); Thai Nguyen Province (\$0.61 million); Nghi Son / Thanh Hoa Province (\$0.86 million); Vinh City / Nghe An Province (\$0.52 million); Thai Hoa Town / Nghe An Province (\$0.44 million); Cua Lo Town / Nghe An Province; Dak Lak (BOO Cui Kin) / Dak Lak Province (\$0.29 million); Quang Nam Province (\$0.59 million); Lam Dong Province (\$0.79 million).

^d Includes interest and commitment charges. Interest during construction for ADB loan has been computed at 3.4% based on LIBOR (20 years swap rate) 2.65% plus ADB Margin 0.4%, ADB Maturity Premium 0.1% and relending fees 0.25% from the government to the WSCs. Commitment charges are set at 0.15%

^e Number may not sum precisely because of rounding

Source: ADB estimates

20. The government requested a loan of \$212 million from ADB's OCR to help finance the PFR2 consulting services, other preconstruction activities, and part of the construction cost. The loan will have a 25-year term, including a grace period of 6 years, an annual interest rate determined according to ADB's lending facility based on the London interbank offered rate (LIBOR),¹⁶ a commitment charge of 0.15% per year (part of the interest and other charges during construction for \$18.94 million are capitalized in the loan), and such other terms and conditions set forth in the draft loan and project agreements.

21. The WSCs committed counterpart funding of \$43 million equivalent to cover taxes and duties in full and interest and other charges during construction and part of the construction cost. One of the project objectives is to service the debt through water tariff increase, to enable phasing out of subsidies. As such, the WSCs developed water tariff increases roadmaps endorsed by their respective People's Committees, the executive branches of local government. The physical contingencies are about 10% of the base costs on average and vary from 5% to 16% among sub-projects. Price contingencies are computed based on these cost escalation factors: -3.2% for 2012; 0.3% for 2013; 0.5% for 2014 and thereafter on foreign costs and 11% for 2012, 9% for 2013, 8% for 2014, and thereafter on local costs.

¹⁶ The interest includes a maturity premium of 0.10%. This is based on the above loan terms and the government's choice of repayment option and dates.

22. The loan will be to the Government of Viet Nam and the loan proceeds will be re-lent to the WSCs, according to the terms and conditions for Official Development Assistance included in Decree 78/2010/ND-CP dated 14 July 2010 about the on-lending of Government foreign borrowings, through subsidiary loan agreements, under terms and conditions satisfactory to ADB as follows: (i) \$39.90 million to BIWASE; (ii) \$24.59 million to DAKWACO; (iii) \$30.00 million to DAWACO; (iv) \$56.80 million to Hai Phong Water; (v) \$20.50 million to QTWACO; (vi) \$35.21 million to HueWACO; (vii) \$0.59 million to Quang Nam Water Supply and Drainage Joint Stock Company; (viii) \$0.79 million to Lam Dong Water Supply and Drainage One Member Company Ltd.; (ix) \$0.52 million to Nghe An Water Supply One Member Company Ltd; (x) \$0.37 million to Cua Lo Water Supply One Member Ltd; (xi) \$0.44 million to Thai Hoa Water Supply One Member Limited Company; (xii) \$0.61 million to Thai Nguyen Water Supply Joint Stock Company; (xiii) \$0.53 million to Bac Giang Water Supply and Sewerage One Member Ltd. Company; (xiv) \$0.86 million to Song Chu One Member Company Ltd.; and (xv) \$0.29 million to Thuan An Construction and Investment Company Ltd. The tentative financing plan for PFR2 is presented in Table 4.

Table 4: Tentative Financing Plan (PFR2)

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank	212.00	83
Government	43.00	17
Total	255.00	100

Source: ADB Project Team.

A. Detail Cost Estimates by Expenditure Category

a. Detail Cost Estimates by Expenditure Category Overall PFR2 Project

Detail Cost Estimate by Expenditure Category	VND Billion			US\$ million			% Base Cost	% Total Cost
	Foreign	Local	Total	Foreign	Local	Total		
A Investment Costs								
1. Civil Works_Intakes / WTPs / Networks	2390.44	210.41	2600.85	114.93	10.12	125.04	60.37%	49.04%
2. Goods, Equipments	454.15	186.22	640.37	21.83	8.95	30.79	14.86%	12.07%
3. Consulting services	375.07	163.67	538.74	18.03	7.87	25.90	12.51%	10.16%
4. Land Acquisition	0.00	85.47	85.47	0.00	4.11	4.11	1.98%	1.61%
5. Taxes and Duties	0.00	428.46	428.46	0.00	20.60	20.60	9.95%	8.08%
Sub-total (A)	3219.66	1074.23	4293.89	154.79	51.65	206.44	99.67%	80.96%
B Working capital								
1. Working Capital	0.00	14.10	14.10	0.00	0.68	0.68	0.33%	0.27%
2. Taxes and Duties	0.00	0.19	0.19	0.00	0.01	0.01	0.00%	0.00%
Sub-total (B)	0.00	14.29	14.29	0.00	0.69	0.69	0.33%	0.27%
Total Base Costs (A+B)	3219.66	1088.52	4308.18	154.79	52.33	207.12	100.00%	81.23%
C Contingencies								
1. Physical Contingencies	196.97	151.64	348.61	9.47	7.29	16.76	8.09%	6.57%
2. Price Contingencies	140.42	49.60	190.01	6.75	2.38	9.14	4.41%	3.58%
Sub-total (C)	337.38	201.23	538.62	16.22	9.67	25.90	12.50%	10.15%
D Financial Charges During Implementation								
1. Interest During Construction	432.56	0.00	432.56	20.80	0.00	20.80	10.04%	8.16%
2. Commitment Charges	19.54	0.00	19.54	0.94	0.00	0.94	0.45%	0.37%
Sub-total (D)	452.10	0.00	452.10	21.74	0.00	21.74	10.49%	8.52%
Total (A+B+C+D+E)	4009.00	1290.00	5299.00	193.00	62.00	255.00	123.11%	100.00%

1. ADB does not finance local taxes and duties, and the local taxes and duties provided by the Borrower.

2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

Source: ADB estimates.

b. Binh Duong sub-project:

Detail Cost Estimate by Expenditure Category		VND Billion			US\$ million			% Base Cost	% Total Cost
		Foreign	Local	Total	Foreign	Local	Total		
A.	Investment Costs								
	1. Source Facilities	139.36	0.00	139.36	6.70	0.00	6.70	18.46%	14.29%
	2. Water Treatment Plant 45,000 m ³ /day	112.32	0.00	112.32	5.40	0.00	5.40	14.88%	11.51%
	3. Transmission and Distribution Pipes	349.44	0.00	349.44	16.80	0.00	16.80	46.28%	35.82%
	4. Consulting Services	30.99	52.21	83.20	1.49	2.51	4.00	11.02%	8.53%
	5. Taxes and Duties	0.00	68.64	68.64	0.00	3.30	3.30	9.09%	7.04%
	Sub-total (A)	632.11	120.85	752.96	30.39	5.81	36.20	99.73%	77.19%
B.	Working Capital								
	1. Working Capital	0.00	1.87	1.87	0.00	0.09	0.09	0.25%	0.25%
	2. Taxes and Duties	0.00	0.19	0.19	0.00	0.01	0.01	0.02%	0.02%
	Sub-total (B)	0.00	2.06	2.06	0.00	0.10	0.10	0.27%	0.27%
	Total Base Costs	632.11	120.85	752.96	30.39	5.91	36.30	100.00%	77.46%
C.	Contingencies								
	1. Physical Contingencies	61.98	10.82	72.80	2.98	0.52	3.50	9.64%	7.46%
	2. Price Contingencies	69.06	12.06	81.12	3.32	0.58	3.90	10.74%	8.32%
	Sub-total (C)	131.04	22.88	153.92	6.30	1.10	7.40	20.39%	15.78%
D.	Financial Charges During Implementation								
	1. Interest During Construction	62.40	0.00	62.40	3.00	0.00	3.00	8.26%	6.40%
	2. Commitment Charges	4.16	0.00	4.16	0.20	0.00	0.20	0.55%	0.43%
	Sub-total (D)	66.56	0.00	66.56	3.20	0.00	3.20	8.82%	6.82%
	Total (A+B+C+D)	829.71	145.79	975.50	39.90	7.00	46.90	129.20%	100.00%

m³/day = cubic meter per day

1. ADB does not finance local taxes and duties. The local taxes and duties to be provided by the Borrower.
2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

Source: ADB estimates.

c. Hai Phong sub-project

Detail Cost Estimate by Expenditure Category		VND Billion			US\$ million			% Base Cost	% Total Cost
		Foreign	Local	Total	Foreign	Local	Total		
A.	Investment Costs								
	1. CWs 1-Raw Water Pipes, WTPs, Land Acquisition	437.59	96.13	533.73	21.04	4.62	25.66	42.32%	34.82%
	2. CWs 2 - Transmission/Distribution Networks and Connections	384.80	21.42	406.22	18.50	1.03	19.53	32.21%	26.50%
	3. Consulting services and WC	128.71	25.52	154.23	6.19	1.23	7.42	12.23%	10.06%
	4. Equipment for PMU, Vehicles, WTPs	17.72	4.43	22.15	0.85	0.21	1.07	1.76%	1.45%
	5. Taxes and Duties	0.00	144.77	144.77	0.00	6.96	6.96	11.48%	9.44%
	Sub-total (A)	968.83	292.28	1261.10	46.58	14.05	60.63	99.98%	82.27%
B.	Working Capital								
	1. Working Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	2. Taxes and Duties	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	Sub-total (B)	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	Total Base Costs	968.83	292.28	1261.10	46.58	14.05	60.64	99.98%	82.27%
C.	Contingencies								
	1. Physical Contingencies	16.64	57.20	73.84	0.80	2.75	3.55	5.85%	4.82%
	2. Price Contingencies	39.27	2.19	41.45	1.89	0.11	1.99	3.29%	2.70%
	Sub-total (C)	55.91	59.39	115.29	2.69	2.86	5.54	9.14%	7.52%
D.	Financial Charges During Implementation								
	1. Interest During Construction	151.20	0.00	151.20	7.27	0.00	7.27	11.99%	9.86%
	2. Commitment Charges	5.21	0.00	5.21	0.25	0.00	0.25	0.41%	0.34%
	Sub-total (D)	156.41	0.00	156.41	7.52	0.00	7.52	12.40%	10.20%
	Total (A+B+C+D)	1181.15	351.66	1532.81	56.80	16.90	73.69	121.53%	100.00%

CW = civil works, PMU = project management unit, WTPs = water treatment plants.

1. ADB does not finance local taxes and duties. The local taxes and duties to be provided by the Borrower.

2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

Source: ADB estimates.

d. Hue sub-project:

Detail Cost Estimate by Expenditure Category		VND Billion			US\$ million			% Base Cost	% Total Cost
		Foreign	Local	Total	Foreign	Local	Total		
A.	Investment Costs								
	1. Raw water pipes/intake/ WTPs_CWs	29.54	0.00	29.54	1.42	0.00	1.42	4.41%	3.68%
	2. Trans. and Dist. Pipes_CWs	174.37	0.00	174.37	8.38	0.00	8.38	26.02%	21.75%
	3. Trans. and Dist. Pipes_Goods	365.71	0.00	365.71	17.58	0.00	17.58	54.58%	45.63%
	4. Land Acquisition	0.00	1.25	1.25	0.00	0.06	0.06	0.19%	0.16%
	5. Consulting Services	30.58	0.00	30.58	1.47	0.00	1.47	4.56%	3.81%
	6. Taxes and Duties	0.00	69.06	69.06	0.00	3.32	3.32	10.31%	8.62%
	Sub-total (A)	600.18	70.30	670.49	28.86	3.38	32.22	100.06%	83.65%
B.	Working Capital								
	1. Working Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	2. Taxes and Duties	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	Sub-total (B)	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	Total Base Costs	600.18	70.30	670.49	28.86	3.38	32.22	100.06%	83.65%
C.	Contingencies								
	1. Physical Contingencies	55.33	0.00	55.33	2.66	0.00	2.66	8.26%	6.90%
	2. Price Contingencies	11.23	0.00	11.23	0.54	0.00	0.54	1.68%	1.40%
	Sub-total (C)	66.56	0.00	66.56	3.20	0.00	3.20	9.93%	8.30%
D.	Financial Charges During Implementation								
	1. Interest During Construction	61.98	0.00	61.98	2.98	0.00	2.98	9.25%	7.73%
	2. Commitment Charges	2.91	0.00	2.91	0.14	0.00	0.14	0.43%	0.36%
	Sub-total (D)	64.90	0.00	64.90	3.12	0.00	3.12	9.68%	8.10%
	Total (A+B+C+D)	731.64	70.30	801.94	35.22	3.32	38.54	119.62%	100.00%

CW = civil works, water treatment plants.

1. ADB does not finance local taxes and duties. The local taxes and duties will be provided by the Borrower.
2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

Source: ADB estimates.

e. Danang sub-project:

Detail Cost Estimate by Expenditure Category		VND Billion			US\$ million			% Base Cost	% Total Cost
		Foreign	Local	Total	Foreign	Local	Total		
A.	Investment Costs								
	1. Trans. and Dis. Pipes_Civil works	50.54	131.66	182.21	2.43	6.33	8.76	31.22%	24.12%
	2. Trans. and Dis. Pipes_Goods	69.89	181.79	251.68	3.36	8.74	12.10	43.12%	33.32%
	3. Consulting Services	21.01	83.82	104.83	1.01	4.03	5.04	17.96%	13.88%
	4. Taxes and Duties	5.41	39.52	44.93	0.26	1.90	2.16	7.70%	5.95%
	Sub-total (A)	146.85	436.80	583.65	7.06	21.00	28.06	100.00%	77.28%
B.	Working Capital								
	1. Working Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	2. Taxes and Duties	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	Sub-total (B)	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	Total Base Costs	146.85	436.80	583.65	7.06	21.00	28.06	100.00%	77.28%
C.	Contingencies								
	1. Physical Contingencies	21.22	66.14	87.36	1.02	3.18	4.20	14.97%	11.57%
	2. Price Contingencies	-3.43	29.74	26.09	-0.17	1.43	1.25	4.47%	3.45%
	Sub-total (C)	17.78	95.88	113.45	0.85	4.61	5.45	19.44%	15.02%
D.	Financial Charges During Implementation								
	1. Interest During Construction	55.97	0.00	55.97	2.69	0.00	2.69	9.59%	7.41%
	2. Commitment Charges	2.42	0.00	2.42	0.12	0.00	0.12	0.42%	0.32%
	Sub-total (D)	58.39	0.00	58.39	2.81	0.00	2.81	10.00%	7.73%
	Total (A+B+C+D)	223.02	532.68	755.49	10.72	25.61	36.31	129.41%	100.00%

1. ADB does not finance local taxes and duties. The local taxes and duties will be provided by the Borrower.
2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

Source: ADB estimates.

f. Quang Tri sub-project:

Detail Cost Estimate by Expenditure Category		VND Billion			US\$ million			% Base Cost	% Total Cost
		Foreign	Local	Total	Foreign	Local	Total		
A.	Investment Costs								
	1. Raw Water Intake	43.26	0.00	43.26	2.08	0.00	2.08	10.94%	8.79%
	2. Water Treatment Plants	115.65	0.00	115.65	5.56	0.00	5.56	29.23%	23.49%
	3. Network	154.34	0.42	154.75	7.42	0.02	7.44	39.12%	31.43%
	4. Consulting Services	28.91	0.00	28.91	1.39	0.00	1.39	7.31%	5.87%
	5. Equipments for PMU	0.83	0.00	0.83	0.04	0.00	0.04	0.21%	0.17%
	6. Taxes and Duties	0.00	52.21	52.21	0.00	2.51	2.51	13.20%	10.60%
	Sub-total (A)	342.99	52.62	395.62	16.49	2.53	19.02	100.00%	80.35%
B.	Working Capital								
	1. Working Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	2. Taxes and Duties	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	Sub-total (B)	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	Total Base Costs	342.99	52.62	395.62	16.49	2.53	19.02	100.00%	80.35%
C.	Contingencies								
	1. Physical Contingencies	18.91	11.54	30.45	0.91	0.55	1.46	7.70%	6.18%
	2. Price Contingencies	11.03	2.00	13.02	0.53	0.10	0.63	3.29%	2.65%
	Sub-total (C)	29.94	13.53	43.47	1.44	0.65	2.09	10.99%	8.83%
D.	Financial Charges During Implementation								
	1. Interest During Construction	51.17	0.00	51.17	2.46	0.00	2.46	12.93%	10.39%
	2. Commitment Charges	2.08	0.00	2.08	0.10	0.00	0.10	0.53%	0.42%
	Sub-total (D)	53.25	0.00	53.25	2.56	0.00	2.56	13.46%	10.82%
	Total (A+B+C+D)	426.18	66.16	492.34	20.50	3.17	23.67	124.45%	100.00%

1. ADB does not finance local taxes and duties. The local taxes and duties will be provided by the Borrower.

2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

Source: ADB estimates.

g. Dak Lak sub-project:

Detail Cost Estimate by Expenditure Category		VND Billion			US\$ million			% Base Cost	% Total Cost
		Foreign	Local	Total	Foreign	Local	Total		
A.	Investment Costs								
	1. Raw water sources	25.65	0.00	25.65	1.23	0.00	1.23	4.73%	4.01%
	2. Water treatment, Land Acquisition	99.67	9.90	109.57	4.79	0.48	5.27	20.22%	17.11%
	3. Booster pump station	32.27	0.00	32.27	1.55	0.00	1.55	5.95%	5.04%
	4. Distribution network	241.91	35.09	277.00	11.63	1.69	13.32	51.11%	43.27%
	5. Consulting Services	30.87	2.12	32.99	1.48	0.10	1.59	6.09%	5.15%
	6. Taxes and Duties	0.00	52.21	52.21	0.00	2.51	2.51	9.63%	8.15%
	Sub-total (A)	430.37	99.32	529.69	20.69	4.77	25.47	97.74%	82.73%
B.	Working Capital								
	1. Working Capital	0.00	12.23	12.23	0.00	0.59	0.59	2.26%	2.26%
	2. Taxes and Duties	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00%
	Sub-total (B)	0.00	12.23	12.23	0.00	0.59	0.59	2.26%	2.26%
	Total Base Costs	430.37	111.55	541.92	20.69	5.36	26.05	100.00%	84.99%
C.	Contingencies								
	1. Physical Contingencies	22.90	5.93	28.83	1.10	0.29	1.39	5.32%	4.50%
	2. Price Contingencies	13.26	3.62	16.88	0.64	0.17	0.81	3.12%	2.64%
	Sub-total (C)	36.16	9.55	45.71	1.74	0.46	2.20	8.44%	7.14%
D.	Financial Charges During Implementation								
	1. Interest During Construction	49.84	0.00	49.84	2.40	0.00	2.40	9.20%	7.79%
	2. Commitment Charges	2.75	0.00	2.75	0.13	0.00	0.13	0.51%	0.43%
	Sub-total (D)	52.59	0.00	52.59	2.53	0.00	2.53	9.70%	8.21%
	Total (A+B+C+D)	519.12	121.10	640.22	24.97	5.81	30.78	118.14%	100.00%

1. ADB does not finance local taxes and duties. The local taxes and duties will be provided by the Borrower.

2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

Source: ADB estimates.

B. Allocation and Withdrawal of Loan Proceeds

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Viet Nam Water Sector Investment Program – Project 2)				
CATEGORY				ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (\$)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	121,245,400		
1A	BIWASE (Binh Duong)		28,900,000	90.9 % of total expenditure claimed
1B	DAKWACO (Dak Lak public)		19,206,000	82.7 % of total expenditure claimed
1C	DAWACO (Da Nang)		8,760,000	92.3 % of total expenditure claimed
1D	Hai Phong Water (Hai Phong)		39,529,400	83.1 % of total expenditure claimed
1E	HueWACO (Hue)		9,790,000	89.7% of total expenditure claimed
1F	QTWACO (Quang Tri)		15,060,000	86.7 % of total expenditure claimed
2	Equipment (Goods)	30,800,000		
2A	DAWACO (Da Nang)		12,100,000	92.3 % of total expenditure claimed
2B	Hai Phong Water (Hai Phong)		1,080,000	86.9 % of total expenditure claimed
2C	HueWACO (Hue)		17,580,000	89.7 % of total expenditure claimed
2D	QTWACO (Quang Tri)		40,000	86.8 % of total expenditure claimed
3	Consulting Services	21,201,400		
3A	BIWASE (Binh Duong)		1,500,000	34.1 % of total expenditure claimed
3B	DAKWACO (Dak Lak public)		1,484,000	84.0 % of total expenditure claimed
3C	DAWACO (Da Nang)		5,040,000	92.3 % of total expenditure claimed
3D	Hai Phong Water (Hai Phong)		5,317,400	66.9 % of total expenditure claimed

3E	HueWACO (Hue)		1,470,000	89.7 % of total expenditure claimed
3F	QWACO (Quang Tri)		1,390,000	86.8 % of total expenditure claimed
3G	Quang Nam Water Supply and Drainage Joint Stock Company		590,000	100 % of total expenditure claimed*
3H	Lam Dong Water Supply and Drainage One Member Company Ltd.		790,000	100 % of total expenditure claimed*
3I	Nghe An Water Supply One Member Company Ltd.		520,000	100 % of total expenditure claimed*
3J	Cua Lo Water Supply One Member Company Ltd.		370,000	100 % of total expenditure claimed*
3K	Thai Hoa Water Supply One Member Company Ltd.		440,000	100 % of total expenditure claimed*
3L	Thai Nguyen Water Supply Joint Stock Company		610,000	100 % of total expenditure claimed*
3M	Bac Giang Water Supply and Sewerage One Member Company Ltd		530,000	100 % of total expenditure claimed*
3N	Song Chu One Member Company Ltd.		860,000	100 % of total expenditure claimed*
3O	Thuan An Construction and Investment Company Ltd.		290,000	100 % of total expenditure claimed*
4	Interest and Commitment Charges	18,937,500		100% of amounts due
5	Unallocated	19,815,700		
	Total	212,000,000		

* Excluding all taxes and duties imposed within the territory of the Borrower

Interest and commitment charges under the loan would be split as follows: BIWASE (\$3.20 m); DAWACO (\$0.00 m); HAI PHONG WATER (\$7.52 m); HueWACO (\$3.12 m); QWASUCO (\$2.56 m); Dak Lak Public (\$2.53 m). Nine Water Companies borrowing for project preparation (\$7,500).

Contingencies under the loan would be split as follows: BIWASE (\$6.30 m); DAWACO (\$4.11 m); HAI PHONG WATER (\$3.35 m); HueWACO (\$3.20 m); QWASUCO (\$1.44 m); Dak Lak Public (\$1.37 m); Nine Water Companies borrowing for project preparation (\$45,700) Source: ADB Project Team.

C. Detailed Cost Estimates by Financier

a. Detail Cost Estimates by Financer overall PFR2 project

Detailed Cost Estimate by Financier
Consolidated PFR2

Item	ADB (US\$ mil.)		Government (US\$ mil.)			Total Cost (US\$ mil.)	
	Amount	Financing % Cost Category	Amount (Costs)	Taxes and Duties	Total	Financing % Cost Category	
A Investment Costs							
1. Civil Works	121.25		3.79	15.35	19.14		140.39
1a. BIWASE (Binh Duong)	28.90	90.9%	0.00	2.90	2.90	9.1%	31.80
1b. DAKWACO (Dak Lak)	19.21	82.7%	1.69	2.33	4.02	17.3%	23.22
1c. DAWACO (Da Nang)	8.76	92.3%	0.00	0.73	0.73	7.7%	9.49
1d. HPWSC (Hai Phong)	39.53	83.1%	2.08	5.97	8.05	16.9%	47.58
1e. HUEWACO (Hue)	9.79	89.7%	0.00	1.13	1.13	10.3%	10.92
1f. QTWSC (Quang Tri)	15.06	86.7%	0.02	2.29	2.31	13.3%	17.37
2. Goods, Equipments	30.80		0.00	3.20	3.20		34.00
2a. DAWACO (Da Nang)	12.10	92.3%	0.00	1.01	1.01	7.7%	13.11
2b. HPWSC (Hai Phong)	1.08	86.9%	0.00	0.16	0.16	13.1%	1.24
2c. HUEWACO (Hue)	17.58	89.7%	0.00	2.02	2.02	10.3%	19.60
2d. QTWSC (Quang Tri)	0.04	86.8%	0.00	0.01	0.01	13.2%	0.05
3. Consulting services	21.20		4.43	2.19	6.62		27.82
3a. BIWASE (Binh Duong)	1.50	34.1%	2.50	0.40	2.90	65.9%	4.40
3b. DAKWACO (Dak Lak)	1.48	84.0%	0.10	0.18	0.28	16.0%	1.77
3c. DAWACO (Da Nang)	5.04	92.3%	0.00	0.42	0.42	7.7%	5.46
3d. HPWSC (Hai Phong)	5.32	66.9%	1.83	0.80	2.63	33.1%	7.95
3e. HUEWACO (Hue)	1.47	89.7%	0.00	0.17	0.17	10.3%	1.64
3f. QTWSC (Quang Tri)	1.39	86.8%	0.00	0.21	0.21	13.2%	1.60
3g. Quang Nam WSC	0.59	100.0%	0.00	0.00	0.00	0.0%	0.59
3h. Lam Dong WSC	0.79	100.0%	0.00	0.00	0.00	0.0%	0.79
3i. Vinh WSC - Nghe An	0.52	100.0%	0.00	0.00	0.00	0.0%	0.52
3j. Cua Lo WSC - Nghe An	0.37	100.0%	0.00	0.00	0.00	0.0%	0.37
3k. Thai Hoa WSC - Nghe An	0.44	100.0%	0.00	0.00	0.00	0.0%	0.44
3l. Thai Nguyen WSC	0.61	100.0%	0.00	0.00	0.00	0.0%	0.61
3m. Bac Giang	0.53	100.0%	0.00	0.00	0.00	0.0%	0.53
3n. Thanh Hoa irrigation company	0.86	100.0%	0.00	0.00	0.00	0.0%	0.86
3o. Thuan An company - Dak Lak	0.29	100.0%	0.00	0.00	0.00	0.0%	0.29
4. Land Acquisition	0.00	0.0%	4.11	0.00	4.11	0.00%	4.11
Sub-total (A)	173.25		12.33	20.74	33.07		206.32
B Recurrent cost / Working capital	0.00	0.0%	0.93	0.03	0.96	100.0%	0.96
C Contingencies	19.82	76.5%	6.10	0.00	6.10	23.5%	25.92
D Financial Charges During Implementation	18.94	87.1%	2.81	0.00	2.81	12.9%	21.75
Total Project Cost (A+B+C+D)^a	212.00	83.1%	22.00	21.00	43.00	16.9%	255.00
% Total Project Cost		83.1%				16.9%	

Source: ADB estimates.

D. Detailed Cost Estimates by Outputs/Components

a. Binh Duong sub-project

No	Detailed Cost Estimates by Components	Total Cost	Raw Water Intake, PS and Raw Water pipeline		Di An Water Treatment Plant		Network	
			Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A	Investment cost	(\$ mil)	(\$ mil)		(\$ mil)		(\$ mil)	
1	Raw water intake_ Civil Works	6.70	6.70	100%	0.00	0%	0.00	0%
2	Water Treatment Plant 45,000m3/d_ Civil Work	5.40	0.00	0%	5.40	100%	0.00	0%
3	Transmission and Distribution Network_Civil Work	16.80	0.00	0%	0.00	0%	16.80	100%
4	Consulting services	4.00	0.93	23%	0.75	19%	2.33	58%
5	Taxes and Duties	3.30	0.77	23%	0.62	19%	1.92	58%
6	Working capital	0.10	0.00	0%	0.10	100%	0.00	0%
	Sub - Total (A)	36.30	8.39	23%	6.86	19%	21.04	58%
B	Contingencies	7.40	1.71	23%	1.40	19%	4.29	58%
C	Financial Charge During Implementation	3.20	0.74	23%	0.61	19%	1.86	58%
	Total Project Cost (A+B+C)	46.90	10.84	23%	8.87	19%	27.19	58%

1. ADB does not finance local taxes and duties. ADB does not finance local taxes and duties. The local taxes and duties will be provided by the Borrower.

2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

Source: ADB estimates.

b. Hai Phong sub-project

No	Detailed Cost Estimates by Components	Total Cost	Kim Son WTP		Ngu Lao WTP		An Duong WTP		Do Son BSP		Hung Dao WTP	
			Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A.	Investment Cost^a											
	1. WTP (25,000 m3/day)_Civil Work	22,083	4,107	19%	3,823	17%	9,361	42%	1,034	5%	3,758	17%
	2. Transmission Network_Civil Works	19,528	3,185	16%	4,412	23%	1,728	9%	6,563	34%	3,639	19%
	3. Land	3,573	1,390	39%	1,156	32%	101	3%	0	0%	926	26%
	4. Consulting services	7,148	1,250	17%	1,432	20%	1,844	26%	1,296	18%	1,325	19%
	5. Equipments PMU, Vehicles WTPs	1,080	183.60	17%	172.80	16%	356.40	33%	183.60	17%	183.60	17%
	6. Taxes and Duties	6,938	1,223	18%	1,427	21%	1,840	27%	1,166	17%	1,282	18%
	7. Working Capital	275	91	33%	91	33%	0	0%	0	0%	92	34%
	Sub -Total (A)	60,625	11,430	19%	12,513	21%	15,232	25%	10,243	17%	11,207	18%
B.	Contingencies	5,550	1,053	19%	1,075	19%	1,530	28%	935	17%	959	17%
C.	Financial Charges During Implement	7,520	1,504	20%	1,354	18%	2,181	29%	1,203	16%	1,278	17%
	Total Project Cost (A+B+C)	73,695	13,987	19%	14,941	20%	18,942	26%	12,380	17%	13,444	18%

1. ADB does not finance local taxes and duties. ADB does not finance local taxes and duties. The local taxes and duties will be provided by the Borrower.

2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

c. Hue sub-project

No	Detailed Cost Estimates by Components	Total Cost	Phong Dien Water Treatment Plant		Transmission pipelines Ductile Iron DN400 -		Distribution pipeline HDPE DN63 - DN355	
			Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A	Investment cost	(\$ mil)	(\$ mil)		(\$ mil)		(\$ mil)	
1	Water Treatment Plant_ Civil Work	1.48	1.48	100%	0.00	0%	0.00	0%
2	Trans. and Dist. Network_ Civil Works	8.38	0.00	0%	4.86	58%	3.52	42%
3	Trans. and Dist. Network_ Goods	17.58	0.00	0%	7.95	45%	9.63	55%
5	Consulting services	1.47	0.08	5%	0.69	47%	0.70	48%
6	Taxes and Duties	3.32	0.18	5%	1.55	47%	1.59	48%
	Sub - Total (A)	32.22	1.74	5%	15.05	47%	15.45	48%
B	Contingencies	3.20	0.17	5%	1.49	47%	1.53	48%
C	Financial Charge During Implementation	3.12	0.17	5%	1.46	47%	1.50	48%
	Total Project Cost (A+B+C)	38.54	2.08	5%	18.00	47%	18.48	48%

1. ADB does not finance local taxes and duties. The local taxes and duties will be provided by the Borrower.

2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

Source: ADB estimates.

d. Da Nang sub-project

No	Detailed Cost Estimates by Components	Total Cost	Transmission pipelines DN600 - DN1000		Distribution pipeline < DN500	
			Amount	% of Cost Category	Amount	% of Cost Category
A	Investment cost					
1	Trans. / Distribution Network - Civil works	8.76	4.81	55%	3.95	45%
2	Trans. / Distribution Network - Goods	12.10	6.64	55%	5.46	45%
3	Consulting services	5.03	2.76	55%	2.27	45%
4	Taxes and Duties	2.15	1.18	55%	0.97	45%
	Sub - Total (A)	28.04	15.38	55%	12.66	45%
B	Contingencies	5.45	2.99	55%	2.46	45%
C	Financial Charge During Implementation	2.81	1.54	55%	1.27	45%
	Total Project Cost (A+B+C)	36.30	19.91	55%	16.39	45%

1. ADB does not finance local taxes and duties. The local taxes and duties will be provided by the Borrower.

2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

Source: ADB estimates.

e. Quang Tri sub-project

No	Detailed Cost Estimates by Components	Total Cost	Intake, Quat Xa WTP, and Network		Tan Luong WTP Upgrade		Intake, Quang Tri WTP and Network	
			Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A	Investment cost	(\$ mil)	(\$ mil)		(\$ mil)		(\$ mil)	
1	Raw water intake	2.08	0.60	29%	0.08	4%	1.40	67%
2	Water Treatment Plant	5.56	3.90	70%	0.90	16%	0.76	14%
3	Transmission and Distribution Network	7.44	6.35	85%	0.00	0%	1.09	15%
4	Consulting services and PMU's equipments	1.43	1.03	72%	0.09	6%	0.31	22%
5	Taxes and Duties	2.51	1.81	72%	0.16	6%	0.54	22%
	Sub - Total (A)	19.02	13.69	72%	1.24	6%	4.10	22%
B	Contingencies	2.09	1.50	72%	0.14	6%	0.45	22%
C	Financial Charge During Implementation	2.56	1.84	72%	0.17	6%	0.55	22%
	Total Project Cost (A+B+C)	23.67	17.03	72%	1.54	6%	5.10	22%

1. ADB does not finance local taxes and duties. The local taxes and duties will be provided by the Borrower.

2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

Source: ADB estimates.

f. Dak Lak sub-project

No	Detailed Cost Estimates by Components	Total Cost	Intake, Buon Ma Thuot WTP, BPS and Trans. pipe		Buon Ma Thuot Trans. and Dist.		3 District Towns Water Supply	
			Amount	% of Cost Category	Amount	% of Cost Category	Amount	% of Cost Category
A	Investment cost	(\$ mil)	(\$ mil)		(\$ mil)		(\$ mil)	
1	Raw water intake	1.23	1.13	92%	0.00	0%	0.10	8%
2	Water Treatment Plant, Booster PS	6.82	4.62	68%	0.00	0%	2.20	32%
3	Transmission and Distribution Network	13.32	7.03	53%	5.44	41%	0.85	6%
4	Consulting services	1.59	0.95	60%	0.40	25%	0.23	15%
5	Taxes and Duties	2.51	1.50	60%	0.64	25%	0.37	15%
	Sub - Total (A)	26.05	15.63	60%	6.48	25%	3.94	15%
B	Contingencies	2.20	1.32	60%	0.55	25%	0.33	15%
C	Financial Charge During Implementation	2.53	1.52	60%	0.63	25%	0.38	15%
	Total Project Cost (A+B+C)	30.78	18.47	60%	7.66	25%	4.65	15%

Source: PPTA consultant.

1. ADB does not finance local taxes and duties. The local taxes and duties will be provided by the Borrower.

2. Environment and Social Mitigation includes all costs associated with implementing relevant safeguards, gender and social dimension action plans and are included in Consulting services costs.

Source: ADB estimates.

E. Detailed Cost Estimates by Years

Detailed Cost Estimates by Years		Total	Year 1	Year 2	Year 3	Year 4	Year 5
A.	Investment Costs	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)	(\$mil)
1	Civil Works	129.83	4.46	19.47	48.36	43.87	13.66
2	Goods	30.80	2.45	8.23	11.34	7.01	1.76
3	Consulting Services	25.91	10.08	9.70	2.71	2.04	1.37
4	Taxes and Duties	20.74	1.76	3.66	7.01	6.42	1.89
	Subtotal (A)	207.28	19.00	41.00	69.00	59.00	19.00
B	Contingencies	25.88	2.39	5.04	8.84	7.35	2.26
C	Financing Charges During Implementation	21.74	1.84	4.03	7.45	6.40	2.02
	Total Project Cost (A+B+C+D)	255.00	23.00	50.00	85.00	73.00	23.00

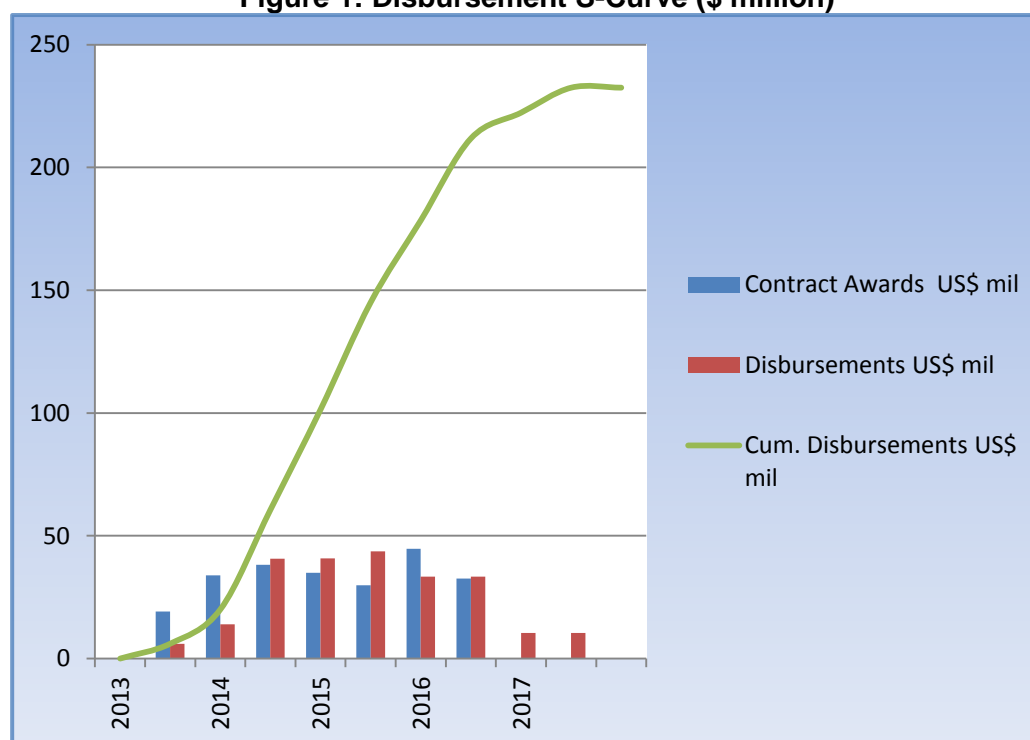
Source: ADB estimates.

F. Contract and Disbursement S-curve

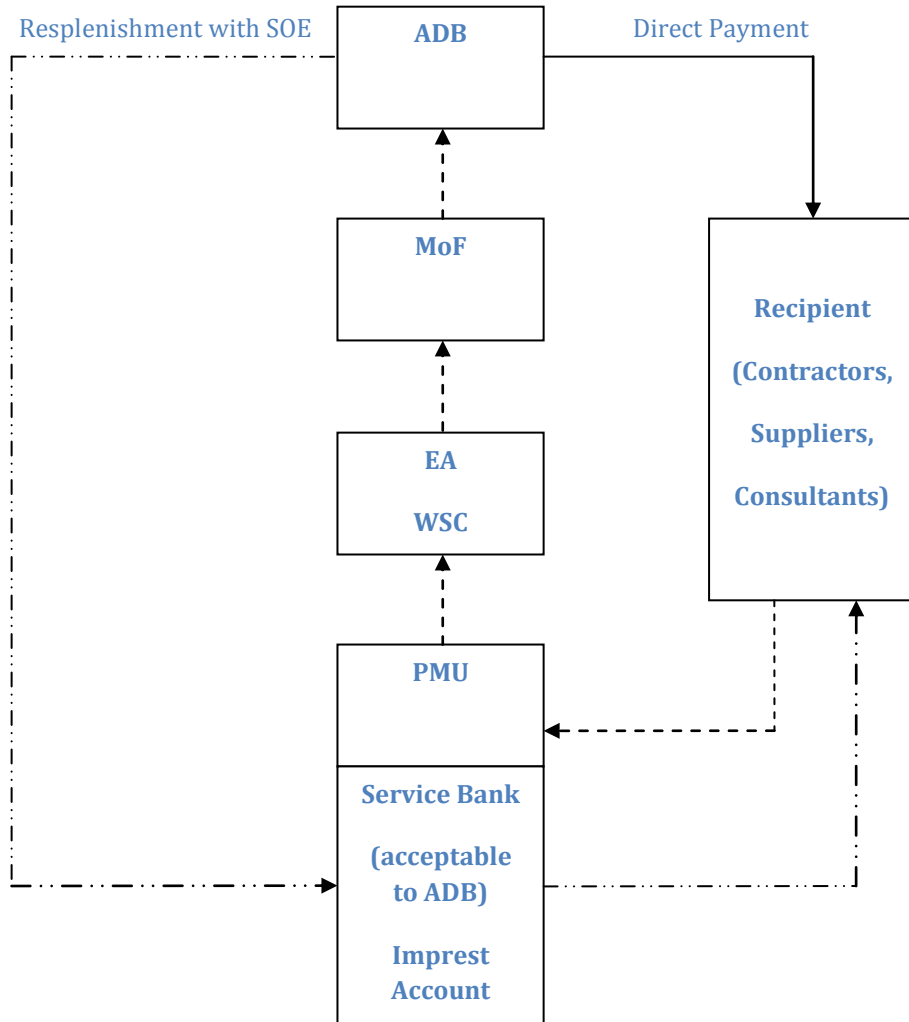
Table 1: Contract Awards and Cumulative Disbursement (\$ million)

(\$million)	1	2	1	2	1	2	1	2	1	2	
	2013		2014		2015		2016		2017		Total
Contract Awards US\$ mil	0.00	19.16	33.91	38.26	34.99	29.92	44.69	32.60	0.00	0.00	233.5
Disbursements US\$ mil	0.00	6.06	13.96	40.65	40.81	43.64	33.38	33.38	10.48	10.48	232.5
Cum. Disbursements US\$ mil	0.00	6.06	20.02	60.67	101.48	145.12	178.49	211.87	222.36	232.54	-

Figure 1: Disbursement S-Curve (\$ million)



G. Fund Flow Diagram



ADB = Asian Development Bank

MoF = Ministry of Finance

PMU = Project Management Unit under Water Supply Company (WSC) – Sub-Executing Agency (EA)

-----> Payment Request Flow (either Withdrawal Application (W/A) or Statement of Expenditure (SOE))

————> Cash Flow (Direct Payment)

—...—> Cash Flow (Resplenishment with SOE thru Imprest Account)

V. FINANCIAL MANAGEMENT

A. Financial Management Assessment

23. The financial management assessment questionnaires (FMA) for PFR 2 subprojects cover the assessment of the following areas: (i) executing agency capability in managing ADB project, (ii) fund flow arrangement, (iii) staffing, (iv) accounting policies and procedures, (v) internal audit, (vi) external audit, (vii) reporting and project monitoring and (viii) information system. With the exceptions of Dak Lak and Quang Tri sub-projects, which have been rated medium risk and Da Nang medium-low risk, all other sub-projects fared well and have been rated as low risk. It is therefore recommended that all PMU staff of the subprojects be trained in ADB procedures in Financial Management, Procurement and Disbursement and Project Management Reporting System (PPMS).

24. Within 6 months of the effectiveness date of the loan agreement for each loan under the Facility, the PMU of the respective subproject executing agency will establish a PPMS for the subproject acceptable to ADB. The PMU will establish baseline data for each of the selected indicators and will conduct annual surveys and update ADB on the progress against each indicator according to the reporting requirements of each legal agreement.

25. The EAs will: (i) collect and consolidate from the PMUs all Project progress reports, site reports, technical and financial reports and submit them to ADB; (ii) consolidate and submit bi-annual progress reports, a midterm Project evaluation report and an overall Project completion report prepared by the consultants and the PMUs; and (iii) submit other reports as may be reasonably requested by ADB.

26. Progress reports on the Project will be prepared with the assistance of the supervision consultants twice a year, reviewed by the PMUs, and submitted by the PMU to the EA for consolidation before submitting to ADB. Progress reports will include a description of the physical progress, status of implementation of Resettlement Plan, status of work, procurement and contractual status, and highlights of any implementation issues. The progress reports will also contain a summary of project accounts, including details of the latest project expenditures and contract amounts. These reports will include an evaluation of progress in implementing the Project. Within 6 months of physical completion of the Project, the PMUs will furnish to the EA for consolidation prior to sending to ADB a project completion report covering details of project implementation, costs, and an evaluation of the Project's success in meeting performance targets.

27. Within 6 months of the close of the each year, the PMUs under each tranche of the MFF will submit for consolidation by the EA audited annual project accounts, which provide a detailed description of the source of funds and expenditures made, and audited annual consolidated financial statements of the water company to ADB. The annual audit will include an audit opinion on the imprest account and statement of expenditures procedure operations, and whether the financial loan covenants as stipulated in the ADB FFA and Project Agreement have been met based on its consolidated financial statements.

28. After review of the bi-annual progress reports, ADB will field review missions as required to discuss with the EA the progress of the subprojects under each loan, any changes in the implementation arrangements, or remedial measures that are needed to achieve the overall objectives of specific subprojects and of the overall MFF. Relevant PMUs will participate in the review missions.

29. In addition to regular reviews, including a midterm review for each loan, a detailed midterm review of the MFF will be done by the EA and ADB 3 years after the effectiveness of the loan for the first tranche. The midterm review for each loan will be done in accordance with the implementation period of each loan. Such midterm reviews will evaluate in detail the project activities, implementation arrangements, any outstanding issues, environment and resettlement as well as other safeguard issues, achievement of scheduled targets, contract management progress, and other issues, as appropriate.

30. **Risk Analysis:** Major risks identified are: (i) delay in processing by the central and local governments due to the structuring of the MFF (first sectoral MFF in Viet Nam) and the new Decision 48/2008 defining a new format for feasibility study for Official Development Assistance (ODA) financed projects, which did not receive entire endorsement by the local governments agencies and the technical ministries. The Project Team requested assistance from MPI to build awareness at the local government level on the new requirement for FSR financed by ODA; (ii) lack of enforcement of water tariff increase to meet full cost recovery by the local governments, threatening the financial sustainability of the Program. The Project Team has requested as a condition of loan processing substantial tariff increase and a roadmap to full cost recovery and a phasing out of subsidies, in order to comply with the Vietnamese legislation; (iii) uncertain terms and conditions for re-lending of OCR loans with the new Decree 78/2010, dated 14 July 2010.

B. Disbursement

31. The Loan proceeds will be disbursed in accordance with ADB's *Loan Disbursement Handbook* (2012, as amended from time to time),¹⁷ and detailed arrangements agreed upon between the Government and ADB.

32. Pursuant to ADB's *Safeguard Policy Statement (2009) (SPS)*,¹⁸ ADB funds may not be applied to the activities described on the ADB Prohibited Investment Activities List set forth at Appendix 5 of the SPS. All financial institutions will ensure that their investments are in compliance with applicable national laws and regulations and will apply the prohibited investment activities list (Appendix 5) to subprojects financed by ADB.

33. An imprest account may be established by each of the six WSCs. All six WSCs demonstrate sufficient administrative and accounting capabilities to establish adequate internal control, accounting, and auditing procedures to ensure efficient use of the account and its operation. They also have the capability to arrange for annual independent audits of the accounts by auditors acceptable to ADB. Six imprest accounts—for the sub-projects of Da Nang, Thua Thien Hue, Hai Phong, Binh Duong, Quang Tri and Dak Lak—will be established in US dollars in a commercial bank acceptable to ADB and State Bank of Vietnam to expedite project implementation through the timely release of loan proceeds. Maximum ceiling of the imprest accounts, in aggregate, will not exceed 10% of the ADB loan. The ceiling for Binh Duong sub-project will be not exceed \$3.9 million. The ceiling for Da Nang sub-project will be not exceed \$3.0 million. The ceiling for Dak Lak sub-project will be not exceed \$2.4 million. The ceiling for Hai Phong sub-project will be not exceed \$5.6 million. The ceiling for Thua Thien Hue sub-project will be not exceed \$3.5 million. The ceiling for Quang Tri sub-project will be not exceed \$2.0 million. The WSCs will submit their withdrawal applications directly to ADB through MOF. MoF will sign or co-sign the withdrawal applications and WSCs send their applications to the ADB. The request for initial advance to the imprest account should be accompanied by an

¹⁷ Available at: <http://www.adb.org/documents/loan-disbursement-handbook>.

¹⁸ Available at: <http://www.adb.org/Documents/Policies/Safeguards/Safeguard-Policy-Statement-June2009.pdf>.

Estimate of Expenditure Sheet setting out the estimated expenditures for the first six (6) months of project implementation, and submission of evidence satisfactory to ADB that the imprest account has been duly opened. For every liquidation and replenishment request of the imprest account, the borrower will furnish to ADB (a) Statement of Account (Bank Statement) where the imprest account is maintained, and (b) the Imprest Account Reconciliation Statement (IARS) reconciling the above mentioned bank statement against the EA's records.²⁰

34. For payments up to \$50,000, ADB's statement of expenditures procedure (SOE) will be used to reimburse eligible expenditures and to liquidate advances for six WSCs. Individual payments in excess of the SOE ceiling will be accompanied by full supporting documents when submitting the withdrawal applications to ADB. SOE records should be maintained and made readily available for review by ADB's disbursement and review mission or upon ADB's request for submission of supporting documents on a sampling basis, and for independent audit.²¹

35. Before the submission of the first withdrawal application, the EA should submit through the State Bank of Vietnam to ADB sufficient evidence of the authority of the person(s) who will sign the withdrawal applications on behalf of the borrower, together with the authenticated specimen signatures of each authorized person. The minimum value per withdrawal application is \$100,000, unless otherwise approved by ADB. The EA is to consolidate claims to meet this limit for reimbursement and imprest account claims. Withdrawal applications and supporting documents will demonstrate, among other things that the goods, and/or services were produced in or from ADB members, and are eligible for ADB financing. As there are multiple EAs involved in the project, the coordinating agency should assign each of the EAs an alpha identification to use when numbering/submitting the WA. For example, WAs should be numbered: A0001 to A9999 for EA No. 1, B0001 to B9999 for EA No. 2, etc.

C. Accounting

36. The EAs will maintain separate project accounts and records by funding source for all expenditures incurred on the Project. Project accounts will follow international accounting principles and practices or those prescribed by the Government of Viet Nam's accounting laws and regulations.

D. Auditing

37. MPI and the EAs will cause the detailed consolidated project accounts and its annual consolidated financial statements to be audited in accordance with International Standards on Auditing by an auditor with affiliations to an international accounting firm. Audit will also be undertaken in compliance with GOV regulations by the Peoples' Committee Audit Bureau and the State Audit Administration. The annual audited consolidated financial statements and project accounts will be submitted in the English language to ADB within 6 months after the end of the fiscal year throughout the implementation period by EAs. The annual audit report will include a separate audit opinion on the use of the imprest fund and the SOE procedures (as applicable) and compliance with any ADB loan covenants. The Government and EAs have been made aware of ADB's policy on delayed submission, and the requirements for satisfactory and acceptable quality of the audited accounts and financial statements. ADB reserves the right to verify the project's financial accounts to confirm that the share of ADB's financing is used in accordance with ADB's policies and procedures. PPC/CPC and EAs will submit reports and

²⁰ Disbursement procedures discussed in Chapter 5 of Loan Disbursement Handbook.

²¹ Checklist for SOE procedures and formats are available at Appendix 9B of the Loan Disbursement Handbook.

information to ADB on the use of the loan proceeds, project implementation and implementing agency performance.

VI. PROCUREMENT AND CONSULTING SERVICES

A. Advance Contracting and Retroactive Financing

38. All advance contracting and retroactive financing will be undertaken in conformity with ADB's *Procurement Guidelines* (2010, as amended from time to time)²² and ADB's Guidelines on the Use of Consultants (2010, as amended from time to time).²³ The issuance of invitations to bid under advance contracting and retroactive financing will be subject to ADB approval.

39. Retroactive financing will be made available for eligible expenditures for Project related goods, works and consulting services up to \$21.2 million (equivalent to 10% of the loan amount) to be incurred prior to loan effectiveness but not more than 12 months before signing of the Loan Agreement.

40. Concerning Advance action contracting—consulting services contracts are currently proposed under advance contracting. Advance contracting will apply for consulting package for the Detailed Design Consultant. The contract is subject to prior review.

41. The following advance action, retroactive financing and procurement procedures will be implemented:

- a. Detailed Design Consultant will be recruited through advance action, contract will be signed after loan effectiveness;
- b. Retroactive financing for updating FSR, detailed design and bidding document preparation of nine cities;
- c. Retroactive financing for civil works.

42. The borrower has been advised that approval of advance contracting and retroactive financing does not commit ADB to finance the Project.

43. The second tranche (PFR2) of the MFF0054-VIE is \$212 million with six water companies borrowing for investment (total \$207 million) and 9 water companies borrowing for consulting services to finalize project preparation (total \$5 million).

B. Procurement of Goods, Works and Consulting Services

44. All procurement of goods and works will be undertaken in accordance with ADB's *Procurement Guidelines*.

45. The civil works to be funded from the ADB loan will be procured through (i) international competitive bidding (ICB) procedures for contracts value exceeding \$5 million; and (ii) national competitive bidding (NCB) procedures for contracts beneath that stated for ICB Works. This threshold will be reviewed and confirmed for each PFR based on Capacity Procurement Assessment of the Executing Agencies under the Tranche.

²² Available at: <http://www.adb.org/Documents/Guidelines/Procurement/Guidelines-Procurement.pdf>.

²³ Available at: <http://www.adb.org/Documents/Guidelines/Consulting/Guidelines-Consultants.pdf>.

46. The equipment to be funded from the ADB loan will be procured through (i) ICB procedures for contracts above \$500,000; (ii) NCB between \$100,000 and \$500,000; and, (iii) shopping procedures for contracts value below \$100,000.

47. Under NCB, EAs will be authorized to use national procurement procedures, while also according for provisions applicable to NCB indicated under Section C of the approved project Procurement Plan. In such cases, the first draft English version of the procurements (prequalification, bidding documents, draft contract) will be submitted to ADB for prior approval regardless of the estimated contract amount. Subsequent procurement will be subject to post review. All ICB contracts are subject to prior review.

48. Before the start of any procurement ADB and GOV will review the public procurement laws of the central and state governments to ensure consistency with ADB's Procurement Guidelines.

49. All consulting services will be recruited according to ADB's Guidelines on the Use of Consultants (2010, as amended time to time). Preferred methods of selection to be used is quality cost based selection (QCBS), using the standard quality-cost ratio 80:20. Other selection methods can be used with the prior approval of ADB and duly justified.

C. Procurement Plan

a. Basic Data

Project Name: Viet Nam Water Sector Investment Program – Multitranchise Financing Facility (MFF) — Periodic Financing Request 2 (PFR2)

Country: Viet Nam

Executing Agency: Various Water Companies

Loan Amount: \$212,000,000

Loan Number: XXX

Date of First PP: 8 November 2012

Date of this PP: 8 November 2012

b. Project Procurement Thresholds

50. Except as the Asian Development Bank (ADB) may otherwise agree, the following process thresholds shall apply to procurement of goods and works.

Procurement of Goods and Works	
Method	Threshold
International Competitive Bidding (ICB) for Works ¹	Above \$5,000,000
International Competitive Bidding for Goods ¹	Above \$500,000
National Competitive Bidding (NCB) for Works ¹	Up to \$5,000,000
National Competitive Bidding for Goods ¹	Up to \$500,000
Shopping for Works	Up to \$100,000
Shopping for Goods	Up to \$100,000

c. ADB Prior or Post Review

51. Except as ADB may otherwise agree, the following prior or post review requirements apply to the various procurement and consultant recruitment methods used for the project.

Procurement Method	Prior or Post	Comments
Procurement of Goods and Works		
ICB Works	Prior	(ADB shall only carry out prior review for the first package) (ADB shall only carry out prior review for the first package)
ICB Goods	Prior	
NCB Works	Post	
NCB Goods	Post	
Shopping for Works	Post	
Shopping for Goods	Post	
Recruitment of Consulting Firms		
Quality- and Cost-Based Selection (QCBS)	Prior	
Quality-Based Selection (QBS)	Prior	
Other selection methods: Consultants Qualifications	Prior	
Selection (CQS), Least-Cost Selection (LCS), Fixed Budget (FBS), and Single Source (SSS)		
Recruitment of Individual Consultants		
Individual Consultants	Prior	

d. Goods and Works Contracts Estimated to Cost More than \$1 million

52. The following table lists goods and works contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Estimated Contract Value \$M	Procurement Method	Prequalification of Bidders (y/n)	Advertisement Date (quarter/year)	Comments
Hue WSP					
Phong Dien WTP	1.76	NCB	N	2/2014	CW
Ductile Iron pipes supply D400-1200	9.72	ICB	N	4/2013	GD
HDPE pipes supply D63-355	11.78	ICB	Y	1/2014	GD
DI pipes construction D400-D1000	5.97	ICB	Y	1/2014	CW
HDPE pipes construction D63-355	4.32	NCB	N	4/2014	CW

General Description	Estimated Contract Value \$M	Procurement Method	Prequalification of Bidders (y/n)	Advertisement Date (quarter/year)	Comments
Da Nang WSP					
Pipe supply DN 600-1000	8.58	ICB	Y	2/2014	GD
Pipe supply <= DN 500	7.06	ICB	Y	2/2014	GD
Pipeline construction DN 600-1000	6.21	ICB	Y	1/2014	CW
Pipeline construction <= DN500, replacement < DN200	5.12	ICB	Y	1/2014	CW
Hai Phong WSP					
Hung Dao/Do Son WTP/PS	18.59	ICB	Y	3/2013	CW
North Cam WTP	10.28	ICB	Y	4/2014	CW
An Duong WTP	13.73	ICB	Y	4/2014	CW
Kim Son WTP	9.05	ICB	Y	1/2015	CW
Equipment	1.07	NCB	N	4/2013	GD
Binh Duong WSP					
Raw Intake	8.99	ICB	N	2/2013	CW
Di An WTP	7.29	ICB	Y	2/2013	CW
Transmission pipes > D200	14.59	ICB	Y	4/2013	CW
Distribution pipes <D200	7.87	ICB	Y	4/2013	CW
Quang Tri WSP					
Quat Xa WTP	5.67	ICB	Y	4/2013	CW

General Description	Estimated Contract Value \$M	Procurement Method	Prequalification of Bidders (y/n)	Advertisement Date (quarter/year)	Comments
Quat Xa Pipeline	8.05	ICB	Y	4/2014	CW
Quang Tri WTP	2.73	NCB	N	3/2013	CW
Tan Luong WTP Upgrade	1.23	NCB	N	2/2013	CW
Quang Tri Pipeline	1.39	NCB	N	3/2013	CW
Dak Lak WSP					
Raw water intake, raw pumping station, raw water pipe	4.01	NCB	N	Q1/2014	CW
Buon Ma Thuot WTP transmission pipeline to Booter pump station	8.77	ICB	Y	Q2/2014	CW
Booster pump station, pipeline to networks	3.73	NCB	N	Q3/2014	CW
Buon Ma Thuot transmission and distribution network	4.50	NCB	N	Q4/2014	CW
3 District Towns WTPs, transmission and distribution networks	2.42	NCB	N	Q3/2014	CW

CW = civil works, WSP = water supply project.

e. Consulting Services Contracts Estimated to Cost More Than \$100,000

53. The following table lists consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months:

General Description	Estimated Contract Value (\$ mil)	Recruitment Method¹	Advertisement Date (quarter/year)	International or National Assignment	Comments
Hue WSP					
Bidding documents and Construction Supervision	1.48	QCBS	2/2013	I&N	80:20, FTP
Resettlement Monitoring	0.10	CQS	4/2013	N	
Financial Auditing Consultancy Service	0.22	LCS	1/2015	I	
Da Nang WSP					
Detailed Design and Bidding Documents for network rehabilitation, new network and raw water pipe and new Hoa Lien WTP;	1.77	QCBS	1/2013	I&N	80:20, FTP
Project management and construction supervision network	0.79	QCBS	4/2013	I&N	80:20, FTP
Independent Resettlement Monitoring	0.18	CQS	3/2013	N	
Operation and Maintenance Consultancy	3.73	FBS	3/2013	I	FTP
Hai Phong WSP					
Detail Design of Do Son and North Cam River components: Including Hung Dao WTP, Do Son BPS, Ngu Lao WTP, Tan	1.738	QCBS	4/2012	I&N	80:20, FTP

General Description	Estimated Contract Value (\$ mil)	Recruitment Method¹	Advertisement Date (quarter/year)	International or National Assignment	Comments
Duong BPS and Transmission main pipelines					
Detail Design of An Duong and Kim Son components: Including An Duong WTP, Kim Son WTP and Transmission main pipelines	1.437	QCBS	Q4/2013	I&N	
Construction Supervision and Contract Management Consultant (CMC) for Do Son and North Cam River components	2.267	QCBS	Q3/2013	I&N	80:20, FTP
Construction Supervision and Contract Management Consultant (CMC) for An Duong and Kim Son components	1.766	QCBS	4/2014	I&N	
Consultancy service for Bidding documents for Do Son and Northern Cam WTP	0.10	ICS	1/2013	I&N	
Consultancy service for Bidding documents for An Duong and Kim Son WTP	0.11	ICS	4/2013	I&N	
Audit	0.22	LCS	4/2013	N	
Binh Duong WSP					
Construction Supervision, Project management	1.91	QCBS	4/2012	I	80:20, FTP

General Description	Estimated Contract Value (\$ mil)	Recruitment Method¹	Advertisement Date (quarter/year)	International or National Assignment	Comments
Quang Tri					
Detailed Design, Bid Documents, Construction Supervision, IS Project management	1.49	QCBS	1/2013	I&N	80:20, FTP
Dak Lak WSP					
Detailed Design, Bid Documents, Construction Supervision, IS, Project management, MIS, FIS, AMP and NRW	1.44	QCBS	4/2013	I&N	80:20, FTP
Dak Lak BOO					
Project Preparation	0.3	QCBS	1/2014	I&N	80:20, FTP
Quang Nam WSP					
Project Preparation	0.6	QCBS	1/2014	I&N	80:20, FTP
Lam Dong WSP					
Project Preparation	0.8	QCBS	1/2014	I&N	80:20, FTP
Nghe An WSP					
Project Preparation	0.5	QCBS	1/2014	I&N	80:20, FTP
Cua Lo WSP					
Project Preparation	0.4	QCBS	1/2014	I&N	80:20, FTP
Song Chu WSP					
Project Preparation	0.9	QCBS	1/2014	I&N	80:20, FTP
Bac Giang WSP					
Project Preparation	0.5	QCBS	1/2014	I&N	80:20, FTP

General Description	Estimated Contract Value (\$ mil)	Recruitment Method¹	Advertisement Date (quarter/year)	International or National Assignment	Comments
Thai Nguyen WSP					
Project Preparation	0.6	QCBS	1/2014	I&N	80:20, FTP

Note: Auditor will be financed from Counterpart Funding, auditor have to acceptable to ADB and Ministry of Finance

f. Goods and Works Contracts Estimated to Cost Less than \$1 Million and Consulting Services Contracts Less than \$100,000

54. The following table groups smaller-value goods, works and consulting services contracts for which procurement activity is either ongoing or expected to commence within the next 18 months.

General Description	Value of Contracts (cumulative)	Number of Contracts	Procurement / Recruitment Method¹	Comments
Da Nang WSP				
Financial Auditing Consultancy Services	0.04	1	LCS	
Binh Duong WSP				
Resettlement Monitoring	0.05	1	CQS	
Quang Tri				
Equipments, Vehicle for PMU	0.05	1	Shopping	
Audit	0.01	1	LCS	
Resettlement Monitoring	0.06	1	CQS	
Dak Lak WSP				
Audit	0.08	1	LCS	
Resettlement Monitoring	0.05	1	CQS	

General Description	Value of Contracts (cumulative)	Number of Contracts	Procurement / Recruitment Method¹	Comments
Environment Management Monitoring	0.05	1	CQS	
Hai Phong WSP				
Resettlement , EMP Monitoring for Do Son and Northern Cam	0.087	1	CQS	
Resettlement , EMP Monitoring for An Duong and Kim Son	0.068	1	CQS	PMU will decide either extend for previous contract or bid a new contract

g. Indicative List of Packages Required Under the Project

55. The following table provides an indicative list of all procurement (goods, works and consulting services) over the life of the project. Contracts financed by the Borrower and others should also be indicated, with an appropriate notation in the comments section.

General Description	Estimated Value (cumulative)^a	Estimated Number of Contracts	Procurement Method	Domestic Preference Applicable	Comments
Goods	38.26	6	ICB/NCB/SHOPPING		DP will be applied for ICB Goods only
Works	157.10	23	ICB/NCB	N	
Consulting Services	26.75	33	QCBS/CQS LCS/FBS	FTP/STP	

BTP = Biodata Technical Proposal, CQS = Consultant's Qualifications Selection, CW = civil works, FBS = Fixed Budget Selection, FTP = Full Technical Proposal, GD = Goods Supply, ICB = International Competitive Bidding, LCS = Least Cost Selection, NCB = National Competitive Bidding; QCBS = Quality Cost Based Selection, QBS = Quality Based Selection, SP = Shopping, STP = Short Technical Proposal.

^a Estimated Value (cumulative) is inclusive taxes and duties which will be finance by Borrower.

D. CONSULTANT'S TERMS OF REFERENCE

56. Three consulting packages are proposed. Outline TORs are set out hereunder.

Package for: Consulting Services for Detailed Design, Preparation of Bidding Documents, and Construction Supervision: The consultants will assist and support EA's PMUs as follows:

- (i) Prepare detailed design for all water supply infrastructure, including water supply intakes, raw water pipelines, water treatment plants, reservoirs, pump stations, treated water transmission pipelines and distribution networks, including necessary surveys, geotechnical investigations, water quality assessments, liaison with water supply companies, local officials including Department of Transport office for approvals for constructing pipelines working in roads and obtaining all necessary approvals.
- (ii) Prepare bid documentation, bidding and evaluation procedures, and assist PMUs with appointment of contractors.
- (iii) Facilitate the required approvals procedures and financial administration, planning and management.
- (iv) Manage the construction of the water supply infrastructure contracts in accordance with, and to the limits of responsibility assigned to the Construction Supervision Consultant by the Client and the construction and supply contracts between the Client and Contractors.
- (v) Supervise the quality of construction of the works by the Contractor in accordance with international best practice and Government regulations on quality management of construction specified in Decree No. 209/2004/ND-CD dated December 16 2004, and Circular no.12/2005/TT-BXD of July 15 2005.
- (vi) Where required, assist water supply companies to manage and monitor the implementation of geographic information system (GIS); supervisory control and data acquisition (SCADA); Management information system (MIS), Enterprise Resource Planning (ERP), including billing software upgrade, accounting system, human resources development, business and strategic planning and customer relation (pro-poor); Asset Inventory and Management System (AIMS);and Financial Information System (FIS) including billing and accounting system upgrade.
- (vii) Coordinate other consultants working on the projects to be implemented under PFR2.
- (viii) Implement and monitor environmental management plan and project occupational health and safety.
- (ix) Undertake technical, managerial, institutional, coordination and financial activities tasks as appropriate for project implementation.
- (x) Monitor implementation of safeguards, social and gender action plans and overall responsible for reporting to ADB and the Government.
- (xi) Prepare reports in accordance with ADB reporting procedure.
- (xii) Assist periodic ADS's review mission, including preparation of mid-term review report and the Project Completion Report.

Package for: Consulting Services for Independent Resettlement Monitoring (IRM).

The consultants will assist and support EA's PMUs as follows:

- (i) Particularly with regard to the construction of water supply intakes, raw water pipelines, water treatment plants, reservoirs, pump stations, treated water transmission pipelines and distribution networks, monitor compliance with ADB Involuntary Resettlement Safeguards including to avoid involuntary resettlement wherever possible.
- (ii) Monitor that involuntary resettlement is minimized by exploring project and design alternatives.
- (iii) Monitor the restoring of livelihoods of all displaced persons in real term relative to pre-project levels.
- (iv) Monitor the improvement in standards of living of the displaced poor and other vulnerable groups.
- (v) Monitor updating and implementation of the Resettlement Plan in conjunction with the conducting of the detailed measurement survey.
- (vi) Monitor design and implementation of procedures for minimizing adverse social impacts from land acquisition and loss of other assets throughout the implementation phase.

Package for: Consulting Services for Auditing: The auditor will undertake the following tasks:

- (i) Audit consolidated financial statements of water supply companies, including ring fencing of the water operations.
- (ii) Audit water supply companies' compliance with Vietnamese and international accounting standards; Identify gap to meet international accounting standards.
- (iii) Assist to improve accounting procedures.
- (iv) Verify water supply companies' compliance with ADB loan covenants.
- (v) Liaise with other independent auditors in auditing financial statements of water supply companies.
- (vi) Inspect and substantiate the accuracy and sustainability of accounting documents and figures and other accounting finalization reports kept by the water supply companies.

E. National Competitive Bidding

1. General

57. The laws to be followed for national competitive bidding are set forth in (i) the Law on Procurement No. 61/2005/QH11 of 29 November 2005, (ii) the Construction Law no. 16/2003/QH11 of 26 November 2003, (iii) the Amendment Law No. 38/2009/QH12 of 19 June 2009 amending and supplementing key articles of the above-mentioned two laws, and (iv) the

processes described in Decree No. 85/2009/ND-CP of 15 October 2009 on “Guiding Implementation of Procurement Law and Selection of Construction Contractors under the Construction Law”. Whenever any procedure in the national procurement laws is inconsistent with the ADB *Procurement Guidelines* (April 2010, and as amended from time to time), the ADB Guidelines shall prevail, amongst others on the following.

2. Registration

- (i) Bidding shall not be restricted to pre-registered firms and such registration shall not be a condition for participation in the bidding process.
- (ii) Where registration is required prior to award of contract, bidders: (a) shall be allowed a reasonable time to complete the registration process; and (b) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.
- (iii) Foreign bidders shall not be required to register as a condition for submitting bids.
- (iv) Bidder’s qualification shall be verified through pre- or post-qualification process.

3. Eligibility

- (i) National sanction lists may only be applied with approval of ADB.²⁴
- (ii) A firm declared ineligible by ADB cannot participate in bidding for an ADB financed contract during the period of time determined by ADB.
- (iii) A firm which has been engaged by the borrower to provide consulting services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods, works, or services, resulting from or directly related to the firm's consulting services for such preparation or implementation.

4. Prequalification and Post qualification

- (i) Post qualification shall be used unless prequalification is explicitly provided for in the loan agreement/procurement plan. Irrespective of whether post qualification or prequalification is used, eligible bidders (both national and foreign) shall be allowed to participate.
- (ii) In the event where pre-qualification is used, interested firms shall be given no less than 42 days to prepare their pre-qualification submission.

²⁴ Section 52 of the Integrity Principles and Guidelines allows ADB to sanction parties who fail to meet ADB's high ethical standards based on the decisions of third parties, such a decision can only be made by the Integrity Oversight Committee on the basis of ADB's own independent examination of the evidence. As such, the process should follow the normal assessment and investigative processes prescribed by the Integrity Principles and Guidelines. <http://www.adb.org/Documents/Guidelines/Integrity-Guidelines-Procedures/integrity-guidelines-procedures-2006.pdf>.

- (iii) When pre-qualification is required, the evaluation methodology shall be based on pass/fail criteria relating to the firm's experience, technical and financial capacities.
- (iv) Qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only criteria so specified, shall be used to determine whether a bidder is qualified. The evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid.
- (v) In carrying out the post-qualification assessment, the Employer/ Purchaser shall exercise reasonable judgment in requesting, in writing, from a bidder missing factual or historical supporting information related to the bidder's qualifications and shall provide reasonable time period (a minimum of 7 days) to the bidder to provide response.

5. Preferences

- (i) No preference of any kind shall be given to domestic bidders or for domestically manufactured goods.
- (ii) Regulations issued by a sectoral ministry, provincial regulations and local regulations which restrict national competitive bidding procedures to a class of contractors or a class of suppliers shall not be applicable.
- (iii) Foreign bidders shall be eligible to participate in bidding under the same conditions as local bidders, and local bidders shall be given no preference (either in bidding process or in bid evaluation) over foreign bidders, nor shall bidders located in the same province or city as the procuring entity be given any such preference over bidders located outside that city or province.

6. Advertising

- (i) Invitations to bid (or prequalify, where prequalification is used) shall be advertised in Government Public Procurement Bulletin. In addition, the procuring agency should publish the advertisement in at least one widely circulated national daily newspaper or freely accessible, nationally-known website allowing a minimum of twenty-eight (28) days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to at least twenty-four (24) hours prior the deadline for the submission of bids. Bidding of NCB contracts estimated at \$500,000 or more for goods and related services or \$1,000,000 or more for civil works shall be advertised on ADB's website via the posting of the Procurement Plan.
- (ii) Bidding documents shall be made available by mail, or in person, to all who are willing to pay the required fee, if any.
- (iii) The fee for the bidding documents should be reasonable and consist only of the cost of printing (or photocopying) the documents and their delivery to the bidder. (Currently set at VND1 million, increase subject to approval of ADB).

7. Standard bidding documents

- (i) The Borrower's standard bidding documents, acceptable to ADB, shall be used. The bidding documents shall provide clear instructions on how bids should be submitted, how prices should be offered, and the place and time for submission and opening of bids.
- (ii) Bidders shall be allowed to submit bids by hand or by mail/ courier.

8. Bid Opening

- (i) All bids received after the deadline for submission indicated in the bidding documents will be rejected.
- (ii) All bids received before the bid submission deadline shall be opened except those with proper notice of withdrawal.
- (iii) A copy of the bid opening record shall be promptly provided to all bidders who submitted bids.

9. Bid Evaluation

- (i) Merit points shall not be used in bid evaluation.
- (ii) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.²⁵
- (iii) Except with the prior approval of ADB, no negotiations shall take place with any bidder prior to the award, even when all bids exceed the cost estimates.
- (iv) A bidder shall not be required, as a condition for award of contract, to undertake obligations not specified in the bidding documents or otherwise to modify the bid as originally submitted.
- (v) Bids shall not be rejected on account of arithmetic corrections of any amount. However, if the Bidder that submitted the lowest evaluated bid does not accept the arithmetical corrections made by the evaluating committee during the evaluation stage, its bid shall be disqualified and its bid security shall be forfeited.

10. Rejection of All Bids and Rebidding

- (i) No bid shall be rejected on the basis of a comparison with the owner's estimate or budget ceiling without the ADB's prior concurrence.
- (ii) Bids shall not be rejected and new bids solicited without the ADB's prior concurrence.

²⁵ Minor, non-substantial deviation is one that, if accepted, would not affect in any substantial way the scope, quality, or performance specified in the contract; or limit in any substantial way, the Contracting entity rights or the Bidder's obligations under the proposed contract or if rectified, would not unfairly affect the competitive position of other bidders presenting substantially responsive bids.

11. Participation by Government-owned enterprises

58. Government-owned enterprises shall be eligible to participate as bidders only if they can establish that they are legally and financially autonomous, operate under Enterprise law and are not a dependent agency the contracting entity. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

12. Non-eligibility of military or security units

59. Military or security units, or enterprises which belong to the Ministry of Defense or the Ministry of Public Security shall not be permitted to bid.

13. Participation by Foreign contractors and suppliers. Joint Ventures and Associations

- (i) Foreign suppliers and contractors from eligible countries shall, if they are interested, be allowed to participate without being required to associate or form joint ventures with local suppliers or contractors, or to subcontract part of their contract to a local bidder.
- (ii) A bidder declared the lowest evaluated responsive bidder shall not be required to form a joint venture or to sub-contract part of the supply of goods as a condition of award of the contract.
- (iii) License for foreign contractors operation in Viet Nam would be provided in a timely manner and will not be arbitrarily withheld.

14. Publication of the Award of Contract. Debriefing.

- (i) For contracts subject to prior review, within 2 weeks of receiving ADB's "No-objection" to the recommendation of contract award, the borrower shall publish in the Government Public Procurement Bulletin, or well-known and freely-accessible website the results of the bid evaluation, identifying the bid and lot numbers, and providing information on: (i) name of each bidder who submitted a bid; (ii) bid prices as read out at bid opening; (iii) name and evaluated prices of each bid that was evaluated; (iv) name of bidders whose bids were rejected and the reasons for their rejection; and (v) name of the winning bidder, and the price it offered, as well as the duration and summary scope of the contract awarded.
- (ii) For contracts subject to post review, the procuring entity shall publish the bid evaluation results no later than the date of contract award.
- (iii) In the publication of the bid evaluation results, the borrower shall specify that any bidder who wishes to ascertain the grounds on which its bid was not selected, should request an explanation from the procuring entity. The procuring entity shall promptly provide an explanation of why such bid was not selected, either in writing and/or in a debriefing meeting, at the option of the borrower. The requesting bidder shall bear all the costs of attending such as debriefing. In this discussion, only the bidder's bid can be discussed and not the bids of competitors.

15. Handling of Complaints

60. The national competitive bidding documents shall contain provisions acceptable to ADB describing the handling of complaints in accordance with Chapter X of Decree No. 85/2009/ND-CP, read with Articles 72 and 73 of the Law on Procurement No. 61/2005/QH11.

16. ADB Member Country Restrictions

61. Bidders must be nationals of member countries of ADB, and offered goods, works, and services must be produced in and supplied from member countries of ADB.

17. Fraud and Corruption

62. ADB will sanction a party or its successor, including declaring ineligible, either indefinitely or for a stated period of time, to participate in ADB-financed activities if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, or coercive practices in competing for, or in executing, an ADB-financed contract.

18. Right to Inspect/ Audit

63. Each bidding document and contract financed from by ADB shall include a provision requiring bidders, suppliers, contractors to permit ADB or its representative to inspect their accounts and records relating to the bid submission and contract performance of the contract and to have them audited by auditors appointed by ADB.

VII. SAFEGUARDS

64. The Government will ensure that all the requirements in Schedule 5 of the FFA and the following frameworks that have been prepared with respect to the facility (and of which ADB has provided full copies and are deemed incorporated herein by reference), are complied with during the processing and implementation of the investment program:

- (i) Environmental Assessment Review Framework (EARF) for MFF dated October 2010
- (ii) Resettlement framework (MFF) dated October 2010
- (iii) Indigenous People Planning Framework (MFF) dated October 2010
- (iv) Initial Environmental Examination (IEE) for PFR 1 dated September 2010
- (v) Resettlement framework (RF) and Resettlement Plan for PFR 1 dated October 2010

65. The safeguard frameworks cover the facility specific information and requirements in accordance with ADB' Safeguard Policy Statement (SPS) 2009.

66. Prior to the preparation of each Project, the applicability and relevance of each safeguard framework for environmental assessment, involuntary resettlement and ethnic minority will be reviewed and updated by the SEA/Project Owner to ensure relevance and consistency with applicable laws and regulations in Viet Nam and ADB SPS, as amended from time to time. In the event that there is a discrepancy between the laws and regulations of Viet Nam and ADB SPS, the ADB SPS will prevail. The entitlement standards set in the original Loss Inventory, as well as standards stipulated in other frameworks cannot be lowered during updates.

67. In all cases, for each new Project preparation, the government will review ongoing projects to check on the status of compliance with the safeguards plans and frameworks, and submit the review reports to ADB, together with other required safeguard documents relevant to the project included in the tranche being processed. In any case, if major noncompliance is discovered in the course of the review of ongoing projects, a corrective action plan will be prepared and submitted to ADB.

68. Safeguards assurances for projects under individual tranches of the MFF will be incorporated into related loan agreements.

A. Environment

69. All components or subprojects prepared after MFF approval shall follow the ADB SPS and provisions of the EARF agreed between Borrower and ADB. The majority of projects under the MFF are expected to be classified as category B. However, some projects could be classified differently over the MFF period. Tranche 1 project has been subjected to detailed due diligence, and all involving physical investments were classified as Category B and the IEE has been prepared. Projects under subsequent tranches require further due diligence.

70. During the preparation of subsequent tranche projects, each project shall have individual safeguard document. Environmental impacts are categorized through the environmental categorization forms and supported by rapid environmental assessments. Following ADB's environmental policy, environmental impact assessment (EIA) reports are prepared for Category A and B (sensitive) projects, and IEE reports for Category B projects. These reports are attached to the PFR. The EA shall ensure that the civil works components of the Program to be funded by the MFF shall adopt the provisions of the EMP and EARF, and shall be in compliance with ADB SPS.

71. During detailed design, the consultants will update the EMP, prepare bid documents incorporating the relevant mitigation and other measures for the six sub-projects in PFR2. The EAs will continue information disclosure and consultation including ensuring that the people likely to be affected are informed and understand the grievance redress mechanism established for the Project.

B. Involuntary Resettlement

72. A Resettlement Framework (RF) is to provide guidance on project design, impact assessments, entitlements, public consultation and information disclosure, monitoring and reporting, and institutional arrangements for resettlement activities. This RF has been endorsed by the Ministry of Planning and Investment and the guidance is to be followed in the formulation of project components and subproject selection by various implementing agencies.

73. This RF addresses resettlement impacts associated with the various types of infrastructure which can be funded by the MFF. If a type of infrastructure is proposed to be funded under the MFF which has not been specifically identified in this Framework, the principles and provisions of the RF will be applied to RPs prepared for specific subprojects.

74. The RF has been translated into Vietnamese and distributed to the central and local agencies, and then to a public or a private agency or individuals contracted to carry out sub-project preparation, implementation and monitoring. The RF should be read in conjunction with

the ADB *Safeguard Policy Statement* (SPS) and Vietnamese laws and regulations related to resettlement policy.

75. The draft Resettlement Plans along with draft Ethnic Minorities Development Plan prepared have been uploaded on the ADB website.

76. All six subprojects under PFR2 are qualified as category B, causing non-significant resettlement impacts. There are six resettlement plans prepared. Three RPs for Hai Phong (upgrading and expansion of the Water Supply System, WTP, booster pumping station) one each for Quang Tri, Hue and Buon Ma Thuot. The RPs for Da Nang and Binh Duong for temporary land acquisition will be prepared upon availability of the detailed design. The Facility Resettlement Framework will provide guidance on the entitlements when the RPs for these two subprojects is prepared. The temporary impacts caused due to transmission mains and distribution networks will affect trees, crops and other assets during the construction period for which the entitlements will be guided by the facility framework. A total of 1,485 affected persons (APs) (306 affected households [AHs]) are affected by six subprojects. However, there is no relocation required and no structure will be affected. Eight AHs will lose more than 10% of their total productive land holding; of which six AHs by Hai Phong and eight AHs by Buon Ma Thuot and three adjacent districts. Some of the land of two companies will also be affected: Quyet Thang Sand Transportation Cooperative in Buon Ma Thuot and Phong Dien Ltd, a state forestry company in Hue. The impacts on these two companies are marginal (respectively 0.23% and 0.11% of their total land will be affected). They still own respectively 2,500 hectares (ha) and 100 ha of land. The sand mining company has 48 workers and the forestry company has several hundreds. However, no worker will lose their job.

C. Indigenous Peoples

77. An Indigenous People Planning Framework (IPPF) for the MFF has been developed to guide the preparation of future subprojects which may have positive or adverse impacts on ethnic minorities located in any other sub-project area. This Framework presents the policy and procedures for the preparation of an EMDP for components, projects, and subprojects to be prepared after MFF approval in accordance with the ADB's latest *Safeguard Policy Statement and Safeguard Requirements 3: Indigenous Peoples*. This Framework applies to all components, projects, and subprojects identified during preparation and implementation of the MFF supporting Viet Nam's Water Sector.

78. Around 13,800 Ethnic Minorities HHs in urban and peri-urban areas will benefit from access to safe piped water supply in the sub-project for Dak Lak Province. There will be no relocation or displacement, but 3 EM HHs may lose some agricultural land. Their restitution package includes land, cash and other livelihood-enhancing measures. An EMDP has been prepared for the Dak Lak Province sub-project.

VIII. POVERTY, GENDER AND SOCIAL DIMENSIONS

A. Social

79. The six sub-projects differ in terms of the extent of poverty within their populations. Binh Duong is the best-off province with a poverty rate of 0.4% although within the project area itself this rate climbs to 7.22%. Quang Tri province is the poorest of the six, with a poverty rate of 25.9% (2008 figures). The project will seek to improve water service delivery and expand coverage in designated areas within six provinces or cities. In each sub-project, significant

design features are included to ensure better water supply access to poor households in urban and peri-urban areas. Coverage of poor and moderately poor households and households headed by women in these areas will be 100%, with free connections and lifeline quotas guaranteed by national law. The regular supply of safe drinking water in adequate quantities will serve to improve the economic profile of the project area by giving people access to water for both personal and productive uses; reduce the water fetching and water management burdens of women; and improve overall household health.

80. While water supply coverage averages between 40% and 75% in the different provinces/cities of PFR2, some areas within them are much worse off. Many households without access to water supplied by a utility pay far in excess of the official block tariffs for water purchased from other sources, e.g., tankers (2x more) or vendors of bottled drinking water (25-50x more). Although connection charges are free by policy, there is an obvious lack of tertiary distribution networks, especially in urban and peri-urban wards with high poverty rates. Overall poverty rates for a city or province disguise more acute poverty incidence in the specific locations for each sub-project. While the project will provide affordable and clean water to all prospective users, such as households, industries, commercial enterprises and institutions (e.g., hospitals and public buildings), it will comprise specific features that will enable the poor's access to improved water supply from water utilities. Following national decree 117/2007, free connections, lifeline quotas and subsidized tariffs will be principal features of water supplied to 100% of poor households and households headed by women within the project area.

B. Gender

81. EAs follow the principles of the ADB's gender development policy during MFF implementation. They monitor each project's effects on men and women through, where relevant, sex-disaggregated data collected pursuant to the monitoring and evaluation system referred to in the PPMS.

82. EAs shall ensure that the gender action plan agreed under the Project will be implemented in a timely manner. In particular, EAs shall take all reasonable and necessary steps to encourage women living in the Project areas to participate in planning and implementation of the Project, including: (i) providing gender-responsive information, education and communication (IEC) materials integrating women's issues and needs and disseminating these through channels accessed by women; and (ii) ensuring that all project reports, including Project Completion Reports (PCRs), include analysis and reporting on progress against targets and indicators in each GAP. These targets include total coverage of women-headed households in the project area and increased recruitment of women within the EA itself.

83. PFR2 consists of six water supply sub-projects for urban and peri-urban areas in six provinces: Thua Thien Hue, Da Nang, Dak Lak, Binh Duong, Hai Phong and Quang Tri, involving the construction of new water treatment plants, expansion of primary water supply networks, extension of distribution to low income areas, a metering program, an investment plan for non-revenue water (NRW) and an institutional strengthening program. The implementing agencies (IAs) will be the six water corporations in charge of water supply in these six provinces and cities.

84. In the proposed project areas, women make up more than 50% of customers. The project preparatory technical assistance (TA) social assessments reveal that, with some exceptions, women within households have greater responsibility for water than men, not only in terms of ensuring water supply for household consumption but also for using water in household

chores such as cooking, washing, cleaning, and caring for the sick. Yet women have poor representation in terms of employment in the water sector as well as less ability to participate in decision-making on public issues in general and therefore, less voice in water management in particular. Moreover, within water sector, incentives and opportunities for women are few as pre-conceived notions about the suitability of men for most jobs, a small budget for staff training, and the parallel burden of housework, act to further disadvantage women. A number of women from poor households and especially poor women-headed households face problems in getting water connection to their homes due to their lack of finances. In some subprojects, women are more vulnerable to resettlement impacts due to loss of land or livelihoods.

85. Due to the project's large scale and complexity, focus will be on technical design features enhancing water supply and promoting the greater participation of women in project management. The project will have tangible and direct benefits for women and men in terms of improved water supply. The impact on women will be more positive impact due to their role in water fetching, management and use. Hence, PFR2 is categorized as EGM (Effective Gender Mainstreaming).

86. Key strategies for promoting gender equality will be in the areas of Staffing (S), Finance (F), Training and Capacity Building (TCB), and Community Involvement (CI). The following strategies are proposed to address gender disparities in water supply and management within this project:

- (i) Increase women's participation in key decision-making and implementing structures—e.g., Resettlement Committees, PMUs and Project Steering Committees, and Community Supervision Boards—so their needs and priorities are not overlooked. (S)
- (ii) Increase number of women in water and sanitation sector. The Project should support water companies to recruit and promote women for technical and leadership positions, through equal access for women's employment and capacity building opportunities. (S)
- (iii) Encourage involvement of Vietnam Women's Union (VWU) whose members can make valuable contributions to issues and policies on supplying the poor and pricing. (S, F)
- (iv) Improve knowledge and skills of women, including those in Ward Level Supervision Boards. Provide training and capacity building activities to all but make practical provisions to encourage women to participate. (TCB, CI)
- (v) Communicate with men and women separately, through channels and at times which are suitable to either gender. Matters to consult include network system design, and water, sanitation and hygiene issues. Separate awareness materials should be developed to target women, for example about pricing and water conservation. At meetings attended by both genders, women should be invited to speak to ensure they are heard. (CI, TCB)
- (vi) Increase income opportunities for women as unskilled labor during infrastructure construction and providers of support services such as catering for construction workers. Assist water companies to develop strategies to raise the number of women employed in meter reading and billing, and employ more women in community liaison roles. (TCB, CI, S)

- (vii) Improve gender awareness at all levels in water companies, the PMUs, the sub-project steering committee, and among consultants. Focus on increasing the understanding of national gender policy, relative needs of men and women vis-à-vis the existing water supply situation, climate change, and gender issues in their provinces, institutional gender issues, the proposed social strategies of the Project, and ADB gender policies. (TCB)

87. Additionally, collect sex-disaggregated data essential for planning and monitoring, particularly for assessing the progress of the Gender Action Plans (GAPs). From the start of the sub-projects, systems for recording data in this format need to be established and adopted by the IAs. Such sex-disaggregated databases facilitate analysis of issues by gender, including feedback obtained through customer satisfaction surveys and assessments of the potential impacts and mitigation of climate change.

88. While men and women will gain from an improved and reliable water supply delivered by the Project, women stand to profit more because they have primary domestic responsibility for obtaining, paying for and using water. Any improvement in the availability and cost of water will be an immediate gain for them. Approximately 882,700 women will have access to better quality and reasonably priced water within their homes, thus saving time spent in collecting water of doubtful quality or money spent buying bottled water at exorbitant rates. About 536,600 women who are already piped water users will benefit from improved pressure, water availability, and security of supply. Better knowledge of pricing, conservation and quality issues will also benefit women more than men, since they deal with these issues on a daily basis.

89. Women will be empowered in making decisions about water services through participation on Community Supervision Boards, and in project management structures. Through their participation in various project structures, women, as primary users of water, will have more balanced representation on water decisions that potentially affect them.

90. Men and women in water companies will be more sensitive to gender issues in water supply. This could potentially have a wider benefit of changing the public perception of water companies and encouraging more women to work in the sector.

91. Negative impacts for women are only related to resettlement and these will be mitigated through social support programs, GAPs and Resettlement Plans. Resettlement impacts, especially permanent ones, have been avoided where possible and those remaining minimized.

92. The table below is a consolidated Gender Action Plan that guides sub-project GAPs to address gender disparities and ensure that sub-projects benefit both men and women.

Gender Action Plan

Project Outputs	Proposed Actions and Targets
Output 1: Increased coverage	

Planning and construction of water supply and distribution systems	<ul style="list-style-type: none"> • Of residents within the project area consulted on construction design and planning, at least 40% are women • Direct consultations with poor women/women-headed households during planning and implementation of pro-poor water distribution systems • 100% coverage of identified poor and women-headed households by network extension • 40% female representation in Community Supervision Boards with training provided in planning and technical monitoring to all members • Equal employment opportunities and equal pay for equal work, for local women and men in project civil works • Target 40% female laborers with support of local Women's Unions • Separate women's and men's latrines at construction sites • If subsidies are extended to enable water supply access, ensure 50% recipients are women
Output 2: Improved business planning, asset and financial management	
Improve operation and maintenance, improve strategic analysis and planning of the water supply companies and effective monitoring and evaluation	<ul style="list-style-type: none"> • Provide gender awareness training for all water company and project staff to increase sensitivity on water and gender issues. • Target 30% female staff for new recruits in each project management unit (PMU) and water companies/enterprises, especially in technical positions. • Ensure 40% female staff participation in all training on water supply management, operations and maintenance • Partner with Women's Union in information, education and communication (IEC) planning and delivery that target both male and female residents and local authorities' representatives equally • Gender-responsive IEC materials integrating women's issues and needs, disseminated through channels accessed by women • Ensure 50% of IEC facilitators are women • During construction, inform women of water supply interruption schedules to enable better household planning and minimize disruptions • Conduct baseline and final surveys in the project area in relation to household access to water with gender and poverty as parameters • Ensure that all project reports including Project Completion Report (PCR) include analysis and reporting on progress against Gender Action Plans (GAPs) and on GAP budget allocation vs actual expenditure in all PFR2 subprojects. • Disaggregate customer feedback by gender for use in future planning <p>Specific Actions:</p> <ul style="list-style-type: none"> • Thua Thien Hue: support women's clubs for gender and water, sanitation, hygiene awareness raising; study tours; resettlement support • Quang Tri: credit access support for household sanitation • Hai Phong: combined social support program and GAP • Dak Lak: additional gender strategies included in Resettlement Plan; special strategies to target ethnic minority women in water sanitation and hygiene (WASH) sector • Da Nang: participation of women in ward committees highlighted • Binh Duong: IEC campaign to target poor women-headed households
Output 3: Effective NRW reduction	
	<ul style="list-style-type: none"> • Ensure roadmap for water tariff increase takes into consideration gender and affordability issues • Ensure appropriate monitoring mechanism for the implementation of decree 117/2007 to ensure lifeline tariff and free connections to 100% of identified poor and women-headed households in the project areas

93. At least one PMU member in each IA will have the expertise and experience needed to plan, implement, monitor and evaluate the GAP. Where necessary, external specialists may be recruited to support and build the capacity of the PMU-appointed gender focal person(s), who will also ensure that the Coordinating Agency of PFR2, vis-a-vis the Ministry of Planning and Investment, and ADB are updated regularly of all issues and progress related to the implementation of the GAPs.

C. Sexually transmitted diseases and HIV/AIDS

94. EAs shall ensure that provisions are included in all civil works contracts and bill of quantities that the contractors incorporate occupational safety norms, disseminate information on HIV/AIDS and sexually transmitted disease prevention, and observe protocols concerning acceptable behavior toward the local population.

IX. PERFORMANCE MONITORING, EVALUATION, REPORTING AND COMMUNICATION

A. Design and Monitoring Framework

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Sustainable provision of safe water in Binh Duong Province, Dak Lak Province, Da Nang City, Hai Phong City, Thua Thien Hue Province, Quang Tri Province	<p>Meet targets Orientation Plan 2025: Coverage central water supply system from 59% (2010) to 90% (2020) and 95% (2025) from with average NRW reduction from 30% (2010) to 18% (2020) and 15% (2025).</p> <p>Improved service delivery by increasing the service pressure, reducing NRW and increasing coverage for 3 million persons by 2020 under PFR2</p> <p>Poor with first time access to safe water 94,000 by 2020 under PFR2</p> <p>Increase of connections to FHH by 25% by 2020 and 50% by 2025 from baseline data to be computed during the first year project implementation</p> <p>Drinking water quality by 2025</p>	<p>PCR PFR2 Annual water sector report Benchmarking surveys from Donors and MOC / VWSSA</p> <p>PCR PFR2</p> <p>PCR PFR2</p> <p>PCR MFF/PFR2 Reporting from Gender Action Plan</p> <p>Water Quality Analysis to drinking water standards QCVN 01:2009/BYT. Reporting from water safety plans implementation (MOC/WHO)</p> <p>Customer Satisfaction Surveys and ISO 24510</p>	<p>Assumption MFF implemented as designed</p> <p>Risk Government's Policies not enforced</p>
Outcome Improved efficiency of participating water supply companies	<p>Meet target Decree 117/2007 and Decree 124/2011: - Increase tariff every 2 years to achieve full cost recovery by 2020 - Define within 1 year of loan effectiveness and monitor through the project implementation a series of up to 10 KPIs to improve operational efficiency for each participating water supply company by 2020.</p> <p>Initiate asset inventory and management of the water supply companies assets and implement Continuous Improvement Process (halving the gap of selected KPIs, based on annual targets) by 2020</p>	<p>Local authorities' decision on tariff increase MTR - Loan review mission PCR Business Operation Plan</p> <p>PCR</p>	<p>Assumptions Creditworthiness of water companies Management empowered to change and accountable</p> <p>Risk Political interference prevents successful implementation and financial sustainability</p>
Outputs 1. Increased coverage to 90% by 2020	Network extension to identified poor locations increases by 25% by 2020 from baseline data provided from each	PCR	<p>Assumptions Counterpart financing available and cost recovery mechanism endorsed for</p>

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
2. Improved business planning, asset and financial management	sub-project with reporting on sex disaggregated data (100% of FHH are connected over the project area) Roadmap for water tariff increase agreed at mid term review with gender and affordability considerations integrated; Self financing ratio set at 20%; Debt service ratio set at 1.2 by 2015 Investment in pipe repair and pipe replacement (women constitute 30% of new recruits for operations and maintenance) Target 30% female staff for new recruits in each PMU and water companies/enterprises, especially in technical positions. Equal employment opportunities and equal pay for equal work, for local women and men in project civil works	Completion VIE: CDTA Water Supply PCR Annual Project Report Loan Review Mission Report Annual Project Report Loan Review Mission Report MOC reports PCR	National NRW Program Funding available for CDTA Risks Timely completion of works and maintain quality standards Quick Implementation of land acquisition and resettlement
3. NRW reduced	Target NRW 25% by 2015 and 18% by 2020 from baseline of 30% (2010) Implementation of decrees 117/2007 and 124/2011 to ensure lifeline tariff and free connections are provided to 100% of identified poor households over the project area	PCR Annual reports and PCR	
Activities with Milestones			Inputs
1. Increased Coverage 1.1 Detailed Design and Supervision Contract issued in 2013 1.2 Procurement for construction started in 2014 1.3 Start pipe renewal and extension allocation in 2014 2. Improved business planning, asset and financial management 2.1 Award Operation Management Contract in 2013 in Da Nang 2.2 Implement institutional strengthening program from 2013 2.3 Conduct gender and poverty analysis of households in the project areas vis-à-vis water supply/access and affordability issues, in order to have baseline data 3. NRW reduced: 3.1 Pipeline (including meters/accessories) renewal and expansion started in 2014 3.2 Asset Inventory and Management started in 2013			Amount (\$ million)
			ADB: \$212 million (OCR)
			Civil works 121.25
			Goods, Equipments 30.80
			Consulting Services 21.2
			Contingencies 19.82
			Financial charges 18.93
			Government: \$43 million (Cash)
			Civil Works 19.14
			Goods, Equipments 3.20
			Consulting Services 6.62
			Land Acquisition 4.11
			Working Capital 0.90
			Contingencies 6.10
			Financial charges 2.81

ADB = Asian Development Bank; AIM = Asset Inventory and Management; CDTA = Capacity Development Technical Assistance; FHH = female headed household; ISO = International Standards Organization; KPI = key performance indicators; OMC = operation management contract; MFF = Mutitranché Financing Facility; MOC = Ministry of Construction; MTR = midterm review; NRW = non-revenue water; OCR = Ordinary Capital Resources; PCR = Project Completion Report; PFR = Periodic Financing Request; VWSSA = Viet Nam Water Supply and Sewerage Association; WHO = World Health Organization.

Source: Asian Development Bank.

B. Monitoring

95. **Project performance monitoring.** The Project owner will establish a project performance monitoring system. ADB through the project performance reporting (PPR) system will rigorously monitor the overall performance of each project under the investment program.

96. The EA will refine the monitoring system within 12 months from project commencement and collect and update baseline data for performance monitoring. The key indicators and targets, assumptions, and risks outlined at the impact, outcome, and output levels in the investment program's design and monitoring framework will be the primary data required for analysis. For this purpose, ADB inception mission will provide to Project owner a checklist of the above data, which will be updated in track changes and reported twice a year through the Project owner's quarterly progress reports and after each ADB review mission. These bi-annual reports will provide information to regularly update ADB's PPMS.²⁶

97. **Compliance monitoring.** Compliance for all the FFA undertakings and loan covenants water sector reforms, social and environmental safeguards, financial, economic, and others—will be jointly monitored by Project owner and ADB through monthly updates provided by the PMU. In this respect, the PMU will submit to ADB a status report on the covenants summary with the explanation and time-bound actions on partly or non-complied covenants. As part of the joint venture efforts, ADB's resident mission will hold at least bi-annual review meetings with the Project owner to ensure the full compliance of all the loan covenants.

98. **Safeguards monitoring.** The EA will submit bi-annual monitoring reports to ADB starting from the commencement of RP finalization, which coincides with the conduct of the census, detailed measurement survey and implementation activities. An external monitoring agency will also be engaged by Project owner to carry out its independent monitoring and assessment. The external monitoring agency will submit quarterly monitoring reports to Project owner and ADB. All monitoring reports will be uploaded on the ADB website.

99. **Gender and social dimensions monitoring.** The EA will submit bi-annual reports to ADB on specific activities indicated in the agreed gender action plan.²⁷

C. Evaluation

100. ADB will field an inception mission within 3 months after signing of the FFA and the loan agreement for PFR2. Review missions will be carried out on a semiannual basis jointly by representatives of ADB, Borrower, and the Project owner. The review missions will assess the status of the project implementation including procurement, civil works, financing, compliance to environmental and social safeguards, and the road sector sustainability. Site visits are required for all projects with environment or social impacts. A mid-term review mission will be carried out 2 years after the loan becomes effective. Each mid-term review will evaluate compliance with the terms, conditions, and undertakings set out in the FFA, environmental and social safeguards, and loan covenants set out in the loan agreements. The review will allow for any necessary midcourse corrections to ensure successful implementation and the achievement of

²⁶ADB's project performance reporting system is available at:

<http://www.adb.org/Documents/Slideshows/PPMS/default.asp?p=evaltool>.

²⁷ADB's *Handbook on Social Analysis: A Working Document*, is available at:

<http://www.adb.org/Documents/Handbooks/social-analysis/default.asp>, *Staff Guide to Consultation and participation*: <http://www.adb.org/participation/toolkit-staff-guide.asp>, and, *CSO Sourcebook: A Staff Guide to Cooperation with Civil Society Organizations*: <http://www.adb.org/Documents/Books/CSO-Staff-Guide/default.asp>

the project objectives. Within six months of physical completion of each project, the Project owner will submit a project completion report to ADB.²⁸

D. Reporting

101. The Project owner will provide ADB with (i) bi-annual progress reports in a format consistent with ADB's project performance reporting system; (ii) consolidated annual reports including (a) progress achieved by output as measured through the indicator's performance targets, (b) key implementation issues and solutions, (c) updated procurement plan, and (d) updated implementation plan for next 12 months; and (iii) a project completion report within 6 months of physical completion of the Project. To ensure projects continue to be both viable and sustainable, project accounts and the executing agency AFSs, together with the associated auditor's report, should be adequately reviewed.

102. The Project owner will establish a project performance monitoring system within 12 months from loan effectiveness and collect baseline data for performance monitoring. The key indicators and assumptions outlined at the impact and outcome levels in the investment program's design and monitoring framework will be the primary data required for analysis

E. Stakeholder Communication Strategy

103. The following Table details the overall required disclosures.

²⁸ Project completion report format is available at: <http://www.adb.org/Consulting/consultants-toolkits/PCR-Public-Sector-Landscape.rar>

Objective(s)	Key Risks/Challenges	Main Stakeholders	Messages	Means of Communication	Timeline	Responsibility	Resources
Disseminate information on project design, key impacts anticipated as well as any mitigation measures, to project APs and beneficiaries	<ul style="list-style-type: none"> Language/Culture Literacy Managing expectations, including that of free water delivery Reach of information, especially in isolated or remote rural settlements Lack of confidence in local authorities 	<ul style="list-style-type: none"> Subproject APs Community members (men & women in urban/peri-urban wards and some rural communes) Women-headed households Poor households Ethnic Minority households [DL] 	<p>Subproject design, key benefits (including those of treated water supply), implementation arrangements and schedule of civil works</p> <p>Opportunities for temporary employment as construction workers, community mobilizers or IEC campaign facilitators</p> <p>Main impacts of subproject (positive and negative)</p> <p>Planned mitigation measures, especially for EM and female APs (including compensation rates, entitlements, grievance redress mechanism)</p> <p>View of water as an economic good; the importance of user cost recovery</p> <p>Targeted subsidies, including free connections and lifeline tariffs, to qualifying households, including poor and women-headed HHs</p>	<p>Public information meetings</p> <p>Resettlement committee meetings and/or door-to-door meetings/interviews with affected households</p> <p>Printed information in local language(s) posted in accessible public areas</p> <p>Gender-sensitive IEC campaign, including community-level training and public media campaign</p> <p>Meetings, consultations and other interactions between PMUs/WSCs and CSBs in the subproject area's service zones</p>	<p>Ongoing prior to implementation of activities</p> <p>Early in each phase of subproject preparation</p> <p>Subproject detailed design</p> <p>Ongoing during civil works</p>	<p><i>Primary:</i></p> <ul style="list-style-type: none"> PMUs WSCs Contractors/subcontractors for civil works Local authorities at commune-, ward-, city- and district-level (cPCs, WPCs, CPCs and DPCs) VWU Community Health Centers (CHCs) <p><i>Secondary:</i></p> <ul style="list-style-type: none"> PPCs DEMA and CEMA [DL] DOLISA 	<ul style="list-style-type: none"> Costs will be covered in part by the RP, EMDP [DL], GAP as well as basic project implementation budgets Resettlement Specialist Social Development (EM) Specialist Gender specialist Compensation and Resettlement Committees (CRCs, for HP, TTH, DL and QT) Community Supervision Boards (CSBs) Community health workers (under respective DOHs)
Deliver information on labor opportunities and good labor practices	<ul style="list-style-type: none"> Language/Culture Literacy and low levels of awareness 	<ul style="list-style-type: none"> Community members as well as migrants hired as semi-skilled and skilled construction workers, community 	<p>Opportunities for appropriate skills training/upgrading during period of hire, with quotas reserved for women</p> <p>Core labor standards,</p>	<p>Public information meetings</p> <p>Printed information in local language(s) and language(s) of migrant workers (on pamphlets and billboards), posted in</p>	<p>Early in each phase of sub-project preparation</p> <p>Ongoing during civil works and conduct of IEC campaigns</p>	<p><i>Primary:</i></p> <ul style="list-style-type: none"> PMUs WSCs Local authorities at commune-, ward-, city- and district-level VWU 	<ul style="list-style-type: none"> Costs will be covered in part by the EMDP [DL], GAP as well as basic project implementation budgets

		mobilizers and IEC campaign facilitators in subproject areas <ul style="list-style-type: none"> Contractors/subcontractors for civil works 	including no forced labor and child labor Gender parity in work-related compensation, i.e., equal pay for equal work, for women and men, and the right to separate living & toilet facilities at work sites Schedule of civil works Labor safety regulations Special consideration of EM communities and workers in employment and related social & health issues Risks and prevention of HIV/AIDS transmission and Human Trafficking (see below)	accessible public areas, especially at or near construction sites IEC campaign for HIV/AIDs and Human Trafficking, including community-level training and public media campaign (see below)		<ul style="list-style-type: none"> DEMA and CEMA [DL] CHCs <i>Secondary:</i> <ul style="list-style-type: none"> PPCs DOLISA 	<ul style="list-style-type: none"> Social Development (EM) Specialist CSBs Community health workers Health NGOs
Highlight responsibility of provincial government agencies in enabling access of disadvantaged groups to municipal water supply	<ul style="list-style-type: none"> Lack of political willingness to implement national decrees Provincial budget constraints 	<ul style="list-style-type: none"> PPCs DOLISA DEMA/CEMA [DL] PCs at other administrative levels in provinces, i.e., local authorities 	Basic project design, anticipated impacts and any planned mitigation and grievance redress measures as they apply to APs, beneficiary groups and workers in the province State support for water-related subsidies to poor and women-headed HHs, and other vulnerable groups (incl EMs, disabled, etc.), in accordance with Decrees 117 & 124	WSC meetings with relevant local authorities and government agencies authorities, attended by VWU officials at the appropriate level Capacity development training sessions for political and bureaucratic decision-makers	From outset of project	<ul style="list-style-type: none"> MPI (as CA) WSCs VWUs at all levels 	<ul style="list-style-type: none"> Costs will be covered by the GAP and basic project implementation budgets WSC management PMU Director Social Development Specialist Gender Specialist
Inform Provincial VWUs about project design and the precise junctures where they can play a role – community	<ul style="list-style-type: none"> Lack of sectoral capacity Relative lack of resources and decision-making authority compared to other departments and 	<ul style="list-style-type: none"> Viet Nam Women's Union (VWU) 	Basic project design and anticipated impacts, as they matter to women Disseminate information	Public information meetings IEC campaign (including materials) to raise awareness on links	From outset of subproject	<ul style="list-style-type: none"> VWU WSCs Local authorities at commune-, ward-, city- and district-level 	<ul style="list-style-type: none"> Costs will be covered by the GAP budget PMU Director Gender Specialist

mobilization, IEC, and ensuring women's access to all project benefits	agencies, including WSCs		on improved HH water management, sanitation and hygiene to communities in collaboration with Community Health Centers. In TTH, using network of Women's Clubs	between gender and WASH issues Training materials integrating gender		<ul style="list-style-type: none"> CHCs 	<ul style="list-style-type: none"> Social Development Specialist CSBs Community health workers Women's Clubs [TTH]
Inform network of Community Health Centers in project areas about project design and the role they are expected to play in disseminating information on improved WASH as well as HIV/AIDS causes & prevention	<ul style="list-style-type: none"> Relative lack of resources and decision-making authority compared to other departments and agencies, including WSCs 	<ul style="list-style-type: none"> Community Health Centers (and community health workers), Department of Health 	<p>Disseminate information on health benefits of improved water supply, sanitation and hygiene to communities in collaboration with VWC (and Women's Clubs in TTH)</p> <p>Design and propagate training module about HIV/AIDS</p>	<p>Public information meetings,</p> <p>IEC sanitation and hygiene awareness materials, including community-based training and public media campaign</p> <p>HIV/AIDS training module</p>	<p>Early in each phase of sub-project preparation</p> <p>Ongoing during civil works and conduct of IEC campaigns</p>	<ul style="list-style-type: none"> VWU PMUs WSCs Local authorities at commune-, ward-, city- and district-level CHCs 	<ul style="list-style-type: none"> Costs will be covered by the basic project implementation budget (social development component) Social Development Specialist CSBs Community health workers Women's Clubs [TTH]
Promote community involvement in resettlement and project M&E	<ul style="list-style-type: none"> Identifying valid community representatives Newly formed, slow to build up capacity required Functions vaguely defined 	<ul style="list-style-type: none"> Community Supervision Boards (CSBs) Compensation and Resettlement Committees (for HP, TTH, DL and QT) 	<p>Opportunities for appropriate skills training/upgrading during period of hire, with quotas reserved for women</p> <p>Core labor standards integrating gender concerns and labor safety regulations</p> <p>Special consideration of community members from EM, poor and/or women-headed HHs in all aspects of the project</p> <p>Risks and prevention of HIV/AIDS transmission and Human Trafficking (see below)</p>	<p>Meetings between WSCs/PMUs and CSBs and CRCs</p> <p>Public information meetings presided over by CSBs or CRCs</p> <p>Direct interactions between affected HHs and CSBs or CRCs</p> <p>Printed information in local language(s) posted in accessible public areas</p> <p>Gender-sensitive IEC campaign, including community-level training and public media campaign</p>	<p>Early in each phase of sub-project preparation</p> <p>Ongoing during civil works and conduct of IEC campaigns</p>	<ul style="list-style-type: none"> VWU PMUs WSCs Local authorities at commune-, ward-, city- and district-level 	<ul style="list-style-type: none"> Costs will be covered by the EMDP [DL], GAP and basic project implementation (social development component) budgets Social Development Specialist Gender Specialist CSBs Community health workers Women's Clubs [TTH]
Ensure understanding	<ul style="list-style-type: none"> Language/Culture 	<ul style="list-style-type: none"> Communities in or 	Key risks and mitigation	Public information	Prior to	<ul style="list-style-type: none"> PMUs 	<ul style="list-style-type: none"> Costs will be

of HIV/AIDS transmission and Human Trafficking risks, and prevention measures for both	<ul style="list-style-type: none"> • Literacy and low levels of awareness 	<p>near project area construction sites</p> <ul style="list-style-type: none"> • Workers on construction sites 	measures of HIV/AIDS transmission and Human Trafficking	<p>meetings</p> <p>Printed information in local language(s) and language(s) of migrant workers (on pamphlets and billboards), posted in accessible public areas, especially at or near construction sites</p> <p>IEC campaign for HIV/AIDS and Human Trafficking, including community-level training and public media campaign (see below)</p>	commencement of civil works and throughout civil works	<ul style="list-style-type: none"> • Community • VWU • CHCs • Civil works contractors/ subcontractors 	<p>covered in part by the EMDP [DL], GAP as well as basic project implementation budgets</p> <ul style="list-style-type: none"> • Social Development Specialist • CSBs • Community health workers • Women's Clubs [TTH] • Local NGOs with a health focus
Strengthen business processes and institutions, integrating gender issues	<ul style="list-style-type: none"> • Inertia to change; tendency to maintain institutional and socioeconomic status quo 	<ul style="list-style-type: none"> • All WSC and PMU staff, especially women in executive and non-executive positions • VWU members at all levels within the province 	<p>Reasons why profit generation, user cost recovery and tariff roadmap are core principles of business viability</p> <p>Negotiate sharing of capital costs and underwriting of any subsidies to consumers with state agencies (PCs and DOLISA)</p> <p>Opportunities for training, exposure visits, with quotas reserved for female staff and VWU members to learn more about the sector (including study tours for VWU members, TTH)</p> <p>Gender parity in work-related compensation, i.e., equal pay for equal work, for women and men in WSCs</p>	<p>Resettlement committee meetings and/or meetings with affected households,</p> <p>Printed information in local language posted in accessible public areas</p> <p>Training workshops and exposure visits to raise awareness about benefits of community participation in all aspects of project planning, implementation, and M&E</p> <p>Financial and technical training workshops</p> <p>Training materials to promote gender sensitivity</p> <p>Routine consultation with VWUs on gender-related matters relevant to project outputs</p> <p>Routine consultations between WSC management and women employees, in executive</p>	<p>From outset of each subproject</p> <p>Ongoing prior to implementation of activities</p> <p>Early in each phase of subproject preparation</p> <p>At project detailed design</p> <p>Ongoing during civil works</p>	<ul style="list-style-type: none"> • Water Supply Companies (WSCs) as independent commercial & legal entities • MPI • PPCs • PMUs • VWUs 	<ul style="list-style-type: none"> • Costs will be covered in part by the GAP and project implementation budgets • PMU Director • Gender Specialist • Staff welfare committees of WSCs

				and non-executive positions, about professional issues that matter to them			
Establish two-way information sharing/ dialogue mechanisms with communities and higher authorities	<ul style="list-style-type: none"> Minimal precedence for institutionalized feedback from community to higher authorities, including WSCs Timing of interactions to mesh with critical subproject milestones Atmosphere of distrust between NGOs, on the one hand, and state agencies and WSCs, on the other, owing in part to nascence of NGOs in Viet Nam 	<ul style="list-style-type: none"> Project APs Project beneficiaries PPCs DOLISA 	<p>Timely payment of dues by customers to WSCs and satisfactory service provision by WSCs to consumers as basis of good business model</p> <p>Proper compensation of project APs by authorities, including WSCs</p> <p>Importance of dialogue; incorporation of community feedback to into all phases of project</p> <p>Explain feedback process and how feedback used</p> <p>Devise methods to gauge company performance and the effectiveness of Customer Service policies safeguarding consumer rights</p>	<p>Citizen's Report Cards</p> <p>Periodic customer Satisfaction Surveys</p> <p>Meetings, consultations and other interactions between PMUs/WSCs and CSBs and CRCs in the project area service zones</p> <p>Meetings, consultations and other interactions between PMUs/WSCs and PCs, PPCs and DOLISA</p> <p>Independent M&E by local NGOs or CSOs</p> <p>Independent reporting by local media</p>	<p>From outset of each subproject</p> <p>Ongoing prior to implementation of activities</p> <p>Early in each phase of subproject preparation</p> <p>At project detailed design</p> <p>Ongoing during civil works</p>	<ul style="list-style-type: none"> PMUs WSCs CHCs 	<ul style="list-style-type: none"> Costs will be covered in part by the RP, EMDP [DL], GAP as well as basic project implementation budgets Resettlement Specialist Social Development Specialist Gender Specialist CRCs (for HP, TTH, DL and QT) CSBs Community health workers Customer Service Divisions of WSCs Community development-oriented local NGOs
Ensure understanding of non-revenue water (NRW) and measures to reduce such losses at both system and household levels	<ul style="list-style-type: none"> Language/Culture Literacy and low levels of awareness 	<ul style="list-style-type: none"> Women & men in communities PMU and WSC staff, especially women in both executive and non-executive positions VWU members at all levels in the province 	<p>View of water as an economic good; the importance of water conservation</p> <p>Opportunities for technical training in NRW reduction for WSC staff, including women, in all positions</p>	<p>IEC campaign targeted at communities and local authorities, in order to reduce HH water wastage and improve effective use</p> <p>Technical workshops, seminars and exposure visits dealing with NRW reduction</p>	<p>At project detailed design</p> <p>Ongoing during civil works</p>	<ul style="list-style-type: none"> WSCs 	<ul style="list-style-type: none"> Costs will be covered in part by the EMDP [DL], GAP as well as basic project implementation budgets Social Development Specialist Gender Specialist CSBs, duly trained Women's

							Clubs [TTH], duly trained • Trained community health workers
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AP = Affected Person; BD = Binh Duong Water Supply Project; CA = Coordinating Agency; CEMA = Committee of Ethnic Minority Affairs [Dak Lak]; cPC = Commune People's Committee; CPC = City People's Committee; CHC = Community Health Center; CRC = Compensation and Resettlement Committee; CSB = Community Supervision Board; CSO = Civil Society Organization; DEMA = Department of Ethnic Minority Affairs [Dak Lak]; DL = Dak Lak Water Supply Project; DN = Da Nang Water Supply Project; DOH = Department of Health; DOLISA = Department of Labor, Invalids and Social Affairs; DPC = District People's Committee; EA = Executing Agency; EM = Ethnic Minority; GAP = Gender Action Plan; HH = Household; HP = Hai Phong Water Supply Project; IA = Implementing Agency; ICE = Information, Education and Communication; M&E = Monitoring and Evaluation; MPI = Ministry of Planning & Investment; NGO = Non-Governmental Organization; NRW = Non-Revenue Water; PC = People's Committee; PMU = Project management Unit; PPC = Provincial People's Committee; QT = Quang Tri Water Supply Project; RP = Resettlement Plan; TTH = Thua Thien Hue Water Supply Project; VWU = Viet Nam Women's Union; WASH = Water, Sanitation and Hygiene; WPC = Ward People's Committee; WSC = Water Supply Company.

X. ANTICORRUPTION POLICY

104. ADB reserves the right to investigate, directly or through its agents, any violations of the Anticorruption Policy relating to the Investment Program.²⁹ All contracts financed by ADB shall include provisions specifying the right of ADB to audit and examine the records and accounts of the executing agency and all Project contractors, suppliers, consultants and other service providers. Individuals/entities on ADB's anticorruption debarment list are ineligible to participate in ADB-financed activity and may not be awarded any contracts under the Investment Program.³⁰

XI. ACCOUNTABILITY MECHANISM

105. People who are, or may in the future be, adversely affected by the project may address complaints to ADB, or request the review of ADB's compliance under the Accountability Mechanism.³¹

XII. RECORD OF PAM CHANGES

106. All revisions/updates during course of implementation should be retained in this Section to provide a chronological history of changes to implemented arrangements recorded in the PAM.

²⁹ Available at: <http://www.adb.org/Documents/Policies/Anticorruption-Integrity/Policies-Strategies.pdf>

³⁰ ADB's Integrity Office web site is available at: <http://www.adb.org/integrity/unit.asp>

³¹ For further information see: <http://compliance.adb.org/>.