Hardterm

LOAN NUMBER 2683-VIE (SF)

LOAN AGREEMENT
(Special Operations)

(Sustainable Rural Infrastructure Development Project in Northern Mountain Provinces)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 23 FEBRUARY 2011

LAS:VIE 41461

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 23 February 2011 between SOCIALIST REPUBLIC OF VIET NAM ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by an agreement of even date herewith between the Borrower and ADB ("Soft-Term Special Operations Loan Agreement"), ADB has agreed to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to fifty-four million one hundred sixteen thousand Special Drawing Rights (SDR54,116,000) in connection with the Project ("Soft-Term Loan");

(B) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to the Soft-Term Special Operations Loan Agreement; and

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

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

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

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations and the Soft-Term Special Operations Loan Agreement have the respective meanings therein set forth unless the context otherwise requires, subject to the following modifications.

(a) "Hard-Term Project province" means a Project province where its Subprojects will be financed mainly by the proceeds of this Loan, the name of which provinces is provided in the PAM;

(b) "Soft-Term Project province" means a Project province where its Subprojects will be exclusively financed by the proceeds of the Soft-Term Loan, the name of which provinces is provided in the PAM; and

(c) "Subproject" means a subproject to be financed under the Project, as selected in accordance with paragraphs 11 to 14 of Schedule 5 to the Soft-Term Special Operations Loan Agreement.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to seventeen million one hundred fifty-nine thousand Special Drawing Rights (SDR17,159,000).

Section 2.02. The Borrower shall pay to ADB an interest charge at the rate of 2.22% per annum, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

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

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

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

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Soft-Term Special Operations Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure or cause to be procured items of expenditure in accordance with the applicable provisions of Schedule 4 to the Soft-Term Special Operations Loan Agreement.

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

(a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries

of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and

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

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2017 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

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

Section 4.02. (a) The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as a separate opinion on the use of the procedures for imprest account and statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

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

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

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the Soft-Term Special Operations Loan Agreement shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

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

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

For the Borrower

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

Facsimile Numbers:

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

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2331.

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

SOCIALIST REPUBLIC OF VIET NAM

By _____
NGUYEN VAN GIAU
Governor
State Bank of Vietnam

ASIAN DEVELOPMENT BANK

By _____
AYUMI KONISHI
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Amortization Schedule

(Sustainable Rural Infrastructure Development Project in Northern Mountain Provinces)

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
15-Apr-2019	357,479.00
15-Oct-2019	357,479.00
15-Apr-2020	357,479.00
15-Oct-2020	357,479.00
15-Apr-2021	357,479.00
15-Oct-2021	357,479.00
15-Apr-2022	357,479.00
15-Oct-2022	357,479.00
15-Apr-2023	357,479.00
15-Oct-2023	357,479.00
15-Apr-2024	357,479.00
15-Oct-2024	357,479.00
15-Apr-2025	357,479.00
15-Oct-2025	357,479.00
15-Apr-2026	357,479.00
15-Oct-2026	357,479.00
15-Apr-2027	357,479.00
15-Oct-2027	357,479.00
15-Apr-2028	357,479.00
15-Oct-2028	357,479.00
15-Apr-2029	357,479.00
15-Oct-2029	357,479.00
15-Apr-2030	357,479.00
15-Oct-2030	357,479.00
15-Apr-2031	357,479.00
15-Oct-2031	357,479.00
15-Apr-2032	357,479.00
15-Oct-2032	357,479.00
15-Apr-2033	357,479.00
15-Oct-2033	357,479.00
15-Apr-2034	357,479.00
15-Oct-2034	357,479.00
15-Apr-2035	357,479.00
15-Oct-2035	357,479.00
15-Apr-2036	357,479.00
15-Oct-2036	357,479.00
15-Apr-2037	357,479.00
15-Oct-2037	357,479.00
15-Apr-2038	357,479.00

Schedule 1

15-Oct-2038	357,479.00
15-Apr-2039	357,479.00
15-Oct-2039	357,479.00
15-Apr-2040	357,479.00
15-Oct-2040	357,479.00
15-Apr-2041	357,479.00
15-Oct-2041	357,479.00
15-Apr-2042	357,479.00
15-Oct-2042	357,487.00
Total	17,159,000.00

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

SCHEDULE 2

Allocation and Withdrawal of Loan Proceeds

General

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

Percentages of ADB Financing

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

Interest Charge

3. The amount allocated to Category 2 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

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

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

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

Disbursement Procedures

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

Imprest Account and Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall establish, and cause to be established, immediately after the Effective Date, (i) a first generation imprest account at a commercial bank acceptable to ADB, and (ii) a second generation imprest

account for each of 4 Hard-Term Project Provinces at a commercial bank acceptable to ADB (collectively, imprest accounts). The imprest accounts shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest accounts shall be the Dollar. The amount to be deposited into the first generation imprest account shall not exceed the lower of (i) the estimated expenditure to be funded through the first generation imprest account for the coming 6 months of Project implementation, or (ii) the equivalent of 10% of the Loan amount. The amount to be deposited into each second generation imprest account shall not exceed the lower of (i) the estimated expenditure to be funded through the second generation imprest account for the coming 6 months of Project implementation for the respective Project province, or (ii) the equivalent of $650,000.

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

Condition for Withdrawals from Loan Account

7. Notwithstanding any other provisions of this Loan Agreement, no withdrawals shall be made from the Loan Account for a particular Project province until, in such a province, a PPMU has been established within its DARD, with key staff appointed including safeguard officers who will be responsible for monitoring safeguard compliance during Subproject design and implementation.

Attachment to Schedule 2

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Sustainable Rural Infrastructure Development Project in Northern Mountain Provinces)				
CATEGORY				**ADB FINANCING**
Number	**Item**	**Total Amount Allocated for ADB Financing (SDR)**		**Percentage and Basis for Withdrawal from the Loan Account**
		Category	**Subcategory**	
1	Works	16,155,000		90 percent of total expenditure claimed
2	Interest Charge	1,004,000		100 percent of amounts due
	Total	17,159,000		