LOAN NUMBER 1973-VIE (SF)

LOAN AGREEMENT
(Special Operations)

(Agriculture Sector Development Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 22 APRIL 2003

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 22 April 2003 between SOCIALIST REPUBLIC OF VIET NAM (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called the Bank).

WHEREAS

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

(B) the Project will be carried out by Vietnam Bank for Agriculture and Rural Development (hereinafter called VBARD), and for such purpose the Borrower will make available to VBARD a portion of the proceeds of the Loan provided for herein upon terms and conditions satisfactory to the Bank;

(C) pursuant to the loan agreement for the Agriculture Sector Development Program (hereinafter called the Program Loan Agreement) of even date herewith, the Bank has agreed to lend to the Borrower, from the Bank's Special Funds resources, an amount in various currencies equivalent to forty four million eight hundred seventy six thousand Special Drawing Rights (SDR44,876,000) for purposes of the Program described in Schedule 1 of the Program Loan Agreement (hereinafter called the Program), on terms and conditions set forth therein; and

(D) the Bank has agreed to make a loan to the Borrower from the Bank's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between the Bank and VBARD;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of the Bank, dated 7 December 1982, are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Special Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

(a) Section 2.01(17) is deleted and the following is substituted therefor:

17. The term "dollar" or "dollars" or the sign "$" means dollar or dollars in the currency of the United States of America.

(b) Section 2.01(27) is deleted and the following is substituted therefor:

27. The term "interest charge" means a charge made on the Loan pursuant to Section 3.02, and includes a portion to cover administrative expenses and a portion that does not.

(c) The term "service charge" wherever it appears in the Loan Regulations shall be substituted by the term "interest charge".

(d) Section 4.05 is deleted and Sections 4.06, 4.07 and 4.08 are renumbered as Sections 4.05, 4.06 and 4.07, respectively.

(e) Section 5.02 is deleted and the following is substituted therefor:

Commitment Letters by the Bank. Upon the Borrower's request, the Bank may issue commitment letters to pay amounts in respect of the cost of goods and services to be financed under the Loan Agreement notwithstanding any subsequent suspension or cancellation.

(f) Section 5.03 is deleted and the following is substituted therefor:

Application for Withdrawal. When the Borrower shall desire to withdraw any amount from the Loan Account or to request the Bank to issue commitment letters pursuant to Section 5.02, the Borrower shall deliver to the Bank an application in such form and containing such statements and agreements, as the Bank shall reasonably request. Except as the Bank and the Borrower shall otherwise agree, applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall be made promptly in relation to expenditures for the Project.

(g) Section 8.03 is deleted and the following is substituted therefor:

Cancellation by the Bank. If (i) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty (30) days, or (ii) at any time the Bank determines, after consultation with the Borrower, that any amount of the Loan will not be required for the purposes of the Project, or (iii) at any time the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement/consultant selection or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the

situation, or (iv) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement, or (v) by the date specified in the Loan Agreement as the closing date for withdrawals an amount of the Loan shall remain unwithdrawn from the Loan Account, the Bank may by notice to the Borrower and the Guarantor, if any, terminate the right of the Borrower to make withdrawals with respect to such amount or contract. Upon the giving of such notice, the amount of the Loan or the relevant portion thereof shall be cancelled.

(h) Section 8.04 is deleted and the following is substituted therefor:

Amounts Subject to Commitment Letters. No cancellation or suspension shall apply to amounts subject to any commitment letter issued by the Bank pursuant to Section 5.02 except as expressly provided in such commitment letter.

Section 1.02. Capitalized terms in this Agreement shall have the meanings ascribed to them in the Loan Regulations and the Program Loan Agreement, except as otherwise required by the context in which they used herein and as otherwise defined below:

(a) "Agroindustry SME Fund" means the revolving fund referred to in paragraph 5 of Schedule 5 to this Loan Agreement;

(b) "Charter" means the charter of VBARD promulgated under Decision 280/QD-NHNN5 dated 15 October 1996 and Decision 571/2002/QD-NHNN dated 5 June 2002 of the Governor of the State Bank of Vietnam on the establishment of VBARD, and any amendments thereto;

(c) "PIU" means the Project Implementation Unit referred to in paragraph 1 of Schedule 5 to this Loan Agreement and established in VBARD for purposes of Project implementation;

(d) "Project facilities" means facilities to be constructed, provided, or maintained under the Project;

(e) "SME" means small- and medium-sized enterprise, as defined under the laws of the Borrower;

(f) "Subborrower" means an SME that meets the qualifications set out in paragraph 6 of Schedule 5 to this Loan Agreement, and to whom VBARD proposes to make or has made a Subloan;

(g) "Subloan" means a loan made or proposed to be made by VBARD out of the proceeds of the Loan to a Subborrower for a Subproject;

(h) "Subloan Agreement" means the agreement pursuant to which VBARD extends a Subloan to a Subborrower;

(i) "Subproject" means a specific development project meeting the criteria set out in paragraph 7 of Schedule 5 to this Loan Agreement, and to be carried out by a Subborrower utilizing the proceeds of a Subloan;

(j) "Subsidiary Loan" means the loan extended by the Borrower to VBARD, pursuant to the terms of the Subsidiary Loan Agreement; and

(k) "Subsidiary Loan Agreement" means the loan agreement referred to in Section 3.01 of this Loan Agreement entered into between the Borrower and VBARD pursuant to which proceeds from the Loan are lent to VBARD in accordance with the general terms set out in this Loan Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower from the Bank's Special Funds resources an amount in various currencies equivalent to twenty two million four hundred thirty eight thousand Special Drawing Rights (SDR22,438,000).

Section 2.02. (a) The Borrower shall pay to the Bank an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

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

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 June and 1 December in each year.

Section 2.04. (a) Subject to the provisions of paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

(b) If the Bank shall determine, after due consideration by its Board of Directors, that (i) the Borrower's gross national product per capita (per capita GNP) has exceeded the Bank's per capita GNP operational cutoff in respect of the Bank's Special Funds resources for five consecutive years and (ii) the Borrower has achieved the capacity to borrow from the Bank's ordinary capital resources, the Bank may, by notice to the Borrower, modify the terms of repayment of the Loan by increasing by 100 percent the amount of each maturity due thereafter until the principal amount of the Loan shall have been fully repaid. However, at the request of the Borrower, the Bank may, in lieu of so increasing any such maturity amounts, charge interest, at an annual rate to be agreed between the Borrower and the Bank, on the principal amount of the Loan withdrawn and outstanding from

time to time in such a manner and to such extent as to yield the same grant element as would be obtained under the above-stated increase of maturity amounts.

(c) If, at any time after a modification of the lending terms pursuant to the provisions of paragraph (b) above, the Bank shall, after due consideration by its Board of Directors, determine that the Borrower's economic condition has deteriorated significantly, the Bank may, at the request of the Borrower, restore the original lending terms with respect to the remaining amount of the Loan withdrawn and outstanding.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall relend a portion of the proceeds of the Loan equivalent to twenty two million one hundred thirty nine thousand Special Drawing Rights (SDR22,139,000), together with other funds required for the Project, to VBARD under a Subsidiary Loan Agreement upon terms and conditions satisfactory to the Bank, including the terms set out in paragraph 4 of Schedule 5 to this Loan Agreement.

(b) The Borrower shall cause VBARD to apply the proceeds of the Loan to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement. Except as the Bank shall otherwise agree, the terms of the Subloan Agreements shall include the terms set out in paragraph11 of Schedule 5 to this Loan Agreement.

Section 3.02. The goods and services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such goods and services and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

Section 3.03. Except as the Bank may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement. The Bank may refuse to finance a contract where goods or services have not been procured under procedures substantially in accordance with those agreed between the Borrower and the Bank or where the terms and conditions of the contract are not satisfactory to the Bank.

Section 3.04. Except as the Bank may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. Withdrawals from the Loan Account in respect of goods and services shall be made only on account of expenditures relating to

(a) goods which are produced in and supplied from and services which are supplied from such member countries of the Bank as shall have

been specified by the Bank from time to time as eligible sources for procurement, and

(b) goods and services which meet such other eligibility requirements as shall have been specified by the Bank from time to time.

Section 3.06. The closing date for withdrawals from the Loan Account for the purposes of Section 8.03 of the Loan Regulations shall be 30 September 2006 or such other date as may from time to time be agreed between the Borrower and the Bank.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause VBARD to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and banking practices.

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

Section 4.02. The Borrower shall make available to VBARD, promptly as needed, the funds, facilities, services and other resources that are required, in addition to the proceeds of the Loan, for the carrying out of the Project.

Section 4.03. (a) The Borrower shall furnish, or cause to be furnished, to the Bank all such reports and information as the Bank shall reasonably request concerning (i) the Loan, the Subsidiary Loan, the Subloans, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and services and other items of expenditure financed out of the proceeds of the Loan; (iii) the Project; (iv) the administration, operations and financial condition of VBARD; (v) financial and economic conditions in the territory of the Borrower and the international balance-of-payments position of the Borrower; and (vi) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, the Borrower shall cause VBARD to furnish to the Bank quarterly reports on the Project's implementation and its overall operations and management. Such reports shall indicate, among other things, (i) expenditures for the different Subprojects, by industry and subsector; (ii) credit disbursement, recoveries, overdues, outstanding loans and status of revolving fund; and (iii) physical progress of all Subprojects, including Subborrowers' compliance with covenants.

(c) Promptly after physical completion of the Project, but in any event not later than three (3) months thereafter, or such other date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish or shall cause to be prepared and furnished to the Bank a report, in such form and in such detail as the Bank shall reasonably request, on the utilization and impact of the Loan on intended beneficiaries, and the performances by the Borrower and VBARD of their obligations under this Loan Agreement.

Section 4.04. The Borrower shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.

Section 4.05. The Borrower shall take all action that shall be necessary on its part to enable VBARD to perform its obligations under the Project Agreement and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.06. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.

(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, or waived without the prior concurrence of the Bank.

Section 4.07. (a) It is the mutual intention of the Borrower and the Bank that no other external debt owed a creditor other than the Bank shall have any priority over the Loan by way of a lien on the assets of the Borrower. To that end, the Borrower undertakes (i) that, except as the Bank may otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest charge and any other charge on, the Loan; and (ii) that the Borrower, in creating or permitting the creation of any such lien, will make express provision to that effect.

(b) The provisions of paragraph (a) of this Section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) The term "assets of the Borrower" as used in paragraph (a) of this Section includes assets of any administrative subdivision or any agency of the Borrower and assets of any agency of any such administrative subdivision, including SBV and any other institution performing the functions of a central bank for the Borrower.

ARTICLE V

Suspension; Cancellation; Acceleration of Maturity

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

(a) the Borrower or VBARD shall have failed to perform any of their obligations under the Subsidiary Loan Agreement;

(b) any change in law shall have occurred which in the reasonable opinion of the Bank will or may adversely affect the carrying out of the Project or the ability of VBARD to perform any of its obligation under the Project Agreement;

(c) the Charter or any provision thereof shall have been repealed, suspended or amended in any manner which in the reasonable opinion of the Bank will or may adversely affect the carrying out of the Project or the operation of the Project facilities; or

(d) the Program Loan 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 additional events for acceleration of maturity for the purposes of Section 8.06(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01 The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Program Loan Agreement shall have been duly executed and delivered on behalf of the Borrower and shall have become fully effective and binding upon the Borrower in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

Section 6.02. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Delegation of Authority

Section 7.01. The Borrower hereby designates VBARD its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.06 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by VBARD pursuant to the authority conferred under Section 7.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 7.03. The authority conferred on VBARD under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and the Bank.

ARTICLE VIII

Miscellaneous

Section 8.01. The Governor of SBV is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

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

Facsimile Number:

(84-4) 825 0612
(84-4) 825 8385

For the Bank

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2231
(84-4) 933-1373.

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

SOCIALIST REPUBLIC OF VIET NAM

By _____
LE DUC THUY
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____
JOHN SAMY
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to support the Borrower's efforts to reduce poverty and promote development of agroindustry SMEs, through the provision of medium- and long-term credit. The Project for which the Loan is made is the financing by VBARD, through Subloans, of specific development projects in the private sector all in accordance with this Loan Agreement and the Project Agreement (the Subprojects).

2. The Project is expected to be completed by 31 March 2006.

SCHEDULE 2

Amortization Schedule

(Agriculture Sector Development Project)

Date Payment Due		Payment of Principal (expressed in Special Drawing Rights)*
01 June	2011	467,458
01 December	2011	467,458
01 June	2012	467,458
01 December	2012	467,458
01 June	2013	467,458
01 December	2013	467,458
01 June	2014	467,458
01 December	2014	467,458
01 June	2015	467,458
01 December	2015	467,458
01 June	2016	467,458
01 December	2016	467,458
01 June	2017	467,458
01 December	2017	467,458
01 June	2018	467,458
01 December	2018	467,458
01 June	2019	467,458
01 December	2019	467,458
01 June	2020	467,458
01 December	2020	467,458
01 June	2021	467,458
01 December	2021	467,458
01 June	2022	467,458
01 December	2022	467,458
01 June	2023	467,458
01 December	2023	467,458
01 June	2024	467,458
01 December	2024	467,458

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

SCHEDULE 2

Amortization Schedule

(Agriculture Sector Development Project)

Date Payment Due		Payment of Principal (expressed in Special Drawing Rights)*
01 June	2025	467,458
01 December	2025	467,458
01 June	2026	467,458
01 December	2026	467,458
01 June	2027	467,458
01 December	2027	467,458
01 June	2028	467,458
01 December	2028	467,458
01 June	2029	467,458
01 December	2029	467,458
01 June	2030	467,458
01 December	2030	467,458
01 June	2031	467,458
01 December	2031	467,458
01 June	2032	467,458
01 December	2032	467,458
01 June	2033	467,458
01 December	2033	467,458
01 June	2034	467,458
01 December	2034	467,474
	Total	22,438,000

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

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

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

Taxes

2. No withdrawals from the Loan Account shall be made in respect of any local taxes.

Percentages of Bank Financing

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

4. Notwithstanding paragraph 5 of this Schedule, any contract awarded to a local supplier after effective international competitive bidding or international shopping, subject to the relevant provisions of Schedule 4 to this Loan Agreement, shall be financed out of the proceeds of the Loan on the following basis:

(a) where the goods procured from a local supplier are manufactured locally, 100 percent of the ex-factory price of the goods supplied (exclusive of any taxes); and

(b) where the goods procured from a local supplier have been entirely imported, 100 percent of the foreign-currency component of the contract price.

Local Expenditure

5. (a) Loan proceeds up to the amount equivalent to SDR8,676,000 may be withdrawn from the Loan Account in foreign currency for the purposes of financing local expenditure.

(b) Except as provided in this paragraph or as the Bank may otherwise agree, no withdrawals from the Loan Account shall be made in respect of any local expenditure on the Project.

Schedule 3

Interest Charge

6. The amount allocated to Category 2 is for financing interest charge on the Loan during the implementation period of the Project. The Bank shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of interest charge.

Reallocation

7. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table and subject to paragraph 5 of this Schedule,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, the Bank 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 the Bank, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

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

Imprest Account; Statement of Expenditures

8. (a) Except as the Bank may otherwise agree, VBARD shall establish immediately after the Effective Date, a separate imprest account at a commercial bank to be designated by SBV within one month of the Effective Date. The imprest account shall be established, managed, replenished, and liquidated in accordance with the Bank's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and the Bank. The initial amount to be deposited into the imprest account shall be equivalent to 3 months' estimated expenditures, but in any event not exceeding the amount of $2,500,000 equivalent. Direct foreign exchange payment or letters of credit, as well as local currency expenditures may be paid out of the imprest account.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures to and to liquidate advances provided into the imprest account, in accordance with the Bank's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and the Bank. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of $50,000.

Schedule 3

Conditions for Disbursement

9. Notwithstanding any other provision of this Loan Agreement or the Loan Regulations, and except as the Bank may otherwise agree, no withdrawals shall be made from the Loan Account for the Subloans unless and until:

(a) a legal opinion, from counsel acceptable to the Bank, shall been delivered to the Bank opining that the Subsidiary Loan Agreement has been duly authorized, executed and delivered, and that the Subsidiary Loan Agreement has become effective and binding on the parties thereto, in accordance with the terms therein, and

(b) the First Tranche shall have been released.

10. Notwithstanding any other provision of this Loan Agreement or the Loan Regulations, and except as the Bank may otherwise agree, once the aggregate amount of financing disbursed or committed pursuant to Subloans reaches the equivalent of $14,800,000, no additional Subloans shall be approved and no disbursements shall be made for such new Subloans, until a financial review shall have been carried out by the Bank to review VBARD's lending operations and an agreement is reached between the Borrower, the Bank, and VBARD regarding the recommendations made on the basis of the review.

Attachment to Schedule 3

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Agriculture Sector Development Project)				
CATEGORY			PERCENTAGE OF BANK FINANCING	
Number	Item	Amount Allocated SDR	Percentage	Basis for Withdrawal from the Loan Account
1	Credit Line	22,139,000	67	percent of total expenditure (42% for foreign expenditure and 25% for local expenditure)
2	Interest Charge	299,000	100	amount due
	Total	22,438,000		

SCHEDULE 4

Procurement

1. Except as the Bank may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of goods and services to be financed out of the proceeds of the Loan. In this Schedule, the term "goods" includes equipment and materials; the term "services" does not include consulting services.

2. Procurement of goods and services shall be subject to the provisions of the "Guidelines for Procurement under Asian Development Bank Loans" dated February 1999 (hereinafter called the Guidelines for Procurement), as amended from time to time, which have been furnished to the Borrower and VBARD.

3. (a) Subject to paragraph 4 and 5 of this Schedule, each supply contract for equipment or materials estimated to cost the equivalent of $500,000 or less shall be awarded on the basis of international shopping as described in Chapter III of the Guidelines for Procurement.

(b) Each draft invitation to bid and related bid document need not be submitted to the Bank for approval before they are issued.

4. In the interest of cost efficiency and provided the relevant Subborrowers agree, VBARD may centralize the procurement of equipment and materials using international shopping as described in Chapter III of the Guidelines for Procurement. Any interested supplier shall be allowed to submit its bid. After the bids have been opened, the Subborrowers may indicate their orders from among the lowest responsive bids within a range specified in the bidding documents.

5. Each supply contract for equipment or materials estimated to cost less than the equivalent of $100,000, may be undertaken by the Subborrower through direct purchase. In such a case, the Borrower shall ensure that:

(a) VBARD requires its Subborrowers to demonstrate that the contracts were awarded in accordance with established commercial practices, that the procurement procedures adopted by them were appropriate in the circumstances, and that the procurement procedures were conducted in a transparent manner in conformity with the Bank's Anticorruption Policy; and

(b) VBARD ensures and certifies to the Bank that the goods and services financed by such Subloans have been procured from a member country of the Bank and purchased at a reasonable price, taking into account relevant factors such as time of delivery, efficiency and reliability of the goods, their suitability for the Subproject, the availability of maintenance facilities and spare parts, and, in the case of services, of their quality and the competence of the parties rendering them.

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

7. The Borrower shall ensure that all Bank-financed contracts for the procurement of goods and services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in paragraph 6 of this Schedule 4.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Project Executing Agency

1. VBARD shall be the Project Executing Agency. A PIU has been established within VBARD. The Borrower shall ensure that the PIU is adequately staffed at all times by competent personnel, including a full time director, a credit officer responsible for ensuring and facilitating implementation of the credit line, an evaluation officer to monitor and evaluate the implementation of the Loan, and a budget officer to prepare relevant withdrawal applications and submit periodic reports to the Bank.

2. The PIU shall be the Project-specific contact and focal point for the Bank in respect of all matters relating to the implementation, management, and coordination of the Project. The PIU shall be specifically responsible for:

(i) submitting withdrawal applications to the Bank;

(ii) coordinating and consolidating Project reporting requirements;

(iii) overseeing the implementation of the Project;

(iv) undertaking project performance monitoring as specified in paragraph 3 of this Schedule 5;

(v) advertising the credit lines and supervising their implementation;

(vi) conducting workshops to clarify the objectives, scope, targets and implementation plans for the Project;

(vii) carrying out the mid-term review and evaluation; and

(viii) production of progress reports, project completion reports and other reportings as may reasonably be required by the Bank.

Project Performance Monitoring

3. Within three months after the Effective Date, VBARD shall carry out a baseline survey of a stratified sample of agroindusty SMEs that is representative of the SME sector as a whole. The PIU shall carry out monitoring and evaluation of the Project in accordance with the Bank's Project Performance Management System and agreements reached with the Bank. The Borrower, the Bank, and VBARD shall carry out a comprehensive mid-term review at the end of the second year of Project implementation to evaluate the actual physical and financial progress of the Project, review the allocations of the proceeds of the Loan, the performance of the PIU, and generally, compliance with the covenants herein and in the Project Agreement. Based on this review, modifications and improvements to the Project may be made and implemented. The Bank will carry out annual reviews throughout Project implementation.

Schedule 5

Relending Terms under the Subsidiary Loan Agreement

4. Except as the Borrower and the Bank may otherwise agree, the proceeds of the Loan shall be relent to VBARD on the basis of the Subsidiary Loan Agreement, which shall include the following terms:

(i) the Subsidiary Loan shall be denominated in the currency of the Borrower and the Borrower shall bear the foreign exchange risk;

(ii) the Subsidiary Loan shall have a maturity of 20 years including a grace period of 5 years;

(iii) repayment of principal and interest shall be in equal semi-annual installments; and

(iv) the relending interest rate from the Borrower to VBARD shall be variable and within a range between the weighted average cost in the banking system, of (a) time deposit funds, and (b) mobilized savings funds of 12 months or more, as computed and informed by SBV at the end of each quarter.

Revolving Fund

5. A revolving fund (the Agroindustry SME Fund) shall be established by VBARD to onlend to eligible agroindustry SMEs. Proceeds from the repayment of the principal of the Subloans shall be used to fund and maintain the Agroindustry SME Fund. Financing from the Agroindustry SME Fund shall be used for the same purposes and under the same terms and conditions as those set out in this Loan Agreement.

Subborrowers and Subproject Eligibility Criteria

6. Except as the Borrower and the Bank may otherwise agree, each Subborrower shall, in order to be eligible to receive a Subloan, meet at least the following criteria:

(i) It is a legally established SME under the Borrower's laws.

(ii) If it is a current borrower, it shall have a satisfactory credit history with no current arrears or rescheduled borrowings.

(iii) It shall be able to contribute a minimum of 20% equity to the Subproject.

(iv) It shall be in compliance with the terms and conditions of the agreements for all its outstanding loans.

(v) It shall be in compliance with the regulations of VBARD.

7. Except as the Borrower and the Bank may otherwise agree, each Subproject in order to be eligible for financing through a Subloan, shall meet at least the following criteria:

(i) It shall be located in a rural area.

(ii) It shall be a potentially profitable and environmentally sound rural or agro-based business, primarily engaged in non-farm activities (i.e., activities that do not involve primary agricultural production).

(iii) It shall require medium- or long-term credit including semi-permanent working capital for business start-up or growth.

(iv) It shall have the potential for creating new employment.

(v) It shall not involve any land acquisition or involuntary resettlement effects.

(vi) It shall not result in any adverse environmental consequence.

8. The Borrower shall ensure that no portion of the Loan proceeds is used to purchase or acquire any land.

9. Subloans for amounts less than the equivalent of D5 billion shall be appraised and approved in accordance with VBARD's internal discretionary authorities. Subloans for amounts that are at least equivalent to D5 billion shall, in addition to the internal VBARD appraisal, be submitted to the Bank for review and concurrence.

10. The Borrower shall ensure that VBARD focuses on lending to SMEs with no more than about 300 employees.

Subloan Arrangements

11. (a) The Subloans shall be in Dong, with interest rates that shall cover the cost of funds, operating costs, loan loss and interest variation risks, in accordance with prevailing regulations of the Borrower. VBARD shall be required to evaluate all proposed Subborrowers and Subprojects in accordance with prudent banking procedures, supplemented by a cash-flow and debt-service analysis. The Subloan maturity shall be consistent with the projected Subproject implementation period and debt-service capacity of each Subborrower.

(b) Subloans shall not represent more than 80 percent of the cost of the Subproject. Subborrowers shall provide not less than 20 percent of the cost of the Subproject in the form of cash, materials or labor.

Further Subloan Approvals and Disbursement

12. When the aggregate amount of disbursements and commitments pursuant to Subloans reaches the equivalent of $14,800,000, a special financial review shall be carried out by the Bank to review VBARD's lending operations, and an agreement shall be reached between the Bank, VBARD, and the Borrower regarding the recommendations made on the basis of the review.

Schedule 5

Environment

13. VBARD shall require all Subborrowers for Subprojects to be financed with Subloans comply with ADB's environmental policies and procedures and the Borrower's environmental laws and regulations, and shall provide for appropriate waste disposal facilities and procedures. In the lending processes VBARD shall raise customer's awareness of environmental responsibilities by requiring (i) Subborrowers to provide copies of all environmental permits prior to disbursement under the Subloan, where such permits are required, (ii) the inclusion of a standard environmental loan covenant in all Subloan Agreements specifying the Subborrower's environmental responsibilities, and (iii) the monitoring of compliance with environment related covenants in the Subloan Agreements and taking corrective action if non-compliance is detected.

Financial Matters

14. External auditors shall be engaged to audit project accounts, including the imprest account and VBARD.

15. The Borrower shall ensure that VBARD shall have increased its modified core capital adequacy ratio (defined as paid-up capital, retained earnings, and reserves, excluding reserves for bad debts, divided by weighted risk assets [defined as total assets, less loan loss provisions and risk-free assets]) to at least 4% by 2005, and that VBARD shall have achieved a minimum core capital adequacy ratio of 8% on total equity on or before 31 December 2010.

16. The Borrower shall ensure that the proceeds of the Loan are not used to finance any loan to state owned enterprises or equitized enterprises where the Borrower has majority control.