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LOAN NUMBER 2682-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

LOAN AGREEMENT
(Special Operations)

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

WHEREAS

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

(B) by an agreement of even date herewith between the Borrower and ADB ("Hard-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 seventeen million one hundred fifty-nine thousand Special Drawing Rights (SDR17,159,000) in connection with the Project ("Hard-Term Loan"); 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 have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "Commune Supervision Board" means a board to be established in a commune where a Subproject is implemented, for the purpose of supervising activities under such Subproject;

(b) "Component" means a component of the Project, each of which as more fully described in Schedule 1 to this Loan Agreement;

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

(d) "Consulting Services" means the services to be financed out of the proceeds of the Loan, but excluding any services provided in relation to Goods and Works;

(e) "CPMU" means the Central Project Management Unit established within the Agriculture Projects Management Board under MARD;

(f) "DARD" means a department of agriculture and rural development of the Project province;

(g) "Goods" means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

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

(i) "List of Eligible Subprojects" means a list of candidate subprojects as provided in the PAM, which have been identified and agreed by the Borrower and ADB as eligible for financing under the Project;

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

(k) "MARD" means the Borrower's Ministry of Agriculture and Rural Development, or any successor thereto;

(l) "NGO" means a non-governmental organization;

(m) "PAM" means the project administration manual for the Project dated 10 September 2010 and agreed between MARD and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(n) "PPMU" means a provincial project management unit to be established within DARD;

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

(p) "Procurement Plan" means the procurement plan for the Project dated 10 September 2010 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(q) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MARD or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(r) "Project facilities" means any facilities to be constructed, provided, rehabilitated, operated and/or maintained under the Project;

(s) "Project province" means the Borrower's province where the Project is implemented;

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

(u) "Subproject" means a subproject to be financed under the Project, as selected in accordance with paragraphs 9 to 12 of Schedule 5 to this Loan Agreement; and

(v) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to fifty-four million one hundred sixteen thousand Special Drawing Rights (SDR54,116,000).

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

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

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 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 2 to this Loan Agreement.

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

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 Hard-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

Description of the Project

1. The objective of the Project is to increase the poor and ethnic minorities' access to and use of priority rural infrastructure rehabilitated in accordance with designs and operational mechanisms that address sustainability and the anticipated impacts from climate change.

2. The Project shall comprise the following outputs:

Component 1. Rural Infrastructure Improvement and Development: carrying out Subprojects in the Project provinces, including:

(i) rural road and market improvement;
(ii) irrigation rehabilitation and upgrading;
(iii) construction and rehabilitation of rural water supplies;
(iv) river bank stabilization; and
(v) any other initiatives to ensure the poor to participate equitably in benefits of a Subproject.

Component 2. Capacity Building: Building capacity of agency staff and other stakeholders involved in the Project implementation and those people responsible for operation and maintenance of infrastructure managed by the DARDs, through (i) training workshops at national and provincial levels; (ii) preparation of training material and the delivery of the same; (iii) overseas study tours to better appreciate how implementation issues are dealt with in other countries of the region; (iv) provision of consulting services to oversee the training program and to support the Project implementation; (v) follow-up training impact surveys to assist in improving the impact of the training methods; and (vi) other activities as necessary for effective Project implementation.

3. The Project is expected to be completed by 31 December 2016.

SCHEDULE 2

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	1,127,417.00
15-Oct-2019	1,127,417.00
15-Apr-2020	1,127,417.00
15-Oct-2020	1,127,417.00
15-Apr-2021	1,127,417.00
15-Oct-2021	1,127,417.00
15-Apr-2022	1,127,417.00
15-Oct-2022	1,127,417.00
15-Apr-2023	1,127,417.00
15-Oct-2023	1,127,417.00
15-Apr-2024	1,127,417.00
15-Oct-2024	1,127,417.00
15-Apr-2025	1,127,417.00
15-Oct-2025	1,127,417.00
15-Apr-2026	1,127,417.00
15-Oct-2026	1,127,417.00
15-Apr-2027	1,127,417.00
15-Oct-2027	1,127,417.00
15-Apr-2028	1,127,417.00
15-Oct-2028	1,127,417.00
15-Apr-2029	1,127,417.00
15-Oct-2029	1,127,417.00
15-Apr-2030	1,127,417.00
15-Oct-2030	1,127,417.00
15-Apr-2031	1,127,417.00
15-Oct-2031	1,127,417.00
15-Apr-2032	1,127,417.00
15-Oct-2032	1,127,417.00
15-Apr-2033	1,127,417.00
15-Oct-2033	1,127,417.00
15-Apr-2034	1,127,417.00
15-Oct-2034	1,127,417.00
15-Apr-2035	1,127,417.00
15-Oct-2035	1,127,417.00
15-Apr-2036	1,127,417.00
15-Oct-2036	1,127,417.00
15-Apr-2037	1,127,417.00
15-Oct-2037	1,127,417.00
15-Apr-2038	1,127,417.00

Schedule 2

15-Oct-2038	1,127,417.00
15-Apr-2039	1,127,417.00
15-Oct-2039	1,127,417.00
15-Apr-2040	1,127,417.00
15-Oct-2040	1,127,417.00
15-Apr-2041	1,127,417.00
15-Oct-2041	1,127,417.00
15-Apr-2042	1,127,417.00
15-Oct-2042	1,127,401.00
Total	54,116,000.00

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

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of 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 7 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

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

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

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

Disbursement Procedures

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

Imprest Account 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 Project provinces at commercial banks acceptable to ADB. 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 for a Soft-Term Project province 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 $540,000. The amount to be deposited into each second generation imprest account for a Hard-Term Project province shall not exceed the equivalent of $200,000.

(b) The statement of expenditures procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest accounts, 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 3

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	39,360,000		90 percent of total expenditure claimed
2	Equipment and Vehicles	747,000		
2A	Equipment		347,000	80.5 percent of total expenditure claimed
2B	Vehicles		400,000	70 percent of total expenditure claimed
3	Training	889,000		100 percent of total expenditure claimed*
4	Study Tour	189,000		100 percent of total expenditure claimed*
5	Consulting Services	2,571,000		97.5 percent of total expenditure claimed
6	Implementation Management	8,859,000		82.3 percent of total expenditure claimed
7	Interest Charge	1,501,000		100 percent of amounts due
	Total	54,116,000		

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

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.

2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Procurement of Goods and Works

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

(a) International Competitive Bidding;
(b) National Competitive Bidding; and
(c) Shopping.

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

Domestic Preference

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

National Competitive Bidding

6. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Selection of Consulting Services

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

8. The Borrower shall apply the following method for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Consultant Qualification Selection for road safety, safeguard and impact monitoring.

9. The Borrower may recruit the individual consultants, if required and acceptable to ADB, in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

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

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

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

ADB's Review of Procurement Decisions

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

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

1. The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by MARD and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Environment

2. The Borrower shall ensure that the Project facilities are constructed and operated in compliance with the Borrower's applicable environmental laws and regulations and ADB's *Safeguard Policy Statement* (2009), and that no Subprojects with significant adverse environmental impacts are financed under the Project. In particular, the Borrower shall ensure that Subprojects are carried out in accordance with environmental assessment procedures provided in the environmental assessment and review framework as agreed between the Borrower and ADB.

Resettlement

3. The Borrower shall ensure that no Subprojects which meet the ADB's Category A resettlement criteria as defined in the *Safeguard Policy Statement*, are included in the List of Eligible Subprojects, and that no Subproject with Category A resettlement criteria is financed under the Project.

4. Prior to the commencement of any resettlement activities under a Subproject with Category B resettlement criteria, the Borrower shall prepare or update as the case may be, and submit to ADB for approval, the relevant resettlement plans in accordance with the Resettlement Framework as agreed between the Borrower and ADB, the Borrower's relevant laws and regulations and ADB's *Safeguard Policy Statement*. The Borrower shall not issue a notice to commence civil works in a particular Subproject, until (a) compensation payment and relocation of the affected people in such particular Subproject, if any, have been completed satisfactorily in accordance with the respective resettlement plan; (b) rehabilitation assistance has been in place; and (c) such Subproject is free of all encumbrances.

Vulnerable Groups

5. The Borrower shall ensure that Subprojects do not adversely affect ethnic minorities, households headed by women, disabled, elderly or other similarly vulnerable groups, and that rights and needs of ethnic minorities are fully addressed in accordance with ADB's relevant policies. In particular, the Project shall be carried out in accordance with the Indigenous Peoples Development Framework, as agreed between the Borrower and ADB. For Subprojects in which ethnic minorities are present and affected, an Indigenous Peoples Plan shall be prepared in accordance with the Indigenous Peoples Planning Framework. The Borrower shall ensure that, measures to improve the welfare of ethnic minorities are built into

the overall Subproject design where the ethnic minority population exceeds 60% and no negative impacts on such ethnic minorities are expected.

Gender and Development

6. The Borrower shall ensure implementation of the Subproject specific gender action plans prepared under the overall principles of the Project-wide Gender Action Plan. MARD shall ensure that the gender mainstreaming activities are incorporated into the Project design and undertaken during project implementation. Such activities shall include (a) women's participation in the consultation and participatory process through the inclusion of representatives of the commune level Women's Union on the Commune Supervision Board; (b) the opportunity for women to participate in Subproject construction activities on the basis of equal pay for work of equal value; (c) the opportunity for women to participate in post-construction Subproject operation and maintenance activities on the basis of equal pay for work of equal value; (d) pro-poor activities specifically focused on women's needs; (e) equal opportunity for men and women to attend training courses and sessions under Component 2; (f) the inclusion of a social specialist in the Project implementation consulting team to address gender issues, where necessary; and (g) the proposed use of gender-disaggregated data in the benefit monitoring aspects of Project monitoring and evaluation.

Governance and Anticorruption

7. The Borrower shall ensure that (a) periodic inspections of the Project contractor's activities related to fund withdrawals and settlements are carried out; (b) relevant provisions of ADB's *Anticorruption Policy* (1998, as amended to date) are included in all bidding documents for the Project; and (c) contracts, financed under the Project, include provisions specifying the right of ADB to audit and examine the records and accounts of MARD and Project provinces, contractors, suppliers, consultants, and other service providers as they relate to the Project.

8. Within 2 months of the Effective Date, MARD shall create a Project website, accessible by the general public, to disclose information about various matters concerning the Project, including general project information, procurement, project progress, and contact details in the English and Vietnamese languages. The website shall also provide a link to ADB's Integrity Unit (http://www.adb.org/Integrity/complaint.asp) for reporting to ADB any grievances or allegations of corrupt practices arising out of the Project and Project activities. With regard to procurement, the website shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of Goods, Works and Consulting Services procured.

Subproject Eligibility and Priority

9. Except as provided in paragraph 12 below, the Borrower shall ensure that only candidate subprojects listed in the List of Eligible Subprojects are considered for financing under the Project.

10. The Borrower shall ensure that candidate subprojects in each province are taken up in the order of priority indicated in the List of Eligible Subprojects, and shall carry out feasibility studies and detailed design for such candidate subprojects.

Schedule 5

Feasibility Study Review

11. After completion of the feasibility studies as mentioned in paragraph 10 above, candidate subprojects shall be taken up for physical implementation in accordance with the procedures provided in the PAM. MARD, through the CPMU, shall ensure that candidate subprojects are financed only if they meet the following criteria:

a) a Subproject is shown to be technically feasible and the expected benefits have been clearly identified. If the estimated economic rate of return is below 10% a significant level of unquantifiable benefits will have been documented;
b) procurement packages have been clearly identified as well as the methods of procurement, cost estimates have been clearly identified and recorded and all sources of funding have been identified and agreed/confirmed;
c) the relevant Subproject investment report contains a detailed financing plan for operation and maintenance, including: the operations company is specified, and both a sufficient budget amount and corresponding source of funding are specified and agreed upon by the relevant Project province and other concerned parties;
d) public hearings on the Subproject proposal have been held in concerned communes, and measures for future public consultation and supervision by the relevant Commune Supervision Board are clearly spelled out;
e) a Subproject is shown to have no major negative environmental or social impacts, and mitigation measures have been defined for minor impacts;
f) a Subproject is shown to have no significant resettlement impacts, and if such Subproject is categorized as Category B, a resettlement plan has been prepared in accordance with the Resettlement Framework, and Borrower's laws and regulations, and ADB's *Safeguard Policy Statement*; and
g) where necessary, a Resettlement-Indigenous People's Development Plan has been prepared.

12. In case that a candidate subproject does not meet the criteria provided in paragraph 11 above, it shall be replaced by the next priority candidate subproject for the respective Project province under the List of Eligible Subprojects. If candidate subprojects not listed in the List of Eligible Subprojects are to be considered, they shall be examined and screened by MARD with the support from an independent consultant acceptable to both ADB and the Borrower, and submitted to ADB for approval.

Community Awareness and Beneficiary Participation

13. MARD shall ensure that Project provinces promote active community awareness and stakeholder participation in the design, implementation and performance monitoring of Subprojects, through (a) disseminating the nature of the proposed Project works in open public forums, (b) establishing a mechanism for public consultation, and (c) financing the operations of the Commune Supervision Board during project physical implementation activities. The Commune Supervision Board shall include representation from

the relevant women's union at the commune level. Bidding documents financed under the Project shall include provisions to ensure contractors' preferential hiring of local labor and to comply with the Borrower's Labor Code and labor regulations including guaranteeing equal opportunities for female workers to work with the principle of equal pay for work of equal value.

Operation and Maintenance of Project Facilities

14. The Borrower shall ensure that each Project province executes with MARD a memorandum of understanding, acceptable to ADB, providing such province shall (a) prepare a maintenance management plan that includes estimates of the physical works and associated costs required for routine and periodic maintenance, as well as provisions for emergency repairs for the whole life of the Project facilities; (b) include the maintenance management plans in its annual budgets; (c) provide adequate funds in a timely manner from provincial budgets to implement the maintenance management plan; and (d) establish mechanisms for the safe and proper use for each of the Project facilities in accordance with national regulations and practice, such as posting signs on roads and bridges of maximum weight limits, and as necessary to alert users of hazards or establishing physical barriers that prohibit vehicles above a certain size to pass.

Monitoring of Project Benefit and Resettlement

15. Within 12 months of the Effective Date, MARD, through CPMU, shall execute a contract with suitably qualified institutions such as social science institutes, universities, consulting firms, NGOs or other institutions acceptable to ADB, for Project benefit monitoring and the monitoring of the implementation of the resettlement plans. Such contract shall be submitted to ADB, and regular reports from the contracted institution shall be included in the quarterly reports to be submitted to ADB.