LOAN NUMBER 2827-VIE (SF)

LOAN AGREEMENT
(Special Operations)

(Support for the Implementation of the Poverty Reduction Program V – Subprogram 3)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 17 JANUARY 2012

VIE 42191

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 17 January 2012 between SOCIALIST REPUBLIC OF VIET NAM ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Borrower a letter dated 21 October 2011 which updates and supplements the development policy letter dated 23 October 2008 (collectively, "Policy Letter"), setting forth certain objectives, policies and actions, designed to develop the Borrower's poverty reduction sector ("Program");

(B) the Program comprises the third subprogram of the Program Cluster, as described in paragraph 1 of Schedule 1 to this Loan Agreement ("Program Cluster"), and the Borrower has applied to ADB for a loan for the purposes of the Program;

(C) the Borrower has carried out the measures and taken actions described in the Policy Matrix attached to the Policy Letter for the Program to the satisfaction of ADB and is maintaining a macroeconomic policy framework satisfactory to ADB; and

(D) 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 the 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, subject, however, to the following modifications:

(a) Section 2.01(24) is deleted and the following is substituted therefor:

> 24. The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower.

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

(c) Section 2.01(26) is deleted and the following is substituted therefor:

26. The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.

(d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".

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) "Counterpart Funds" means the Dong proceeds accruing to the Borrower and generated from the Loan proceeds under the Program and referred to in paragraph 1 of Schedule 5 to this Loan Agreement;

(b) "Deposit Account" means the account referred to in paragraph 4 of Schedule 3 to this Loan Agreement;

(c) "Dong" means Viet Nam Dong representing the Borrower's currency;

(d) "Eligible Items" means the goods imported under the Program (except those specifically excluded pursuant to Attachment to Schedule 3 to this Loan Agreement), the foreign exchange costs of which are eligible for financing out of the proceeds of the Loan;

(e) "PCU" means the PRSC Coordination Unit which was established in 2005 within SBV for the purpose of coordinating the PRSC process;

(f) "Policy Letter" means the development policy letters referred to in Recital (A) of this Loan Agreement;

(g) "Policy Matrix" means the policy matrix as agreed between the Borrower and ADB which sets forth the actions taken by the Borrower under the Program and the objectives, policies and actions to be achieved under the Program Cluster;

(h) "Program Cluster Period" means the period during which the Program Cluster will be implemented as agreed between the Borrower and ADB;

(i) "Program Executing Agency" means, for the purposes and within the meaning of the Loan Regulations, SBV, which is responsible for the carrying out of the Program Cluster;

(j) "Program Period" means the period commencing on 1 July 2010 to 30 June 2012 or such other date as may from time to time be agreed between the Borrower and ADB;

(k) "PRSC" means the Poverty Reduction Support Credit provided by the International Development Association for the purpose of supporting the Borrower in implementing the policy measures as set forth in the Policy Matrix;

(l) "SBV" means the Borrower's State Bank of Vietnam and any successor thereto; and

(m) "SC" means the Borrower's Steering Committee which was established in 2007 for the purpose of implementing the Borrower's Comprehensive Poverty Reduction and Growth Strategy and the PRSC, and any successor thereto.

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 fifteen million seven hundred forty-one thousand Special Drawing Rights (SDR 15,741,000).

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 May and 15 November 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 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 Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the ɔan shall be withdrawn in accordance with the provisions of Schedule 3 to this Loan ɟreement, as such Schedule may be amended from time to time by agreement between the ɜorrower and ADB.

Section 3.03. Except as ADB may o erwise agree, the Borrower shall procure, or cause to be procured, the Eligible Items to b financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to his Loan Agreement.

Section 3.04. Withdrawals from the Loan Account shall be made only on account of expenditures relating to Eligible Items which:

(a) are produced in, and 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) meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. Except as ADB may otherwise agree, no withdrawal shall be made from the Loan Account in respect of expenditures for Eligible Items incurred more than 180 days prior to the Effective Date.

Section 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2012 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 Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. (a) The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.

(b) The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.03. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program Cluster, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

Section 3.02. The proceeds of the Loan shall be withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the Eligible Items to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account shall be made only on account of expenditures relating to Eligible Items which:

(a) are produced in, and 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) meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. Except as ADB may otherwise agree, no withdrawal shall be made from the Loan Account in respect of expenditures for Eligible Items incurred more than 180 days prior to the Effective Date.

Section 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2012 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 Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. (a) The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.

(b) The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.03. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program Cluster, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB semiannual reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

ARTICLE V

Effectiveness

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

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

Section 6.02. 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
Ha Noi, 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 BINH
Governor
State Bank of Vietnam

ASIAN DEVELOPMENT BANK

By _____
TOMOYUKI KIMURA
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Program

1. The principal objective of the Program is to successfully implement the Borrower's Socio-Economic Development Plan 2006-2010, which will not only reduce poverty in 2006–2010, but also enhance the Borrower's economic competitiveness and strengthen the foundations for inclusive and sustainable growth and a continued reduction in poverty beyond 2010, and scope includes the following:

(a) Improving financial management and corporate governance of state-owned enterprises, developing the financial and private sectors, and improving the quality of infrastructure services;

(b) Improving the quality of health care and education, and access to these services;

(c) Strengthening the management of water resources and the protection of the environment; and

(d) Improving planning processes, strengthening public financial management and pubic administration, and reducing corruption.

2. The Program is the third subprogram of the Program Cluster. The Program Cluster and the Program are described in more detail in the Policy Letter. The Program shall have been implemented during the Program Period.

3. In support of the Program:

(a) the proceeds of the Loan shall be used to finance the foreign currency expenditures incurred for the Eligible Items; and

(b) the Counterpart Funds shall be used to finance the local currency expenditures relating to the implementation of certain programs and other activities consistent with the objectives of the Program pursuant to the provisions of paragraph 1 of Schedule 5 to this Loan Agreement.

4. The Program is expected to be completed by 30 June 2012.

SCHEDULE 2

Amortization Schedule

(Support for the Implementation of the Poverty Reduction Program V – Subprogram 3)

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
15-May-2020	491,906.00
15-Nov-2020	491,906.00
15-May-2021	491,906.00
15-Nov-2021	491,906.00
15-May-2022	491,906.00
15-Nov-2022	491,906.00
15-May-2023	491,906.00
15-Nov-2023	491,906.00
15-May-2024	491,906.00
15-Nov-2024	491,906.00
15-May-2025	491,906.00
15-Nov-2025	491,906.00
15-May-2026	491,906.00
15-Nov-2026	491,906.00
15-May-2027	491,906.00
15-Nov-2027	491,906.00
15-May-2028	491,906.00
15-Nov-2028	491,906.00
15-May-2029	491,906.00
15-Nov-2029	491,906.00
15-May-2030	491,906.00
15-Nov-2030	491,906.00
15-May-2031	491,906.00
15-Nov-2031	491,906.00
15-May-2032	491,906.00
15-Nov-2032	491,906.00
15-May-2033	491,906.00
15-Nov-2033	491,906.00
15-May-2034	491,906.00
15-Nov-2034	491,906.00
15-May-2035	491,906.00
15-Nov-2035	491,914.00
TOTAL	**15,741,000.00**

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

SCHEDULE 3

Withdrawal of Loan Proceeds

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

2. Withdrawals from the Loan Account shall be made for financing foreign currency expenditures incurred for Eligible Items under the Program.

3. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.

(b) Such withdrawal application shall be accompanied by a certificate of the Borrower confirming that (i) in case the proceeds of the Loan will finance imports already made, the value of Eligible Imports in the period concerned exceeded the amount of the requested withdrawal, or (ii) in case the proceeds of the Loan will finance items to be imported, the value of Eligible Imports in the immediately preceding one-year period was equal to or greater than the amount of the requested withdrawal plus all other amounts expected to be withdrawn from the Loan Account during the succeeding one-year period.

(c) For the purposes of this paragraph, the term "Eligible Imports" means the total imports of the Borrower during the relevant period minus the following imports during the same period:

(i) imports from countries which are not members of ADB; and

(ii) imports for ineligible items specified in the Attachment to this Schedule.

(d) The Borrower shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Borrower has certified the value of Eligible Imports in its withdrawal application.

4. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account (the Deposit Account) at a commercial bank acceptable to ADB into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Borrower shall have the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

(c) Throughout the Program implementation period, the Borrower shall submit trade statistics and any other information as ADB may require from time to time to assess the Borrower's compliance with the formula for determining Eligible Imports.

5. The loan proceeds shall be disbursed in a single tranche upon effectiveness of the Loan Agreement.

Attachment to Schedule 3

Negative List

No withdrawals will be made for the following:

(i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Borrower:

Table A12: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

(ii) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;

(iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(v) expenditures for narcotics;

(vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and

(vii) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

SCHEDULE 4

Procurement

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraph of this Schedule shall apply in the procurement of Eligible Items to be financed out of the proceeds of the Loan.

2. (a) Except as provided in subparagraph (b) of this paragraph, each contract for Eligible Items shall be awarded on the basis of either the purchaser's normal commercial procurement practices, in the case of procurement by the private sector, or the Borrower's prescribed procurement procedures, in the case of procurement by the public sector, having due regard for the principles of economy and efficiency.

(b) Each supply contract for Eligible Items which are commonly traded commodities shall be awarded on the basis of procedures appropriate to the trade.

SCHEDULE 5

Program Implementation and Other Matters

Counterpart Funds

1. The Borrower shall ensure that the Counterpart Funds shall be used to finance the structural adjustment costs and to finance the local currency costs relating to the implementation of the Program and other activities consistent with the objectives of the Program Cluster, as more fully described in Schedule 1 to this Loan Agreement and the Policy Letter, and shall, in particular, provide necessary budget appropriations to primarily finance the structural adjustment costs relating to the implementation of the reforms under the Program.

Implementation and Coordination

2. SBV, as the Program Executing Agency, shall be responsible for overall implementation of the Program Cluster, including administration and disbursement of Loan proceeds, maintenance of accounts, and preparation of semiannual progress reports on implementation of the Program Cluster. The Program Cluster shall be implemented through ministries and agencies represented in the SC, which are responsible for such aspects of the Program Cluster as are within their respective mandate.

3. The Borrower shall ensure that the Program Cluster and the Program shall be properly coordinated through the PCU. The PCU shall be the focal point for donors participating in the PRSC process, and shall be responsible for monitoring, reporting, awareness raising, capacity building, and disseminating the reform outcomes under the Program Cluster.

Implementation of the Policy Letter and Policy Matrix

4. The Borrower shall ensure that the policies and actions as described in the Policy Letter and the Policy Matrix, prior to this Loan Agreement shall continue in effect for the duration of the Program Cluster Period and thereafter as appropriate.

Policy Dialogue

5. The Borrower shall keep ADB informed of, and the Borrower and ADB shall from time to time exchange views on issues related to structural adjustment, macroeconomic management, socially inclusive development, and governance and public administration reforms and ensuing policy and institutional reforms, and additional reforms that may be considered necessary or desirable, including the progress made in carrying out the policies and actions set out in the Policy Letter and the Policy Matrix.

6. The Borrower shall promptly discuss with ADB problems and constraints encountered during implementation of the Program Cluster and appropriate measures to overcome or mitigate such problems and constraints.

7. The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral agencies that have implications for implementation of the Program Cluster, and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall take ADB's views into consideration before finalizing and implementing any such proposals.

Governance and Anticorruption

8. The Borrower, in addition to its compliance with ADB's Anticorruption Policy (1998, as amended to date), shall undertake other measures to ensure good governance, accountability and transparency under the Program in a manner satisfactory to ADB and acceptable to the Borrower.

Monitoring and Evaluation

9. The Borrower shall monitor the implementation of the Program Cluster. The Borrower and ADB shall review the implementation of the policy reforms set out in the Policy Letter, and assess the impact of all relevant reforms in the sector. The progress in policy reforms under the Program Cluster shall be assessed by the Borrower and ADB. To facilitate such review, the Borrower shall assist ADB by providing relevant data and information in such detail as ADB may reasonably request.

10. The Borrower shall evaluate the benefits of the Program Cluster during and after implementation in accordance with a schedule and terms of reference to be mutually agreed upon by the Borrower and ADB. The benefit monitoring and evaluations shall be conducted in accordance with ADB's Project Performance Monitoring System (as amended from time to time), a copy of which has been provided to the Borrower.