LOAN NUMBER 3228 -VIE(SF)

LOAN AGREEMENT
(Special Operations)

(Improving Competitiveness Program)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 9 February 2015

VIE 47293

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 9 February 2015 between SOCIALIST REPUBLIC OF VIET NAM ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 19 September 2014 ("Policy Letter"), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to develop the Borrower's macroeconomic reforms program ("Program");

(B) by a loan agreement of even date herewith between the Borrower and ADB ("OCR Loan Agreement"), ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources in an amount of $140,000,000 for the purposes of the Program;

(C) the Borrower has applied to ADB for a loan for the purposes of the Program to provide parallel collaborative cofinancing to the World Bank's Economic Management Competitiveness Development Policy Operation; 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 local currency generated from the Loan proceeds under the Program and referred to in paragraphs 6 of Schedule 4 to this Loan Agreement;

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

(c) "Dong" means the currency of the Borrower;

(d) "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;

(ii) imports of ineligible items specified in the Attachment to Schedule 3 to this Loan Agreement; and

(iii) imports financed by official international or bilateral aid agencies or any other loans or grants made by ADB;

(e) "Eligible Items" means the Eligible Imports and services in connection with the delivery and installation of such imports and consulting services;

(f) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2012, as amended from time to time);

(g) "Policy Matrix" means the policy matrix as agreed between the Borrower and ADB which sets forth the actions undertaken by the Borrower under the Program; and

(h) "Program Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Borrower's State Bank of Vietnam ("SBV") or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program.

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 sixty million six hundred eighty thousand Special Drawing Rights (SDR60,680,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and 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 1 June and 1 December 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 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. 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 3.04. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2015 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 4 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. 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 (i) the Counterpart Funds and the use thereof; and (ii) the implementation of the Program, including 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 the State Bank of Vietnam 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) 3 8250-612
(84-4) 3 8258-385.

For ADB

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

Facsimile Numbers:

(632) 636-2444
(84 4) 3933-1373.

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 as of the day and year first above written and to be delivered at the principal office of the 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 increase investment potential and to improve competitiveness of Borrower's economy.

2. The Program is described in more detail in the Policy Letter.

3. The Program is expected to be completed by 30 June 2015.

SCHEDULE 2

Amortization Schedule

(Improving Competitiveness Program)

Payment Due Date	Payment of Principal (expressed in Special Drawing Rights)*
1 June 2020	1,517,000
1 December 2020	1,517,000
1 June 2021	1,517,000
1 December 2021	1,517,000
1 June 2022	1,517,000
1 December 2022	1,517,000
1 June 2023	1,517,000
1 December 2023	1,517,000
1 June 2024	1,517,000
1 December 2024	1,517,000
1 June 2025	1,517,000
1 December 2025	1,517,000
1 June 2026	1,517,000
1 December 2026	1,517,000
1 June 2027	1,517,000
1 December 2027	1,517,000
1 June 2028	1,517,000
1 December 2028	1,517,000
1 June 2029	1,517,000
1 December 2029	1,517,000
1 June 2030	1,517,000
1 December 2030	1,517,000
1 June 2031	1,517,000
1 December 2031	1,517,000
1 June 2032	1,517,000
1 December 2032	1,517,000
1 June 2033	1,517,000
1 December 2033	1,517,000
1 June 2034	1,517,000
1 December 2034	1,517,000
1 June 2035	1,517,000
1 December 2035	1,517,000
1 June 2036	1,517,000
1 December 2036	1,517,000
1 June 2037	1,517,000
1 December 2037	1,517,000
1 June 2038	1,517,000
1 December 2038	1,517,000
1 June 2039	1,517,000
1 December 2039	1,517,000
TOTAL	**60,680,000**

* 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. (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 applications shall be accompanied by a certificate of the Borrower confirming that with respect to each year during which the proceeds of the Loan are expected to be disbursed, the value of the Eligible Imports is expected to be greater than the amount of the Loan expected to be disbursed during such year.

(c) 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.

3. (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 the State Bank of Vietnam or 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 accounting principles acceptable to ADB. Upon ADB's request, the Borrower shall have the financial statements for the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.

(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.

4. The Borrower may withdraw upon the Loan upon effectiveness of this Loan Agreement.

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: 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 any other goods designated as environmentally hazardous by agreement between the Borrower and ADB; 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

Program Implementation and Other Matters

Implementation Arrangements

1. The SBV as the Program Executing Agency shall be responsible for overall implementation of the Program. A Steering Committee chaired by a Deputy Prime Minister and comprising heads of key implementing agencies shall coordinate specific activities and deliverables under the Program. The Steering Committee shall review and endorse the proposed areas of operational focus.

Policy Actions and Dialogue

2. The Borrower shall ensure that all policy actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Program.

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

4. The Borrower shall keep ADB informed of, and the Borrower and ADB shall from time to time exchange views on, sector issues, policy reforms and additional reforms arising during the implementation of the Program, that may be considered necessary or desirable, including the progress made in carrying out policies and actions set out in the Policy Letter and the Policy Matrix.

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

Use of Counterpart Funds

6. The Borrower shall ensure that the Counterpart Funds are used to finance the implementation of policy undertakings and activities consistent with the objectives of the Program, and shall, in particular, provide relevant budget appropriations to finance the costs relating to implementation of the Program.

Governance and Anticorruption

7. The Borrower and SBV shall: (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Program; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

Schedule 4

Monitoring and Review

8. The Program Executing Agency shall, as needed, hold consultative meetings with stakeholders and the development partner community to solicit their feedback on emerging regulations and the impact of the Program.

9. The Borrower and ADB shall jointly assess the impact and evaluate the benefits of the Program within 12 months of the Effective Date.