LOAN NUMBER 2180-VIE(SF)

LOAN AGREEMENT
(Special Operations)

(Preventive Health System Support Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 15 SEPTEMBER 2005

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 15 September 2005 between the Socialist Republic of Viet Nam ("Viet Nam") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) Viet Nam has applied to ADB for a loan for the purposes of Parts B and D of the Project described in Schedule 1 to this Loan Agreement (the "Project"), and a grant from its Special Funds resources for the purposes of Parts A and C of the Project;

(B) ADB has agreed to make a grant to Viet Nam from ADB's Special Funds resources upon the terms and conditions set forth in the Grant Agreement, as defined below; and

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

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 May 2004 (the "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 modification: the term "Borrower", wherever it appears in the Loan Regulations, shall be substituted by the term "Viet Nam" as defined in the opening paragraph of this Loan Agreement.

Section 1.02. The definitions set forth in the Loan Regulations are applicable to this Loan Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "EMDP" means Viet Nam's Ethnic Minority Development Plan prepared by MOH, and agreed with ADB dated 22 April 2005;

(b) "DST" means the Department of Science and Training of MOH, or any successor thereto acceptable to ADB;

(c) "Grant Agreement" means the agreement of even date herewith between ADB and Viet Nam in respect of Parts A and C of the Project;

(d) "Grant Regulations" means the Grant Regulations referred to in Section 1.01 of the Grant Agreement;

(e) "HIV/AIDS" means human immunodeficiency virus/acquired immunodeficiency syndrome;

(f) "MOH" means the Ministry of Health of Viet Nam, or any successor thereto acceptable to ADB;

(g) "National Institutes" means the four national institutes participating in the Project, specifically, the Central Highlands Institute of Hygiene and Epidemiology in Buon Ma Thuot, the National Institute of Hygiene and Epidemiology in Hanoi, the Pasteur Institute of Nha Trang, and the Pasteur Institute of Ho Chi Minh City, or any successors thereto acceptable to ADB;

(h) "NTPs" means Viet Nam's national targeted programs for malaria, tuberculoses, dengue fever, leprosy, HIV/AIDS, goiter, nutrition, expanded program for immunization, mental health, and food safety, or their equivalents;

(i) "Part" means any of the Project components as described in Schedule 1 to this Loan Agreement;

(j) "PIU" means any of the Project implementation units to be established in each of the Project provinces and National Institutes, as more fully described in paragraph 5 of Schedule 6 to this Loan Agreement;

(k) "PHC" means a preventive health center under the management of the PHS responsible for overall planning, management, epidemiological monitoring and supervision of preventive health activities at the provincial level;

(l) "PHS" means each of the provincial health services in the Project provinces, or any successor thereto acceptable to ADB;

(m) "PMU" means the project management unit, as more fully described in paragraph 3 of Schedule 6 to this Loan Agreement;

(n) "Project Cell" means any of the Project cells to be established under the Project as described in paragraph 4 of Schedule 6 to this Loan Agreement;

(o) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations and the Grant Regulations means MOH, which is responsible for the carrying out of the Project;

(p) "Project facilities" means health and other facilities to be provided or maintained under the Project;

(q) "Project Priority provinces" means the following 17 Project provinces: Bac Kan, Binh Phuoc, Cao Bang, Dien Bien, Ha Giang, Hoa Binh, Lai Chau, Lang Son, Lao Cai, Ninh Thuan, Quang Binh, Quang Nam, Quang Ngai, Quang Tri, Son La, Thanh Hoa, and Yen Bai;

(r) "Project provinces" means the 46 provinces and cities in the territory of Viet Nam where the Project will be carried out, including the Project Priority provinces, and Ba Ria- Vung Tau, Bac Giang, Bac Ninh, Binh Dinh, Binh Duong, Binh Thuan, Da Nang,

Dong Nai, Ha Nam, Ha Noi , Ha Tay, Ha Tinh, Hai Duong, Hai Phong, Ho Chi Minh, Hung Yen, Khanh Hoa, Nam Dinh, Nghe An, Ninh Binh, Phu Tho, Phu Yen, Quang Ninh, Tay Ninh, Thai Binh, Thai Nguyen, Thua Thien Hue, Tuyen Quang, and Vinh Phuc, or any successors thereto acceptable to ADB;

(s) "PSC" means the Project Steering Committee established within the MOH for all ADB-financed projects according to Decision 4115/QD-BYT of 18 November 2004; and

(t) "SIEE" means the summary initial environmental examination prepared for the Project, and agreed with ADB dated 22 April 2005.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to Viet Nam from ADB's Special Funds resources an amount in various currencies equivalent to Nineteen Million Two Hundred Twenty-Two Thousand Special Drawing Rights (SDR19,222,000).

Section 2.02. (a) Viet Nam shall pay to ADB 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 15 February and 15 August in each year.

Section 2.04. Viet Nam 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.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. Viet Nam shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

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 Viet Nam and ADB.

Section 3.03. Except as ADB 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 and Schedule 5 to this Loan Agreement.

Section 3.04. 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 ADB as shall have been specified by ADB 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 ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2012 or such other date as may from time to time be agreed between Viet Nam and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, Viet Nam shall perform, or cause to be performed, all obligations set forth in Schedule 6 to this Loan Agreement.

Section 4.02. (a) Viet Nam shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest accounts/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) Viet Nam shall enable ADB, upon ADB's request, to discuss Viet Nam's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by Viet Nam, 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 Viet Nam unless Viet Nam shall otherwise agree.

Section 4.03. Without limiting the generality of Section 6.05(a) of the Loan Regulations, Viet Nam shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Project and on the operation and management of the Project facilities.

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

ARTICLE V

Suspension; Cancellation; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of Viet Nam to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: Viet Nam has, in the opinion of ADB, failed to perform any of its obligations under the Grant Agreement.

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. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

(a) the execution and delivery of the Grant Agreement on behalf of Viet Nam shall have been duly authorized or ratified by all necessary corporate and government actions;

(b) MOH shall have issued clear Project implementation guidelines specifying the roles and responsibilities of the PMU, the PIUs, and other agencies concerned, as well as the arrangements for the flow of funds provided under the Project; and

(c) the PMU and the PIUs shall have been established and become operational as provided in paragraphs 3 and 5 of Schedule 6 to this Loan Agreement.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: on behalf of Viet Nam, that the Grant Agreement has been duly authorized or ratified by, and executed and delivered on behalf of Viet Nam and is

legally binding upon Viet Nam in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

Section 6.03. 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

Miscellaneous

Section 7.01. The State Bank of Viet Nam is designated as representative of Viet Nam 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 Viet Nam

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

Facsimile Numbers:

(84-4) 8250-612
(84-4) 8258-385

For ADB

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

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

(632) 636-2444
(632) 636-2228.

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 ADB, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIET NAM

By _____
LE DUC THUY
Governor, State Bank of Viet Nam
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____
BRADFORD R. PHILIPS
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Project

1. The goal of the Project is to improve the health status of the population in the Project provinces. The specific objective of the Project is to assist in developing a comprehensive preventive health system that supports the Borrower's efforts to reduce the spread of communicable diseases and addresses emerging challenges in preventive health, including food safety and occupational health and safety.

2. The Project consists of the following parts:

Part A: Health Surveillance and Priority Health Issues

(i) Supporting health surveillance system by strengthening the capacity to collect and utilize epidemiological data, to ensure better tracking and monitoring of public health threats through developing an integrated surveillance system and supporting field visits and training.

(ii) Developing the quality of public health surveillance services by designing a monitoring system for the collection and analysis of information on the performance of preventive health centers (PHC), and providing technical support to upgrade areas of the PHC that do not meet the required quality of service standards.

(iii) Supporting communicable disease control in the Project Priority provinces through the existing national targeted programs (NTPs). This includes support to behavior change communication (BCC) activities, and technical and material support.

Part B: Strengthening the Preventive Health Service System

(i) Supporting PHCs in the Project provinces by providing (a) a basic package of level 1 laboratories; (b) equipment for the specific needs of level 2a and 2b laboratories; (c) equipment in the area of food safety, infectious disease control, school health, occupational safety, health programs, detection and diagnosis of life style and non-communicable diseases; and (d) complementary training both in the use of new equipment and in laboratory management.

(ii) Strengthening of National Institutes by providing additional equipment and supplies to improve the efficiency of these institutions in communicable disease control.

Schedule 1

Part C: Human Resource Development

(i) Supporting post graduate training for approximately 350 staff in key areas such as epidemiology, communicable disease control, public health, health system management, and laboratory procedures including (a) postgraduate degree in public health or laboratory procedures; (b) post-graduate training for a Master's of Public Health (or equivalent) level at foreign universities with specialization in epidemiology or planning and management for communicable disease control; (c) post-graduate certificate programs, including specialization in public health for medical doctors; and (d) the establishment of a field epidemiology training program.

(ii) Supporting technical training for approximately 2,500 staff of laboratories and other technicians working at the provincial, district and commune levels in infectious disease control, occupational health, environmental health, food safety, medical waste management, and school health in medical schools, universities, and national institutions.

(iii) Supporting community health training for approximately 3,500 health workers at the commune and district levels in the Project Priority provinces in (a) the preventive health needs of women and children, focusing on maternal mortality reduction, communicable disease control in children, and child nutrition, and (b) communicable disease control at the local level, focusing on infectious disease control, food safety, and immunization and vaccination management.

Part D: Project Management

Strengthening the capacity of MOH, National Institutes, and PHS to implement the Project through the provision of equipment and administrative support.

3. The Project is expected to be completed by 31 December 2011.

SCHEDULE 2

Amortization Schedule
(Preventive Health System Support Project)

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
15 February 2014	400,458
15 August 2014	400,458
15 February 2015	400,458
15 August 2015	400,458
15 February 2016	400,458
15 August 2016	400,458
15 February 2017	400,458
15 August 2017	400,458
15 February 2018	400,458
15 August 2018	400,458
15 February 2019	400,458
15 August 2019	400,458
15 February 2020	400,458
15 August 2020	400,458
15 February 2021	400,458
15 August 2021	400,458
15 February 2022	400,458
15 August 2022	400,458
15 February 2023	400,458
15 August 2023	400,458
15 February 2024	400,458
15 August 2024	400,458
15 February 2025	400,458
15 August 2025	400,458

* 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

Date Payment Due			Payment of Principal (expressed in Special Drawing Rights)*
15	February	2026	400,458
15	August	2026	400,458
15	February	2027	400,458
15	August	2027	400,458
15	February	2028	400,458
15	August	2028	400,458
15	February	2029	400,458
15	August	2029	400,458
15	February	2030	400,458
15	August	2030	400,458
15	February	2031	400,458
15	August	2031	400,458
15	February	2032	400,458
15	August	2032	400,458
15	February	2033	400,458
15	August	2033	400,458
15	February	2034	400,458
15	August	2034	400,458
15	February	2035	400,458
15	August	2035	400,458
15	February	2036	400,458
15	August	2036	400,458
15	February	2037	400,458
15	August	2037	400,474
		Total	19,222,000

* 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 ADB Financing

3. Except as ADB 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 pursuant 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 SDR1,450,000 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 ADB may otherwise agree, no withdrawals from the Loan Account shall be made in respect of any local expenditure on the Project.

Interest Charge

6. The amount allocated to Category 5 is for financing the interest charge on the Loan during the implementation period of the Project.

Schedule 3

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, ADB may, by notice to Viet Nam, (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 then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to Viet Nam, reallocate such excess amount to any other Category.

Imprest Accounts; Statement of Expenditures

8. (a) Except as ADB may otherwise agree, Viet Nam shall cause (i) the PMU to establish within one month of the Effective Date, an imprest account at a commercial bank acceptable to ADB, and (ii) the PIU to establish, within three months of the Effective Date, a second generation imprest account (SGIA) at a commercial bank, acceptable to ADB.

(b) The imprest account and each SGIA shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between Viet Nam and ADB. The initial amount to be deposited into the imprest account shall not exceed the lesser of the equivalent of $1,000,000 or the estimated expenditure for the first six months of the Project. The initial amount to be deposited into each of the SGIA shall not exceed the lesser of the equivalent of $10,000 or the estimated expenditure of the first six months of the Project.

(c) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account and SGIA, in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between Viet Nam and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of $100,000.

Attachment to Schedule 3

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Preventive Health System Support Project)				
CATEGORY			PERCENTAGE OF ADB FINANCING	
Number	Item	Amount Allocated SDR Category	Percentage	Basis for Withdrawal from the Loan Account
1	Equipment	15,464,000	100	percent of foreign expenditure
2	Research, Monitoring & Evaluation	135,000	81	percent of total expenditure
				(65% for foreign and 16% for local)
3	Consulting Services	863,000	100	percent of foreign expenditure
			100	percent of local expenditure *
4	Project Management (PMU, PIUs)	1,244,000	71	percent of total expenditure
				(60% for foreign and 11% for local)
5	Interest Charge	482,000	100	percent of amount due
6	Unallocated	1,034,000		
	Total	19,222,000		

*Exclusive of local taxes

SCHEDULE 4

Procurement

1. Except as ADB 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 and the Attachment hereto, 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 November 2004 (hereinafter called the Guidelines for Procurement), as amended from time to time, which have been furnished to Viet Nam.

3. (a) Procurement of goods and services shall be made without any restriction against, or preference for, any particular supplier or contractor or any particular class of suppliers or contractors, except as otherwise provided in paragraph 6 below.

(b) State-owned enterprises of Viet Nam shall be eligible to bid for contracts if they are legally and financially autonomous, independently managed and operating on the basis of commercial practices, and if they are not in any way associated with the military forces.

4. (a) Each supply contract for equipment or materials estimated to cost the equivalent of more than $1,000,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement.

(b) For contracts to be awarded on the basis of international competitive bidding, there shall be submitted to ADB, as soon as possible, and in any event not later than 90 days before the issuance of the first invitation to bid for the Project, a General Procurement Notice (which ADB will arrange to publish separately) in such form and detail and containing such information as ADB shall reasonably request. ADB shall be provided the necessary information to update such General Procurement Notice annually as long as any goods remain to be procured on the basis of international competitive bidding.

(c) For contracts to be awarded on the basis of international competitive bidding, procurement actions shall be subject to review by ADB in accordance with the procedures set forth in Chapter IV of the Guidelines for Procurement. Each draft invitation to bid, to be submitted to ADB for approval under such procedures, shall reach ADB at least 21 days before it is issued and shall contain such information as ADB shall reasonably request to enable ADB to arrange for the separate publication of such invitation.

5. (a) Each supply contract for equipment or materials estimated to cost the equivalent of $1,000,000 or less (other than minor items) 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 ADB for approval before they are issued.

(c) Notwithstanding paragraph 3.03(b) of the Guidelines for Procurement, any award of contract shall be subject to prior Bank approval.

6. In comparing bids under international competitive bidding, a margin of preference may be provided, at the option of Viet Nam and in accordance with the provisions of the Attachment to this Schedule, for goods manufactured in the territory of Viet Nam, provided that the bidder offering such goods shall have established to the satisfaction of Viet Nam and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods.

7. Contracts for supply and installation to cost the equivalent of $1,000,000 or less may be awarded on the basis of local competitive bidding among suppliers in accordance with the standard procedures of Viet Nam, acceptable to ADB. Selection and engagement of suppliers shall be subject to approval of ADB. As soon as the bids received have been evaluated, the proposal for award of contract shall be submitted to ADB for approval. For this purpose, ADB shall be furnished with three copies of (a) report describing the public opening of bids, (b) a summary and evaluation of the bids; (c) the proposal of award, and (d) a draft contract or a draft letter of acceptance. Promptly after each contract is awarded, ADB shall be furnished with three copies of the contract executed.

8. Each supply contract to cost the equivalent of less than $100,000, may be procured directly. Prior to such procurement, a list of individual items to be procured, an estimate of their costs, an indication of potential sources of supply and any related documents shall be submitted to ADB for approval. After award, three copies of each contract for such items shall be furnished to ADB.

9. (a) Viet Nam shall ensure that all ADB-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.

(b) Viet Nam shall ensure that all ADB-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 subparagraph (a) of this paragraph.

Preference for Domestically Manufactured Goods

1. In the procurement of goods through international competitive bidding, goods manufactured in the territory of Viet Nam may be granted a margin of preference in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of Viet Nam and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

(a) For application of domestic preference, all responsive bids shall first be classified into the following three categories:

Category I -- bids offering goods manufactured in the territory of Viet Nam which meet the minimum domestic value added requirement;

Category II -- bids offering other goods manufactured in the territory of Viet Nam; and

Category III – bids offering imported goods.

(b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods.

(c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I or Category II is found to be the lowest, it shall be selected for the award of contract.

(d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category III, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category III by adding either

(i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such Category III bid; or

(ii) 15 percent of the CIF bid price of such goods if the customs duties and import taxes referred to above exceed 15 percent of the CIF bid price.

If, after such further comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category III shall be selected for the award.

2. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference, including the minimum domestic value added.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

SCHEDULE 5

Consultants

1. The services of international and domestic consultants shall be utilized in the carrying out of the Project, particularly with regard to:

(a) public health;
(b) equipment and planning;
(c) training;
(d) project management;
(e) environment; and
(f) social development.

The terms of reference of the consultants shall be as determined by agreement between ADB and Viet Nam.

2. The selection, engagement and services of the consultants shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers" dated January 2005 (hereinafter called the Guidelines on the Use of Consultants), as amended from time to time, which have been furnished to Viet Nam.

3. The international consultants shall be selected and engaged as a firm by the PMU using the quality-and-cost-based selection (QCBS) method in accordance with the following procedures.

(a) Invitation for technical and financial proposals. The invitation to submit technical and financial proposals (hereinafter called the Request for Proposals or RFP) and all related documents shall be approved by ADB before they are issued. For this purpose, three copies of the draft RFP, the names of consultants to be short-listed, the proposed criteria for evaluation of both proposals, a draft consultancy contract, and other related documents shall be submitted to ADB. A period of at least 45 days shall be allowed for submission of both proposals. A copy of the final RFP as issued, together with all related documents, shall be furnished to ADB for information promptly after issuance. The validity period for the technical and financial proposals as provided in the RFP shall usually not exceed three months from the date specified for submission of the technical and financial proposals. The approval of ADB shall be obtained for any request to extend such validity period. Except as ADB may otherwise agree, the validity period, including any extensions, shall not exceed a maximum total period of six months. If the contract is not signed within the validity period in accordance with the Guidelines on the Use of Consultants, the selection shall be invalid and the selection and engagement process as provided in this paragraph shall be followed again.

(b) Evaluation and scoring of technical proposals. Immediately after the technical proposals have been evaluated and scored, approval of ADB shall be obtained to the evaluation and scoring of the technical proposals. For this purpose, ADB shall be furnished with three copies of the technical proposals.

(c) Public opening of financial proposals. The financial proposals of the firms whose technical proposals meet the minimum qualifying technical score shall be opened publicly after adequate notice is given to such firms or their representatives to attend the opening of the financial proposals.

(d) Evaluation and scoring of financial proposals and ranking of technical and financial proposals. After the financial proposals have been evaluated and scored, the ranking of the technical and financial proposals shall be made. Before negotiations are started with the first-ranked consultants, approval of ADB shall be obtained to the evaluation and scoring of the financial proposals and the ranking of the technical and financial proposals. For this purpose, ADB shall be provided with three copies of (i) the evaluation and scoring of the financial proposals and (ii) the ranking of the technical and financial proposals.

(e) Execution of contract. After the conclusion of negotiations but before the signing of the contract, ADB shall be furnished with the contract as negotiated for approval. Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

4. The domestic consultants shall be selected and engaged in accordance with procedures acceptable to ADB, and the selection and engagement of the domestic consultants shall be subject to the approval of ADB with regard to their competence and experience for carrying out the assignment. Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for approval.

5. Viet Nam shall ensure that all contracts with consultants financed under the Loan 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 rights or claim of any third party.

SCHEDULE 6

Execution of Project and Other Matters

Project Executing Agency

1. MOH shall be the Project Executing Agency (EA) responsible for the overall Project implementation.

Project Steering Committee (PSC)

2. Viet Nam shall ensure that the PSC headed by a Vice-Minister of Health shall supervise and coordinate project activities so that the Project implementation is consistent with Viet Nam's strategies and policies, including the Master Plan in the Development of the Preventive Health Network in Viet Nam by 2001 and Vision for 2010. The PSC shall responsible for providing guidance for timely and effective performance of the Project, supervising strategic planning, proposing changes to the Project, as appropriate.

Project Management Unit (PMU)

3. (a) Viet Nam shall ensure that the project implementation unit established under Loan VIE-2076 (SF): Health Care in the Central Highlands Project shall serve as the PMU for this Project. The PMU headed by the Project Director will coordinate the Project activities at the national and provincial level.

(b) Viet Nam shall ensure that at all times throughout the Project implementation period, the PMU shall comprised a full-time Deputy Director with appropriate skills and qualifications, and at least 5 full-time staff with adequate expertise in the areas of planning, accounting and disbursement, procurement, contract administration, and supported by administrative staff assigned from MOH and/or contracted. Additional staff may be assigned from MOH and/or contracted during the peak implementation period, as appropriate. The PMU shall have the (i) planning, (ii) administration, (iii) procurement, (iv) training, and (v) chief accountant and disbursement units.

(c) The PMU shall be responsible for (i) liaising with ADB and the PIU, (ii) preparing and implementing annual work plans, and other strategic planning documents to be approved by MOH, (iii) procuring goods, services, and equipment for the Project (including consolidating the requests for laboratory equipment and prepare unified bidding documents, review of bids, and award of contracts), (iv) managing the Project accounts (including the imprest accounts and SGIAs), preparing and consolidating disbursement applications, examining supporting documents, verifying bank reconciliations, and ensuring the adequate capacity and internal controls in the PIU; and (v) coordinating the technical activities of the Project.

Schedule 6

Project Cells

4. Viet Nam shall ensure that, by 31 March 2006, the Project Cells will be established by MOH within its Department of Science and Training (DST) and Department of Preventive Medicine and HIV/AIDS Control (DPH) to support the PMU. The Project Cell in DST shall focus on implementing Part C of the Project, including planning, designing, and implementing the Project training activities in preventive health. The Project Cell in DPH shall focus on implementing Parts A (i) and (ii) of the Project through the provision of technical support.

Project Implementation Unit (PIU)

5. Viet Nam shall ensure that a PIU shall be established within each of the PHS and National Institutes. The PIU headed by a director of the respective PHS and the National Institutes shall be responsible for (a) carrying out a needs assessment for the PHC and for communicable disease control; (b) preparing and submitting to the PMU annual project implementation plans indicating the required equipment, training program, and amount of funding; (c) carrying out local, small-scale procurement of goods and supplies, as appropriate, managing the provincial project account, and utilizing the statement of expenditures procedures; (d) ensuring that equipment procured and training provided are properly utilized based on the needs assessment. In addition, the PIU at the provincial level will be responsible for (e) operating health surveillance and providing information, as required; and (f) implementing training at the community and local levels in the Project Priority provinces.

Standards for Quality of Services

6. Viet Nam shall ensure that

(a) by 30 June 2006, MOH shall establish the standards for the quality of services of PHC laboratories;

(b) by 31 December 2006, MOH shall conduct an initial assessment of the PHC laboratories, based on those standards; and

(c) based on the initial assessment, necessary measures will be taken so that, by 1 June 2008, all PHC laboratories meet the minimum standards for safety and ability to use equipment and are certified by MOH.

Assessment of Equipment Needs

7. Viet Nam shall ensure that an assessment of the list of laboratory equipment for PHC will be finalized by MOH prior to preparing the bidding documents for laboratory equipment taking into account the needs and capacities of the Project province and the current stock of equipment.

Schedule 6

Continued Operation of National Targeted Programs

8. Viet Nam shall ensure that

(a) MOH will continue operation of NTPs to provide a means to channel support to provinces to fight communicable diseases;

(b) adequate and timely budgetary support will be provided so that NTPs supported by the Project will remain sustainable after the Project completion; ; and

(c) the financing provided for NTPs under the Project will not substitute the national budget for NTPs.

Continued Government Support for Training

9. Viet Nam shall ensure that

(a) starting in 2006 and throughout the Project implementation period, the amounts allocated in the national budget for training of staff in the preventive health system and the number of state-funded training positions in preventive health will remain at the same level or will annually increase so that by the Project completion, MOH has sufficient capacity to continue training at the established level;

(b) the financing provided under the Project will not substitute the existing national budget for training, and the training positions supported by the Project will be additional to the existing state-funded training positions; and

(c) MOH will evaluate the quality and availability of preventive health courses, develop and revise curricula, as appropriate, and carry out the selection of trainees under the Project in a transparent manner in accordance with criteria acceptable to ADB.

Operations and Maintenance

10. Viet Nam shall ensure that adequate budget will be made available to each of the Project provinces and National Institutes on an annual basis for the operations and maintenance of the Project facilities and for allocation of sufficient health staff based on the data on expenditures and purchases provided by MOH.

Epidemiological Maps

11. Viet Nam shall ensure that, by 31 December 2006, MOH will collect detailed epidemiological information, using established techniques to measure burden of disease, for the Project provinces. This database will be updated on an annual basis.

Schedule 6

Environment

12. Viet Nam shall ensure that

(a) all Project facilities will be operated in compliance with all applicable laws and regulations of Viet Nam, ADB's environmental policies and regulations, specifically, *ADB's Environment Policy, 2002,* and the summary initial environmental examination (SIEE); and

(b) the environmental mitigation measures set out in SIEE will be implemented. This includes but is not limited to (i) preparing an environmental management plan (EMP) for each of the Project provinces that will cover options available for waste management, (ii) public disclosure of EMP, (iii) ensuring that equipment procured under the Project meets appropriate environmental standards; (ii) proper disposal of old or nonfunctional equipment; and (iv) adequate training for PHC staff in medical waste management.

Ethnic Minorities

13. Viet Nam shall ensure that the Ethnic Minority Development Plan (EMDP) prepared for the Project will be implemented in accordance with applicable laws of Viet Nam and ADB's Policy on Indigenous Peoples, 1998. This includes ensuring equal opportunities for ethnic minority health staff in training, integration of cultural sensitivities in information, education, and communication materials and training programs.

Gender Strategy

14. Viet Nam shall ensure that the Project is implemented in accordance with the gender strategy agreed between Viet Nam and ADB, including provision of equal training opportunities for men and women, and addressing the needs of men and women by the preventive health system.

Project Performance Management System

15. Viet Nam shall ensure that (a) verifiable indicators incorporated into the Project framework will be closely monitored and evaluated throughout the Project implementation, (b) data is collected, analyzed and reported to all interested parties, including ADB, and (c) socio-economic and health data are disaggregated by gender and ethnicity, as appropriate.