LOAN NUMBER 2642-VIE(SF)

LOAN AGREEMENT
(Special Operations)

(Health Human Resources Sector Development Program)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 7 SEPTEMBER 2010

LPS:VIE 40354

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 7 September 2010 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 10 May 2010 ("Policy Letter"), setting forth certain objectives, policies and actions described in Schedule 1 to this Loan Agreement, which are designed to develop the human resources of the Borrower's health sector ("Program");

(B) by a loan agreement of even date herewith between the Borrower and ADB ("Project Loan Agreement"), ADB has agreed to provide a loan equivalent to twenty million eighty six thousand Special Drawing Rights (SDR20,086,000) in support of the Health Human Resources Sector Development Project ("Project") as described in Schedule 1 to the Project Loan Agreement;

(C) by a grant agreement of even date herewith between the Borrower and ADB ("Project Grant Agreement"), ADB has agreed to administer a grant equivalent to the amount of eleven million Dollars ($11,000,000) provided by the Government of Australia for the purpose of jointly financing the Project;

(D) the Borrower has applied to ADB for a loan for the purposes of financing the Program; and

(E) ADB, on the basis inter alia of the foregoing, has agreed to make a loan to the Borrower from ADB's Special Funds resources to finance the Program upon the terms and conditions hereinafter set forth.

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 the Borrower and ADB."

(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".

(e) Section 6.05(c) is deleted and the following is substituted therefor:

"(c) Promptly after the closing date for withdrawals from the Loan Account, but in any event not later than three (3) months thereafter or such later date as may be agreed for this purpose between the Borrower and ADB, the Borrower shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution of the Program, including its cost, the performance by the Borrower of its obligations under this Loan Agreement and the accomplishment of the purposes of the Loan."

Section 1.02. Whenever 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;

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

(c) "Dong" or the sign "D" means dong, the lawful currency of the Borrower;

(d) "Eligible Items" means the goods imported under the Program (except those specifically excluded pursuant to Attachment 1 to Schedule 3 of this Loan Agreement), of which the foreign exchange costs are eligible for financing out of the proceeds of the Loan;

(e) "First Tranche" means the portion of the proceeds of the Loan in an amount not exceeding the equivalent of ten million forty three thousand Special Drawing Rights (SDR10,043,000) to be initially withdrawn and utilized by the Borrower under this Loan Agreement;

(f) "MOH" means the Ministry of Health of the Borrower, and any successor thereto;

(g) "Policy Letter" means the policy letter dated 10 May 2010 from the Borrower to the President of ADB, as referred to in Recital (A) of this Loan Agreement;

(h) "Policy Matrix" means the policy matrix as agreed between the Borrower and ADB, which is attached to the Policy Letter;

(i) "Program" has the meaning given thereto in Recital (A) of this Loan Agreement;

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

(k) "Project" has the meaning given thereto in Recital (B) of this Loan Agreement;

(l) "Project Grant Agreement" has the meaning given thereto in Recital (C) of this Loan Agreement;

(m) "Project Loan Agreement" has the meaning given thereto in Recital (B) of this Loan Agreement;

(n) "Program Period" means the period covered by the Program from 1 January 2008 to 31 December 2012; and

(o) "Second Tranche" means the balance of the proceeds of the Loan remaining in the Loan Account after the utilization of the First Tranche, to be withdrawn in accordance with and subject to the provisions of paragraph 5 of Schedule 3 to this Loan Agreement.

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 twenty million eighty six thousand Special Drawing Rights (SDR20,086,000).

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 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 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 may be withdrawn from the Loan Account only for the purposes of financing foreign currency expenditures incurred for Eligible Items under the Program 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, all Eligible Items to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement.

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. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 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, 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 quarterly 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

Suspension; Cancellation; 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 Borrower shall have failed to perform any of its obligations under the Project Loan Agreement or the Project 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 Project Loan Agreement shall have been duly executed and delivered on behalf of, and shall have become legally binding upon, the Borrower, and all conditions precedent to its effectiveness, other than a condition requiring the effectiveness of this Loan Agreement, shall have been fulfilled;

(b) the Project Grant Agreement shall have been duly executed and delivered on behalf of, and shall have become legally binding upon, the Borrower, and all conditions precedent to its effectiveness, other than a condition requiring the effectiveness of this Loan Agreement, shall have been fulfilled; and

(c) all conditions for the release of the First Tranche, as set out in the Policy Matrix shall have been satisfied, and there has been no action on the part of the Borrower which materially reverses the objectives of the Program.

Section 6.02. 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 VII

Miscellaneous

Section 7.01. The Governor of the State Bank of Vietnam is designated as the 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
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2305.

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 Program

1. The principal objective of the Program is to improve the health status of the population in the territory of the Borrower by focusing on human resources development in the health sector through enhancing the quality, efficiency and equity in health workforce and health service delivery. The scope of the Program includes (i) improving planning and management of human resources in the health sector; (ii) strengthening the quality of human resources training in the health sector; and (iii) improving the management systems in health service delivery. The Program is described in more detail in the Policy Letter. The Program is to be implemented during the period from 1 January 2008 to 31 December 2012.

2. In support of the Program:

(a) the proceeds of the Loan shall be used to finance the foreign exchange costs of Eligible Items; and

(b) the Counterpart Funds shall be used to finance the local currency costs relating to the implementation of the Program and other activities consistent with the objectives of the Program, pursuant to the provision of paragraph 7 of Schedule 5 to this Loan Agreement.

3. The proceeds of the Loan are expected to be utilized by 31 December 2012.

SCHEDULE 2

Amortization Schedule
(Health Human Resources Sector Development Program)

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
1 December 2018	627,688
1 June 2019	627,688
1 December 2019	627,688
1 June 2020	627,688
1 December 2020	627,688
1 June 2021	627,688
1 December 2021	627,688
1 June 2022	627,688
1 December 2022	627,688
1 June 2023	627,688
1 December 2023	627,688
1 June 2024	627,688
1 December 2024	627,688
1 June 2025	627,688
1 December 2025	627,688
1 June 2026	627,688
1 December 2026	627,688
1 June 2027	627,688
1 December 2027	627,688
1 June 2028	627,688
1 December 2028	627,688
1 June 2029	627,688
1 December 2029	627,688
1 June 2030	627,688
1 December 2030	627,688
1 June 2031	627,688
1 December 2031	627,688
1 June 2032	627,688
1 December 2032	627,688
1 June 2033	627,688
1 December 2033	627,688
1 June 2034	627,672
Total	20,086,000

*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

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) Withdrawals from the Loan Account shall be made for the financing of the cost of Eligible Items.

(b) No withdrawals from the Loan Account shall be made in respect of any expenditures which have been financed by credits from official international or bilateral aid agencies or any other loans or grants made by ADB.

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;

(ii) imports for ineligible items specified in Attachment 1 to this Schedule; and

(iii) imports financed from credits from official international or bilateral aid agencies or any other loans made by ADB.

(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 six (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. Notwithstanding any other provisions of this Loan Agreement or the Loan Regulations and except as ADB may otherwise agree, no withdrawals shall be made from the Second Tranche unless ADB shall be satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program and, in particular, the conditions for the release of the Second Tranche specified in Attachment 2 to this Schedule have been fulfilled in form and substance satisfactory to ADB; and (b) there has been no action on the part of the Borrower which materially reverses the objectives of the Program.

Attachment 1 to Schedule 3

List of Ineligible Items

No withdrawals of the Loan proceeds shall be made in respect of:

(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 Dong or of 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.

Attachment 2 to Schedule 3

Conditions for Release of the Second Tranche

Part 1: Improvement of Planning and Management of Human Resources in the Health Sector
1. The Joint Committee on Human Resources Planning and Management has submitted a report to MOH on reform, planning, and management of the health workforce. 2. Standards for licensing of health facilities have been adopted, and institutional systems have been established and operational. 3. The health professional certification system has been established, including the following: - A decree on the detailed provisions and guidelines for the implementation of the Law on Examination and Treatment that contains provisions for the certification of health professionals has been issued; - A decree and/or related circulars have been issued to specify how the ethical, technical and administrative violations by health professionals regarding examination and treatment should be handled; - A circular has been issued to ensure that health professionals meet the requirement of continuing medical education and the compliance with such requirement will be monitored regularly; - The Advisory Council at MOH level has become operational; - A national unit within MOH with responsibility for the health professional certification system has been established and operational; - A national health professional certification database has been developed and tested; and - A national training plan has been submitted to the Minister of Health for training provincial staff involved in health professional certification.
Part 2: Enhancement of Quality and Training of Human Resources in the Health Sector
1. MOH has issued a guideline for the accreditation of pre-service and post graduate health professional training programs within recognized educational institutions. 2. MOH has issued a regulation (an upgrade of Circular 07/2008/TT-BYT dated 28/05/2008) on a system for accrediting continuing education courses, and a secretariat for implementing this system is established in MOH 3. MOH has formally issued a set of minimum standards for equipment available in Medical Colleges, based on courses provided and students enrolled. 4. MOH has completed a policy review on the implementation of Circular 09/2008/TT-BYT dated 1/8/2009 and Decision 1816/QD-BYT dated 26/5/2008, reporting on policy outcomes for improved service quality and recommendations on constraints and impact. 5. MOH has completed a policy impact review on increasing enrollment of ethnic minority students in health training, including the implementation of Decree 134/2006/ND-CP dated14/11/2006 and Circular 13/2008/TTLT-BGDDT-LDTBXH-BTC-BNV-UBDT dated 07/04/2008 with recommendations to address constraints.
Part 3: Improvement of Management Systems in Health Service Delivery
1. 20 care pathways have been developed, benchmarked, and costed in 6 hospitals, and at least 3 of such care pathways are for medical conditions that primarily affect women or are

primary care focused and delivered. 2. The guidelines for management and financing reform associated with the introduction of case-based provider payment linked to care pathways have been submitted to MOH and the Minister of Finance of the Borrower.

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 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 and acceptable to ADB.

SCHEDULE 5

Program Implementation and Other Matters

Program Implementation and Management

1. The Borrower shall: (a) ensure that the policies adopted and actions taken, as described in the Policy Letter and the Policy Matrix, prior to the date of this Loan Agreement continue in effect for the duration of, and beyond, the Program Period; and (b) adopt other policies and take other actions as specified in the Policy Letter and the Policy Matrix in accordance with the planned schedule, and ensure that such policies and actions shall continue in effect during and after the Program Period.

2. MOH, as the Program Executing Agency, shall have the overall responsibility for formulating and adopting relevant policy measures, Program administration, maintenance of all Program records, reporting to ADB, and administering and disbursing the Loan proceeds.

3. The Borrower shall ensure that the Loan proceeds are made available to MOH for development and implementation of health policies and plans consistent with the Program.

Policy Dialogue

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 Program Period that may be considered necessary or desirable, including the progress made in carrying out the Program.

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.

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

Counterpart Funds

7. The Borrower shall ensure that the Counterpart Funds are used to finance the local currency costs relating to the implementation of the Program and other activities consistent with the objectives of the Program, and shall provide necessary budget appropriations to finance the structural adjustment costs relating to the implementation of relevant reforms under the Program.

Schedule 5

Anticorruption

8. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Program. The Borrower agrees to cooperate, and shall cause any and all government offices, organizations and entities involving in implementing the Program to cooperate, fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation.