LOAN NUMBER 2222-VIE (SF)

TECHNICAL ASSISTANCE LOAN AGREEMENT
(Special Operations)

(GMS: Kunming-Haiphong Transport Corridor –
Noi Bai-Lao Cai Highway)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 19 JANUARY 2006

LAS:VIE 33307

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 19 January 2006 between the SOCIALIST REPUBLIC OF VIET NAM ("the Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) the Project will be carried out by Vietnam Expressway Corporation (hereinafter called "VEC"), and for this purpose the Borrower will make available to VEC the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(C) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and VEC;

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 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 modifications:

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

> The term "Technical Assistance" means the technical assistance for which ADB has agreed to make the Loan, as described in the Loan Agreement and as such description 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 "Technical Assistance".

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

> The term "Technical Assistance Executing Agency" means any entity responsible for the carrying out of the Technical Assistance 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 "Technical Assistance Executing Agency".

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) "EIA" means Environmental Impact Assessment;

(b) "EMDP" means Ethnic Minority Development Plan;

(c) "MOT" means the Borrower's Ministry of Transport and any successor thereto;

(d) "PIU" means Technical Assistance Implementation Unit;

(e) "RP" means Resettlement Plan;

(f) "SEIA" means Summary Environmental Impact Assessment;

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

(h) "Technical Assistance facilities" means the equipment provided or to be provided under the Technical Assistance.

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 four million two hundred and nine thousand Special Drawing Rights (SDR 4,209,000).

Section 2.02. (a) The Borrower 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 June and 15 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.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall make the proceeds of the Loan available to VEC through budgetary allocation and upon terms and conditions satisfactory to ADB and shall cause VEC to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project 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 the Borrower and ADB.

Section 3.03. 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 3.04. 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 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 September 2008 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 Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 6 to this Loan Agreement.

Section 4.02. The Borrower 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.

Section 4.03. The Borrower shall take all action which shall be necessary on its part to enable VEC to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: (a) the Borrower shall have approved the internal feasibility study; and (b) VEC shall have completed the establishment of the PIU, as described in paragraph 3 of Schedule 6 to this Loan Agreement, with expertise in engineering, procurement, accounting/financing, environment, resettlement and social development.

Section 5.02. 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 VI

Delegation of Authority

Section 6.01. The Borrower hereby designates VEC its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.04 and 3.05 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 6.02. Any action taken or any agreement entered into by VEC pursuant to the authority conferred under Section 6.01 of this Loan Agreement shall

be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 6.03. The authority conferred on VEC under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VII

Miscellaneous

Section 7.01. The Governor of the State Bank of Viet Nam of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For 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

Facsimile Numbers:

(632) 636-2444
(632) 636-2336

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

ASIAN DEVELOPMENT BANK

By _____

WILLIAM A. COSTIN
Acting Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Technical Assistance

1. The Technical Assistance shall assist the Borrower to carry out the preparatory work for construction of the entire length of the highway between Noi Bai and Lao Cai in preparation for the GMS: Kunming-Haiphong Transport Corridor -- Noi Bai-Lao Cai Highway Project (hereinafter called the Proposed Project).

2. The scope of the Technical Assistance shall include:

(a) detailed engineering design;

(b) updated economic and financial study;

(c) social and environmental studies, including preparation of an EIA, RP and EMDP, if required, for the Proposed Project; and

(d) assistance in preparing bidding and consulting service contracts, and related documents, required for civil works and construction supervision consulting services needed for the Proposed Project.

3. The Technical Assistance is expected to commence as soon as practicable following the Effective Date and be completed by 31 March 2008.

SCHEDULE 2

Amortization Schedule
(GMS: Kunming-Haiphong Transport Corridor – Noi Bai-Lao Cai Highway Technical Assistance)

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
15-Jun-2014	87,688.00
15-Dec-2014	87,688.00
15-Jun-2015	87,688.00
15-Dec-2015	87,688.00
15-Jun-2016	87,688.00
15-Dec-2016	87,688.00
15-Jun-2017	87,688.00
15-Dec-2017	87,688.00
15-Jun-2018	87,688.00
15-Dec-2018	87,688.00
15-Jun-2019	87,688.00
15-Dec-2019	87,688.00
15-Jun-2020	87,688.00
15-Dec-2020	87,688.00
15-Jun-2021	87,688.00
15-Dec-2021	87,688.00
15-Jun-2022	87,688.00
15-Dec-2022	87,688.00
15-Jun-2023	87,688.00
15-Dec-2023	87,688.00
15-Jun-2024	87,688.00
15-Dec-2024	87,688.00
15-Jun-2025	87,688.00
15-Dec-2025	87,688.00
15-Jun-2026	87,688.00
15-Dec-2026	87,688.00
15-Jun-2027	87,688.00
15-Dec-2027	87,688.00
15-Jun-2028	87,688.00
15-Dec-2028	87,688.00
15-Jun-2029	87,688.00
15-Dec-2029	87,688.00

* 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-Jun-2030	87,688.00
15-Dec-2030	87,688.00
15-Jun-2031	87,688.00
15-Dec-2031	87,688.00
15-Jun-2032	87,688.00
15-Dec-2032	87,688.00
15-Jun-2033	87,688.00
15-Dec-2033	87,688.00
15-Jun-2034	87,688.00
15-Dec-2034	87,688.00
15-Jun-2035	87,688.00
15-Dec-2035	87,688.00
15-Jun-2036	87,688.00
15-Dec-2036	87,688.00
15-Jun-2037	87,688.00
15-Dec-2037	87,664.00
Total	**4,209,000.00**

* 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.)

Percentages of ADB Financing

2. 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.

Interest Charge

3. The amount allocated to Category 3 is for financing the interest charge on the Loan during the implementation period of the Technical Assistance.

Reallocation

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

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

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

Imprest Account; Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at a commercial bank acceptable to ADB and the Borrower. The imprest account 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 the Borrower and ADB. The initial amount to be deposited into the imprest account shall not exceed the equivalent of the estimated expenditures for the first six months of the Technical Assistance implementation or the equivalent of $300,000, whichever is lower.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of $50,000.

Attachment to Schedule 3

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (GMS: Kunming-Haiphong Transport Corridor – Noi Bai-Lao Cai Highway Technical Assistance)			
CATEGORY			**ADB FINANCING**
Number	**Item**	**Amount Allocated (SDR) Category**	**Percentage and Basis for Withdrawal from the Loan Account**
1	Consulting Services	3,578,000	75% of total expenditure*
2	VEC Equipment	172,000	70% of total expenditure
3	Incremental Administration Costs	73,000	70% of total expenditure
4	Interest Charge	70,000	100 percent of amount due
5	Unallocated	316,000	75% of amount due**
	Total	**4,209,000**	100 percent of amounts due

* Total expenditure is $6,800,000 equivalent inclusive of taxes equivalent to $1,000,000.
** The unallocated component includes 75% of the physical contingency of the consulting services only.

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 the Borrower.

3. 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 provided in paragraphs 4 and 5 of this Schedule.

Local Competitive Bidding

4. Each supply contract for equipment or materials estimated to cost the equivalent of $500,000 or less (other than minor items) may be awarded on the basis of local competitive bidding among contractors in accordance with the standard procurement procedures of the Borrower and acceptable to ADB.

(a) For the first contract to be awarded on the basis of local competitive bidding, the first draft English language version of the bidding documents, as well as selection and engagement of contractors shall be subject to the 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 (i) an account of the public opening of bids; (ii) a summary and evaluation of the bids; (iii) the proposal for award; and (iv) 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 as executed.

(b) For the subsequent contracts, bid evaluation and award of contracts shall be subject to post review by ADB.

Direct Procurement

5. Equipment and materials estimated to cost, in the aggregate, the equivalent of $100,000 or less, may be procured directly from the manufacturers of the original equipment or their agents. 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.

Schedule 4

Industrial or Intellectual Property Rights

6. (a) The Borrower 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) The Borrower 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.

SCHEDULE 5

Consultants

1. The services of consultants shall be utilized in the carrying out of the Technical Assistance, particularly with regard to:

(a) highway design;

(b) information systems;

(c) road safety;

(d) economic analysis;

(e) financial analysis and assessment;

(f) environmental impact assessment;

(g) resettlement and social issues; and

(h) procurement.

The terms of reference of the consultants shall be as determined by joint agreement between ADB, MOT and VEC.

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 MOT and VEC.

3. The consultants shall be selected and engaged as a firm by VEC 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 Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

SCHEDULE 6

Execution of the Technical Assistance

Technical Assistance Executing Agency

1. MOT shall be the Technical Assistance Executing Agency and shall oversee the overall implementation of the Technical Assistance, including formal correspondence with the line ministries and relevant government offices (i.e., Office of the Government, Ministry of Finance, State Bank of Viet Nam, Ministry of Planning and Investment, and Ministry of Natural Resources and Environment), relevant provincial governments and ADB.

2. VEC shall be the implementing agency with responsibility for day-to-day Technical Assistance implementation under MOT's supervision.

3. VEC shall establish a PIU, headed by an experienced Director and suitably staffed. VEC shall be responsible for managing the consulting services, through the consultants' team leader.

General Assistance for Consultants

4. The Borrower shall provide, or cause the VEC to provide: (i) counterpart staff to the consultants under this Technical Assistance and (ii) the consultants and any staff involved with this Technical Assistance access to all financial and operational information concerning the Technical Assistance.

Social and Environmental Safeguards

5. MOT shall ensure that VEC prepares, with adequate public consultation, an EIA and a SEIA for the Proposed Project, which shall include an environmental management plan in accordance with the requirements of ADB's *Environment Policy* (2002), and submit them to ADB for approval. MOT shall ensure that the contract documents for the Proposed Project include specific measures as indicated in the SEIA and EIA and in accordance with ADB's *Environment Policy* to mitigate negative environmental impacts caused by the highway construction and to give due consideration to prevention of damage to the natural environment in the design, construction, operation, and maintenance of the highway facilities.

6. MOT shall ensure that VEC prepares an RP for the Proposed Project in accordance with the requirements of ADB's *Policy on Involuntary Resettlement* (1995) and submits the RP to ADB for approval.

7. MOT shall ensure that VEC prepares an EMDP for the subsequent investment project if impacts on the ethnic minorities living in the geographic area covered by the Proposed Project are significant. The determination whether the Plan is needed and its preparation shall be in accordance with ADB's *Policy on Indigenous Peoples* (2003).

Schedule 6

Financial Management

8. During implementation of the Technical Assistance, MOT shall ensure VEC utilizes sound financial management, financial reporting, internal controls and internal auditing systems acceptable to ADB.

Auditing and Accounting

9. Without prejudice to the generality of Section 4.02 of this Loan Agreement, the Borrower shall ensure that a separate accounting system for Technical Assistance expenditures is maintained in accordance with sound accounting principles. VEC and all Technical Assistance accounts, including financial statements, statements of expenditures and account records, shall be audited annually as part of the regular audit of accounts and financial statements by an independent auditing firm acceptable to ADB. The consolidated audit reports (in English) shall be submitted to ADB in accordance with the requirements and within the deadlines stated in Section 4.02(a) of this Loan Agreement. The audit opinion shall include (i) a detailed description of the source of funds and expenditures made; (ii) an assessment of the adequacy of accounting and internal controls systems within VEC and with respect to Technical Assistance expenditures and other financial transactions, and to ensure safe custody of Technical Assistance-financed assets; (iii) a determination as to whether the Borrower, MOT, and VEC have maintained adequate documentation for all financial transactions, specifically including the SOE and imprest account procedures; and (iv) confirmation of compliance with this Loan Agreement's financial requirements.