LOAN NUMBER 1781-VIE (SF)

LOAN AGREEMENT
(Special Operations)

(Tea and Fruit Development Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 1 October 2001

LAS:VIE 30317

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 1 October 2001 between the SOCIALIST REPUBLIC OF VIET NAM (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called the Bank).

WHEREAS

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

(B) the Bank has agreed to make a loan to the Borrower from the Bank's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of the Bank, dated 7 December 1982, 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 thereof (said Special Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

(a) Section 2.01(17) is deleted and the following is substituted therefor:

> 17. The term "dollar" or "dollars" or the sign "$" means dollar or dollars in the currency of the United States of America.

(b) Section 2.01(27) is deleted and the following is substituted therefor:

> 27. The term "interest charge" means a charge made on the Loan pursuant to Section 3.02, and includes a portion to cover administrative expenses and a portion that does not.

(c) The term "service charge" wherever it appears in the Loan Regulations shall be substituted by the term "interest charge".

(d) Section 4.05 is deleted and Sections 4.06, 4.07 and 4.08 are renumbered as Section 4.05, 4.06 and 4.07, respectively.

(e) Section 5.02 is deleted and Sections 5.03, 5.04, 5.05, 5.06 and 5.07 are renumbered as Sections 5.02, 5.03, 5.04, 5.05 and 5.06, respectively.

(f) The renumbered Section 5.02 is deleted and the following is substituted therefor:

> **Application for Withdrawal.** When the Borrower shall desire to withdraw any amount from the Loan Account, the Borrower shall deliver to the Bank an application in such form and containing such statements and agreements, as the Bank shall reasonably request. Except as the Bank and the Borrower shall otherwise agree, applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall be made promptly in relation to expenditures for the Project.

(g) Section 8.03 is deleted and the following is substituted therefor:

> **Cancellation by the Bank.** If (i) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty (30) days, or (ii) at any time the Bank determines, after consultation with the Borrower, that any amount of the Loan will not be required for the purposes of the Project, or (iii) at any time the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement/consultant selection or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, or (iv) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement, or (v) by the date specified in the Loan Agreement as the closing date for withdrawals an amount of the Loan shall remain unwithdrawn from the Loan Account, the Bank may by notice to the Borrower and the Guarantor, if any, terminate the right of the Borrower to make withdrawals with respect to such amount or contract. Upon the giving of such notice, the amount of the Loan or the relevant portion thereof shall be cancelled.

(h) Section 8.04 is deleted and Sections 8.05, 8.06 and 8.07 are renumbered as Sections 8.04, 8.05 and 8.06, respectively.

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the Loan Regulations have the

respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "CCF" means the Central People's Credit Fund which is the apex body for the PCFs, and is organized and existing under license from SBV;

(b) "CCF Subsidiary Loan Agreement" means the agreement to be entered into between MOF and CCF in the event the participation of PCFs in the Credit Component is agreed to by the Bank;

(c) "CPO" means the Central Project Office, and includes any successor thereto;

(d) "Credit Component" means the credit facilities to be provided through the PFIs to the eligible Subborrowers for the Subprojects under the Project, as specified in Schedule 1 to this Loan Agreement;

(e) "DARD(s)" means any or all of the provincial Departments of Agriculture and Rural Development of the Project Provinces, and includes any successor(s) thereto;

(f) "MARD" means the Ministry of Agriculture and Rural Development of the Borrower, and includes any successor thereto;

(g) "MOF" means the Ministry of Finance of the Borrower and includes any successor thereto;

(h) "MPI" means the Ministry of Planning and Investment of the Borrower and includes any successor thereto;

(i) "Non-Credit Component" means the activities other than those included in the Credit Component, to be financed under the Project, as described in Schedule 1 to this Loan Agreement;

(j) "PCF(s)" means each or all of the People's Credit Fund(s) in the Project Provinces;

(k) "PFI" means participating financial institution and refers to VBARD and the PCFs for the purposes of the Credit Component of the Project;

(l) "PHTI" means the Post-Harvest Technology Institute in Ho chi Minh City;

(m) "PIU" means the Project Implementation Unit of VBARD;

(n) "PPMU" means a Provincial Project Management Unit and includes any successor thereto;

(o) "PPSC" means a Provincial Project Steering Committee and includes any successor thereto;

(p) "PSC" means the Project Steering Committee and includes any successor thereto;

(q) "Project Executing Agency" for the purposes of and within the meaning of the Loan Regulations means (i) MARD, and includes any successor thereto, for the Non-Credit Component of the Project, and (ii) MOF with responsibilities as specified in Schedule 6, and includes any successor thereto, for the Credit component of the Project;

(r) "Project Province" means each of the provinces of the Borrower covered by the Project, namely Thai Nguyen, Phu Tho, Yen Bai, Lam Dong, Tuyen Quang, Ha Giang for tea Subprojects and, Bac Giang, Thanh Hoa, Hoa Binh, Binh Dinh, Khanh Hoa, Tien Giang, and Ben Tre for fruit Subprojects;

(s) "Research Institute" means any of PHTI, RIFAV, SOFRI and TRI;

(t) "Revolving Fund" means the revolving fund to be set up under the Credit Component, and as described in Schedule 6 of this Loan Agreement;

(u) "SBV" means the State Bank of Viet Nam;

(v) "SOFRI" means the Southern Fruit Research Institute;

(w) "Subborrower" means the beneficiary of a Subloan under the Project;

(x) "Subloan" means a loan provided to a Subborrower for a Subproject by a PFI under the Credit Component;

(y) "Subproject" means a specific project located in one of the Project Provinces covering one or more of the activities described in the Credit Component to be carried out by a Subborrower utilizing the proceeds of a Subloan;

(z) "Subsidiary Loan" means each of the loans provided under the Credit Component to (i) VBARD and (ii) CCF;

(aa) "Subsidiary Loan Agreements" means the VBARD Subsidiary Loan Agreement and the CCF Subsidiary Loan Agreement;

(bb) "RIFAV" means the Research Institute for Fruit and Vegetable;

(cc) "TRI" means the Tea Research Institute;

(dd) "VBARD" means the Viet Nam Bank for Agriculture and Rural Development; and

(ee) "VBARD Subsidiary Loan Agreement" means the agreement to be entered into between MOF and VBARD for provision of the Subsidiary Loan to VBARD.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower from the Bank's Special Funds resources an amount in various currencies equivalent to thirty one million one hundred and fifty seven thousand Special Drawing Rights (SDR 31,157,000).

Section 2.02. (a) The Borrower shall pay to the Bank 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 May and 15 November in each year.

Section 2.04. (a) Subject to the provisions of paragraphs (b) and (c) below, 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.

(b) If the Bank shall determine, after due consideration by its Board of Directors, that (i) the Borrower's gross national product per capita (per capita GNP) has exceeded the Bank's per capita GNP operational cutoff in respect of Special Funds resources for five consecutive years and (ii) the Borrower has achieved the capacity to borrow from the Bank's ordinary capital resources, the Bank may, by notice to the Borrower, modify the terms of repayment of the Loan by increasing by 100 percent the amount of each maturity due thereafter until the principal amount of the Loan shall have been fully repaid. However, at the request of the Borrower, the Bank may, in lieu of so increasing any such maturity amounts, charge interest, at an annual rate to be agreed between the Borrower and the Bank, on the principal amount of the Loan withdrawn and outstanding from time to time in such a manner and to such extent as to yield the same grant element as would be obtained under the above-stated increase of maturity amounts.

(c) If, at any time after a modification of the lending terms pursuant to the provisions of paragraph (b) above, the Bank shall, after due consideration by its Board of Directors, determine that the Borrower's economic condition has deteriorated significantly, the Bank may, at the request of the Borrower, restore the original lending terms with respect to the remaining amount of the Loan withdrawn and outstanding.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall make available to MARD a portion of the proceeds of the Loan in an amount equivalent to SDR 4,619,000 for the Non-Credit Component of the Project.

(b) The Borrower shall relend a portion of the proceeds of the Loan in an amount equivalent to SDR 26,538,000 for the Credit Component of the Project, to the PFIs under Subsidiary Loan Agreements upon terms and conditions satisfactory to the Bank, which shall include the terms and conditions set out in Schedule 6 to this Loan Agreement.

(c) The Borrower shall ensure that the proceeds of the Loan are applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

(d) The Borrower shall bear the foreign exchange risk on the Loan.

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 the Bank.

Section 3.03. Except as the Bank 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. The Bank may refuse to finance a contract where goods or services have not been procured under procedures substantially in accordance with those agreed between the Borrower and the Bank or where the terms and conditions of the contract are not satisfactory to the Bank.

Section 3.04. Except as the Bank may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. 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 the Bank as shall have been specified by the Bank 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 the Bank from time to time.

Section 3.06. The closing date for withdrawals from the Loan Account for the purposes of Section 8.03 of the Loan Regulations shall be 30 June 2007 or such other date as may from time to time be agreed between the Borrower and the Bank.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental, and agricultural practices.

(b) 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 make available, promptly as needed, the funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.

Section 4.03. (a) In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to the Borrower and the Bank, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and the Bank.

(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and the Bank. The Borrower shall furnish, or cause to be furnished, to the Bank, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

Section 4.04. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. (a) The Borrower shall make arrangements satisfactory to the Bank for insurance of the Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition,

transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 4.06. (a) The Borrower shall maintain, or cause to be maintained, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial condition of the agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof.

(b) The Borrower 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 the Bank; (iii) furnish to the Bank, as soon as available but in any event not later than 12 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 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 the Bank such other information concerning such accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

(c) The Borrower shall enable the Bank, or cause each PFI to enable the Bank, upon the Bank's request, to discuss the Borrower's or the PFI's financial statements for the Project and its financial affairs related to the Project from time to time with the Borrower's or the PFI's auditors, as the case may be, and shall authorize and require any representative of such auditors to participate in any such discussions requested by the Bank, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower or the PFI unless the Borrower or the PFI shall otherwise agree.

Section 4.07. (a) The Borrower shall furnish, or cause to be furnished, to the Bank all such reports and information as the Bank shall reasonably request concerning (i) the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and services and other items of expenditure financed out of the proceeds of the Loan; (iii) the Project; (iv) the administration, operations and financial condition of the agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof; (v) financial and economic conditions in the territory of the Borrower and the international balance-of-payments position of the Borrower; and (vi) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, the Borrower shall furnish, or cause to be furnished, to the Bank quarterly reports on the carrying out of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as the Bank shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to

remedy these problems, and proposed program of activities and expected progress during the following quarter.

(c) Promptly after physical completion of the Project, 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 the Bank, the Borrower shall prepare and furnish to the Bank a report, in such form and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, 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 4.08. The Borrower shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.

Section 4.09. The Borrower shall ensure that the Project facilities are operated, maintained and repaired in accordance with sound administrative, financial, engineering, environmental, and maintenance and operational practices.

Section 4.10. (a) It is the mutual intention of the Borrower and the Bank that no other external debt owed a creditor other than the Bank shall have any priority over the Loan by way of a lien on the assets of the Borrower. To that end, the Borrower undertakes (i) that, except as the Bank may otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien shall ipso facto equally and ratably secure the payment of the principal of, and interest charge and any other charge on, the Loan; and (ii) that the Borrower, in creating or permitting the creation of any such lien, shall make express provision to that effect.

(b) The provisions of paragraph (a) of this Section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) The term "assets of the Borrower" as used in paragraph (a) of this Section includes assets of any administrative subdivision or any agency of the Borrower and assets of any agency of any such administrative subdivision, including the State Bank of Viet Nam and any other institution performing the functions of a central bank for the Borrower.

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 8.02(l) of the Loan Regulations: the Borrower or any PFI shall have

failed to perform any of its obligations under the relevant Subsidiary Loan Agreement, or a change shall have been made in the Subsidiary Loan Agreement without the consent of the Bank.

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: that 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 Steering Committee shall have been established, as provided in paragraph 2 of Schedule 6 to this Loan Agreement;

(b) an adequate number of appropriately qualified full time staff shall have been recruited for the CPO; and

(c) the VBARD Subsidiary Loan Agreement, in form and substance satisfactory to the Bank, shall have been executed and delivered and shall be binding on the parties thereto.

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 the Bank: that the Subsidiary Loan Agreement referred to in Section 6.01(c) of this Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, and is legally binding upon, the parties thereto, 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 Governor of SBV 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 the Borrower

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

Cable Address:

Viet Bank

Telex Number:

412248 NHTW VT

Facsimile Number:

(84-4) 825 0612

For the Bank

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) 636-2595.

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

SOCIALIST REPUBLIC OF VIET NAM

By _____
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____
JOHN SAMY
Resident Representative

SCHEDULE 1

Description of the Project

1. The objectives of the Project are (i) to increase farm income and raise the value of agricultural production by developing tea and fruit production in the Project Provinces, and (ii) to enhance the environment by stabilizing long term land use by planting fruit trees and tea plants.

2. The Project consists of the following components:

PART A. Credit Component

Provision of long term credit for Subprojects encompassing:

(i) nursery operations;

(ii) field development, consisting of infilling/rehabilitation of about 1,500 hectares of tea, planting/replanting of about 2,300 hectares of tea, and planting of 23,000 hectares of fruit trees using accredited clonal materials, including planting of 7,500 hectares of deforested land; and

(iii) processing facilities and post-harvest handling of tea and fruit.

PART B. Non-Credit Component

a. Technology and Market Information Package

Development and provision of a technology package to farmers and establishment of a market information system in the DARDs, including:

(i) technical manuals: development and distribution of two technical manuals for tea and fruit respectively, covering all aspects of cultivation, including nursery practices, and providing information on the principles of Subloan applications, evaluation of proposals and financial planning for meeting interest and loan repayments for Subloans;

(ii) certification of nurseries: provision of support for the establishment of sets of standards and systems for the certification of tea and fruit nurseries;

(iii) classification of tea and fruit growing areas: support for the updating of existing land use maps, including land inspection to identify high potential areas for growing tea and fruit;

(iv) market information service: support for the development and initial operation of a market information service in the DARDs to disseminate information regarding retail and wholesale prices of fruits in major markets, and for the development of a transparent green leaf pricing formula for tea; and

(v) quality assurance: support for the development of a quality assurance manual and wall charts for fruit, provision of finance for overseas study tours by tea processors, and production of an updated manual of procedures for tea factories.

b. Research Strengthening

Provision of support for the Research Institutes, including:

(i) the restructuring of TRI and RIFAV with regard to alternative mechanisms for obtaining sustainable financing, provision of autonomy and establishment of effective management;

(ii) provision of equipment and vehicles; and

(iii) support for the establishment of mother trees blocks.

c. Project Management

Provision of financing for:

(i) vehicles, equipment, and recurrent expenditure for CPO and the PPMUs; and

(ii) Project management for monitoring of credit and non-credit activities .

d. Training

Provision of training to:

(i) CPO and PPMU staff in Project management and Project monitoring and evaluation; and

(ii) extension staff of DARDs, staff of the PFIs, and farmers in technical aspects of agriculture including environment and integrated pest management .

3. Consulting services will be provided for development of the technology package, restructuring of TRI and RIFAV, and Project management.

4. The Project is expected to be completed by 31 December 2006.

SCHEDULE 2

Amortization Schedule

(Tea and Fruit Development Project)

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
15 May 2009	649,104
15 November 2009	649,104
15 May 2010	649,104
15 November 2010	649,104
15 May 2011	649,104
15 November 2011	649,104
15 May 2012	649,104
15 November 2012	649,104
15 May 2013	649,104
15 November 2013	649,104
15 May 2014	649,104
15 November 2014	649,104
15 May 2015	649,104
15 November 2015	649,104
15 May 2016	649,104
15 November 2016	649,104
15 May 2017	649,104
15 November 2017	649,104
15 May 2018	649,104
15 November 2018	649,104
15 May 2019	649,104
15 November 2019	649,104
15 May 2020	649,104
15 November 2020	649,104
15 May 2021	649,104
15 November 2021	649,104
15 May 2022	649,104
15 November 2022	649,104

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* 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 May	2023	649,104
15 November	2023	649,104
15 May	2024	649,104
15 November	2024	649,104
15 May	2025	649,104
15 November	2025	649,104
15 May	2026	649,104
15 November	2026	649,104
15 May	2027	649,104
15 November	2027	649,104
15 May	2028	649,104
15 November	2028	649,104
15 May	2029	649,104
15 November	2029	649,104
15 May	2030	649,104
15 November	2030	649,104
15 May	2031	649,104
15 November	2031	649,104
15 May	2032	649,104
15 November	2032	649,112
	Total	31,157,000

* 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 Bank Financing

3. Except as the Bank 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 of SDR19,531,000 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 the Bank may otherwise agree, no withdrawals from the Loan Account shall be made in respect of any local expenditure on the Project.

Schedule 3

Interest Charge

6. The amount allocated to Category 8 is for financing interest charge on the Loan during the implementation period of the Project. The Bank shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge.

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, the Bank 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 the Bank, 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, the Bank may, by notice to the Borrower, reallocate such excess amount to any other Category.

Imprest Account; Statement of Expenditures

8. (a) Except as the Bank may otherwise agree, the Borrower shall establish immediately after the Effective Date, separate imprest accounts at commercial banks designated by SBV for the Credit and Non-Credit Components of the Project. The imprest accounts shall be established, managed, replenished and liquidated in accordance with the Bank's "Loan Disbursement Handbook" dated June 1996, as amended from time to time, and detailed arrangements agreed upon between the Borrower and the Bank. The initial amount to be deposited into the imprest accounts shall be the equivalent of 4 month's estimated expenditures, not exceeding the equivalent of $3,000,000 for the Credit Component and the equivalent of $500,000 for the Non-Credit Component .

(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 the Bank's "Loan Disbursement Handbook" dated June 1996, as amended from time to time, and detailed arrangements agreed upon between the Borrower and the Bank. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of $50,000.

(c) Second-generation imprest accounts (SGIAs) shall be established in each of the Provinces, where the Non-Credit Component will be implemented, and shall be utilized to meet the Project expenditures incurred by the concerned PPMUs. The SGIAs shall be replenished by the imprest account upon submission of documents supporting PPMU expenditures.

Condition for Withdrawals from Loan Account

9. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account for items (ii) and (iii) of the Research Strengthening component of the Project described in paragraph 2, Part B, Items b(ii) and (iii) of Schedule 1 to this Loan Agreement, in respect of TRI and RIFAV, until the restructuring of TRI and RIFAV have been carried out as agreed with the Borrower and the Bank.

Attachment to Schedule 3

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Tea and Fruit Development Project)					
CATEGORY				PERCENTAGE OF BANK FINANCING	
Number	Item	Amount Allocated [SDR] Category	Subcategory	Percentage	Basis for Withdrawal from the Loan Account
1	Credit	26,538,000		70	percent of total expenditure
					(20% for foreign and 50% for local)
2	Civil Works +	119,000		50	percent of total expenditure
					(50% for foreign and 0% for local)
3	Equipment ++	939,000		100	percentage of foreign expenditure*
				100	percentage of local expenditure*
4	Vehicles	328,000		100	percentage of foreign expenditure*
				100	percentage of local expenditure*
5	Workshops and Training	1,198,000		100	percentage of foreign expenditure*
				50	percentage of local expenditure *
6	Consulting Services	384,000		100	percentage of foreign expenditure*
				70	percentage of local expenditure
7	Recurrent Expenditure	365,000		62	(52% for foreign and 10% for local)
8	Interest Charge	531,000		100	percent of amounts due
9	Unallocated	755,000			
	Total	31,157,000			

* Excluding local taxes and duties
+ If 100% financed by the Borrower, amount to be reallocated.
++ If some equipment 100% financed through budgetary allocation, the equivalent amount will either be reallocated or used to procure other equipment to be identified.

SCHEDULE 4

Procurement

1. Except as the Bank 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 February 1999 (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.

4. (a) Except as provided in paragraph 6 below, each supply contract for equipment or materials (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 shall be submitted to the Bank 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.

5. Civil works contracts for upgrading and rehabilitation of Research Institute structures may be awarded on the basis of local competitive bidding among prequalified contractors in accordance with the standard procurement procedures of the Borrower and acceptable to the Bank. Prequalification, selection and engagement of contractors shall be subject to the approval of the Bank. As soon as the bids received have been evaluated, the proposal for award of contract shall be submitted to the Bank for approval. For this purpose, the Bank 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, the Bank shall be furnished with three copies of the contract as executed.

6. Each supply contract for vehicles, equipment and materials estimated to cost the equivalent of less than $100,000 may be awarded through direct purchase procedures acceptable to the Bank.

7. For procurement of goods and services to be financed by Subloans made out of the proceeds of the Credit Component, PFIs shall require the Subborrowers to demonstrate that the procurement procedures adopted by them are appropriate in the circumstances. PFIs shall also ensure and certify to the Bank that the goods and services to be financed by such Subloans shall be purchased at a reasonable price, account being taken also of relevant factors such as time of delivery, efficiency and reliability of the goods, their suitability for the Subprojects and the availability of maintenance facilities and spare parts, and, in the case of services, of their quality and the competence of the parties rendering them.

8. Other Provisions. (a) The Borrower shall ensure that all Bank-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 Bank-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 Project, particularly with regard to:

(a) development of the technology package;
(b) restructuring of Research Institutes; and
(c) Project management.

The terms of reference of the consultants shall be as determined by agreement between the Bank and the Borrower.

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 October 1998, as amended from time to time, which have been furnished to the Borrower, and other arrangements satisfactory to the Bank on the engagement of domestic consultants.

3. Selection and engagement of the consultants shall be made without any restriction against, or preference for, any particular consultants or any particular class of consultants.

4. The consultants shall be selected and engaged by CPO in accordance with the following procedures.

(a) Invitation for proposals. The invitation to submit proposals and all related documents shall be approved by the Bank before they are issued. For this purpose, three copies of the draft invitation to submit proposals, a list of consultants to be invited, the proposed criteria for evaluation of proposals and other related documents shall be submitted to the Bank. A period of at least 60 days shall be allowed for submission of proposals. A copy of the final invitation as issued, together with all related documents, shall be furnished to the Bank for information promptly after issuance.

(b) Draft Contract. A draft contract with consultants shall be furnished to the Bank for approval sufficiently before the commencement of evaluation of proposals.

(c) Proposal for Selection. After the proposals received have been evaluated and before negotiations are started with the consultants selected for negotiations, approval of the Bank shall be obtained to the selection made. For this purpose, the Bank shall, promptly after the evaluation of proposals, be furnished with three copies of (i) an evaluation of the proposals (together with one set of each proposal not previously furnished to the Bank); and (ii) justification for the selection.

(d) Execution of Contract. After the conclusion of negotiations but before the signing of the contract, the Bank shall be furnished with (i) the contract as negotiated for approval and (ii) the evaluation of the proposals. Promptly after the contract is signed, the Bank 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 the Bank for prior approval.

5. Some of the consulting services, as shall be agreed upon between the Borrower and the Bank, may be carried out by individual consultants. Such consultants shall be selected and engaged by CPO in accordance with the following procedures.

(a) A list of the candidates together with their qualifications and a draft contract shall be furnished to the Bank for approval before the selection of consultants.

(b) Promptly after the contract is signed, the Bank shall be furnished with the evaluation of the candidates and a brief justification for the selection, together with three copies of the signed contract.

(c) If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to the Bank for prior approval.

6. CPO shall ensure that all Bank-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 Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

Project Executing Agencies

1. (a) MARD shall be responsible for executing the Non-Credit Component and overall coordination of the Project.

(b) MOF, through its External Finance Department or any successor thereto, shall be responsible for executing the Credit Component of the Project and shall in particular be responsible for:

(i) preparing Subsidiary Loan Agreements, which shall be on terms and conditions satisfactory to the Bank;

(ii) approving the withdrawal applications prepared by PFIs and making arrangements to receive repayments from them; and

(iii) monitoring the progress of the credit component.

Project Steering Committee

2. (a) Prior to the Effective Date, the Borrower shall establish PSC in MARD, which shall be responsible for the supervision of the Project, interagency coordination, provision of guidance to the CPO and decisions on policy matters. The Vice-Minister in charge of Agriculture shall chair the PSC, which shall include representatives from the Office of the Government, MOF, MPI, SBV, CPO, PFIs, and two private sector representatives from the tea and fruit industry. The Project Director of CPO shall act as the Secretary to the PSC. The PSC shall meet at least once every six months, or as often as required.

(b) Within three months after the Effective Date, the Borrower shall ensure that PPSCs are established in each of the Project Provinces, which shall be responsible for the provision of guidance to the respective PPMUs on project implementation and policy matters. Each PPSC shall be chaired by the Vice Chairman of the Provincial People's Committee of the relevant province, and shall include representatives from the CPO, the respective PPMU and DARD, the provincial VBARD office, the local Farmers' Association and the Viet Nam Women's Union. The Project Director of the PPMU concerned shall be the secretary and convenor of the PPSC, which shall meet at least once every three months or as often as necessary.

Schedule 6

Project Implementing Agencies

CPO

3. CPO, established within MARD, shall be responsible for:

(i) preparation of (a) guidelines for Project implementation and management, and (b) guidelines on financial management for approval by MARD and MOF respectively;

(ii) overall coordination and monitoring of Project implementation;

(iii) financial management and channeling of funds for the Non-Credit Component;

(iv) preparation of Project plans for the Non-Credit Component and compilation of the plans for the Credit Component prepared by PFIs;

(v) compilation of progress reports at the provincial level and from PFIs for submission to MARD and to the Bank;

(vi) promotion and coordination of Project activities, including consultations with TRI, RIFAV, SOFRI, PHTI;

(vii) contracting with the Research Institutes concerned for preparation of the technical package;

(viii) recruitment and provision of logistical support for consultants;

(ix) procurement of equipment for the CPO and vehicles for the Project;

(x) monitoring and evaluation of the Project activities including environmental protection measures undertaken by the Subborrowers;

(xi) establishment of a database for market information; and

(xii) preparation of training programs and coordination of training.

4. CPO shall have a full time Project Director and Deputy Director, both in charge of the Project, together with an adequate number of appropriately qualified full time staff with working knowledge of English, including specialists in tea, fruits, monitoring, evaluation and accounting.

5. Within six months of the Effective Date, CPO shall have prepared, and MARD and MOF shall have approved, the Guidelines for Project Implementation and Management and the Guidelines on Financial Management, respectively.

Schedule 6

PPMUs

6. Within one month after the Effective Date, PPMUs shall be set up in each Project Province, and the Directors of the respective DARDs shall be the Project Directors in the PPMUs. A full time Project Manager and accountant shall be recruited for each PPMU, and they shall be assisted by the extension and accounting specialists of the respective DARDs concerned.

7. PPMUs shall be responsible for:

(i) Project implementation in the respective Project Provinces;

(ii) financial management in respect of the relevant Project components;

(iii) preparation of training programs and coordination of training at the provincial level;

(iv) establishment of the nursery certification system in conjunction with the Research Institutes concerned;

(v) establishment of the market information system;

(vi) procurement of equipment;

(vii) monitoring of Project progress in the Province;

(viii) preparation of progress reports and accounts at the provincial level for submission to CPO; and

(ix) inspection and evaluation of Project activities including environmental protection measures undertaken by the Subborrowers.

8. Prior to commencement of Project implementation, the PPMUs shall prepare detailed development plans, within one year, at the provincial level indicating the high potential areas for tea and fruit development at district level, giving due consideration to infrastructure and processing facilities. The plans shall also indicate the training needs and collaboration arrangements of the agencies concerned in carrying out Project activities.

VBARD

9. Within one month after the Effective Date, VBARD shall set up the PIU at its Head Office to implement the Credit Component. The PIU shall be responsible for:

(i) preparing an annual work plan and budget ;

(ii) maintaining proper accounts and statements of expenditure;

(iii) refinancing eligible Subloans;

(iv) forwarding Subloan applications in excess of $50,000 with a specific recommendation for approval to the Bank;

(v) maintaining records on withdrawal applications and disbursements;

(vi) monitoring the performance of VBARD's branches in the Project Provinces;

(vii) monitoring performance of Subloans;

(viii) collecting and collating Project related statistics;

(ix) preparing and submitting required reports and statistics to the CPO, MOF and the Bank; and

(x) participating in the preparation and customization of the technical manuals to be prepared under the Project.

10. The PIU shall be headed by the Deputy General Director of VBARD and shall include, among others, the Director of the Department of Trust Service and Project Management. The PIU shall have a full time Manager and an adequate number of appropriately qualified supporting staff. Reporting and statistical systems developed within VBARD under the Bank-financed Rural Credit Project shall be adopted with appropriate modifications to meet the requirements of the Project.

11. Within one year of the Effective Date, the Borrower shall ensure that VBARD shall develop and make publicly available a lending policy manual, setting out the terms and conditions for obtaining loans for Subprojects. Before publication, a draft of the manual shall be provided to the Bank for review and approval.

Research Institutes

12. The Research Institutes shall be responsible for carrying out adaptive research in agronomy, processing and post-harvest handling. The Research Institutes shall, if required, assist the PPMUs on a contractual basis in (i) the preparation of the technical package, (ii) the setting of standards for, and establishment of, the nursery certification system, (iii) provision of venues and facilities for training senior extension staff of the DARDs, and (iv) procurement of equipment for the components implemented by the Research Institutes, subject to MARD approval.

DARDs

13. The DARDs shall be responsible for:

(i) administering the nursery certification scheme;

(ii) conducting public awareness campaigns in association with the Research Institutes to promote planting material certification scheme and to encourage nursery operators to seek registration;

(iii) adapting existing land resource maps to show areas suitable for fruit and tea for guidance in assessing Subloan applications; and

(iv) compiling market price information at local markets and ensuring communication of the information to local radio stations for transmission.

Credit Component: Financing Arrangements

14. In the initial stage of the Project, VBARD shall be the only PFI involved in implementation of the Credit Component for an amount equivalent to 80% of the Credit Component, that is SDR 21,230,000. During the mid-term review of the Project, the Bank shall consider the participation of the PCFs in the implementation of the Credit Component on the basis of (i) a review of their two years performance, and (ii) their future growth strategy as set out by SBV. In the event the PCFs' participation in implementation of the Credit Component shall be agreed to by the Bank, SBV and MOF, MOF shall ensure that the CCF Subsidiary Loan Agreement, in form and substance satisfactory to the Bank, will be executed. CCF shall ensure that an appropriate Project implementation mechanism is set up for the PCFs, which shall be agreed with the Bank, and shall be similar to the mechanism used by VBARD, including the setting up, within CCF, of a Project implementation unit similar to the PIU. The mid-term review shall also decide the share of the Credit Component to be allocated to CCF under the Subsidiary Loan Agreement, or the amount to be reallocated to VBARD if PCF's does not participate in the implementation of the Credit Component.

Relending Terms for Subsidiary Loans

15. Except as the Borrower and the Bank may otherwise agree, the proceeds of the Credit Component shall be relent to PFIs on the basis of Subsidiary Loan Agreements to be entered into between MOF and the PFIs, which shall include the following terms and conditions:

(i) the Subsidiary Loans shall be denominated in Viet Nam Dong or the currency for the time being of the Borrower; the Borrower will bear the foreign exchange risks;

(ii) Subsidiary Loans shall have a maturity of 20 years including a grace period of 7 years on both principal and interest; interest during the grace period shall be capitalized;

(iii) repayment of principal and interest shall be in equal semi-annual installments;

(iv) the relending interest rate from MOF to the PFIs shall be equal to the quarterly weighted average cost of funds in the banking system of the Borrower as calculated by SBV and communicated to MOF. This rate will be reviewed, as needed, by the Bank and the Borrower to ensure that it takes into account the cost associated with maintaining the reserve requirements of SBV;

(v) funds shall not be reserved for either the tea or the fruit subsector, or for any particular Project Province ;

(vi) the funds so received by the PFIs shall be used only for making Subloans to eligible Subborrowers for eligible Subprojects, to finance the reasonable foreign exchange and local currency cost of goods and services required for the Subprojects;

(vii) the PFIs shall ensure that the Subprojects shall meet the safety and environmental guidelines and requirements of the Bank, and comply with all applicable national, provincial and local environmental laws, regulations and directives, including government Decree No.175/CP on Guidance for Implementation of the Law on Environmental Protection; the PFIs shall follow the guidelines established by the Environmental Unit set up within VBARD under the ongoing Bank-financed Rural Credit Project;

(viii) the PFIs shall ensure that any Subproject for the establishment of a new processing unit or rehabilitation of an existing processing unit, under a Subloan in excess of $50,000, shall carry out an environmental impact assessment, and each such Subproject shall be subject to approval by the Bank prior to approval of the Subloan; and

(ix) all credit risks for Subloans will be borne by the PFIs.

16. MOF shall furnish the Bank with a copy of every Subsidiary Loan Agreement upon execution.

Eligibility Criteria for Subprojects

17. Subloans shall only be provided for Subprojects involving, for both tea and fruit, (a) the establishment of nurseries for the production of planting materials from accredited clones; (b) rehabilitation, replanting or new planting with accredited clonal materials; (c) processing facilities; and (d) post -harvest handling. Subloans shall not be provided for conversion of land currently used for triple-cropping of paddy into fruit plantations.

18. Except as the Bank may otherwise agree, the Borrower shall cause the PFIs to ensure that each Subproject shall satisfy the following criteria to be eligible for participation under the Credit Component:

(i) the Subproject shall be located in high potential areas as identified under the Project, be technically feasible, and be financially viable with financial rates of return above the real interest rate for the Subloan;

(ii) in the case of tea, proposals for field development shall be supported by the identification of existing or new processing facilities which shall be capable of and willing to produce quality tea to ensure that the Subborrowers receive green leaf prices commensurate with quality improvements that shall result from the field investment; and

(iii) the Subprojects shall be in compliance with all applicable national, provincial and local environmental laws, regulations and standards.

Eligibility Criteria for Subborrowers

19. Except as the Bank may otherwise agree, the Borrower shall cause the PFIs to ensure that each Subborrower shall satisfy the following criteria to be eligible for participation under the Credit Component:

(i) a Subborrower shall be a farmer, farmers' group including cooperatives, nursery operator, processor or trader;

(ii) a Subborrower shall have been resident in the relevant Project Province for at least three years prior to submitting the application for a Subloan;

(iii) a Subborrower shall have a land use right certificate or a land use right certified by the local People's Committee, and shall be directly involved in the production, processing, nursery, and post-harvest handling of tea or fruit; and

(iv) Equitized processing units only of state owned enterprises shall be eligible as Subborrowers, provided they are able to submit a viable business plan.

Onlending terms for Subloans

20. Except as the Bank may otherwise agree, the Borrower shall ensure that the PFIs shall onlend the proceeds of the Credit Component relent to them to Subborrowers for Subprojects. The PFIs shall have discretion in selecting Subprojects for the provision of Subloans subject to the eligibility criteria for Subborrowers and Subprojects provided herein above.

Schedule 6

21. The terms and conditions for onlending shall include the following:

(i) a Subloan shall have a maturity period of not less than 5 years and not exceeding 15 years, including a grace period of up to 5 years on both principal and interest, which shall be determined on the basis of the relevant Subproject's gestation period and cash flow projections; interest during the grace period shall be capitalized;

(ii) the onlending rate shall be the prevailing interest rate for similar lending operations of PFIs. As long as margins above the prime rate are set by SBV for lending resulting in *de facto* ceiling on lending rates, SBV shall set such margins at levels adequate to cover operating costs and loan losses. The onlending rate shall be reviewed annually by MOF, SBV, the PFIs and the Bank to ensure that lending under the Project remains profitable for the PFIs;

(iii) the Subloan proceeds shall be used to finance long-term credit of above 60 months only. The PFIs shall meet short-term credit requirements of Subprojects from their own resources;

(iv) the PFIs shall finance up to 10% of the Subproject costs from their own resources;

(v) a Subborrower shall be required to provide at least 20 percent of the Subproject cost in the form of equity, either in cash or kind;

(vi) Subloan proposals for amounts above $50,000 shall be submitted by the PFIs to the Bank for approval with a specific recommendation made by the PFI concerned in respect of each such proposal; and

(vii) the total amount of Subloans provided to any one Subborrower shall not be more than five per cent of the total Credit Component funded by the Bank.

Revolving Fund

22. Within one year of the Effective Date, VBARD shall establish a Revolving Fund, under arrangements acceptable to the Bank, to credit the interest payments and principal repayments of the Subloans under the Project. VBARD shall utilize the resources thus generated for amortization of the Loan and further onlending for eligible Subprojects. Such funds that are not immediately required for Loan amortization or for onlending shall be invested by VBARD to augment the resources of the Revolving Fund. VBARD shall operate the Revolving Fund for a period of 15 years after loan closing. In the event PCFs participate in the implementation of the Credit Component, CCF shall establish a Revolving Fund to be operated under arrangements similar to the arrangements for the VBARD Revolving Fund acceptable to the Bank.

Schedule 6

Budgetary Allocation

23. The Government shall ensure that the necessary counterpart funds shall be allocated and provided for the Project in a timely manner, and provided to CPO, the PPMUs and the Research Institutes as budgetary advances depending on the expenditure needs identified in quarterly plans, as appropriate.

Institutional Reform

24. MARD shall ensure that the restructuring of TRI and RIFAV to achieve autonomy and introduce sustainable financing mechanisms are carried out in accordance with the recommendations of the consultants appointed under the Project as agreed with the Bank. No disbursements shall be made to support the further research component of TRI and RIFAV prior to such restructuring being carried out as agreed between the Borrower and the Bank.

Training

25. Prior to implementation of any training under the Project, CPO shall provide to the Bank for approval a detailed description of the proposed training programs, including the curricula, participating institutions, duration and costs of training, and a list of the proposed trainees together with their *curricula vitae*. Trainees receiving international training shall be required to serve in their respective institutions for a period of time after training as required by the applicable regulations of the Government.

Benefit Monitoring and Evaluation

26. Within one year of the Effective Date, a monitoring and evaluation system shall be set up within the CPO to monitor the progress and benefits of the Project. CPO shall carry out monitoring and evaluation of the Project in coordination with the PPMUs, Research Institutes, and PFIs. Monitoring during the first year of Project implementation shall be based on output specific activities, including the preparation of the technical manual, establishment of the nursery certification system, identification of high potential areas for tea and fruit, and establishment of the market information system. Within one year of the Effective Date, baseline surveys shall be carried out, and information relating to quantifiable indicators such as area planted, increase in yield, establishment of processing units and their performance, shall be collected; a baseline survey for collection of socio-economic data shall also be carried out during the same period. In the third year of Project implementation, a socio-economic survey shall be conducted to assess Project progress.

Mid-Term Review

27. The Borrower shall carry out a comprehensive mid-term review of the Project, in conjunction with the Bank, in the third year of Project implementation or at any other date as may be agreed upon by the Borrower and the Bank. Based on the findings of this review, adjustments in Project scope, design and implementation arrangements shall be made by the Borrower.