LOAN NUMBER VIE-2095(SF)

LOAN AGREEMENT
(Special Operations)

(Subprogram I – Small and Medium Enterprise Development Program Loan Cluster)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 9 NOVEMBER 2004

LPS: VIE 34344

LOAN AGREEMENT

(Special Operations)

LOAN AGREEMENT dated 9 November 2004 between the SOCIALIST REPUBLIC OF VIET NAM (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 17 September 2004 (hereinafter called the Policy Letter), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement;

(B) the Policy Letter represents two subprograms (hereinafter called the Program Cluster), the first of which will be implemented under this Loan Agreement (hereinafter called the Program) and the second of which will be processed sequentially upon the successful completion of the Program, together supporting implementation of the overall small and medium enterprise development program;

(C) the Borrower has applied to ADB for a loan from its Special Funds resources for the purposes of the Program;

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

(E) the Borrower has applied to Agence Française de Developpement (hereinafter called AFD) to finance a portion of the Program (hereinafter called the AFD Loan); and

(F) the Borrower has applied to Kreditanstalt für Wiederaufbau (hereinafter called KfW) to finance a portion of the Program (hereinafter called the KfW Loan).

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 ADB, dated 1 May 2004, 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(24) is deleted and the following is substituted therefor:

> 24. The term "Program" means Subprogram I of the Program Cluster for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower.

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

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

> 26. The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.

(d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".

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

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

Section 1.02. 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) "Counterpart Funds" means the Dong proceeds accruing to the Borrower and generated from the Loan proceeds under the Program and referred to in paragraph 1 of Schedule 5 to this Loan Agreement;

(b) "Decision 1177" means the Decision of the Minister of Finance on the Promulgation of the Accounting Regime for Small and Medium Enterprises, Number 1177/TC-CDKT, issued December 23, 1996;

(c) "Decision 144" means the Decision of the Minister of Finance on the Amendment and Supplementation to the Accounting Regime for Small and Medium Enterprises Promulgated in Conjunction with Decision No. 1177/TC-CDKT dated December 23, 1996, issued December 21, 2001;

(d) "Decree 16" means the Decree on the Organization and Operation of Financial Leasing Companies, Number 16/2001/ND-CP, issued May 2, 2001;

(e) "Decree 90" means the Decree of the Government on Supporting Development of Small and Medium Enterprises, No. 90/2001/ND-CP, issued November 23, 2001;

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

(g) "Directive 27" means the Directive of the Prime Minister on Furthering the Implementation of the Enterprise Law and Promoting the Development of SMEs, Number 27/2003/CT-TTg, issued December 11, 2003;

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

(i) "First Tranche" means the portion of the proceeds of the Loan in an amount not exceeding the equivalent of SDR 17,115,000 to be initially withdrawn and utilized;

(j) "Land Law" means the Law on Land, dated November 26, 2003 and effective July 1, 2004;

(k) "Law on Accounting" means the Law on Accounting, No. 3/2003/QH11, dated May 19, 2003;

(l) "MONRE" means the Borrower's Ministry of Natural Resources and Environment and any successor thereto;

(m) "MOF" means the Borrower's Ministry of Finance and any successor thereto;

(n) "MOJ" means the Borrower's Ministry of Justice and any successor thereto;

(o) "MOST" means the Borrower's Ministry of Science and Technology and any successor thereto;

(p) "MPI" means the Borrower's Ministry of Planning and Investment and any successor thereto;

(q) "NRAST" means the Borrower's National Registration Agency for Secured Transactions and any successor thereto;

(r) "Policy Letter" means the development policy letter dated 17 September 2004 addressed by the Borrower to ADB and referred to in Recital (A) of this Loan Agreement;

(s) "Policy Matrix" means the policy matrix as agreed between the Borrower and ADB which sets forth the actions to be taken by the Borrower under the Program;

(t) "Program Cluster" means the two subprograms which together support implementation of the overall small and medium enterprise development of the Borrower and which are referred to in Recital (B) of this Loan Agreement;

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

(v) "Program Period" means the period from 1 November 2004 until 31 May 2006;

(w) "PSC" means Program Steering Committee;

(x) "SBV" means the Borrower's State Bank of Viet Nam and any successor thereto;

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

(z) "SME" or "SMEs", as applicable, refer to small and medium enterprise(s); and

(aa) "STAMEQ" means the Borrower's Directorate for Standards and Quality within MOST and any successor thereto.

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 forty-one million seventy-five thousand Special Drawing Rights (SDR41,075,000).

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 1 February and 1 August 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 cause the proceeds of the Loan to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan may be withdrawn from the Loan Account only for the purposes of financing foreign currency expenditures incurred for Eligible Items under the Program in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all Eligible Items to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account shall be made only on account of expenditures relating to Eligible Items which

(a) are produced in, and are supplied from, such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and

(b) meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. Except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account in respect of expenditures for Eligible Items incurred more than one hundred and eighty (180) days prior to the Effective Date.

Section 3.06. Loan Closing date for the purposes of Section 8.02 of the Loan Regulations shall be 30 November 2006 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. (a) The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.

(b) The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.03. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out under the Program in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan regulations, the Borrower shall furnish, or cause to be furnished, to ADB semiannual reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions of the Program set out in the Policy Letter.

ARTICLE V

Effectiveness

Section 5.01. 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 Borrower shall have formed a PSC, chaired by a deputy minister of MPI and comprised of senior officers from all concerned ministries and specifically including MPI, MONRE, MOF, MOST, MOJ and SBV; and

(b) MPI shall have established a Program implementation and coordination unit, responsible for day to day Program implementation, headed by a senior officer of MPI and staffed with MPI officials.

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

Miscellaneous

Section 6.01. 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 6.02. 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
Hanoi, Viet Nam

Facsimile Number:

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

For ADB

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

Telex Numbers:

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

Facsimile Numbers:

(632) 636-2444
(632) 636-2331

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
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____
BRADFORD PHILIPS
Country Director

SCHEDULE 1

Description of the Program

1. The principal objective of the Program is to support the Borrower's efforts to create a business environment that is conducive to the development of SMEs. The scope includes the following components: (i) enhancing the policy and regulatory framework; (ii) improving SMEs' access to both financial resources and land use rights; and (iii) facilitating SMEs' access to international markets. The Program is described in more detail in the Policy Letter. The Program will be implemented during the period 1 November 2004 to 31 May 2006.

2. In support of the Program:

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

(b) the Counterpart Funds shall be used to finance the local currency costs relating to the implementation of the reforms consistent with the objectives of the Program, pursuant to the provisions of paragraph 1 of Schedule 5 to this Loan Agreement.

3. The proceeds of the Loan are expected to be utilized by 30 November 2006.

SCHEDULE 2

Amortization Schedule

(Subprogram I - Small and Medium Enterprise Development Program Loan Cluster)

Date Payment Due	Payment of Principal (expressed in SDR)*
01-Feb-2013	1,283,593.00
01-Aug-2013	1,283,593.00
01-Feb-2014	1,283,593.00
01-Aug-2014	1,283,593.00
01-Feb-2015	1,283,593.00
01-Aug-2015	1,283,593.00
01-Feb-2016	1,283,593.00
01-Aug-2016	1,283,593.00
01-Feb-2017	1,283,593.00
01-Aug-2017	1,283,593.00
01-Feb-2018	1,283,593.00
01-Aug-2018	1,283,593.00
01-Feb-2019	1,283,593.00
01-Aug-2019	1,283,593.00
01-Feb-2020	1,283,593.00
01-Aug-2020	1,283,593.00
01-Feb-2021	1,283,593.00
01-Aug-2021	1,283,593.00
01-Feb-2022	1,283,593.00
01-Aug-2022	1,283,593.00
01-Feb-2023	1,283,593.00
01-Aug-2023	1,283,593.00
01-Feb-2024	1,283,593.00
01-Aug-2024	1,283,593.00
01-Feb-2025	1,283,593.00
01-Aug-2025	1,283,593.00
01-Feb-2026	1,283,593.00
01-Aug-2026	1,283,593.00
01-Feb-2027	1,283,593.00
01-Aug-2027	1,283,593.00
01-Feb-2028	1,283,593.00
01-Aug-2028	1,283,617.00
TOTAL	**41,075,000.00**

*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

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

2. (a) Withdrawals from the Loan Account shall be made for the financing of the foreign exchange cost of Eligible Items.

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

3. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.

(b) Such withdrawal application shall be accompanied by a certificate of the Borrower confirming that (i) in case the proceeds of the Loan will finance imports already made, the value of Eligible Imports in the period concerned exceeded the amount of the requested withdrawal, or (ii) in case the proceeds of the Loan will finance items to be imported, the value of Eligible Imports in the immediately preceding one-year period was equal to or greater than the amount of the requested withdrawal plus all other amounts expected to be withdrawn from the Loan Account during the succeeding one-year period.

(c) For the purposes of this paragraph, the term "Eligible Imports" means the total imports of the Borrower during the relevant period minus the following imports during the same period:

(i) imports from countries which are not members of ADB;

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

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

(d) The Borrower shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Borrower has certified the value of Eligible Imports in its withdrawal application.

4. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall open an account (the Deposit Account) at a commercial bank acceptable to ADB into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established and managed in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Borrower shall have the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

(c) Throughout the Program implementation period, the Borrower shall submit trade statistics and any other information as ADB may require from time to time to assess the Borrower's compliance with the formula for determining Eligible Imports.

5. Notwithstanding any other provisions of this Loan Agreement or the Loan Regulations and except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account in respect of the First Tranche unless ADB shall be satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; and, in particular, (b) the Borrower has fulfilled the conditions for the release of the First Tranche specified in Attachment 2 to this Schedule.

6. Notwithstanding any other provisions of this Loan Agreement or the Loan Regulations and except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account in respect of the Second Tranche unless ADB shall be satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; and, in particular, (b) the Borrower has fulfilled the conditions for the release of the Second Tranche specified in Attachment 3 to this Schedule.

Attachment 1 to Schedule 3

Negative List

1. No withdrawals shall be made in respect of:

(a) expenditures for goods included in the following groups or sub-groups of the United Nations Standards International Trade Classification, Revision 3, or any successor groups or sub-groups under future revisions as shall be designated by ADB by notice to the Borrower:

Group	Sub-Group	Description of Items
112		alcoholic beverages
121		tobacco, unmanufactured; tobacco refuse
122		tobacco, manufactured (whether or not containing tobacco substitutes)
525		radioactive and associated materials
667		pearls, precious and semi-precious stones, unworked or worked
718	718.7	nuclear reactors and parts thereof, fuel elements (cartridges) non-irradiated, for nuclear reactors
897	897.3	jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or of goods supplied from the territory of the Borrower;

(c) payment made for expenditures incurred more than 180 days prior to the Effective Date;

(d) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or agreed to finance, including any contract financed under any loans from ADB;

(e) expenditures for goods intended for military or para-military purposes or for luxury consumption; or

(f) expenditures for pesticides categorized as extremely hazardous or highly hazardous in Class 1a and 1b, respectively, of the World Health Organization's Classification of Pesticides by Hazard and Guidelines to Classification.

Attachment 2 to Schedule 3

Conditions for Release of the First Tranche

I. Developing an Enabling Policy and Regulatory Environment

(i) The Government shall issue a new decree on business registration with statutory national procedures.

(ii) The SME Promotion Council Chairman shall issue an official dispatch which stipulates that the invited representatives of enterprises, organizations business associations have the full rights, including voting rights as the standing members of the Council.

II. Enhancing SMEs' Access to Finance

(i) MOF shall have submitted a draft decree (consistent with Article 56, Part 6, Chapter 2 of the new Land Law) to the Government on: (a) principle for land valuation; (b) methodology for the land valuation; and (c) price framework for the land valuation.

III. Improving SME's Access to Land by Completing the Legal Framework for Land

(i) The new Land Law shall have been promulgated, including: (a) a uniform system of land use certificate issuance; (b) simplified land registration; (c) requirements for information on land availability to be made public; (d) improved use of idle land; and (e) promotion of property market development.

(ii) The Government shall issue a draft implementing decree to the new Land Law, which includes: (a) legal leasing of the land by existing tenants subject to their compliance with the regulations; and (b) administrative penalties against government officials who fail to make public the information on land use planning and zoning information as required by the Land Law.

IV. Enhancing SME's Access to International Markets Through Enhancing Industrial Technical Standards

(i) MOST shall submit to the Government an implementing decree on the Ordinance on Product Quality based on international best practice, which states the procedures to determine product quality and obtain certification.

Conditions for Release of the Second Tranche

I. Developing an Enabling Policy and Regulatory Environment

(i) The Prime Minister shall have issued a Decision on the recommendations made by the Task Force on Enterprise Law Enforcement ('Task Force') in accordance with Directive 27.

(ii) The Borrower shall have approved a plan to expand and maintain the National Business Information Network (NBIN) and which plan: (a) covers all provinces and districts, including a specific time schedule for coverage; (b) incorporates an on-line national business names database; (c) has linkages with the General Statistics Office and SME information gateway; and (d) includes a capital and operational budget.

(iii) The Minister of MPI, as the Chairman of the SME Promotion Council, shall have issued a decision authorizing the Agency for SMEs Development to draft a long-term, multi-sectoral, and inter-ministerial SME development action program enabling detailed implementation of Decree 90, in line with the SME Roadmap for Viet Nam dated May 2004 (a copy of which has been provided to the Borrower).

(iv) MPI shall have approved a plan for an on-line SME-information website ("information gateway") which includes: (a) information on market, government regulations, and other topics of interest to SMEs; (b) an SME statistical database; (c) linkages with the General Statistics Office and the NBIN; and (d) a capital and operational budget, and timetable for implementation.

II. Enhancing SMEs' Access to Finance

(i) MOF shall have issued clarifications to Decisions 1177 and 144 on the Accounting System of SMEs to make those Decisions consistent with the Law on Accounting and the accounting standards being issued by MOF.

(ii) The Borrower shall have issued a decree on measures for land pricing and price framework for types of lands.

(iii) MONRE shall have established, on a pilot basis, at least three provincial-level, inter-linked land registries with a standardized system of registration.

(iv) SBV shall have (a) obtained Government approval of an amended Decree 16 that allows financial leasing companies to sell lease receivables and (b) issued implementing guidelines for the sale of lease receivables, for sale and leaseback transactions, and for syndicated leasing.

(v) SBV shall have enabled implementation of the sale of lease receivables on a pilot basis.

(vi) MOJ shall have submitted to the National Assembly a legal instrument which, upon enactment, establishes a system of prioritization of creditors' and lien holders' rights upon registering their interest at NRAST.

III. Improving SMEs' Access to Land by Completing the Legal Framework for Land

(i) MONRE shall have issued a Circular which stipulates: uniform procedures including information collection for all local agencies on issuance of land use certificates and subsequent registration of land use rights.

IV. Enhancing SMEs' Access to International Markets Through Enhancing Industrial Technical Standards

(i) The Borrower shall have issued an implementing Decree on Product Quality.

(ii) MOST shall have issued a Decision on implementation of the Ordinance on Product Quality, including an updating of: (a) "The List of Import and Export Products for which Quality Needs to be Checked by the State in 2000", and (b) "The List of Products Required to Conform to Vietnamese Technical Standards".

(iii) MOST shall have submitted to the Government a draft Ordinance on Technical Standardization to develop a uniform standardization system.

(iv) MOST shall have approved and implemented the plan on the on-line information database for SMEs, which includes: (a) national technical standards of other countries, international standards and cross-recognition schemes; (b) certification bodies, testing laboratories and quality management providers in Viet Nam; (c) relevant information on technology transfer; and (d) a capital and operational budget, and timetable for implementation.

(v) MOST shall have submitted a plan to the Government on legally separating the STAMEQ's commercial and state administrative activities.

SCHEDULE 4

Procurement

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of Eligible Items to be financed out of the proceeds of the Loan.

2. (a) Except as provided in subparagraph (b) of this paragraph, each contract for Eligible Items shall be awarded on the basis of either the purchaser's normal commercial procurement practices, in the case of procurement by the private sector, or the Borrower's prescribed procurement procedures, in the case of procurement by the public sector, having due regard for the principles of economy and efficiency.

(b) Each supply contract for Eligible Items which are commonly traded commodities shall be awarded on the basis of procedures appropriate to the trade and acceptable to ADB.

3. (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

Program Implementation and Other Matters

Counterpart Funds

1. The Borrower shall ensure that the Counterpart Funds shall be used to finance the structural adjustment costs and to finance the local currency costs relating to the implementation of the Program and other activities consistent with the objectives of the Program, as more fully described under paragraph 1 of Schedule 1 to this Loan Agreement and the Policy Letter and shall, in particular, provide necessary budget appropriations to primarily finance the structural adjustment costs relating to the implementation of the reforms under the Program.

Implementation and Coordination

2. MPI, as the Program Executing Agency, shall be responsible for overall Program implementation, and preparation of semiannual progress reports on Program implementation. MONRE, MOF, MOST, MOJ and SBV shall be implementing agencies, responsible for aspects of the Program which are within the mandate of their respective agencies.

3. The PSC shall oversee the progress of the Program, review pending issues, propose concrete actions for their resolution, provide guidance and direction to the ministries and agencies involved and shall be responsible for the ministerial coordination and implementation of the policy actions under the Program. The PSC shall meet at least two times each year and also on an ad hoc basis to review pending issues and propose concrete actions to ensure timely Program implementation.

Implementation of the Policy Letter and Policy Matrix

4. The Borrower shall (a) ensure that the policies adopted and actions taken as described in the Policy Letter and the Policy Matrix prior to the date of this Loan Agreement continue in effect for the duration of the Program Cluster period if appropriate; and (b) promptly adopt the other policies and take the other actions included in the Program as specified in the Policy Letter and the Policy Matrix, and (c) ensure that such policies and actions continue in effect for the duration of the Program Cluster period.

Policy Dialogue

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

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

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

Monitoring and Evaluation

8. The Borrower shall monitor the implementation of the Program. The Borrower and ADB shall, within six months of Loan Effective Date, review the implementation of the policy reforms set out in the Policy Letter including, in particular, the fulfillment of the conditions listed in Attachments 2 and 3 to Schedule 3 to this Loan Agreement, and assess the impact of all relevant reforms in the sector. To facilitate such review, the Borrower shall assist ADB by providing relevant data and information in such detail as ADB may reasonably request. The review shall form the basis for discussions between the Borrower and ADB on further reforms and measures that may be considered necessary or desirable to promote the continued development of the small and medium enterprise sector.

9. The Borrower shall evaluate the benefits of the Program during and after implementation in accordance with a schedule and terms of reference to be mutually agreed upon by the Borrower and ADB. The benefit monitoring and evaluations shall be conducted in accordance with ADB's *Project Performance Monitoring System.*

Environment

10. The Borrower shall, where necessary, cause the public and private sector entities covered under the Program to comply with all applicable environmental laws, regulations and standards of the Borrower and ADB's environmental guidelines.

Gender

11. The Borrower shall collect data, disaggregated by sex, for: (a) all owners of SMEs registering with any Government agency, and (b) all persons attending any training sessions under this Program.