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LOAN NUMBER 2457-VIE(SF)

LOAN AGREEMENT  
(Special Operations)

(Greater Mekong Subregion Sustainable Tourism Development Project)

(Viet Nam Component)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 29 DECEMBER 2008

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LAS: VIE 38015

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 29 December 2008 between SOCIALIST REPUBLIC OF VIET NAM ("the Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

(B) Lao People's Democratic Republic ("Lao PDR") has applied to ADB for a grant for the purposes of carrying out the activities of the Project described in a Grant Agreement of even date herewith between the Lao PDR and ADB (hereinafter called the "Lao PDR Grant Agreement");

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

(D) ADB has agreed to provide a grant to the Lao PDR upon terms and conditions set forth in the Lao PDR Grant Agreement.

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (the "Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers dated February 2007, as amended from time to time;

(b) "CTG" means the community Tourism Group established in accordance with paragraph 7 of Schedule 5 to this Loan Agreement;

(c) "EARF" means the environmental assessment and review framework prepared and approved by the Borrower on 28 March 2008;

(d) “EMDF” means the Ethnic Minorities Development Framework prepared and approved by the Borrower on 28 March 2008;

(e) “EMP” means environmental management plan;

(f) “GAP” means the gender action plan for the Project that has been prepared and agreed between the Borrower and ADB;

(g) “GMS” means Greater Mekong Subregion;

(h) “Goods” means equipment and materials to be financed out of the proceeds of the Loan; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(i) “HIV/AIDS” means human immunodeficiency virus/acquired immunodeficiency syndrome;

(j) “IEE” means both the initial environmental examination prepared and approved by the Borrower on 28 March 2008 and the initial environmental examination that will be prepared and approved by the Borrower during project implementation;

(k) “Lao PDR” means Lao People’s Democratic Republic;

(l) “LNTA” means the Lao National Tourism Administration or any successor thereto;

(m) “MOF” means the Borrower’s Ministry of Finance and any successor thereto;

(n) “MTCO” means the Mekong Tourism Coordination Office, located in Thailand;

(o) “NGO” means nongovernmental organization;

(p) “NPSC” means the National Project Steering Committee established in accordance with paragraph 3 of Schedule 5 to this Loan Agreement;

(q) “NTO” means national tourism office;

(r) “Participating Countries” means the Borrower and the Lao PDR;

(s) “Participating Provinces” means the provinces included in the Project Area;

(t) “PCU” means the Project Coordinating Unit established in accordance with paragraph 4 of Schedule 5 to this Loan Agreement;

(u) “PIU” means each of the Project Implementation Units established in accordance with paragraph 5 of Schedule 5 to this Loan Agreement;

- (v) "PPMS" means the project performance management system;
- (w) "PPSC" means the Provincial Project Steering Committee established in accordance with paragraph 6 of Schedule 5 to this Loan Agreement;
- (x) "Procurement Guidelines" means ADB's Procurement Guidelines dated February 2007, as amended from time to time;
- (y) "Procurement Plan" means the procurement plan for the Project dated 12 September 2008 and agreed between the Borrower and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;
- (z) "Project Area" means Cao Bang, Bac Kan, Quang Binh, Quang Tri and Thua Thien Hue Provinces;
- (aa) "RF" or "Resettlement Framework" means the Resettlement Framework approved by the Borrower on 5 June 2008;
- (bb) "RP" or "Resettlement Plan" means the Resettlement Plan;
- (cc) "SME" means small and medium enterprise;
- (dd) "SPSC" means the Subregional Project Steering Committee; and
- (ee) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

## **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 six million four hundred seventy nine thousand Special Drawing Rights (SDR6,479,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 April and 15 October in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be Dollar.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

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

Section 3.02. The Goods, Works, and consulting 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, Works, and consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all Goods, Works, and consulting services 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 in respect of Goods, Works, and consulting services shall be made only on account of expenditures relating to

- (a) Goods which are produced in and supplied from and consulting services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) Goods, Works, and consulting services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2014 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

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

Section 4.02. (a) 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 ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest accounts/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works financed out of the proceeds of the Loan, and any relevant records and documents.

## 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 Lao PDR Grant Agreement shall have been duly executed and delivered and all conditions to the effectiveness of the Lao PDR Grant Agreement (other than the condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled; and

(b) The Borrower shall have established the NPSC in accordance with paragraph 3 of Schedule 5 of this Loan Agreement.

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 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 Numbers:

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

#### For ADB

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

Cable Address:

ASIANBANK  
MANILA

Facsimile Numbers:


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

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIET NAM

By   
\_\_\_\_\_  
NGUYEN VAN GIAU  
Authorized Representative

ASIAN DEVELOPMENT BANK

By   
\_\_\_\_\_  
AYUMI KONISHI  
Country Director  
Viet Nam Resident Mission

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is to develop a sustainable tourism development Project that creates livelihood opportunities for the poor in Greater Mekong Subregion (GMS), particularly within the Participating Countries. In Viet Nam the Project will be implemented within the Project Area.

2. The Project consists of the following Parts:

Part 1: Model Sustainable Tourism Development Projects Protecting the Environment and Cultural Heritage Developed

This Part will develop two model subprojects, namely the Phong Nha Ke Bang protected national park and the ethnic minorities cultural heritage development in Bac Kan. The development of the two model subprojects shall include the preparation, establishment, development, construction and/or implementation of:

- (i) heritage-based tourism master plans, zoning and management plans;
- (ii) small tourism-related infrastructure, including access roads, boat landings, pathways and trails, drainage and waste management systems and a cultural information center in Bac Kan;
- (iii) capacity development and livelihood support programs;
- (iv) a gender and ethnic groups development program;
- (v) a database and geographical information system (GIS) on cultural practices and indigenous knowledge of the area;
- (vi) a public awareness program on natural and cultural resources conservation and protection, respect on cultural heritage, traffic of wildlife and antiquities, efficient waste management practices, HIV and AIDS, and other tourism-related awareness activities;
- (vii) a marketing and promotion program and materials to promote sustainable tourism and cultural products;
- (viii) institutional strengthening and capacity building of agencies in charge of the Project facilities';
- (ix) manuals to prepare and implement future GMS tourism subprojects; and
- (x) a monitoring and evaluation program.

Part 2: Pro-poor community-based and supply-chain tourism projects operational

This Part will develop about fifteen subprojects within the Project Area. The development of the subprojects will include the preparation, establishment, development, construction and/or implementation of:

- (i) community-based tourism tour products and services;
- (ii) a public awareness program for tourism-related activities;
- (iii) tourism-related supply chain initiatives;
- (iv) capacity of the tourism-related small and medium enterprises (SMEs) and communities;
- (v) small-scale tourism-related infrastructures;
- (vi) a gender and ethnic groups development program;
- (vii) a marketing and promotion program;
- (viii) tourism networks and tourism stakeholder associations;
- (ix) a joint manual, to be prepared in coordination with the government of Lao PDR, to prepare and implement pro-poor tourism initiatives in GMS; and
- (x) a monitoring and evaluation program.

### Part 3: GMS Tourism Corridors Developed

This Part will develop subprojects along east west economic corridor (EWEC), that links the Borrower's territory with Lao PDR and Thailand. The development of the tourism corridor will include the following activities:

- (i) preparation of tourism development and management plans;
- (ii) construction of tourism-related infrastructure along the corridors, including access roads, parking lots, ticket booths, information centres, walking trails, markets, interpretation and sanitary facilities;
- (iii) development and implementation of a community awareness and livelihood support program;
- (iv) development and provision of tourism management training;
- (v) development and implementation of a marketing and promotion program;
- (vi) development and implementation of a gender and ethnic minorities development program;
- (vii) development and implementation of public awareness program for HIV/AIDS, human trafficking and drug abuse and other tourism-related awareness activities;
- (viii) in coordination with the Lao PDR government, develop a joint manual on procedures and practices to develop GMS tourism corridors; and
- (ix) development of a monitoring and evaluation program.

### Part 4: Human resources in the tourism sector developed

This Part will provide training on (i) small-scale tourism and hospitality operations for master trainers, and (ii) public sector tourism planning and management for public sector officials in tourism sector. This Part will also support the following activities:

- (i) review of the existing training needs assessment for staff in tourism SMEs and public sector tourism officials;
- (ii) revision or development of service standards for SME tourism and hospitality enterprises, and related training standards;
- (iii) development of gender and ethnic sensitive and inclusive training kit and manuals, teacher training materials and case studies, best practices and lessons learned;
- (iv) production of CD ROMs and web-based training materials;
- (v) development and maintenance of a web-based "*Knowledge Center*";
- (vi) translation of training manuals to Vietnamese and other relevant ethnic languages;
- (vii) provision of support to the selected tourism training institutions;
- (viii) training of master trainers in English language, and trainers and government officials in local languages; and
- (ix) development of a monitoring and evaluation program.

Part 5: Efficient project implementation services are operational

This Part will provide support, including the provision of consulting services, for the management, coordination and implementation of the Project at the central and provincial level, for the following activities:

- (i) overall project implementation and coordination;
- (ii) capacity development for the PCU and PIUs;
- (iii) external monitoring for resettlement;
- (iv) project auditing; and
- (v) monitoring and evaluation of the overall project by an independent consultant or institution

3. The Project is expected to be completed by 31 December 2013.

**SCHEDULE 2****Amortization Schedule  
(GMS Sustainable Tourism Development Project)**

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in Special Drawing Rights)*</u>
15 April 2017	134,979
15 October 2017	134,979
15 April 2018	134,979
15 October 2018	134,979
15 April 2019	134,979
15 October 2019	134,979
15 April 2020	134,979
15 October 2020	134,979
15 April 2021	134,979
15 October 2021	134,979
15 April 2022	134,979
15 October 2022	134,979
15 April 2023	134,979
15 October 2023	134,979
15 April 2024	134,979
15 October 2024	134,979
15 April 2025	134,979
15 October 2025	134,979
15 April 2026	134,979
15 October 2026	134,979
15 April 2027	134,979
15 October 2027	134,979
15 April 2028	134,979
15 October 2028	134,979
15 April 2029	134,979
15 October 2029	134,979
15 April 2030	134,979
15 October 2030	134,979
15 April 2031	134,979
15 October 2031	134,979
15 April 2032	134,979
15 October 2032	134,979
15 April 2033	134,979
15 October 2033	134,979
15 April 2034	134,979
15 October 2034	134,979
15 April 2035	134,979
15 October 2035	134,979
15 April 2036	134,979

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 October 2036	134,979
15 April 2037	134,979
15 October 2037	134,979
15 April 2038	134,979
15 October 2038	134,979
15 April 2039	134,979
15 October 2039	134,979
15 April 2040	134,979
15 October 2040	<u>134,987</u>
Total	<u><u>6,479,000</u></u>

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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 3****Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of Goods, Works and consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Interest Charge

3. The amount allocated to Category 7 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

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

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

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

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works, consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

Imprest Account: Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at a commercial bank to be designated by SBV and acceptable to ADB. The imprest accounts shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest accounts shall be Dollar. The initial amount to be deposited into the imprest accounts shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

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

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b>			
<b>(Greater Mekong Subregion Sustainable Tourism Development Project)</b>			
<b>CATEGORY</b>			<b>ADB FINANCING</b>
<b>Number</b>	<b>Item</b>	<b>Amount Allocated SDR Category</b>	<b>Percentage and Basis for Withdrawal from the Loan Account</b>
1	Works	2,267,000	79 percent of total expenditure
2	Equipment and Vehicle	444,000	100 percent of total expenditure*
3	Training and Workshops	932,000	100 percent of total expenditure*
4	Consulting Services	1,117,000	100 percent of total expenditure*
5	Environment and Social Mitigation (EMP)	85,000	100 percent of total expenditure*
6	Recurrent Costs	472,000	100 percent of total expenditure*
7	Interest Charge	117,000	100 percent of amount due
8	Unallocated	1,045,000	
	Total	6,479,000	

\* Exclusive of taxes and duties imposed within the territory of the Borrower.

## SCHEDULE 4

### Procurement of Goods and Works, and Consulting Services

#### A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

#### B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

National Competitive Bidding
Shopping
Direct Contracting

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. National Competitive Bidding. The Borrower's laws to be followed for national competitive bidding shall be those set forth in the Bidding Law No. 61/2005/QH11 of 26 November 2005 and the Construction Law No. 16/2003/QH11 of 26 November 2003, with the clarifications and modifications set out in the Procurement Plan.

#### C. Conditions for Award of Contract

5. (a) The Borrower shall not award any Works contracts for a subproject until such time as (i) a LARP, where required for the relevant subproject, shall have been approved by ADB pursuant to paragraph 13 of Schedule 5 to this Loan Agreement; (ii) such ADB approved LARP shall have been implemented in said specific area, covered by the relevant subproject, by the Borrower pursuant to paragraph 13 of Schedule 5 to this Loan Agreement; and (iii) adequate compensations have been paid to affected people.

(b) The Borrower shall not award any Works contracts for a subproject requiring further environmental analysis, until such time as (i) individual IEEs shall have been prepared for each of the interventions requiring further analysis; and (ii) the IEE has been submitted to ADB for its review and approval.

**D. Selection of Consulting Services**

6. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

7. The Borrower shall apply the following method for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Consultants' Qualifications Selection for Human Resources Development consultants under Part 4 of the Project
Least-Cost Selection for Construction Supervision

8. The Borrower shall recruit the individual consultants for external monitoring of resettlement impacts and project external monitoring, in accordance with procedures acceptable to ADB for recruiting individual consultants.

**E. Industrial or Intellectual Property Rights**

9. (a) The Borrower shall ensure that all Goods and Works 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 contracts for the procurement of Goods and Works 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.

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

**F. ADB's Review of Procurement Decisions**

11. The first two contracts for Works in each Participating Province shall be subject to ADB prior approval and all contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

## SCHEDULE 5

### Execution of Project and Operation of Project Facilities; Financial Matters

#### Project Executing Agency (EA)

1. The Ministry of Culture, Sports and Tourism (MCST) shall be the EA and shall be responsible for the overall management of the Project.

#### Subregional Project Steering Committee (SPSC)

2. An SPSC shall be established by MCST and Lao National Tourism Administration (LNTA) to oversee overall project implementation at the subregional level. MCST and LNTA of Lao PDR shall, respectively, appoint its representatives to sit as members of SPSC. Senior officials of at least a director general level of LNTA and MCST shall alternately chair the SPSC. Representatives from the national tourism offices (NTOs) of other countries within the GMS will be invited as observers to discuss the lessons learned from the demonstration subprojects and potential to replicate them. The Mekong Tourism Coordination Office (MTCO) shall act as a secretariat of the SPSC.

#### National Project Steering Committee (NPSC)

3. NPSC shall be established to provide policy guidance, and oversee Project implementation at the national level. The NPSC shall be chaired by a senior official of a director general level of MCST and its members shall include representatives from Ministry of Planning and Investment (MPI), Ministry of Finance (MOF), State Bank of Viet Nam (SBV) and the Participating Provinces.

#### Project Coordination Unit (PCU)

4. A PCU has been established within the office of MCST. The PCU is headed by a project director (Project Director). The Project Director shall be assisted by a deputy director and at least five other staff, who will be responsible for Project accounting, monitoring and evaluation, environment, natural and cultural heritage, social and gender issue. The PCU shall be responsible for (i) coordinating the Project; (ii) selecting, engaging and managing the consultants; (iii) providing necessary data to the auditor and submitting the audited financial statement to ADB on time; (iv) monitoring and evaluating the Project; (v) consolidating Project reports to be submitted to the ADB and the Borrower, and (vi) coordinating with the PCU in Lao PDR, the MTCO and the NTOs of other GMS countries. The PCU shall receive support from the international and national consultants.

#### Project Implementation Unit (PIU)

5. A PIU has been established in each Participating Province to undertake the day-to-day implementation of the Project. Each PIU shall receive guidance from the PCU and shall be responsible for implementing, carrying out procurement activities, coordinating, monitoring, and reporting activities at the provincial level. Each PIU shall be headed by a provincial Project Director and shall have a project manager and five staff, who shall be

responsible for project accounting, monitoring and evaluation, environment, natural and cultural heritage, social and gender issues.

#### Provincial Project Steering Committee (PPSC)

6. A PPSC shall be established in each Participating Province within three months of the Effective Date. The PPSC shall provide policy guidance to the PIU and shall oversee Project implementation at the provincial level. The PPSC shall consist of representatives from relevant agencies at provincial level that are in charge of natural and cultural heritage site management, urban environment, public works, transportation, borders, and district authorities. The PPSC shall be chaired by a senior member of the Provincial People's Committee and the PIU shall serve as the secretariat of the PPSC.

#### Community Tourism Group (CTG)

7. The Borrower shall cause MCST to ensure that community consultation takes place at every step of Project implementation. For this purpose, the PIUs shall work with each of the participating communities to establish a CTG in each of the participating communities. The CTG may comprise of stakeholders' representatives, the relevant village leaders and mass organizations such as women's union and youth union. The purpose and the main responsibilities of CTG shall be (i) to raise issues of concern to the PIU, (ii) to ensure that the concerns are adequately reflected in the implementation program, (iii) to assist in the implementation of the community awareness program and (iv) to ensure that the community is involved in the community based monitoring and evaluation. The PIU shall invite the CTG to attend the regular PPSC meetings.

#### Counterpart Funding

8. The Borrower shall provide counterpart funds for Project implementation on time. MCST and the Participating Provinces shall make timely submission to the MOF and other relevant authorities of annual budgetary appropriation request in respect of the Project and MOF shall promptly disburse the appropriated funds during each year of Project implementation.

#### Subprojects Selection Criteria

9. The Borrower and MCST shall ensure that selection of subprojects under Parts 2 and 3 of the Project, as described in Schedule 1 to this Loan Agreement, shall be carried out in accordance with the selection criteria, which have been agreed between the Borrower and ADB.

#### Human Resources Training

10. The Borrower shall ensure that priority for the training to be provided under Part 4 of the Project, as described in Schedule 1 to this Loan Agreement, shall be given to master trainers, trainers and public sector officials in tourism sector from the Participating Provinces. The Borrower shall further ensure that the selection of master trainers, trainers and public sector officials shall be carried out in accordance with the selection criteria, which has been agreed between the Borrower and ADB.

Operation & Maintenance

11. Within 36 months after the Effective Date, the Borrower shall cause the Park Authorities of Phong Nha Ke Bang to increase the entry fee charge to tourists visiting the area. The Borrower shall further ensure that at least 50% of the funds collected from the entry fee will be retained and used solely for the Operation and Maintenance (O&M) of the facilities at the site.

12. Within 3 months after the construction of the cultural heritage center in Bac Kan Province is completed, the Borrower shall cause the tourism provincial authorities in Bac Kan Province to impose entry fee charge to tourists visiting the center. The Borrower shall further ensure that at least 50% of the funds collected from the entry fee shall be retained and used solely for the O&M of the facilities at the site.

Involuntary Resettlement

13. The Borrower shall ensure that it shall not approve any Subproject that involves significant involuntary resettlement according to ADB's *Policy on Involuntary Resettlement* (1995). The Borrower shall further ensure that all land and right-of-way required for the Project shall be made available in a timely manner and adequate compensations shall be paid to affected people prior to any civil works contract's award. Any involuntary resettlement shall be carried out in accordance with the Resettlement Framework (RF) agreed upon between the Borrower and ADB, and ADB's *Policy on Involuntary Resettlement* (1995). A Resettlement Plan (RP) shall be prepared for each Subproject involving land acquisition or resettlement and shall be submitted to ADB for review and approval prior to any related civil works contract's award. The RPs, that have been prepared and agreed by the Borrower and ADB, for the sample Subprojects, shall be updated and provided to ADB for review and approval following detailed design and prior to civil work contracts' award. Draft RPs and draft updated RPs shall be disclosed to affected people prior to submission to ADB for review and approval.

Indigenous Peoples

14. The Borrower shall ensure that the Project shall be implemented in accordance with the applicable laws and regulations of the Borrower and ADB's *Policy on Indigenous Peoples* (1998) and shall carry out the specific measures on Indigenous Peoples stipulated in the Ethnic Minorities Development Framework (EMDF) that has been agreed between the Borrower and ADB. The Borrower shall further ensure that Indigenous Peoples have equitable opportunities to access scholarships and to participate in training, recruitment, income generation activities under the Project.

Environment

15. The Borrower shall comply with its environmental laws and regulations and ADB's *Environment Policy* (2002). If there is any discrepancy between the Borrower laws and regulations and ADB's *Environment Policy*, ADB's *Environment Policy* requirements will apply. It will ensure that the design, construction, operation and implementation of each subproject will be carried out in accordance with the initial environment examination (IEE), the environmental management plan (EMP) and the environmental assessment and review framework (EARF). In each Participating Province, a cluster IEE shall be prepared for

subprojects to be developed under Parts 2 and 3 of the Project. However, if any of the screening results indicate the need for further environmental analysis, individual IEEs shall be prepared for each subproject and shall be submitted to ADB for approval before any contract award. Any adverse environmental impacts arising from the construction, operation and implementation of the subprojects will be minimized by implementing the environmental mitigation and management measures, and other recommendations specified in the EMP. The Borrower shall ensure construction-phase environmental requirements of the EMP are incorporated in bidding documents and civil works contracts. The Borrower shall provide certification that unexploded ordinance has been cleared before it submits an IEE to ADB for approval or, if an IEE has already been approved, before commencement of civil works.

### Gender

16. The Borrower shall ensure that the Project is carried out in accordance with ADB's *Policy on Gender and Development (1998)* and the gender strategy contained in the gender action plan (GAP) for the Project that has been prepared and agreed between the Borrower and ADB. The Borrower shall further ensure, and shall cause MCST and the Participating Provinces to ensure, that the GAP and the specific actions and targets contained therein, are included in the project and provincial rolling work plans. In particular, at least 40% of capacity development activities and 50% of scholarships for master trainers are reserved for women. Further, at least 30% of the PCU and PIUs staff shall be women. Activities identified in the GAP shall be implemented in a timely manner and shall have adequate resources allocated for its preparation and implementation. Gender-related targets and indicators are included in the Project performance monitoring system (PPMS). By mid-term, each Participating Province shall develop a provincial gender plan for the tourism sector.

### Project Performance Management System (PPMS)

17. The Borrower shall ensure that the PPMS, developed for the Project, is integrated into the information management system of MCST and the provincial tourism departments. The PIUs shall be responsible for ensuring that the PPMS is implemented and updated, in consultation with the local communities, to (i) examine the Project's technical performance, (ii) evaluate the delivery of the planned facilities, (iii) assess the achievement of the Project's outputs and outcome, (iv) ensure compliance with social safeguards, and (v) measure the Project's benefits. Data shall be disaggregated by sex, ethnic group and income level where feasible. The PIUs shall prepare the annual PPMS reports and submit the same to the PCU. Subsequently, the PCU shall consolidate and submit the report to ADB.

### Anti Corruption Measures

18. The Borrower shall comply with, and shall cause MCST to comply with ADB's Anticorruption Policy (1998, as amended to date) and the Policy relating to *Enhancing ADB's Role in Combating Money Laundering and the Financing of Terrorism* (2003). The Borrower (i) acknowledges ADB's right to investigate, directly or through its agents, any alleged

corrupt, fraudulent, collusive or coercive practices relating to the Project; (ii) agrees to cooperate fully with and to cause MCST to cooperate fully with any such investigation and to extend all necessary assistance, including providing access to all relevant books and records, as may be necessary for the satisfactory completion of any such investigation; and (iii) agrees to refrain, and cause MCST to refrain, from engaging in money laundering activities or financing of terrorism and shall allow, and cause MCST to allow, ADB to investigate any violation or potential violation of these undertakings.

19. Without limiting the generality of the preceding paragraph, the Borrower shall (a) ensure that MCST and the PIUs conduct periodic monitoring inspections on all contractors' activities related to fund withdrawals and settlements and (b) ensures that, and shall cause MCST and the PIUs to ensure that, all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of MCST, PIUs and all contractors, suppliers, consultants and other service providers as they relate to the Project.

20. Within 6 months of the Effective Date, MCST shall create a Project website to disclose information about various matters on the Project, including procurement. The Project website will be a part of MCST's existing website. With regard to procurement, the website shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods/services procured.

21. Within 6 months of the Effective Date, MCST shall prepare a grievance redress mechanism, acceptable to ADB, and establish a task force at the PCU to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances relating to resettlement and environmental issues. The task force shall (i) make public the existence of this Grievance Redress Mechanism, through public awareness campaign, (ii) review and address grievances of stakeholders of the Project, in relation to either the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (iii) proactively and constructively respond to them