
LOAN NUMBER 2377-VIE(SF)

LOAN AGREEMENT
(Special Operations)

(Third Financial Sector Program - Subprogram 1)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 10 JANUARY 2008

LPS:VIE 37577

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 10 January 2008 between the SOCIALIST REPUBLIC OF VIET NAM ("the Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 2 November 2007 (hereinafter called the Policy Letter), setting forth certain objectives, policies and actions described in Schedule 1 to this Loan Agreement, designed to creating a more diversified and resilient financial sector under a cluster of two subprograms forming the Third Financial Sector Program Cluster (hereinafter called the Program Cluster), some of which have been implemented under the first subprogram of the Program Cluster (hereinafter called the Program);

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

(C) 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;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

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

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

24. The term "Program" means the first subprogram 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 therefor:

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

Section 1.02. The terms defined in the Loan Regulations are incorporated into this Loan Agreement, unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "AMLIC" means the anti-money laundering information center of the Borrower and any successor thereto;

(b) "Counterpart Funds" means the Dong proceeds generated from the Loan proceeds under the Program and referred to in paragraph 3 of Schedule 1 and paragraph 1 of Schedule 5 to this Loan Agreement;

(c) "Decree 74" means Decree 74/ 2005 ND-CP dated 7 June 2005 of the Borrower covering anti-money laundering and its implementing legal documents, as amended from time to time;

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

(e) "DIV" means the Deposit Insurance of Viet Nam of the Borrower and any successor thereto;

(f) "Dong" or the sign "VND" means dong in the currency of the Borrower;

(g) "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;

(h) "First Tranche" means the portion of the proceeds of the Loan in an amount not exceeding the equivalent of SDR19,116,000 to be initially withdrawn and utilized;

- (i) "Government" means the government of the Borrower;
- (j) "Hanoi STC" means the Hanoi Securities Trading Center of the Borrower and any successor thereto;
- (k) "IOSCO" means the International Organization of Securities Commissions and any successor thereto;
- (l) "MMOU" means the mutual memorandum of understanding;
- (m) "MOF" means the Ministry of Finance of the Borrower, and any successor thereto;
- (n) "Policy Letter" means the development policy letter dated 2 November 2007 addressed by the Borrower to ADB and referred to in Recital (A) of this Loan Agreement;
- (o) "Policy Matrix" means the policy matrix attached to the Policy Letter, as agreed between the Borrower and ADB which sets forth actions accomplished or to be accomplished by the Borrower under the Program Cluster;
- (p) "Program Cluster" has the meaning specified in Recital (A) to this Loan Agreement;
- (q) "Program Cluster Period" means the period from 1 January 2006 until 30 September 2010 during which the Program Cluster will be implemented;
- (r) "Program Executing Agency" means, for the purposes and within the meaning of the Loan Regulations, SBV, which is responsible for the carrying out of the Program;
- (s) "Program Period" means the period from 1 January 2006 until 28 February 2009 during which the Program will be implemented;
- (t) "SBV" means the State Bank of Viet Nam, and any successor thereto;
- (u) "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 and utilized subject to the provisions of paragraph 5 of Schedule 3 to this Loan Agreement;
- (v) "SSC" means the State Securities Commission of the Borrower, and any successor thereto;
- (w) "STCs" mean the securities trading centers of the Borrower, and any successor thereto;
- (x) "Subprogram 1" means the first of two subprograms which together form the Program Cluster;

(y) "Subprogram 2" means the second subprogram under the Program Cluster, the terms of which are to be agreed between the Borrower and ADB; and

(z) "Viet Nam Securities Depository" or "VSD" means the Viet Nam securities depository of the Borrower, 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 seven million seven hundred ninety thousand Special Drawing Rights (SDR47,790,000).

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 June and 1 December in each year.

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

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

ARTICLE III

Use of Proceeds of the Loan

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

Section 3.02. The proceeds of the Loan may be withdrawn from the Loan Account only for the purposes of financing foreign currency expenditures incurred for

Eligible Items under the Program in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

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

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

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

Section 3.05. 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 eighty (180) days prior to the Effective Date.

Section 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2009 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 Cluster.

(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 Cluster, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter and Policy Matrix.

(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 semiannually reports on the carrying out of the Program Cluster and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter and Policy Matrix.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: all reform actions and measures, as specified in the Policy Matrix relating to the First Tranche of the Program, shall have been taken or achieved and be completed.

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 SBV 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

Facsimile Numbers:

+632 636 2444
+632 636 2388

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 Program**

1. The principal objectives of the Program Cluster are to expand the financial sector through improved capital markets, to introduce a wider range of legal and regulatory structures, and to create a more diversified, extensive, and more resilient financial sector. The scope of the Program Cluster includes reforms: (i) to enhance market liquidity by lowering transaction costs, (ii) to strengthen the institutional framework for securities issuance, (iii) to improve investor and consumer protection, and (iv) to promote regional cooperation in securities market regulation. The Program Cluster is described in more detail in the Policy Letter and the Policy Matrix. The reform agenda for Subprogram 2 will be jointly refined by the Borrower and ADB to reflect the progress made under the Program and the evolving circumstances in the Borrower's economic management and financial sector.
2. The Program represents the first phase of the Program Cluster and will be implemented under this Loan Agreement.
3. 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 certain programs and other activities consistent with the objectives of the Program, pursuant to the provisions of paragraph 1 of Schedule 5 to this Loan Agreement.
4. The proceeds of the Loan are expected to be disbursed and utilized by 30 June 2009.

SCHEDULE 2**Amortization Schedule**

(Third Financial Sector Program - Subprogram 1)

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
1 June 2016	1,493,438
1 December 2016	1,493,438
1 June 2017	1,493,438
1 December 2017	1,493,438
1 June 2018	1,493,438
1 December 2018	1,493,438
1 June 2019	1,493,438
1 December 2019	1,493,438
1 June 2020	1,493,438
1 December 2020	1,493,438
1 June 2021	1,493,438
1 December 2021	1,493,438
1 June 2022	1,493,438
1 December 2022	1,493,438
1 June 2023	1,493,438
1 December 2023	1,493,438
1 June 2024	1,493,438
1 December 2024	1,493,438
1 June 2025	1,493,438
1 December 2025	1,493,438
1 June 2026	1,493,438
1 December 2026	1,493,438
1 June 2027	1,493,438
1 December 2027	1,493,438
1 June 2028	1,493,438
1 December 2028	1,493,438
1 June 2029	1,493,438
1 December 2029	1,493,438
1 June 2030	1,493,438
1 December 2030	1,493,438
1 June 2031	1,493,438
1 December 2031	<u>1,493,422</u>
Total	<u><u>47,790,000</u></u>

*The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3**Withdrawal of Loan Proceeds**

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

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

(b) No withdrawals from the Loan Account shall be made in respect of any expenditures which have been financed by credits from official international or bilateral aid agencies or any other loans 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 the Attachment 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, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon

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

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

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

List of Ineligible Items

1. Loan proceeds will finance the foreign currency expenditures for the reasonable cost of imported goods required during the Program.
2. No withdrawals will be made for the following:
 - (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Borrower:

Table A12: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

- (ii) expenditures in the currency of the Borrower or of goods supplied from the territory of the Borrower;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any other loan or grant from the ADB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and
- (vii) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

Conditions for Release of the Second Tranche

The conditions to be fulfilled by the Borrower for the release of the Second Tranche include: (i) maintaining the conditions satisfied under the First Tranche; and (ii) achievement, satisfactory to ADB, of the conditions specified below.

A.1 Market disclosure and dissemination of information

1. (a) State Security Commission (SSC) shall have provided web-based disclosure of results of securities' auctions, including information on volumes, prices, and the high and low bids for placement of securities using auctions.

(b) MOF shall have disclosed on the MOF website information on the structure, outstanding amounts, and borrowing costs with regard to Government domestic securities.

2. SSC shall have required traders to promptly report securities transactions of public companies with securities registered with the Viet Nam Securities Depository (VSD) to STCs, including price and volume information, and bid/offer spreads.

A.2 Market Information Standards

3. MOF shall have issued: (i) regulations for step-by-step implementation of mark-to-market accounting requirement under International Accounting Standard 32 Financial Instruments: Disclosure and Presentation into the Vietnamese accounting system; and (ii) accounting guidelines for securities firms and for repurchase agreements.

4. MOF shall have prepared and submitted to the Government, a draft law on independent audit, including provisions specifying (i) the function of independent business associations and self regulatory organizations, and (ii) a roadmap for the delegation of management of the accounting and auditing profession to the relevant professional association.

A.3 Market infrastructure for secondary trading of securities

5. A specialized bond trading platform shall have been established at Hanoi STC.

6. Hanoi STC and VSD shall have become limited liability companies and SSC shall have approved their rules, including requirements for listing, trading, membership, information disclosure, registration, depository, and a settlement and clearing mechanism).

7. SSC shall have developed an information technology plan to: (i) enable electronic filing by regulated parties, including issuers, public companies, and regulated intermediaries; (ii) enhance SSC's supervision of securities markets; and (iii) improve activities to publicly disseminate relevant market information.

B.1 Government securities issuance to support the capital markets

8. MOF and SBV shall have established a working group at departmental level (the MOF-SBV Working Group) to promote the development of the money and bond markets.

9. The MOF-SBV Working Group shall have met quarterly to exchange relevant information on the development of money and the bond markets, including the liquidity forecasts by SBV and the issuance schedule by MOF for Government securities).

10. MOF shall have: (i) established a taskforce to develop the Government bond market; (ii) ensured that the taskforce undertakes quarterly meeting with market participants to exchange information on the issuance of the Government securities, and (iii) studied and prepared the roadmap of actions to remove the interest ceiling in auctions of Government securities.

11. MOF shall have prepared a study for establishing a primary dealer system for Government securities.

B.2 Create benchmark issues for Government securities

12. MOF, in consultation with SBV, shall have identified and issued appropriate benchmark maturities of Government securities.

13. MOF shall have issued appropriate guidelines for the buying back of Government securities.

B.3 Develop the Interbank Money Market

14. SBV shall have issued a master repurchase agreement and is using the agreement in all SBV's repurchase transactions.

B.4 Enhance Supply of other Securities

15. SBV shall have rationalized prudential requirements on parent bank lending to leasing subsidiaries.

16. SBV, in cooperation with the Supreme Court, shall have developed a public awareness program for leasing stakeholders, including economic court judges and concerned government officials, and submit it for ADB support.

C.1 Improve consumer protection

17. SSC shall have implemented a master plan, including issuance of regulations and procedures for market surveillance and compliance with requirements.

18. SSC shall have adopted and implemented a web-based system to facilitate the lodging of investors' complaints to be resolved in line with current procedures.

19. SSC shall be publishing consolidated tables of all cases heard and penalties imposed on, regulated persons under its authority.

20. SBV shall have drafted a decree on bankruptcy of credit institutions, including the role of DIV in the resolution process.

21. Based upon feasibility studies, the Government shall give priority to appropriate capital expenditure allocations for funding that is required to develop essential information technology infrastructure to support the Program.

C.2 Strengthen anti-money laundering (AML) regime

22. AMLIC shall have: (i) established an information technology system for information collection, processing and recording; and (ii) increased staff to effectively implement Decree 74 and related regulations.

C.3 Enhance consumer protection in insurance markets

23. MOF shall have implemented a risk-based capital adequacy framework for the insurance market by: (i) initially determining the paid-up charter capital of an insurance business, corresponding to the lines or scope of the business and the number of branches; and (ii) setting a schedule in respect of determining excluded assets, in part or in full, to determine the appropriate solvency margins of insurance firms. This includes revising Circulars 98/2004/TT-BTC and 99/2004/TT-BTC of the Borrower.

24. MOF shall have adopted a regulation covering investment-linked insurance products.

C.4 Regulatory coordination to improve market oversight

25. The Government shall have undertaken a study (with the proposed assistance of ADB), of the institutional framework to strengthen the coordination and cooperation between the relevant regulatory agencies for financial market supervision.

D.1 Regional cooperation in development of securities markets

26. SSC shall have: (i) conducted an assessment of its ability to meet benchmarks under the IOSCO MMOU; and (ii) developed a roadmap for SSC to become a signatory to Appendix B of the IOSCO MMOU.

27. SSC shall have developed foreign portfolio investment regulations that provide guidelines for foreign investment in securities and the provision of securities services by foreign firms.

SCHEDULE 4

Procurement

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

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

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

SCHEDULE 5

Program Implementation and Other Matters

I. Counterpart Funds

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

II. Implementation and Coordination

2. SBV, as Program Executing Agency, shall bear overall responsibility for the implementation of the Program and shall coordinate with MOF (in particular, the SSC) which shall be the Implementing Agency.

3. The Program Steering Committee (PSC), chaired by a senior official of SBV and comprising senior officials from MOF and agencies of the Borrower involved in implementation of the Program shall be established within 3 months of Loan Effectiveness. The Committee will meet semiannually and if needed, on an ad hoc basis, to monitor progress of the Program Cluster and in particular, progress of the Program, to review pending issues, to propose concrete actions for their resolution, and to provide guidance and direction to the Executing and Implementing Agencies, and relevant line agencies of the Borrower involved in Program Cluster actions. The Committee may invite ADB to participate in its meetings as an observer. The PSC shall ensure that the reforms are undertaken in accordance with the agreed timetable.

4. The Program Implementation and Coordination Unit (PICU) established within SBV, shall be headed by a senior officer of SBV, and staffed by SBV officials with expertise acceptable to ADB. The Borrower shall ensure that the PICU shall have the responsibility for the day-to-day implementation of Program and shall have the following functions: (a) to prepare the semi-annual reports to ADB and the PSC, on the progress and issues relating to Subprogram II implementation; (b) to coordinate, monitor, and supervise Program implementation; and (c) to assess the impact of the Program.

III. Policy Reform

5. The Borrower shall: (a) ensure that the policies adopted and actions taken as described in the Policy Letter prior to the date of this Loan Agreement continue to be in effect; and (b) adopt the other policies and take other actions included in Program as specified in the Policy Letter, the Policy Matrix, and this Loan Agreement in a timely manner and ensure that such policies and actions continue to be in effect.

IV. Policy and Sector Dialogue

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

7. The Borrower shall promptly discuss with ADB problems and constraints encountered during implementation of Program and adopt appropriate measures to overcome or mitigate such problems and constraints in a timely manner.

8. The Borrower shall keep ADB informed of policy discussions with other multilateral and bilateral agencies that have implications for implementation of the Program Cluster, 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.

V. Program Performance Monitoring and Reviews

9. SBV shall be responsible for carrying out monitoring and evaluation of the Program in accordance with agreements reached with ADB, and shall continually assess its impact. Specific performance indicators for the Program, as agreed with ADB, shall be used to assist with monitoring. The Borrower shall actively assist and support ongoing Program monitoring and evaluation including facilitating consultations with central and provincial agencies of the Borrower, financial sector participants, civil society, and other key stakeholders as appropriate.

10. Semiannually, or at such time or times as the Borrower and ADB may agree, a review shall be carried out concerning the Borrower's progress in implementing the policy reforms set out in the Policy Letter and Policy Matrix including, in particular, the fulfillment of the conditions listed in Attachment 2 to Schedule 3 to this Loan Agreement and assess the impact of Program on the structure and development of the financial 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 financial sector including the refining of the reform agenda for Subprogram 2 to reflect the progress made under the Program and the evolving circumstances in the Borrower's economic management and financial sector.

11. PICU shall be responsible for maintaining all monitoring data and evaluating benefits of the Program Cluster. The Borrower and ADB shall jointly assess the impact and evaluate the benefits of the Program within 18 months after Loan Effectiveness, in accordance with ADB's Program Performance Management System. The Borrower and ADB may use the findings of such assessment and evaluation in refining the Program Cluster. If Subprogram 2 is approved, this monitoring shall continue to be undertaken every six months until 12 months after the Program Cluster is completed.