
LOAN NUMBER 2490-VIE (SF)

LOAN AGREEMENT
(Special Operations)

(Support for the Implementation of the Poverty Reduction Program V [Program Cluster]
- Subprogram I)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 29 DECEMBER 2008

LPS:VIE 42191

**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) ADB has received from the Borrower a development policy letter dated 23 October 2008 (hereinafter called the Policy Letter), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to develop the Borrower's economic management and poverty reduction sector under the Support for the Implementation of the Poverty Reduction Program V (Program Cluster) (hereinafter called the "Program Cluster") as more fully described in Schedule 1 to this Loan Agreement;

(B) Subprogram I comprises the first subprogram of the Program Cluster (hereinafter called "Subprogram I"). Certain of the objectives, policies and actions set forth in the Policy Letter shall be implemented under Subprogram I of the Program Cluster and the Borrower has applied to the ADB for a loan from its Special Funds resources for the purposes of Subprogram I, as more fully described in Schedule 1 to this Loan Agreement;

(C) the Borrower has also applied to the International Development Association (hereinafter called "IDA") to finance a portion of the Program under the IDA's Seventh Poverty Reduction Support Credit (hereinafter called "PRSC7");

(D) the Borrower has carried out the measures and taken actions described in the Policy Matrix for Subprogram I to the satisfaction of ADB and has maintained a macroeconomic policy framework satisfactory to ADB; and

(E) 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 "Subprogram I" means the program 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 "Subprogram I".

(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 Cluster 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 Subprogram I, 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) "Counterpart Funds" means the Dong proceeds accruing to the Borrower and generated from the Loan proceeds under Subprogram I and referred to in paragraph 1 of Schedule 5 to this Loan Agreement;

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

(c) "Dong" means Viet Nam Dong representing the Borrower's currency;

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

(e) "IDA Credit" means the credit provided by IDA for the purpose of financing a portion of the Program Cluster;

(f) "PCU" means the Program Coordination Unit established in 2005 within SBV for the purpose of coordinating the PRSC process;

(g) "Policy Letter" means the development policy letter dated 23 October 2008 addressed by the Borrower to ADB and referred to in Recital (A) of this Loan Agreement;

(h) "Policy Matrix" means the policy matrix as agreed between the Borrower and ADB which sets forth the actions taken by the Borrower under Subprogram I and the objectives, policies and actions to be achieved under the Program Cluster;

(i) "Program Cluster Period" means the period during which the Program Cluster will be implemented as agreed between the Borrower and ADB;

(j) "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 Cluster;

(k) "PRSC" means the IDA's Poverty Reduction Support Credit;

(l) "SBV" means the Borrower's State Bank of Vietnam and any successor thereto;

(m) "SC" means the Borrower's Steering Committee established in 2007 for the purpose of implementing the Borrower's Comprehensive Poverty Reduction and Growth Strategy and Poverty Reduction Support Credit, and any successor thereto; and

(n) "Subprogram I Period" means the period commencing on 1 January 2009 to 31 December 2009 or such other date as may from time to time be agreed between the Borrower and ADB.

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 sixteen million four hundred thirty-nine thousand Special Drawing Rights (SDR16,439,000).

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 Subprogram I 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 Subprogram I 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 31 December 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 Subprogram I, 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 Subprogram I.

(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.

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

ARTICLE V

Suspension; Cancellation; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the IDA Credit shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Governor of SBV is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

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

For the Borrower

State Bank of Vietnam
47 – 49 Ly Thai To
Hanoi, Viet Nam

Facsimile Number:

(84-4) 38250-612
(84-4) 38258-385.

For ADB

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

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 _____
NGUYEN VAN GIAU
Authorized Representative

ASIAN DEVELOPMENT BANK



By _____
AYUMI KONISHI
Country Director
Viet Nam Resident Mission

SCHEDULE 1**Description of the Program Cluster and Subprogram I**

1. The principal objective of the Program Cluster is to support the Borrower in carrying out the policy reforms necessary for successful implementation of its Socio-Economic Development Plan 2006-2010 and the scope includes the following:

(i) equitizing and/or restructuring state owned enterprises, developing the financial and private sectors, improving the quality of infrastructure services, and deepening Viet Nam's integration into the global economy;

(ii) improving the quality of, and access to, health care and education, strengthening social protection, and promoting gender equality;

(iii) strengthening management of natural resources and protection of environment; and

(iv) improving planning processes, strengthening public financial management and public administration, reducing corruption, and improving legal transparency and accessibility.

2. Subprogram I is the first subprogram of the Program Cluster. The Program Cluster and Subprogram I are described in more detail in the Policy Letter. Subprogram I has been implemented during the Subprogram I Period.

3. In support of Subprogram I:

(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 Subprogram I, pursuant to the provisions of paragraph 1 of Schedule 5 to this Loan Agreement.

4. The proceeds of the Loan are expected to be utilized by 31 December 2009.

SCHEDULE 2

Amortization Schedule

**(Support for the Implementation of the Poverty Reduction Program V
[Program Cluster] - Subprogram I)**

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)
01-Jun-2017	513,719.00
01-Dec-2017	513,719.00
01-Jun-2018	513,719.00
01-Dec-2018	513,719.00
01-Jun-2019	513,719.00
01-Dec-2019	513,719.00
01-Jun-2020	513,719.00
01-Dec-2020	513,719.00
01-Jun-2021	513,719.00
01-Dec-2021	513,719.00
01-Jun-2022	513,719.00
01-Dec-2022	513,719.00
01-Jun-2023	513,719.00
01-Dec-2023	513,719.00
01-Jun-2024	513,719.00
01-Dec-2024	513,719.00
01-Jun-2025	513,719.00
01-Dec-2025	513,719.00
01-Jun-2026	513,719.00
01-Dec-2026	513,719.00
01-Jun-2027	513,719.00
01-Dec-2027	513,719.00
01-Jun-2028	513,719.00
01-Dec-2028	513,719.00
01-Jun-2029	513,719.00
01-Dec-2029	513,719.00
01-Jun-2030	513,719.00
01-Dec-2030	513,719.00
01-Jun-2031	513,719.00
01-Dec-2031	513,719.00
01-Jun-2032	513,719.00
01-Dec-2032	513,711.00
Total	16,439,000.00

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 nominate 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 Subprogram I 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. The loan proceeds shall be disbursed in a single tranche upon effectiveness of the Loan Agreement.

Negative List

1. Loan proceeds will finance the foreign currency expenditures for the reasonable cost of imported goods required during the Support for the Implementation of the Poverty Reduction Program V (Program Cluster) – Subprogram I.
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 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.

SCHEDULE 4

Procurement

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraph 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

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 Subprogram I and other activities consistent with the objectives of the Program Cluster, as more fully described in 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 Subprogram I.

Implementation and Coordination

2. SBV, as the Program Executing Agency, shall be responsible for overall implementation of the Program Cluster, including administration and disbursement of Loan proceeds, maintenance of accounts, and preparation of semiannual progress reports on implementation of the Program Cluster. The Program Cluster shall be implemented through ministries and agencies represented in the SC, which are responsible for such aspects of the Program Cluster as are within their respective mandate.

3. The Borrower shall ensure that the Program Cluster and Subprogram I shall be properly coordinated through the PCU. The PCU shall be the focal point for donors participating in PRSC 7, and responsible for monitoring, reporting, awareness raising, capacity building and disseminating the reform outcomes under the Program Cluster.

Implementation of the Policy Letter and Policy Matrix

4. The Borrower shall ensure that the policies and actions as described in the Policy Letter and the Policy Matrix, prior to this Loan Agreement shall continue in effect for the duration of the Program Cluster Period and thereafter as appropriate.

Policy Dialogue

5. The Borrower shall keep ADB informed of, and the Borrower and ADB shall from time to time exchange views on, issues related to structural adjustment, macroeconomic management, socially inclusive development, and governance and public administration reforms and ensuing policy and institutional reforms, and additional reforms 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 Cluster 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 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.

Monitoring and Evaluation

8. The Borrower shall monitor the implementation of the Program Cluster. The Borrower and ADB shall review the implementation of the policy reforms set out in the Policy Letter, and assess the impact of all relevant reforms in the sector. Especially, the progress in policy reforms under the Program Cluster shall be assessed by the Borrower and ADB in conjunction with the processing of subsequent subprograms. To facilitate such review, the Borrower shall assist ADB by providing relevant data and information in such detail as ADB may reasonably request.

9. The Borrower shall evaluate the benefits of the Program Cluster 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* (as amended from time to time), a copy of which has been provided to the Borrower.