
LOAN NUMBER 2721-VIE (SF)

LOAN AGREEMENT
(Special Operations)

(Greater Mekong Subregion Biodiversity Conservation Corridors Project)

(Viet Nam Component)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 5 MAY 2011

REG 40253

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 5 May 2011 between SOCIALIST REPUBLIC OF VIET NAM (“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) the Lao People’s Democratic Republic has applied to ADB for a grant for the purpose of carrying out the activities described in a grant agreement between the Lao People’s Democratic Republic and ADB;

(C) the Kingdom of Cambodia has applied to ADB for a grant for the purpose of carrying out the activities described in a grant agreement between the Kingdom of Cambodia and ADB; and

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

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 (“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. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) “Biodiversity Corridors” means geographic areas within or cutting across GMS Economic Corridors that need to be placed under sustainable management regimes to secure local livelihoods, address habitat fragmentation and maintain ecosystem services, which are designed to ensure the continuity of ecological processes between two or more natural protected areas;

(b) “CDF” means a commune development fund to be used for the purposes of the Project;

(c) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

(d) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in Schedule 4 to this Loan Agreement;

(e) “DONRE” means the Department of Natural Resources and Environment of each Project Province or any successor thereto;

(f) “GMS” or “Greater Mekong Subregion” means the region comprising the Kingdom of Cambodia, a part of People's Republic of China, Lao People's Democratic Republic, Union of Myanmar, Kingdom of Thailand and Socialist Republic of Viet Nam;

(g) “GMS Economic Corridors” means the concept for economic development and cooperation, adopted during the 8th GMS Ministerial Meeting held in Manila in 1998;

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

(i) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2007, as amended from time to time);

(j) “MONRE” means the Ministry of Natural Resources and Environment of the Borrower, or any successor thereto;

(k) “Output” means a set of the Project activities, as more fully described in Schedule 1 to this Loan Agreement;

(l) “PAM” means the project administration manual for the Project dated 16 November 2010 and agreed between MONRE and ADB, as updated from time to time in accordance with the respective administrative procedures of MONRE and ADB;

(m) “PPC” means a provincial peoples’ committee for each Project Province;

(n) “PPMU” means, individually, the Quang Nam PPMU, Quang Tri PPMU or the Thua Thien Hue PPMU; and “PPMUs” means, collectively, the Quang Nam PPMU, Quang Tri PPMU and the Thua Thien Hue PPMU;

(o) “Procurement Guidelines” means ADB’s Procurement Guidelines (2010, as amended from time to time);

(p) “Procurement Plan” means the procurement plan for the Project dated 16 November 2010 and agreed between MONRE and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(q) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means MONRE or any successor thereto acceptable to ADB, which is responsible for carrying out the Project;

(r) “Project facilities” means any facilities to be constructed, provided, rehabilitated, operated and/or maintained under the Project;

(s) “Project Province” means any of Quang Nam Province, Quang Tri Province or Thua Thien Hue Province; and “Project Provinces” means all of them within the territory of the Borrower where the Project is carried out, and/or the Project facilities are operated and maintained;

(t) “Quang Nam PPMU” means a provincial project management unit to be established within DONRE in Quang Nam Province of the Borrower;

(u) “Quang Tri PPMU” means a provincial project management unit to be established within DONRE in Quang Tri Province of the Borrower;

(v) “Subproject” means a subproject to be financed under the Project, as selected in accordance with the PAM;

(w) “Thua Thien Hue PPMU” means a provincial project management unit to be established within DONRE in Thua Thien Hue Province of the Borrower; and

(x) “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 nineteen million one hundred sixty-two thousand Special Drawing Rights (SDR 19,162,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 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 the first Principal 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 June and 15 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 amount 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 the 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 proceeds of the Loan shall be allocated and withdrawn 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, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan 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 Works 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 September 2019 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 9 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 account and 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 subparagraph (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, and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Governor of State Bank of Vietnam of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

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

Facsimile Numbers:

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

For ADB

Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Metro 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 as of the day and year first above written and to be delivered at the principal office of ADB.

SOCIALIST REPUBLIC OF VIET NAM

By 

NGUYEN VAN GIAU
Governor
State Bank of Vietnam

ASIAN DEVELOPMENT BANK

By 

HARUHIKO KURODA
President

SCHEDULE 1

Description of the Project

1. The objective of the Project is the establishment of sustainably managed Biodiversity Corridors in the Project Provinces.

2. The Project shall comprise the following Outputs, as more fully described in the PAM:

Output 1: Strengthening of Institutions and Communities for Biodiversity Corridor Management. (a) Strengthening the capacity of the national, provincial, district and commune levels for corridor planning and management; and (b) providing protection and sustainable use policies, guidelines and/or local regulations for enforcing biodiversity corridor management plans.

Output 2: Restoration, Protection and Sustainable Management of Biodiversity Corridors. Carrying out (a) forest restoration, (b) natural forest replanting, (c) enrichment planting, and (d) non-timber forest products planting and agroforestry.

Output 3: Improvement of Livelihoods and Provision of Small Scale Infrastructure Support. Implementing Subprojects to be selected in accordance with the PAM.

Output 4: Project Management and Support Services. Providing support services and building capacity on Project administration, procurement, financial management, progress reporting, impact monitoring, social and environmental safeguards and contract management.

3. The Project is expected to be completed by 31 March 2019.

SCHEDULE 2**Amortization Schedule****(Greater Mekong Subregion Biodiversity Conservation Corridors Project)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 December 2018	399,208
15-June-2019	399,208
15-December-2019	399,208
15-June-2020	399,208
15-December-2020	399,208
15-June-2021	399,208
15-December-2021	399,208
15-June-2022	399,208
15-December-2022	399,208
15-June-2023	399,208
15-December-2023	399,208
15-June-2024	399,208
15-December-2024	399,208
15-June-2025	399,208
15-December-2025	399,208
15-June-2026	399,208
15-December-2026	399,208
15-June-2027	399,208
15-December-2027	399,208
15-June-2028	399,208
15-December-2028	399,208
15-June-2029	399,208
15-December-2029	399,208
15-June-2030	399,208
15-December-2030	399,208
15-June-2031	399,208
15-December-2031	399,208
15-June-2032	399,208
15-December-2032	399,208
15-June-2033	399,208
15-December-2033	399,208
15-June-2034	399,208
15-December-2034	399,208
15-June-2035	399,208
15-December-2035	399,208
15-June-2036	399,208
15-December-2036	399,208
15-June-2037	399,208

15-December-2037	399,208
15-June-2038	399,208
15-December-2038	399,208
15-June-2039	399,208
15-December-2039	399,208
15-June-2040	399,208
15-December-2040	399,208
15-June-2041	399,208
15-December-2041	399,208
15-June-2042	399,224
Total	19,162,000

* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment are subject to the provisions of Section 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 items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Categories of the Table.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure 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 8 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 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 shall be disbursed in accordance with the Loan Disbursement Handbook.

Imprest Account and Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall establish, and cause to be established, immediately after the Effective Date, (i) four (4) first generation imprest accounts at a commercial bank acceptable to ADB, and (ii) six (6) second generation

imprest accounts for Project Provinces at commercial banks acceptable to ADB (collectively, imprest accounts). The imprest accounts shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook, and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest accounts shall be the Dollar. The amount to be deposited into each first generation imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the coming 6 months of Project implementation, or (ii) seven hundred fifty thousand Dollars (\$750,000). The amount to be deposited into each second generation imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the coming 6 months of Project implementation, or (ii) three hundred thousand Dollars (\$300,000).

(b) The statement of expenditures procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the statement of expenditures procedure shall not exceed the equivalent of one hundred thousand Dollars (\$100,000) per payment.

Condition for Disbursement for a Project Province

7. Notwithstanding any other provisions of this Loan Agreement, no disbursement shall be made for a Project Province until, in such Province, a PPMU has been established, with a (i) provincial project coordinator; (ii) chief accountant; and (iii) safeguard officer who shall be responsible for monitoring safeguard compliance during Subproject design and implementation.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Greater Mekong Subregion Biodiversity Conservation Corridors Project)				
CATEGORY				ADB FINANCING
Number	Item	Total Amount Allocated for ADB Financing (SDR)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	5,744,000		100 percent of total expenditure
2	Equipment and Vehicles	702,000		
2A	Equipment		493,000	100 percent of total expenditure
2B	Vehicles and Unallocated		209,000	100 percent of total expenditure
3	Goods and Services	8,074,000		100 percent of total expenditure
4	Livelihoods Improvement	430,000		100 percent of total expenditure
5	Consulting Services	1,874,000		100 percent of total expenditure
6	Capacity Building	626,000		100 percent of total expenditure
7	Project Management	1,285,000		100 percent of total expenditure
8	Interest Charge	427,000		100 percent of amount due
	Total	19,162,000		

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services 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.

Procurement of 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:
 - (a) National Competitive Bidding;
 - (b) Shopping;
 - (c) Direct Contracting; and
 - (d) Community Participation in Procurement.

4. 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.

National Competitive Bidding

5. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Community Participation in Procurement

6. The Borrower may use community participation in procurement in accordance with the agreed procedures set out in the Procurement Plan.

Selection of Consulting Services

7. 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.

8. 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 feasibility study, detailed design, supervision, safeguards, and design and capacity of CDF.

9. The Borrower may recruit the individual consultants, if required and acceptable to ADB, in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

10. (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.

11. 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.

ADB's Review of Procurement Decisions

12. 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

Implementation Arrangements

1. The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by MONRE and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Environment

2. The Borrower shall ensure that the Project facilities are constructed and operated in compliance with the Borrower's applicable environmental laws and regulations and ADB's *Safeguard Policy Statement* (2009), and that no Subproject with significant adverse environmental impacts is financed under the Project. In particular, the Borrower shall cause MONRE and PPC to ensure that Subprojects are carried out in accordance with environmental assessment procedures provided in the environmental assessment and review framework, and the respective Subproject environmental management plans as agreed between the Borrower and ADB.

3. The Borrower shall cause MONRE and PPC to ensure that no Subproject with Category A environmental criteria as defined in the *Safeguard Policy Statement*, is financed under the Project.

Resettlement

4. The Borrower shall cause PPC to ensure that no Subproject with the ADB's Category A resettlement criteria is financed under the Project. Prior to the commencement of any resettlement activities under a Subproject with any involuntary resettlement impacts, the Borrower shall prepare or update as the case may be, and submit to ADB for approval, the relevant resettlement plans in accordance with the resettlement framework as agreed between the Borrower and ADB, the Borrower's relevant laws and regulations and ADB's *Safeguard Policy Statement*. The Borrower shall cause PPC not to issue a notice to commence Works in a particular Subproject, until (a) compensation payment and relocation of the affected people in such particular Subproject, if any, have been completed satisfactorily in accordance with the respective resettlement plan; (b) rehabilitation assistance has been in place; and (c) such Subproject is free of all encumbrances. The Borrower shall cause PPC to also ensure that a grievance mechanism is established for affected people in the Project Provinces where the Subprojects are implemented.

Ethnic Minorities

5. The Borrower shall ensure that Subprojects do not adversely affect ethnic minorities. In particular, the Project shall be carried out in accordance with the ethnic minorities development framework, as agreed between the Borrower and ADB. The Borrower shall ensure that no Subprojects with significant adverse impacts on ethnic minorities are financed

under the Project. For Subprojects in which ethnic minorities are present and affected, an ethnic minorities development plan shall be prepared in accordance with the ethnic minorities development framework. The Borrower shall ensure that measures to improve the welfare of ethnic minorities are built into the overall Subproject design where the indigenous peoples population exceeds 60% and no negative impact on such ethnic minorities is expected.

Gender and Development

6. The Borrower shall ensure that the Project's gender action plans are implemented in a timely manner. MONRE and the Project Provinces shall ensure that the gender mainstreaming activities are (a) incorporated into the Project design and undertaken during Project implementation; and (b) monitored by the relevant divisions within MONRE. Such activities shall include (a) women's participation in the consultation and participatory process through the inclusion of representatives of Women's unions; (b) the opportunity for women to participate in Subproject construction activities on the basis of equal pay for work of equal value; (c) the opportunity for women to participate in post-construction Subproject operation and maintenance activities on the basis of equal pay for work of equal value; (d) pro-poor activities specifically focused on women's needs; (e) equal opportunity for men and women to attend training courses; (f) the inclusion of a social specialist in the Project implementation consulting team to address gender issues; and (g) the use of gender-disaggregated data in the benefit monitoring aspects of Project monitoring and evaluation.

Community Awareness and Beneficiary Participation

7. MONRE shall ensure that Project Provinces promote active community awareness and stakeholder participation in the design, implementation and performance monitoring of Project activities and Subprojects, through (a) disseminating the nature of the Works in open public fora; and (b) establishing a mechanism for public consultation, and that bidding documents financed under the Project include provisions to ensure contractors' preference to hire local labor and to comply with the Borrower's labor laws and labor regulations including guaranteeing equal opportunities for female workers to work with the principle of equal pay for work of equal value.

Operation and Maintenance of Project Facilities

8. The Borrower shall ensure that within 24 months of the Effective Date, each Project Province executes with MONRE a memorandum of understanding, acceptable to ADB. Such memorandum of understanding shall include provisions to (a) prepare a maintenance management plan that includes estimates of the physical works and associated costs required for routine and periodic maintenance, as well as provisions for emergency repairs for the duration of the Project facilities; (b) include the maintenance management plans in its annual budgets; (c) provide adequate funds in a timely manner from provincial budgets to implement the maintenance management plans; and (d) establish mechanisms for the safe and proper use for each of the Project facilities in accordance with national regulations and practice.

Monitoring of Social and Environmental Safeguards

9. Within 12 months of the Effective Date, MONRE shall execute a contract with suitably qualified institutions such as social science institutes, universities, consulting firms, non-governmental organizations, other institutions or individuals acceptable to ADB, for social and environmental safeguards monitoring. Such contract shall be submitted to ADB, and regular reports from the contracted institution/individual shall be included in the semi-annual reports to be submitted to ADB.

Subproject selection and screening

10. Subprojects shall be carried out in accordance with procedures and criteria as provided in the PAM. In particular, candidate Subprojects shall be screened by the following criteria:

- (a) technically feasible and appropriate for terrain/mountainous areas;
- (b) affordable within the block allocation provided per commune and meeting specific needs of the beneficiaries;
- (c) optimizing the inputs of local resources including labor, materials, enterprises and knowledge;
- (d) within the realistic envelope of the existing maintenance capacities to ensure that no additional maintenance burdens are imposed which are impossible to meet;
- (e) performing the intended purpose for the entire duration of their design life; and
- (f) complying with social and environmental safeguards.

CDF management guidelines

11. The Borrower shall ensure that before any activities financed by CDF start, the Project Provinces issue regulations on CDF establishment and its use, satisfactory to ADB. Such regulations shall include, among other things, (a) eligibility criteria for activities and recipients to be financed by CDF; (b) eligible expenditures that may be financed by CDF; (c) administration mechanism of CDF including accounting and funds flow; and (d) reporting mechanism. Once approved, the Borrower shall ensure that activities financed by CDF are implemented in accordance with the agreed guidelines.

Governance and Anticorruption

12. The Borrower (a) acknowledges ADB's right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; and (b) agrees to cooperate, and shall cause the Project Executing Agency, and all other Borrower's offices, organizations and entities involved in implementing the Project 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. In particular, the Borrower shall ensure that (a) periodic inspections of the Project contractors' activities related to fund withdrawals and settlements are carried out; (b) relevant provisions of ADB's Anticorruption Policy (1998, as amended to date) are included in all bidding documents for the Project; and (c) contracts, financed under the Project, include provisions specifying the right of ADB to audit and examine the records and accounts of MONRE and PPMUs, contractors, suppliers, consultants, and other service

providers as they relate to the Project. CDF activities shall be carried out in accordance with guidelines and maintaining transparency requirements satisfactory to ADB.

13. The Borrower shall disclose through MONRE website accessible by the general public, information about various matters concerning the Project, including general Project information, procurement, Project progress, and contact details in English and Vietnamese languages. The website shall also provide a link to ADB's Integrity Unit (<http://www.adb.org/Integrity/complaint.asp>) for reporting to ADB any grievances or allegations of corrupt practices arising out of the Project and Project activities. 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, Works and Consulting Services procured.