Economic Management and Competitiveness Credit Multi-Donor Trust Fund Grant Agreement

(Third Economic Management and Competitiveness Development Policy Operation)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/
INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as administrator of Economic Management and Competitiveness Credit Multi-Donor Trust Fund

Dated September 23, 2016
ECONOMIC MANAGEMENT AND COMPETITIVENESS CREDIT
MULTI-DONOR TRUST FUND
GRANT AGREEMENT

AGREEMENT dated September 23, 2016, entered into between: SOCIALIST REPUBLIC OF VIETNAM ("Recipient"); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT / INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Economic Management and Competitiveness Credit Multi-Donor Trust Fund, for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement) through the co-financing of the Economic Management and Competitiveness Development Policy Operation (Loan Number 8612-VN) extended to the Socialist Republic of Vietnam by the World Bank acting in its own capacity.

The Recipient and the World Bank hereby agree as follows:

**Article I**
Standard Conditions; Definitions

1.01. The "Standard Conditions for Grants Made by the World Bank Out of Various Funds", dated February 15, 2012 ("Standard Conditions"), with the modifications set forth in Section II of the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

**Article II**
The Program

2.01. The Recipient declares its commitment to the Program and its implementation. To this end:

(a) the Recipient and the World Bank shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the World Bank for its review and comment a report on the progress achieved
in carrying out the Program, in such detail as the World Bank shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the World Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program.

Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to twelve million, two hundred fifty-four thousand seven hundred forty-nine and 51/100 United States Dollars (US$12,254,749.51) ("Grant") to assist in financing the Program.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with the Schedule to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

Article V
Recipient’s Representative; Addresses

5.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Governor, or a Deputy Governor, of State Bank of Vietnam.
5.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

State Bank of Vietnam
49 Ly Thai To
Hanoi, Vietnam

Cable: VIETBANK
Telex: 412248
Facsimile: (84-4) 3825 0612

5.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAD / INDEVAS
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By

Authorized Representative

Name: Le Minh Hung
Title: Governor - State Bank of Viet Nam

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION acting as administrator of Economic Management and Competitiveness Credit Multi-Donor Trust Fund

By

Authorized Representative

Name: Adam Fork
Title: Country Director, acting
SCHEDULE

Program Actions; Availability of Grant Proceeds

Section I. Actions under the Program

The actions taken by the Recipient under the Program are set forth in Section I of Schedule 1 to the Loan Agreement for the Third Economic Management and Competitiveness Development Policy Operation, Loan Number 8612-VN.

Section II. Availability of Grant Proceeds

A. General. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of this Section and such additional instructions as the World Bank may specify by notice to the Recipient.

B. Allocation of Grant Amounts. The Grant is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Grant. The allocation of the amounts of the Grant to this end is set out in the table below.

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Grant Allocated (expressed in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>12,254,749.51</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>12,254,749.51</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions. No withdrawal shall be made of the Single Withdrawal Tranche unless the World Bank is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposits of Grant Amounts. Except as the World Bank may otherwise agree:

1. the Recipient shall open, prior to presenting to the World Bank the first request for withdrawal from the Grant Accounts, and thereafter maintain a deposit account in Dollar ("Foreign Currency Deposit Account") on terms and conditions satisfactory to the World Bank. All withdrawals from the Grant Accounts shall be deposited by the World Bank into the Foreign Currency Deposit Account;

2. the Recipient shall ensure that upon each deposit of an amount of the Grant into the Foreign Currency Deposit Account, an equivalent amount in Vietnamese Dong
is accounted for in the Recipient’s budget management system, in a manner acceptable to the World Bank; and

3. the Recipient, within forty-five (45) days after disbursement, through the State Bank of Vietnam, shall report to the World Bank: (i) the exact sum received into the Foreign Currency Deposit Account which forms part of the Country’s official foreign exchange reserves; (ii) the details of the Treasury account to which the Vietnamese dong equivalent of the Grant proceeds will be credited; (iii) the record that an equivalent amount has been accounted for in the country’s budget management systems; and (iv) the statement of receipts and disbursement of the Foreign currency Deposit Account.

E. Audit. Upon the World Bank’s request, the Recipient shall:

1. have the Foreign Currency Deposit Account audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank; and

2. furnish to the World Bank as soon as available, but in any case not later than four (4) months after the date of the World Bank’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the World Bank shall reasonably request.

F. Excluded Expenditures. The Recipient undertakes that the proceeds of the Grant shall not be used to finance Excluded Expenditures. If the World Bank determines at any time that an amount of the Grant was used to make a payment for an Excluded Expenditures, the Recipient shall, promptly upon notice from the World Bank, refund an amount equal to the amount of such payment to the World Bank. Amounts refunded to the World Bank upon such request shall be cancelled.

G. Closing Date. The Closing Date is January 31, 2017.
APPENDIX

Section I. Definitions

1. “Excluded Expenditure” means any expenditure;
   (a) for goods or services supplied under a contract which any national or international financial institution or agency other than IDA or IBRD has financed or agreed to finance, or which IDA or IBRD has financed or agreed to finance under another credit, grant or loan;
   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions of the SITC, as designated by IDA by notice to the Recipient.

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
<tr>
<td>971</td>
<td></td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>
(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the World Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Grant proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the World Bank to address such practices when they occur.

2. "Foreign Currency Deposit Account" means the account referred to in paragraph 1 of Section II.D of the Schedule to this Agreement.

3. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated April 6, 2016 from the Recipient to the International Bank for Reconstruction and Development declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.

4. "Single Withdrawal Tranche" means the amount of the Grant allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Section II. B of the Schedule to this Agreement.

5. "Vietnamese Dong" means the lawful currency of the Recipient.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Sections 2.01 (Project Execution Generally) and 2.07 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

2. Paragraph (a) of Section 2.03 (renumbered as such pursuant to paragraph 1 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

3. Paragraph (c) of Section 2.04 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:
Section 2.04. *Documents; Records.* The Recipient shall ensure that:

(c) all records evidencing expenditures under the Grant are retained until two years after the Closing date.

4. Section 2.05 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

“Section 2.05. Program Monitoring, Reporting and Evaluation. The Recipient shall:

(b)(ii) ensure the preparation and delivery to the World Bank, not later than six months after the Closing Date, a completion report of such scope and in such detail as the World Bank shall reasonably request on the execution of the Program, the performance by the Recipient and the World Bank of their respective obligations under the Grant Agreement and the accomplishment of the purposes of the Grant.”

5. Section 3.05 (*Designated Accounts*) and 3.06 (*Eligible Expenditures*) are deleted in its entirety, and the remaining Sections in Article III are renumbered accordingly.

6. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“Eligible Expenditure” means any use to which the Grant is put in support of the Program, other than to finance expenditures excluded pursuant to the Grant Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“Program” means the program referred to in the Grant Agreement in support of which the Grant is made.” All references to “Project” throughout these Standard Conditions are deemed to be references to “Program.”