July 31, 2012

Ms. Fiona Louise Lappin
Head of Office
Department for International Development ("DFID")
Government of the United Kingdom of Great Britain and Northern Ireland
7th Floor, Central Building, 31 Hai Ba Trung, Hanoi
Vietnam


Dear Ms. Lappin:

1. We are pleased to acknowledge on behalf of the International Bank for Reconstruction and Development ("IBRD") and the International Development Association ("IDA") (collectively, the "Bank") that the Government of the United Kingdom of Great Britain and Northern Ireland, acting through the Department for International Development (the "Donor") will make available as a grant the sum of six million Pounds Sterling (£6,000,000) (the "Contribution") to be administered by the Bank for the Vietnam Governance, Economic Management, and Social Protection Program (the "Trust Fund") in accordance with the provisions of this Arrangement.

2. Activities and Expenditures Financed by the Contribution

2.1. The Contribution will be used to finance the activities and the categories of expenditure set forth in the "Description of Activities and Expenditures under the Vietnam Governance, Economic Management, and Social Protection Program Trust Fund" attached hereto as an Annex, and will be administered by the Bank on behalf of the Donor in accordance with the provisions of this Arrangement.

2.2. The Donor will not be responsible for the activities of any person employed by the Bank as a result of this Arrangement, nor will the Donor be liable for any costs incurred by the Bank in terminating the engagement of any such person, except as a sole and direct result of a failure by the Donor to provide the funds committed under the Administration Arrangement.
3. Administration of the Contribution

3.1. The Bank will be responsible only for performing those functions specifically set forth in this Arrangement and will not be subject to any other duties or responsibilities to the Donor, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Arrangement will be considered a waiver of any privileges or immunities of the IBRD and IDA under their Articles of Agreement or any applicable law, all of which are expressly reserved.

3.2. The Contribution will be administered in accordance with the Bank’s applicable policies and procedures, as the same may be amended from time to time, including its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank’s obligations to give effect to the relevant decisions of the Security Council, taken under Chapter VII of the Charter of the United Nations. The Donor acknowledges that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to the Donor, nor will it be deemed a waiver, express or implied, of any of the privileges and immunities of the Bank.

4. Deposit of the Contribution

4.1. The Donor will deposit the Contribution into such bank account designated by the Bank in installments in accordance with the following schedule, or such other schedule (or date/s therein) as the Bank has established upon consultation with and by notice to the Donor, and submission of a payment request by the Bank, and of the latest semi-annual unaudited financial reports for the Trust Fund and forecasts of expenditures for the next following semester, with each such request except for the first one (the aggregate of all contributions from the Donor to the Trust Fund, the “Contributions”):

<table>
<thead>
<tr>
<th>No.</th>
<th>Deposit Date</th>
<th>Maximum Amount of Payment Request</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Promptly following countersignature of this Arrangement by the Donor</td>
<td>£900,000</td>
</tr>
<tr>
<td>2</td>
<td>On or before January 2013</td>
<td>£900,000</td>
</tr>
<tr>
<td>3</td>
<td>On or before July 2013</td>
<td>£950,000</td>
</tr>
<tr>
<td>4</td>
<td>On or before January 2014</td>
<td>£950,000</td>
</tr>
<tr>
<td>5</td>
<td>On or before July 2014</td>
<td>£900,000</td>
</tr>
<tr>
<td>6</td>
<td>On or before January 2015</td>
<td>£900,000</td>
</tr>
<tr>
<td>7</td>
<td>On or before July 2015</td>
<td>£500,000</td>
</tr>
</tbody>
</table>

4.2. When making each such deposit, the Donor will instruct its bank to include in the payment details information (remittance advice) field of its SWIFT payment message,
information indicating: the amount paid; that the payment is made by the Donor for Trust Fund 071921 (the Vietnam Governance, Economic Management, and Social Protection Program Trust Fund); and the date of the deposit (the "Deposit Instruction"). In addition, the Donor will provide a copy of the Donor’s Deposit Instruction to the Bank’s Accounting Trust Funds Division by e-mail sent to tfremitadvice@worldbank.org or by fax sent to (202) 614-1315.

5. Commingling, Exchange and Investment of the Contributions

5.1. The Contributions will be accounted for as a single trust fund and will be kept separate and apart from the funds of the Bank. The Contributions may be commingled with other trust fund assets maintained by the Bank.

5.2. The Contributions may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

5.3. The Bank will invest and reinvest the Contributions pending their disbursement in accordance with the Bank’s policies and procedures for the investment of trust funds administered by the Bank. The Bank will credit all income from such investment to the Trust Fund to be used for the same purposes as the Contributions.

6. Administrative Cost Recovery

6.1. In order to assist in the defrayment of the costs associated with the establishment of the Trust Fund, the Bank may, following deposit of the Contribution by the Donor to the Trust Fund, deduct and retain for its own account as a one-time deduction from that Contribution an amount equal to and not greater than thirty-five thousand United States dollars (US$35,000).

6.2. In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Arrangement, the Bank may, following deposit of the Contributions, deduct and retain for its own account an amount equal to five percent (5%) of each Contribution. If the contributions increase beyond what was originally expected at the time of countersignature of this Arrangement, and the administrative costs increase as a result, the Donor acknowledges that an additional administrative fee may be applied to such new contributions.

7. Procurement

7.1. The employment and supervision of any consultants and the procurement of any goods financed by the Contributions will be the responsibility of the Bank and will be carried out in accordance with its applicable policies and procedures.
8. **Accounting and Financial Reporting**

8.1. The Bank will maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund account and disbursements made therefrom.

8.2. The Bank will furnish to the Donor current financial information relating to receipts, disbursements, and the fund balance in Pounds Sterling of the Trust Fund with respect to the Contributions via the World Bank’s Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under the Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements, and the fund balance in Pounds Sterling of the Trust Fund with respect to the Contributions will be made available to the Donor via the World Bank’s Trust Funds Donor Center secure website.

8.3. The Bank will provide to the Donor, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (1) a management assertion together with an attestation from the Bank’s external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the Bank’s external auditor’s opinion thereon. The cost of the single audit will be borne by the Bank.

8.4. If the Donor wishes to request, on an exceptional basis, a financial statement audit by the Bank’s external auditors of the Trust Fund, the Donor and the Bank will first consult as to whether such an external audit is necessary. The Bank and the Donor will agree on the appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank will arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, will be paid by the Donor.

9. **Progress Reporting**

9.1. The Bank will provide the Donor with an annual report on the progress of activities financed by the Contributions. Within one (1) month of the final disbursement date specified in paragraph 10.1, the Bank will furnish to the Donor a final report on the activities financed by the Trust Fund.

9.2. In addition to the monitoring and evaluation activities agreed as part of this Trust Fund, the Donor may independently review or evaluate activities financed by the Trust Fund. The Donor and the Bank will agree on the scope and conduct of such review or evaluation, and the Bank will provide all relevant information within the limits of its policies and procedures. All associated costs for such review or evaluation will be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.
10. **Disbursement; Cancellation; Refund**

10.1. It is expected that the activities financed by the Contributions will be completed by October 31, 2015 and the Contributions will be fully disbursed by the Bank by February 29, 2016. The Bank will only disburse Contributions for the purposes of this Arrangement after such date with the written approval of the Donor.

10.2. The Donor or the Bank may, upon three (3) months’ prior written notice, cancel all or part of any remaining balance of the Contributions that are not committed pursuant to any agreements entered into between the Bank and any consultants and/or other third parties for the purposes of this Arrangement prior to the receipt of such notice.

10.3. Following the final disbursement date specified in paragraph 10.1, the Bank will return any remaining balance of the Contributions to the Donor or to the Donor Balance Account based on the Donor’s paid Contributions. In the event of a cancellation the Bank will promptly return to the Donor or to the Donor Balance Account the uncommitted Contributions in accordance with paragraph 10.2.

11. **Communication and Addresses**

Except as provided for in paragraph 4.2 above, any notice, request or other communication to be given or made under this Arrangement will be in writing and delivered by mail, facsimile or e-mail to the respective party’s address specified below or at such other address as such party notifies in writing to the other party from time to time:

For the Bank:

Name: Deepak Mishra  
Title: Lead Economist, EASPR  
Office: The World Bank  
Address: 8th Floor, 63 Ly Thai To, Hanoi, Vietnam  
Tel: +84 4 3934-6600  
Fax: +84 4 3934-6597  
E-mail: dmishra@worldbank.org

For the Donor:

Name: Renwick Irvine  
Title: Governance and Social Development Team Leader  
Office: Government of the United Kingdom of Great Britain and Northern Ireland – Department for International Development  
Address: 7th Floor, Central Building, 31 Hai Ba Trung, Hanoi, Vietnam
12. Amendment

All annexes hereto constitute an integral part of this Arrangement. This Arrangement may be amended only in writing between the Bank and the Donor.

13. Disclosure

The Bank will disclose this Arrangement and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information. By entering into this Arrangement, the Donor consents to disclosure of this Arrangement and related information on this Trust Fund.

Please confirm your confirmation and acceptance of the foregoing, on behalf of the Donor, by signing, dating, and returning to us the enclosed copy of this Arrangement. Upon receipt by the Bank of the copy of this Arrangement countersigned by you, this Arrangement will become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT / INTERNATIONAL DEVELOPMENT ASSOCIATION

Victoria Kwakwa
Country Director for Vietnam
East Asia and Pacific Region

CONFIRMED AND ACCEPTED:

GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND – DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

By: Fiona Louise Lappin

Name: Fiona Louise Lappin
Title: Head of Office, Vietnam

Date: 31 July 2012
ANNEX

Description of Activities and Expenditures under the Vietnam Governance, Economic Management, and Social Protection Program (VGEMS) Trust Fund

This Annex will be applicable to and form an integral part of the arrangement entered into between the Bank and the Donor that provides contributions to be administered by the Bank for the Trust Fund.

A. DESCRIPTION OF ACTIVITIES

1. The objective of the Trust Fund is to improve the quality of governance, macroeconomic stability and socio-economic development in Vietnam through: (a) facilitating the availability of timely, accurate and wide-ranging data across sectors; (b) bringing multiple perspectives for high-quality analysis and diagnostics; and (c) building consensus for economic reforms.

2. The Trust Fund will support activities in three areas: (a) governance; (b) economic management; and (c) social protection, with poverty and gender issues included as part of the last area. The activities will specifically support the Socialist Republic of Vietnam to:

(a) undertake governance reforms for greater transparency and accountability through engagement and advocacy for transparency legislation and better implementation of legislation, and improve accountability and reduce corruption;

(b) design and adopt key reforms for macroeconomic stability by supporting public financial reviews, providing an analytic underpinning for budget support operations, and establishing a vibrant knowledge portal on economic issues; and

(c) improve capacity for measuring and monitoring poverty and to target social transfers by supporting poverty surveys, research and analysis to feed policy and by improving the monitoring and evaluation system for social programs.

3. The Trust Fund is proposed to be a single-donor programmatic trust fund with provision for a parent and several child funds. Under the parent fund, there will be several theme-based child funds and a separate child fund to undertake preparatory work, regular monitoring of activities and impact evaluation. The flexible structure of the Trust Fund will allow for the scaling-up of existing activities or to initiate new ones depending on resource availability and demand.
New areas and activities will be discussed and agreed with the Donor in the annual work plan discussions.

1. **CATEGORIES OF EXPENDITURE**

   1. The Contributions may be used to finance: (a) associated overheads; (b) consultant fees individuals and firms; (c) contractual services; (d) extended term consultants; (e) media, workshop, conference and meeting; (f) staff costs with indirect costs; (g) temporary support staff costs; and (h) travel expenses.

   2. Training for Bank staff on technical matters is included in the expenditure category of "media, workshop, conference and meeting". Travel expenses will include those of government officials and Bank staff. The term "staff" in this paragraph 2 includes short-term consultants, short-term temporaries, extended-term consultants, extended-term temporaries, regular / open-ended staff, and term staff.

   3. The foregoing categories of expenditures may include the financing of taxes.