OZONE PROJECTS TRUST FUND
GRANT AGREEMENT

(Vietnam HCFC Phase-Out Project Stage I)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as Implementing Agency of the Multilateral Fund and Trustee of the Ozone Projects Trust Fund

Dated November 16th, 2012
AGreement, dated November 16, 2012, between Socialist Republic of Vietnam (the "Recipient") and the International Bank for Reconstruction and Development, acting as trustee of grant funds provided by Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer into the Ozone Projects Trust Fund ("OTF") (the "Trustee").

Whereas: (A) The International Bank for Reconstruction and Development (the "World Bank” or the “Bank”), pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank (the “Resolution”), established a Facility, including the OTF, to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development, and whereas following the restructuring of the Global Environmental Facility such arrangements are continued in place on the basis set forth in Resolutions Nos. 94-2 and 94-3 of the Executive Directors dated May 24, 1994;

Whereas: (B) The Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer to the Vienna Convention for the Protection of the Ozone Layer (the “Montreal Protocol”) have established the Multilateral Fund for the Implementation of the Montreal Protocol (the “Fund”) to operate under the authority of the said Parties to provide the financing of agreed incremental costs to enable the Parties operating under paragraph 1 of Article 5 of the Montreal Protocol to comply with control measures provided for in the Protocol;

Whereas: (C) The Executive Committee of the Fund (the “Executive Committee”) and the Bank have entered into an agreement effective on July 9, 1991, pursuant to which the Executive Committee has agreed to provide funds into the OTF to be administered by the Bank as Trustee in accordance with the provisions of the said agreement and the Resolution;

Whereas: (D) The Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement, has requested assistance from the resources of the OTF in the financing of the Project, and the Trustee has determined that such assistance would be in accordance with the provisions of the Resolution; and

Whereas: (E) The Trustee has agreed, on the basis, inter alia, of the foregoing, to extend a grant (the “OTF Grant”) to the Recipient upon the terms and conditions set forth in this Agreement.

Now therefore 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 the Appendix to this Agreement.

**Article II**

**The Project**

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project through its Ministry of Natural Resources and Environment (“MONRE”) in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**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 Nine Million Seven Hundred and Sixty Three Thousand Eight Hundred and Twenty Dollars ($9,763,820) (“Grant”) to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

**Article IV**

**Additional Remedies**

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

(a) an extraordinary situation has arisen which makes it improbable that the Project or a significant part of it will be carried out; or

(b) the regulation or regulations, as the case may be, establishing the Recipient shall have been amended, abrogated, repealed, or waived so as, in the opinion of the World Bank, to materially or adversely affect the ability of
the Recipient to perform any of its obligations in the pursuit of the objective of the Project.

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 address: Telex: Facsimile:

VIETBANK 412248 (84-4) 3825 0612
Hanoi \HTWVT

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

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

Cable: Telex: Facsimile:

INTBAFRAD 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)

AGREED at Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, acting as an Implementing Agency of the Multilateral Fund for the Implementation of the Montreal Protocol

By

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to reduce HCFC consumption in order to contribute to Recipient’s efforts to comply with its Montreal Protocol phase-out obligations for HCFCs to be met between January 1, 2013 and January 1, 2015. The HCFC phase-out will be done in a manner that maximizes the climate co-benefits through introduction of no to very low global warming potential (GWP) alternatives.

The Project consists of the following components:

1. Investment in HCFC-141b Consumption Phaseout

   To support the cost of conversion to non-HCFC technology in the foam sector.

2. Supporting Policies and Regulations and Technical Assistance Activities

   To provide technical assistance to the government agencies and involved beneficiaries and stakeholders to: (a) implement an import quota system to curb the supply of HCFCs; (b) recommend the government authorities not to issue licenses for establishing new facilities and expanding existing facilities using HCFCs; (c) ban the import of HCFC-141b by January 1, 2015 through the HCFC quota system; and (d) support Workshops and Training, awareness campaigns, and consultants’ services (including studies) on the need to phase out HCFCs and on future regulatory measures.

3. Project Management

   A Project Management Unit (“PMU”), under MONRE, will be established and financed to implement and coordinate the project implementation and to assist MONRE to put into place regulations and sector specific policies.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Recipient shall establish, by no later than August 31, 2012, and maintain a PMU with necessary and competent staff with expertise in the relevant areas, including without limitation financial management and procurement, to implement and coordinate the project implementation and to assist MONRE to put into place regulations and sector specific policies.

2. The Recipient shall cause the PMU to (1) assign an accounting staff with adequate qualifications and experience to oversee Project finance and accounting tasks; and (2) develop a Project Implementation Manual (“PIM”), including Project financial management guidance, to the satisfaction of the Bank, and to adopt the PIM formally. In case of any inconsistency between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”).

C. Sub-grants

1. For the purpose of carrying out Component 1 of the Project, the Recipient shall, through the PMU, make available a portion of the proceeds of the Grant allocated from time to time to beneficiary enterprises as Sub-grant (“Sub-grant”) agreements between beneficiary enterprises and PMU. Such Sub-grants shall be made in accordance with procedures and on terms and conditions satisfactory to the World Bank, which shall be included in the PIM as prescribed under Section I.A.2 of Schedule 2 of this Agreement.

2. The Recipient, through the PMU, shall exercise its rights under each Sub-grant agreement in such manner as to protect its interests and the interests of the World Bank and to accomplish the purposes of each Sub-grant. Except as the World Bank shall otherwise agree in writing, the Recipient shall cause the PMU not to assign, amend, abrogate, repeal, waive or fail to enforce any Sub-grant agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank. Each Project Report shall cover the period of six (6) months, and shall be furnished to the
World Bank not later than forty five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than three months after the project closing date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (01) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (06) months after the end of such period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, non-consulting-services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) in the case of goods and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

   (b) The provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, (b) Shopping; (c) Direct Contracting; and (d) Established practices acceptable to the Bank in accordance with paragraph 3.15 of the Procurement Guidelines.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
</table>


<table>
<thead>
<tr>
<th></th>
<th>Goods, non-consulting services, consultants' services, Workshops and Training, and Incremental Operating Costs</th>
<th>887,620</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sub-grants</td>
<td>8,876,200</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td></td>
<td>9,763,820</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Schedule, the term “Incremental Operating Costs” means the reasonable expenditures incurred by the PMU in carrying out the Project, including the reasonable cost of travel (local and overseas), printing, communication, postage, office supplies, service contracts for office equipment and utilities, translation, and information and communication campaigns, all of which expenditures would not have been incurred absent the Project, but in all cases excluding salaries, salary allowances, and salary supplements of the Recipient’s civil servants.

For the purposes of this Schedule, the term “Workshops and Training” means the cost associated with workshops and training, for reasonable expenditures incurred, including *inter alia*: (i) travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training (including study tours) and by training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Section IV A paragraph 2 above, no withdrawals shall be made in respect of payments made for expenditures under the Project prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding $1,952,764 for expenditures, may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after June 1, 2012.

2. The Closing Date referred to in Section 3.06 (e) of the Standard Conditions is 30 June 2017.
APPENDIX

Section I. Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


7. “HCFC-141b” means 1,1-dichloro-1-fluoroethane, a hydrochlorofluorocarbon.

8. “Ministry of Natural Resources and Environment” or “MONRE” means the Recipient’s Ministry of Natural Resources and Environment, or any successor thereto.


12. “Project Implementation Manual” or “PIM” means the document, including Project financial management guidance, adopted by the Recipient and to the satisfaction of the Bank, as referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement, which sets forth guidelines, policies and procedures for the implementation of the Project, as the same may be amended from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such manual.

13. “Project Management Unit” or “PMU” means the unit established under MONRE to manage the overall implementation of the Project and to assist MONRE to put into place regulations and sector specific policies, as such unit may be reconstituted from time to time with the prior written agreement of the World Bank.
14. "Standard Conditions" means the "Standard Conditions for Grants Made by the World Bank Out of Various Funds", dated February 15, 2012, with the modifications set forth in Section II of the Appendix to this Agreement, which constitute an integral part of this Agreement.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Paragraph (a) of Section 3.06 is modified to read as follows:

"(a) the payment is for the reasonable cost of goods, works, services, operating costs, or training and workshops, required for the Project, to be financed out of the proceeds of the Grant and procured, all in accordance with the provisions of the Grant Agreement;"