Global Environment Facility
Trust Fund Grant Agreement

(Forest Sector Development Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated April 4, 2005
GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated April 4, 2005, between SOCIALIST REPUBLIC OF VIETNAM (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding Part C of the Project, except technical assistance therefor, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2;

(D) the Recipient has also requested International Development Association (the Association) to provide additional financing towards the financing of the Project, and by an agreement of even date herewith between the Recipient and the Association, the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to twenty seven million three hundred thousand Special Drawing Rights (SDR 27,300,000) (the Credit);

(E) Pursuant to the Memorandum of Understanding on the establishment and management of the Trust Fund for Forests in Vietnam dated June 23, 2004 among the Socialist Republic of Vietnam and Finland, the Netherlands, Sweden and Switzerland (the MOU), Finland and other donors have agreed to jointly establish a Trust Fund for Forests in Vietnam (TFF), and together with the Socialist Republic of Vietnam have agreed that the Forest Sector Support Program Coordination Office (FSSP CO) under the
Ministry of Agriculture and Rural Development will manage the funds in said TFF to provide direct grant support to national and international organizations and bodies and co-financing support for loans and for Global Environment Facility initiatives where these are consistent with the overall objectives of said TFF;

(F) the Recipient expects to receive from FSSP CO under Ministry of Agriculture and Rural Development as manager of the TFF funded in part by Finland and the Netherlands, grants in an aggregate amount of up to nine million and sixteen thousand Euro (€9,016,000) to assist in financing the Project on the terms and conditions set forth in agreements to be entered into between the Recipient and the Association as administrator of those grant funds received from FSSP CO (collectively, the FSSP-TFF Trust Fund Grant Agreements); and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through October 6, 1999), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

(i) Article I;

(ii) Sections 2.01 (but excluding Sections 2.01 (1), (10), (11), (12), (13), (15), (17) and (20)), 2.02 and 2.03;

(iii) Section 3.01;

(iv) Sections 4.01, 4.02(a) and 4.06;

(v) Article V;

(vi) Sections 6.01, 6.02 (but excluding 6.02(b), (k) and (n)), 6.03, 6.04 and 6.06;
(vii) Section 8.01 (b);
(viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
(ix) Sections 10.01, 10.03 and 10.04;
(x) Article XI; and
(xi) Sections 12.01 (c), 12.03 and 12.04.

(b) The General Conditions shall be modified as follows:

(i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;

(ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;

(iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;

(iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;

(v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account; and

(vi) a new subparagraph is added after subparagraph (j) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Biodiversity Conservation Sub-project” means a specific investment sub-project to be carried out by the management board of a special use forest for the
purpose of conserving biodiversity of international importance within the area of such forest, utilizing the proceeds of the GEF Trust Fund Grant under Part C.1 of the Project.

(b) “Category” means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(c) “CPCU” means the Central Project Coordination Unit to be established and maintained in MARD in accordance with the provisions of paragraph 1 (b) of Schedule 4 to this Agreement, responsible for the overall administration and management of Project activities.

(d) “DARD” means the Department of Agriculture and Rural Development at the provincial level.

(e) “DOF” means the Department of Forestry within MARD (as defined below), and any successor thereto.

(f) “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and a “Displaced Person” means any of such Displaced Persons.

(g) “Ethnic Minority Development Strategy” means the strategy dated December 6, 2003 adopted by MARD through Decision 746 QD/BNN-LN of March 30, 2004, and referred to in paragraph 9 of Schedule 4 to this Agreement, which sets out policies and procedures to ensure meaningful consultation with and the informed participation of ethnic minorities communities residing within the Project area, and principles for the preparation of ethnic minorities development plans, as may be required, during the implementation of the Project, as said Strategy may be revised from time to time with the prior concurrence of the Bank.

(h) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement.

(i) “Five Million Hectares Re-forestation Program” means the national program launched by the Recipient in 1998 which aims at bringing the national forest cover back to 43% of Vietnam’s surface area through the re-forestation of 5 million hectares by 2010.
(j) “Forest Sector Support Program” means the program developed and adopted in 2001 by the Recipient in partnership with the community of multi-lateral and bilateral donors and non-governmental organizations, to support the implementation of the Five Million Hectares Re-forestation Program.

(k) “FPD” means the Department of Forest Protection within MARD, and any successor thereto.

(l) “MARD” means the Recipient’s Ministry of Agriculture and Rural Development, and any successor thereto.

(m) “MOF” means the Recipient’s Ministry of Finance, and any successor thereto.

(n) “Project Implementation Manual” and “PIM” mean the manual to be prepared and put into effect by MARD, setting forth the guidelines and procedures for the implementation of the Project, in accordance with the provisions of paragraph 10 of Schedule 4 to this Agreement.

(o) “Project Provinces” means the Provinces of Quang Nam, Quang Ngai, Binh Dinh, Thua Thien – Hue and such other provinces as the Recipient and the Association may mutually agree upon from time to time, and any successors thereto; and a “Project Province” means any of said provinces.

(p) “PSC” means the Project Steering Committee established and maintained in accordance with the provisions of paragraph 1 (a) of Schedule 4 to this Agreement, responsible for providing overall policy guidance to the Project.

(q) “Resettlement Policy Framework” means the Framework, including the Process Framework for Special Use Forests under Part C of the Project, dated August 6, 2003, approved by the Recipient through the Prime Minister’s Decision Decision 550/CP-NN of April 20, 2004, and adopted by MARD through Decision Decision 1066 QD/BNN-LN of April 27, 2004, and referred to in paragraph 7 of Schedule 4 to this Agreement, which sets out the policies and procedures for the acquisition of land and other assets, resettlement, compensation and rehabilitation of Displaced Persons, and for the preparation of resettlement action plans, as may be required, during the implementation of the Project, as said Policy Framework may be revised from time to time with the prior concurrence of the Bank.

(r) “Special Account” means the Account referred to in Section 2.02(b) of this Agreement.
(s) “Sub-grant” means a grant made by the Vietnam Conservation Fund utilizing the proceeds of the GEF Trust Fund Grant to support an eligible Biodiversity Conservation Sub-project under Part C.1 of the Project, in accordance with the provisions the Operational Manual referred to in paragraph 10 (a) of Schedule 4 to this Agreement.

(t) “Sub-project” means either a Plantation Forestry Sub-project under Part B.5 of the Project or a Biodiversity Conservation Sub-project under Part C.1 of the Project.

(u) “Vietnam Bank for Social Policy” and “VBSP” mean the state-owned financial institution established by Prime Minister’s Decision 131/2002/QD-TTg dated October 4, 2002, and operating pursuant its Charter approved by Prime Minister’s Decision 16/2003/QD-TTg dated January 22, 2003 to provide credit to poor households.

(v) “Vietnam Conservation Fund” and “VCF” mean the fund to be established under Part C of the Project as a pilot mechanism to provide financing for priority biodiversity conservation activities on a competitive basis, in accordance with the provisions of paragraph 3 of Schedule 4 to this Agreement.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount equal to nine million Dollars ($9,000,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) Sub-grants made under Part C.1 of the Project to meet the reasonable cost of goods, works and services required for an eligible Biodiversity Conservation Sub-project under Part C.1 of the Project and in respect of which the withdrawal from the GEF Trust Fund Grant Account is requested; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of works and goods required for Part C of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) The Recipient may, for the purposes of Part C of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.
Section 2.03. The Closing Date shall be March 31, 2011, or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out Part C of the Project with due diligence and efficiency and in conformity with appropriate administrative, management, financial and forestry practices, and sound social and environmental standards, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and works required for Part C of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan for the continued achievement of the Project’s objectives; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

ARTICLE IV

Financial Conditions

Section 4.01. (a) The Recipient shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank,
adequate to reflect the operations, resources and expenditures related to Part C of the Project.

(b) The Recipient shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient shall:

(i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient’s progress reporting obligations set out in paragraph 17 of Schedule 4 to this Agreement the Recipient shall
prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

(i) sets forth sources and uses of funds for Part C of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in the implementation of Part C of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under Part C of the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) (i) Subject to sub-paragraph (ii) of this paragraph (a), the right of the Recipient to withdraw the proceeds of the Credit or the Netherlands Trust Fund Grant or the Finnish Trust Fund Grant made to the Recipient for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Development Credit Agreement or the Netherlands Trust Fund Grant Agreement or the Finnish Trust Fund Grant Agreement, as the case may be;

(ii) Sub-paragraph (i) of this paragraph (a) shall not apply if the Recipient establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its
obligations under such agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement;

(b) a situation shall have arisen which shall make it improbable that the Recipient’s Five Million Hectares Re-forestation Program or its Forest Sector Support Program, or a significant part of either said Programs will be carried out;

(c) the Recipient’s Forest Sector Support Program, or any part thereof, shall have been abrogated, amended, waived, or otherwise significantly modified, without the prior concurrence of the Bank.

ARTICLE VI

Effectiveness, Termination

Section 6.01. This Agreement shall become effective upon its execution by the parties hereto or the Effective Date of the Development Credit Agreement, whichever is later.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder, provided, however, that if the Development Credit Agreement terminates prior to the termination of this Agreement, this Agreement shall terminate automatically and shall cease to have any further force or effect.
ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Governor or any Deputy Governor of the State Bank of Vietnam is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:
State Bank of Vietnam
49 Ly Thai To
Hanoi
Socialist Republic of Vietnam

Cable address: VIETBANK
Telex: 412248
Facsimile: (84-4) 825 0612
Hanoi
NHTWVT

For the Bank:

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

Cable address: INTBAFRAD
Telex: 248423 (MCI)
Washington, D.C. 64145 (MCI)
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Le Duc Thuy

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Klaus Rohland

Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the GEF Trust Fund Grant Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-grants under Part C.1 of the Project</td>
<td>$7,600,000</td>
<td>100% of grant amount disbursed</td>
</tr>
<tr>
<td>(2) Goods, including vehicles, under Part C of the Project</td>
<td>$70,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(3) Works under Part C of the Project</td>
<td>$20,000</td>
<td>90%</td>
</tr>
<tr>
<td>(4) Training and workshops under Part C of the Project</td>
<td>$520,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Incremental Operating Costs under Part C of the Project</td>
<td>$790,000</td>
<td>70%</td>
</tr>
</tbody>
</table>

TOTAL: $9,000,000
2. For the purposes of this Schedule:

   (a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

   (b) the term “local expenditures” means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient; and

   (c) the term “Incremental Operating Costs” means the reasonable costs of incremental expenditures incurred by the Recipient in the implementation of Part C of the Project (which expenditures would not have been incurred absent the Project), including staff per diem field allowances, travel expenses, costs for vehicle operation and maintenance, office consumables, communication expenses, printing expenses, and salaries of fixed-term contracted staff but excluding salaries of regular staff.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding US $10,000, may be made in respect of Categories (2), (4) and (5) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after May 15, 2004.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for:
   (a) Sub-grants under Part C.1 of the Project; (b) goods costing less than $100,000 equivalent per contract; (c) works costing less than $50,000 equivalent per contract; (d) training and workshops; and (e) incremental operating costs; all under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. If the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.
SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient to enhance the contribution of forestry to: (i) rural poverty reduction and (ii) global environmental protection, through the sustainable management of plantation forests and the conservation of biodiversity in special use forests.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives:

PART A: Institutional Development

Carry out a program to develop an enabling framework for smallholder plantation forestry and for the management and financing of special use forests, including provision of consultants’ services, training and workshops therefor, consisting of:

1. Review and assessment of current regulations, guidelines, practices and incentives for commercial plantation forests and related support services and for the management and sustainable financing of special use forests, in light of the experiences derived from implementation in the field, including assessment of tax and incentive regimes for smallholder forestry, procedures for classification and allocation of forest land, mechanisms for co-management of special use forests;

2. Establishment of Farm Forestry Groups for plantation forestry in Participating Districts and provision of support for their development and operation; and

3. Promotion of plantation forest certification through the development of certification standards and mechanisms, promotion of certified products and development of a data bank of certified forests.

PART B: Plantation Forests

Develop the smallholder commercial forest plantation sub-sector in Participating Provinces, including provision of consultants’ services, training and workshops therefor consisting of:

1. Selection of smallholder forest plantation sites through a participatory process;
2. Carrying out of the land allocation process and issuance of Land Use Rights Certificates to support the establishment of smallholder plantation forests;

3. Provision of extension and other technical and financial advisory services to households to support commercial wood production and agro-forestry plantations;

4. Design of forest plantations; and

5. Provision of sub-loans to support eligible plantation forestry sub-projects, including mobile-bank vehicles.

PART C: Special Use Forests

Carry out a pilot program to support the conservation and sustainable use of biological resources in special use forests, including provision of consultants’ services therefor, consisting of:

1. Establishment and operationalization of the Vietnam Conservation Fund and support for selected eligible biodiversity conservation sub-projects in special use forests through the provision of sub-grants; and

2. Support for special use forest planning and implementation through conservation needs assessment, development of operational management plans and investment plans, capacity building of special use forest management boards and local communities, and development of monitoring and evaluation system.

PART D: Project Implementation

1. Strengthening of the institutional capacity at the national, provincial, district and commune levels to plan, coordinate and manage the implementation of the Project; including provision of consultants’ services, training and workshops therefor, and audit of the Project accounts.

2. Design and establishment of a monitoring and evaluation system to track project implementation progress and evaluate its effectiveness, including provision of consultants’ services, training and workshops therefor.

* * *

The Project is expected to be completed by September 30, 2010.
SCHEDULE 3

Procurement

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provision shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

   Preference for domestically manufactured goods: The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. International or National Shopping

   Goods, including vehicles, estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $70,000 under Part C of the Project, may be procured under contracts awarded on the basis of international shopping procedures or, in the event such goods are readily available at competitive prices from more than one local suppliers, national shopping procedures, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. Procurement from UN Agencies

   Vehicles, including motorbikes, may be procured from the Inter-agency Procurement Services Office (IAPSO) of the United Nations in accordance with the provisions of paragraph 3.9 of the Guidelines.

3. Procurement of Small Works
Works for office renovation estimated to cost in the aggregate $25,000 equivalent under Part C of the Project, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part D:  Review by the Bank of Procurement Decisions

1.  Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2.  Prior Review

The following procedures shall apply to each contract for goods or works procured under paragraph 1 (International or National Shopping) and paragraph 3 (Procurement of Small works) of Part C above:

(i) prior to the selection of any supplier or the execution of any contract under shopping procedures or the procedures for small works, the Recipient shall provide to the Bank a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under shopping procedures or the procedures for small works, the Recipient shall provide to the Bank a copy of the specifications and the draft contract;

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3.  Post Review

With respect to each contract not governed by paragraph 2 of this Part D, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.
SCHEDULE 4

Implementation Program

Project Management and Coordination

1. The Recipient shall:

   (a) throughout the period of implementation of the Project, maintain the National Steering Committee of the Five Million Hectares Re-forestation Program and establish and maintain thereunder the Project Steering Committee with membership acceptable to the Association and with such powers, responsibilities, funds and other resources as shall be necessary to provide general policy guidance in the implementation of the Project, and ensuring coordination of Project activities with other national initiatives on forestry and on biodiversity conservation, and coordination with other relevant national line agencies; and

   (b) establish and, throughout the period of implementation of the Project, maintain a Central Project Coordination Unit within the Borrower’s Ministry of Agriculture and Rural Development, to be responsible for, inter alia: (i) the overall administration of, and the consolidation of reports on, Project activities, and for all procurement at the national level; (ii) more specifically, coordination between the Departments of Forestry and Forest Protection in the institutional development activities under Part A of the Project; and (iii) liaison with the Borrower’s national Forest Sector Support Program; said Central Project Coordination Unit to be under the direction of qualified managers, provided with sufficient resources, and staffed with competent personnel in adequate numbers, including a Project director, a Project chief accountant, and accounting and procurement staff, with qualifications and experience and under terms of reference acceptable to the Bank.

2. For purposes of Part C of the Project, the Recipient shall establish and, throughout the period of implementation of the Project, maintain the Vietnam Conservation Fund to provide financing for priority biodiversity conservation activities pursuant to the provisions of the Operational Manual for the Vietnam Conservation Fund under the Project Implementation Manual. For this purpose, the Recipient shall establish:

   (a) a Management Committee with membership and under terms of reference satisfactory to the Bank, to oversee the policy and operations of the Vietnam Conservation Fund, approve sub-grants for eligible Biodiversity Conservation Sub-projects endorsed by the Technical Review Group, and authorize the disbursements of said sub-grants;
(b) a Secretariat within the Nature Conservation Division of the Forest Protection Department of MARD, under the direction of qualified managers, provided with sufficient resources and staffed with experienced personnel in adequate numbers including a Project director and a chief accountant; said Secretariat to be responsible for providing support to the Management Committee and for managing the operations of the VCF; all in a manner satisfactory to the Bank; and

(c) a Technical Review Group consisting of experts in conservation-related fields with qualifications and experience satisfactory to the Bank, drawn from government agencies, research institutions, national and international non-governmental organizations, and a representative of the donors in the partnership supporting the Forest Sector Support Program, to assess biodiversity conservation proposals and make recommendations thereon to the Management Committee.

3. The Recipient shall, through the Central Project Coordinating Unit at MARD, establish and, throughout the period of implementation of the Project, maintain a computerized accounting system acceptable to the Bank; said system to enable it to: (a) classify disbursements under the Project by Project components and sub-components, expenditure categories, sources of fund and location; and (b) record and analyze transactions in the Special Account.

Project Implementation

4. The Recipient shall:

(a) carry out, and cause to be carried out, the Resettlement Policy Framework, including the Process Framework for Special Use Forests, in a manner satisfactory to the Bank;

(b) wherever implementation of the Project or any part thereof, would give rise to Displaced Persons, provide to the Bank for its review a resettlement action plan prepared in accordance with the principles and procedures set forth in said Framework and, thereafter, implement and cause to be implemented, in a manner satisfactory to the Bank, such resettlement action plan as shall have been approved by the Bank; and

(c) provide to the Bank for its prior approval any revision proposed to be introduced into said Framework or into any resettlement plan prepared pursuant to said Framework in order to achieve their respective objectives, and thereafter introduce such revision into said Framework or said plan as shall have been agreed with the Bank; and

(d) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of
said Framework and any resettlement plan prepared pursuant thereto, and the achievement of their respective objectives.

5. The Recipient shall:

(a) implement, and cause to be implemented, the Ethnic Minority Development Strategy in a manner satisfactory to the Bank, designed to provide meaningful consultation with, and the informed participation of, ethnic minority groups within the Project area, and to ensure that benefits under the Project are socially and culturally acceptable to such groups; and

(b) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of said Strategy and any ethnic community development plan prepared pursuant thereto, and the achievement of their respective objectives.

6. To guide the implementation of the Project:

(a) The Recipient shall prepare and put into effect a Project Implementation Manual acceptable to the Bank setting forth procedures and guidelines for the implementation of the Project; in particular said Manual shall include:

(i) an Operational Manual to assist in implementing Parts A, B (except B.5), and D of the Project, including guidelines for the implementation of Part B of the Project, including participatory processes for the selection of plantation sites and land allocation; procedures for land application; the accreditation program to ensure the quality of seedling material; environmental protection guidelines for plantation management; requirements under the Resettlement Policy Framework and the Ethnic Minority Development Strategy; and a Financial Management Manual including detailed funds flow arrangements, and guidelines and procedures for financial management, control and reporting;

(ii) a Sub-credit Manual for VBSP to assist in implementing Part B.5 of the Project, including the purposes, terms and conditions of the Sub-loans for eligible Plantation Forestry Sub-projects, procedures and criteria for evaluation of credit applications and approval of Sub-loans, disbursement procedures, and post disbursement management, supervision and monitoring requirements; and
(iii) an Operational Manual for the Vietnam Conservation Fund to assist in implementing Part C of the Project, including: eligibility criteria for site selection and Biodiversity Conservation Sub-projects, with an indicative negative list; requirements under the Resettlement Policy Framework including in particular the Process Framework for Special Use Forests; guidelines for sub-grant application and approval; procedures for review and assessment of Biodiversity Conservation Sub-projects proposed for financing; procedures for the disbursement of sub-grants; financial management procedures and requirements, management of the VCF, and monitoring and evaluation principles and requirements.

(b) The Recipient shall not amend, revise or waive the provisions of the Project Implementation Manual without the prior concurrence of the Bank.

7. In respect of Part C of the Project, the Recipient shall by no later than September 30 of each year, commencing in 2006, provide to the Bank for its review and comment a list of sub-project proposals selected by the Technical Review Group; provided, however, that the list of sub-project proposals selected during the first year of Project implementation shall be furnished to the Association by not later than March 31, 2005.

Monitoring and Reporting

8. The Recipient shall: (a) by no later than June 30, 2005, provide to the Bank for its review and comments, a plan for the monitoring and evaluation of the Project; and

(b) thereafter, carry out such monitoring and evaluation plan giving due consideration to the Bank’s views thereon.

9. The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the monitoring and evaluation plan satisfactory to the Bank referred to in paragraph 16 above, and in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, (i) on or about January 15 and July 15 of each year, commencing on July 15, 2005, a semi-annual report; and (ii) on or about, and December 31, 2006 and December 31, 2008, a mid-term report; in each case integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 17, on the
progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) promptly review with the Bank, each report referred to in sub-paragraph (b) of this paragraph 17 and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of each said report and the Bank's views on the matter.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

   (a) the term “eligible Categories” means Categories (1), (2), (3), (4) and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

   (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for Part C of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

   (c) the term “Authorized Allocation” means an amount equal to $900,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to $500,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of $3,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

   (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

   (b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

   (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

   (b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

   (c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

   (d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General
Conditions with respect to Part C of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories for Part C of the Project shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.