

CONFORMED COPY

GRANT NUMBER TF023742

Danida Grant Agreement

(Coastal Wetlands Protection and Development Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

As Administrator of Grant Funds
Provided by the Kingdom of Denmark

Dated February 27, 2001

GRANT NUMBER TF023742

DANIDA GRANT AGREEMENT

AGREEMENT, dated February 27, 2001 between SOCIALIST REPUBLIC OF VIETNAM (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) acting as Administrator (the Administrator) of grant funds provided by the Kingdom of Denmark.

WHEREAS (A) pursuant to an agreement dated February 24, 2000, between the Recipient and the Association (the Development Credit Agreement), for the financing of the Coastal Wetlands Protection and Development Project (the Project), the Association agreed to provide to the Recipient a credit in the amount of SDR 23,100,000 (the Credit) on the terms and conditions set forth in the Development Credit Agreement, and the Recipient declared its commitment to the objectives of the Project and agreed to carry out the Project in accordance with the terms of the Development Credit Agreement;

WHEREAS (B) the Kingdom of Denmark (Denmark) has agreed to make a grant in an aggregate amount of eighty two million one hundred twenty four thousand Danish Kroner (DKK 82,124,000) (the Danish Grant) to the Recipient, to assist in the financing of the Project; and

(C) pursuant to the Framework Agreement dated October 6, 1998 among Denmark,

the International Bank for Reconstruction and Development and the Association for cooperation in the financing of development and environment projects and programs, and to the agreement dated February 16, 2001 between Denmark and the Association (the Administration Agreement), the Association has agreed to administer on behalf of Denmark the Danish Grant to be used to finance in part the costs of carrying out the Project under the terms and conditions of 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 Development Credit Agreements of the Administrator, dated January 1, 1985, 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 (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (12), (13) and (14), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Sections 4.01 and 4.05;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (a), (b), (c), (d), (e), (g), (h), (i), (j), (k) and (l), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01, 9.03, 9.04, 9.05, 9.06, 9.07, and 9.08;
- (ix) Article X;
- (x) Article XI; and
- (xi) Sections 12.01 (b), 12.03 and 12.04.

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

- (i) the term "Association" wherever used in the General Conditions, other than in Sections 2.01 (6) and 6.02 (e) thereof, and the last use of such term in Section 5.01 thereof, means the Association acting as Administrator of the Danish Grant pursuant to the Administration Agreement referred to in Recital (C) of this Agreement, except that in Section 6.02, the term "Association" shall also include the Association acting in its own capacity;
- (ii) the term "Borrower" wherever used in the General Conditions, means the Recipient;
- (iii) the term "Development Credit Agreement," wherever used in the General Conditions, means this Agreement;
- (iv) the term "Credit," wherever used in the General Conditions, means the Danish Grant;
- (v) the term "Credit Account," wherever used in the General Conditions, means the Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Danish Grant is credited; and
- (vi) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in Danish Kroner; provided, however, that if the expenditures to be financed out of the proceeds

of the Danish Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, in the Recitals to this Agreement and in the Development Credit Agreement have the respective meanings therein set forth, and the term "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

ARTICLE II

The Danish Grant

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Danish Grant in an amount of eighty two million one hundred twenty four thousand Danish Kroner (DKK 82,124,000).

Section 2.02. (a) The amount of the Danish Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Association, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of carrying out the Project and to be financed out of the Danish Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 2 to this Agreement.

(c) The Association shall not be obliged to provide funds under the Danish Grant to the Recipient except to the extent the Association shall have received funds from Denmark for this purpose.

Section 2.03. The Closing Date shall be September 30, 2006 or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental, social and forestry practices, 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 Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to the Development Credit Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of goods and consultants' services required for the Project and to be financed out of the Danish Grant shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 3.03. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the

Association;

(ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

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

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE IV

Effectiveness; Termination

Section 4.01. 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 4.02. This Agreement shall continue in effect until disbursement hereunder has been completed 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, or the Administration 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 V

Representation

Section 5.01. 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 5.02. 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 Street
Hanoi
Socialist Republic of Vietnam

Cable address:

VIETBANK
Hanoi

Telex:

412248 NHTWVT

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

64145 (MCI) or
248423 (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, VietnamS, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By /s/ Madam Duong Thu Huong

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
as Administrator of the Danish Grant

By /s/ Andrew Steer

Authorized Representative

SCHEDULE 1

Withdrawal of the Danish Grant

1. The table below sets forth the Categories of items to be financed out of the Danish Grant, the allocation of the amount of the Danish Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Danish Grant Allocated (Expressed in Danish Kroner)	% of Expenditures to be Financed
(1) Goods (excluding seedlings and vehicles)	700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local expenditures for other items procured locally
(2) Consultants' services	59,000,000	100%
(3) Loans from the Social Support Funder under Part B(3) of the Project	7,000,000	100% of amounts disbursed
(4) Grants from the Ethnic Minority Development Fund under Part B(3)(a) of the Project	5,000,000	100% of amounts disbursed

(5)	Incremental Staff and Field Allowances	2,500,000	100% for payments made prior to January 1, 2003 and 50% for payments made thereafter
(6)	Unallocated	7,924,000	
	TOTAL	82,124,000	

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 services supplied from the territory of the Recipient; and

(c) the term "Incremental Staff and Field Allowances" means expenditures, including salaries, for additional staff for and staff seconded to the CPO, PPMUs, and per diem allowances for supporting staff in the project field offices.

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.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure, for expenditures for: (a) goods under contracts costing less than US\$100,000 equivalent each; (b) services provided by consulting firms under contracts costing less than \$100,000 equivalent each; (c) services provided by individual consultants under contracts costing less than \$50,000 equivalent each; (d) loans made from the Social Support Fund to the very poor in the communes; (e) grants made from the Ethnic Minority Development Fund pursuant to the EMDP; and (f) Incremental Staff and Field Allowances; all under such terms and conditions as the Association shall specify by notice to the Recipient.

SCHEDULE 2

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 the Project and to be financed out of the proceeds of the 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 equivalent to \$500,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of DKK 4,000,000.

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 Association 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 Association 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 Association shall, on behalf of the Recipient, withdraw from the 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Association 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 Association shall, on behalf of the Recipient, withdraw from the 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 Association from the 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 Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Recipient directly from the 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 Association, 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 Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association 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 Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

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

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association 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 Association 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 Association, the Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association 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 Association, refund to the Association such outstanding amount.

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

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

