AGREEMENT

between

THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM

and

THE GOVERNMENT OF THE KINGDOM OF NORWAY

regarding

Financial Assistance for upgrading of Hoi An Water Supply Plant

WHEREAS the Government of the Socialist Republic of Vietnam ("Vietnam") and the Government of the Kingdom of Norway ("Norway") have entered into a Memorandum of Understanding dated 2 November 2004 concerning development co-operation and an Agreement dated 9 October 1996 on general Terms and Procedures for Development Co-operation ("the Main Agreement"), and

WHEREAS Ministry of Planning and Investment of the Socialist Republic of Vietnam ("MPI") and the Norwegian Agency for Development Co-operation ("Norad") have entered into a Memorandum of Understanding dated 22 October 2003 regarding Concessional Credits (Untied Mixed Credits) and with provisions therein relating to Loan Agreements

WHEREAS Vietnam in letter dated 5 July 2004 has requested Norway for a Concessional Credit ("the Credit") to partly finance Upgrading of Hoi An Water Supply Plant, and

WHEREAS Norway has decided to comply with the request,

NOW THEREFORE Vietnam and Norway have reached the following understanding which shall constitute an Agreement regarding financial assistance for upgrading of Hoi An Water Supply Plant between the Parties:

Article I
Scope and Objectives

1. This Agreement sets forth the terms and procedures for Norway's assistance to Vietnam as outlined in Annex I to this Agreement ("the Project").

2. The Project is further outlined in enclosure to letter from Vietnam dated 5 July 2004, Appraisal Report dated October 13, 2004 and Feasibility Study dated 22 December 2004.

The Goal of the Project is to improve the quality of life and health conditions in Hoi An town. The Project will sustain access to safe and adequate water supply for more than 118 000 people by 2018. Through the provision of safe water, the Project will reduce the rate of water born diseases - in particular diarrhoea with 70 percent.

The Objectives of the Project are to improve the water supply coverage in the town and to provide adequate water supply infrastructure for economic growth in Hoi An. 80% of the population in the water supplied area will have access to water in 2007. This rate will increase to above 90% in 2010. Furthermore, the Project will ensure sufficient water for services, tourism, industry, trading and handicraft to stimulate economic growth in Hoi An and the northern part of Quang Nam province.

Article II
Cooperation - Representation - Administration

1. Norway and Vietnam shall cooperate fully to ensure that the Goal and Objective(s) of the Project are successfully accomplished. To that effect each Party shall furnish the other Party with all such information as may reasonably be required pertaining to the Project.

2 In matters pertaining the implementation of this Agreement, Norad and MPI shall be competent to represent Norway and Vietnam respectively.

Quang Nam Water Draining, Supplying & Construction Company ("the Buyer") under Quang Nam People's Committee shall have the overall responsibility for the implementation of the Project.

All communication to Norway in regard to this Agreement shall be directed to the Norwegian Embassy in Hanoi.

3. The Buyer shall enter into a contract ("the Contract") regarding supplies for the implementation of the Project.

The Contract and any subsequent amendments thereof shall be approved by Norway before signing and entering into force.

4. The Ministry of Finance of the Socialist Republic of Vietnam will act as borrower for the Credit and will enter into a loan agreement ("the Credit Agreement") with a lender approved by Norway and Vietnam. The Credit will finance 100 % of the Contract. The final Contract amount will be decided upon after Contract negotiations as a part of the procurement process set forth in Article V.

Article III
Contributions of Norway

1. Norway shall, subject to Parliamentary appropriations, and on the terms and procedures set out or referred to herein, make available to Vietnam a financial grant ("the Grant") to be used exclusively for part financing of the Contract.

2. The Grant shall be calculated according to OECD/DAC guidelines for associated financing and the Grant element shall be 35 %.

   The Grant and any accrued interest according to Article VI shall at least cover the interest of an USD-credit based on a semi-annual repayment for period of 10 years from commissioning and the guarantee premium for the Credit. Any remaining amount to obtain the necessary Grant element will be utilised for downpayment on the Contract.

   Based on preliminary calculations of the Grant, taking into account that the exact contract value is not decided upon and accrued interest according to Article VI is not known, the Grant shall not exceed NOK 12.250.000 (Norwegian kroner twelve million two hundred and fifty thousand) (appr. USD 1.75 mill).

Article IV
Contributions and Obligations of Vietnam

Vietnam shall make all reasonable efforts to facilitate the successful implementation of the Project, and shall hereunder:

1. have the overall responsibility for the planning, administration and implementation of the Project, including all categories of works, repair and maintenance of buildings, equipment, spare parts, goods and materials made available under this Agreement;

3. provide sufficient qualified local personnel and all financial and other resources that may be required over and above the Credit and the contribution of Vietnam as stated in the budget in Annex I to this Agreement, for the successful implementation of the Project;

4. undertake the obligations set out in the Main Agreement with regard to assistance personnel financed by the Credit;

5. defray any customs duties, sales taxes and other taxes, fees and levies on all equipment, materials and supplies financed by the Credit and imported into Vietnam for the benefit of the Project;

6. grant all necessary permits, import licences and foreign exchange permissions that may be required in connection with the implementation of the Project;

7. promptly inform Norway of any condition which interferes or threatens to interfere with the successful implementation of the Project;

8. permit representatives of Norway to visit any part of Vietnam for purposes related to this Agreement and examine any relevant records, goods and documents.

Article V
Procurement

1. Vietnam undertakes to effect all procurements of goods and services for the Project and is responsible for the contracts to be signed. Vietnam shall observe the highest ethics during the procurement and execution of the contracts.

   Shortlist (if necessary) of suppliers and tender documents shall be submitted to Norway for approval before calling for tenders, and the subsequent tender evaluation report and contracts shall be submitted to Norway for approval before entering into force.

2. All procurements shall be based on International Competitive Bidding and performed in accordance with generally accepted principles and good procurement practices, and in accordance with Vietnamese procurement regulations. Invitations to tender or to make offer as well as procurement contracts shall, respectively, include a clause stating that the tender/offer will be rejected and the contract cancelled, in case any illegal or corrupt practices have been connected with the award or the execution of the contract.

   No offer, gift, payments or benefit of any kind, which would or could be construed as an illegal or corrupt practice, shall be accepted, either directly or indirectly, as an inducement or reward for the award or execution of procurement contracts. Any such practice will be grounds for cancellation of this Agreement and/or the procurement contract concerned.

   All contracts to be submitted to Norway shall be accompanied by a written statement from Vietnam stating that the above procurement regulations have been adhered to.

   In accordance with the procurement regulations of Vietnam, Norwegian suppliers shall be given the same opportunities to compete for deliveries and/or participate in the bidding as other suppliers.

3. Vietnam shall upon request furnish Norway with all relevant information on its procurement practices and actions taken, and provide access to all related records and

documents. Norway may require access to information even during that stage in the procurement procedure when it is restricted to the officers performing the procurement. Restrictions on such information shall be respected until the information can be made public without any risk of detriment to the result of the procurement.

4. In case of necessity, Norway can, on its own cost, send its representatives and/or hired independent consultants to monitor the bidding and construction process of the Project. Vietnam shall provide necessary assistance and support for the Norway's representatives and/or hired consultants to fulfil their tasks.

5. Vietnam shall ensure in its national legislation adequate and effective means to punish and prevent illegal or corrupt practices.

Article VI
Disbursements

1. Norway will, according to a general agreement with Eksportfinans ASA, establish a bank deposit account in Eksportfinans ASA, Oslo, Norway ("the Account"). Norway shall transfer the Grant in one lump sum to the Account. The Grant and accrued interest will be used as set forth in Article III above and will be disbursed according to what has been agreed upon in the Credit Agreement and the Contract.

Article VII
Reports

1. Vietnam shall provide Norway with a completion report not later than 6 (six) months after the completion of the Project. The completion report shall give a summary of outputs and activities undertaken, achievements compared to Goal and Objectives and an assessment of the efficiency of the Project.

2. Norway shall respond within 8 weeks upon receipt of the reports mentioned above.

Article VIII
Reservations

1. Norway reserves the right to withhold disbursements and claim repayment at any time in case i.e.:

   - the Project develops unfavourably in relation to the Goal and Objectives;
   - substantial deviations from agreed plans or budgets occur;
   - resources to be allocated by Vietnam are not provided as agreed;
   - the documentation specified in Article VII is not delivered as agreed;

- the financial management of the Project is not satisfactory;

- the contracts/agreements referred to in Article II, Clause 3 and 4 are breached or terminated before all obligations therein are fulfilled.

2. Norway reserves the right to withdraw the Grant from the Account, in full or in part, if the funds or part of the funds are found not to be used in accordance with the terms and conditions of this Agreement or not satisfactorily accounted for.

3. Before withholding any disbursements or claiming repayment the Parties shall consult with a view to reaching a solution in the matter.

4. Norway will cancel this Agreement or portion of this Agreement and have the right to demand the cancellation of any contract financed under this Agreement, with immediate effect if it determines, with respect to any contract to be financed under this Agreement, that corrupt or fraudulent practices were engaged in by representatives of Vietnam or of a beneficiary of the aid funds during procurement or during the execution of the contract without Vietnam having taken timely and appropriate action satisfactory to Norway to remedy the situation.

5. Norway and Vietnam agree to cooperate on preventing corruption within and through the Project. Norway and Vietnam undertake to take rapid legal measures in their respective countries to stop, investigate and prosecute in accordance with national law any person suspected of corruption or other intentional misuse of resources.

Article IX
Information - Evaluation - Reviews

The Parties will agree upon necessary measures for information, evaluation and reviews of the Project.

Article X
Distribution of the present Agreement

The Parties shall distribute copies of the present Agreement to the respective ministries, authorities and other institutions involved in the Project or otherwise in need of information on its content.

Article XI
Disputes - Entry into Force - Termination

1. If any dispute arises relating to the implementation or interpretation of the present Agreement, there shall be consultations between the competent authorities designated in Article II, Clause 2 with a view to reaching agreement. In case of failure to reach

an agreement the dispute shall be referred to Ministry of Foreign Affairs of the Kingdom of Norway and MPI.

2. This Agreement shall enter into force on the date of its signature and shall remain in force until both Parties have fulfilled all obligations arising from it. Whether these obligations shall be regarded as fulfilled shall be determined in consultations between the Parties.

3. Notwithstanding the previous clause, both Parties may terminate the present Agreement by giving three months written notice to the other Party.

IN WITNESS WHEREOF the undersigned, acting on behalf of their respective governments, have signed the present Agreement in two originals in the English language.

Done in Hanoi, the 25th day of November 2005

Cao Viet Sinh, Vice Minister
of Planning and Investment
For the Government of the
Socialist Republic of Vietnam

Kjell Magne Storløkken
Ambassador of Norway to Vietnam
For the Government of
the Kingdom of Norway