AGREEMENT

BETWEEN

THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM

AND

THE GOVERNMENT OF THE SWISS CONFEDERATION

ON THE GRANTING OF FINANCIAL ASSISTANCE FOR

IMPROVEMENT OF WASTE WATER DISPOSAL AND SOLID WASTE MANAGEMENT IN PROVINCIAL TOWNS PROJECT

The Government of the Socialist Republic of Vietnam and the Government of the Swiss Confederation,

Aware of the ties of friendship between the two countries,

Desirous of further strengthening the ties and to promote a fruitful technical, economic and financial co-operation between the two countries,

Recognising that the further development of technical, economic and financial co-operation between the two countries will contribute in the Socialist Republic of Vietnam to the process of economic and social reform and integration and hence to the improvement of living conditions of the population,

Considering the Swiss grant of a financial assistance for the Improvement of Waste Water Disposal and Solid Waste Management in Provincial Towns,

Aware that the Government of the Socialist Republic of Vietnam is committed to pursuing the reforms to create a market economy under democratic conditions,

Referring to the Agreement between the Government of the Swiss Confederation and the Government of the Socialist Republic of Vietnam concerning Development Cooperation, signed on June 7, 2002,

Have agreed as follows:

1. Definitions

In this Agreement, the following terms shall have the following meanings:

a. "The Swiss Government" means the Government of the Swiss Confederation, represented by the Swiss State Secretariat for Economic Affairs (SECO);

b. "MPI" means the Ministry of Planning and Investment of the Socialist Republic of Vietnam, and any successor thereto;

c. "The Government of Vietnam" means the Government the of Socialist Republic of Vietnam, represented by the Ministry of Planning and Investment;

d. "Contracting Parties" means the parties under the present Agreement i.e. the Government of Vietnam and the Swiss Government;

e. "KfW" means the German Kreditanstalt für Wiederaufbau, which provides a loan under a separate Agreement signed with the Ministry of Finance, representing the Socialist Republic of Vietnam;

f. "Project" means the Improvement of Waste Water Disposal and Solid Waste Management in Provincial Towns project as defined in Schedule 1, which constitutes an integral part of this Bilateral Agreement;

g. "Swiss Contribution" means the non-reimbursable contribution granted by the Swiss Government under this Bilateral Agreement to the Government of Vietnam;

h. "Swiss Subproject" means all parts of the Project, which are financed under the Swiss Contribution;

i. "Bilateral Agreement" means the present Agreement between the Swiss Government and the Government of Vietnam;

j. "Project Account" (Projektkonto) means the fund established at the KfW for the management of the Swiss Contribution by the KfW;

k. "Administrative Agreement" (Vereinbarung) means the Agreement between the Swiss Government and the KfW for the establishment of the Trust Fund and the management of the Swiss Contribution by the KfW;

l. "Loan and Financing Agreement" (Darlehensvertrag) means the Agreement between the KfW and the Government of Vietnam for the use of the Swiss Contribution.

m. "Separate Agreement" (Besondere Vereinbarungen) means the Agreement between KfW and the Government of Vietnam supplementary to the Loan and Financing Agreement.

n. "PPC" means Provincial People's Committee;

o. "PU" means Public Works Companies or Urban Environmental Companies, which will be the direct beneficiary of the Project;

p. "PMUs" mean the Project Management Units, which will coordinate the project implementation and liaise with KfW and the Swiss Government;

2. Objectives of the Project

2.1. The Project aims to make the economic development in the selected cities and their regions more sustainable. The objectives of the Project are to improve sanitation by raising sewerage coverage and hence connection rate, by providing wastewater treatment facilities in order to improve the water quality, by providing solid waste treatment plants and sanitary landfills and to build capacity through institutional and non-technical measures (as defined in Schedules 1 and 2).

2.2. In line with the objectives of the overall Project (as defined in Schedule 1), the objectives of the Swiss Contribution are: (a) to assist the PU to implement the technical assistance part of the Project; (b) to conduct a sludge treatment and disposal concept; and (c) to support operational follow-up training for the technical staff during the guarantee period of the newly built plants.

3. Swiss Contribution

3.1. The Swiss Government decided to grant a non-reimbursable Contribution of up to € 5'000'000 (five million Euro) plus up to CHF 650'000 (six hundred fifty thousand Swiss Franks) to the Government of Vietnam to finance consultancy services as specified in Schedule 3. The administration fees for KfW amount to an additional € 250'000 (two hundred fifty thousand Euro) and is paid directly to KfW according to the Administrative Agreement.

3.2. The Swiss Contribution under this Bilateral Agreement is considered by the Contracting Parties an integral co-financing part of the Project, which is financed by the German Government via the KfW, the Government of Vietnam and the Swiss Government.

3.3. The Euro portion of the Swiss Contribution allocated to the Project shall be administered by the KfW according to the Administrative Agreement. The Swiss Frank portion of the Swiss Contribution allocated to the Project shall be administered by SECO.

3.4. Any unutilised portion of the Swiss Contribution remaining at the end of the Project or in case of termination shall be cancelled unless otherwise mutually agreed upon between the Contracting Parties.

4. Conditions of the Swiss Contribution

4.1. The Administrative Agreement, the Loan and Financing Agreement as well as the Separate Agreement shall govern the implementation of the Project and the utilisation of the Swiss Contribution. The conditions as

set out in these Agreements for the execution of the Project shall apply, mutatis mutandis, to the Swiss Contribution granted under the present Bilateral Agreement.

4.2. The Government of Vietnam commits itself to ensure an appropriate coordination between the activities under the Swiss Subproject and the remaining parts of the Project in order to guarantee full coherence. Regular consultations between all involved actors shall be organised by the PMUs.

4.3. The Government of Vietnam shall, through the MPI, ensure availability within the PMUs of suitable technical staff for the implementation of the Project as agreed with the KfW.

4.4. The goods, works and services to be financed under the Swiss Contribution shall be exempted from customs duties, levies, fiscal and any other present or future taxes or fees imposed under the law of Vietnam.

4.5. The Government of Vietnam shall exempt international consultants and suppliers paid from the Swiss Contribution from income, profit, property and any other taxes and/or levies on the remuneration and acquisitions resulting under this Bilateral Agreement. The personnel of such international consultants and suppliers shall also be exempted from income, profit, property and any other taxes and/or levies applicable to remuneration, personal belongings and equipment necessary for carrying out the activities.

4.6. Upon request by the Swiss Government, Swiss officials as well as the personnel participating in the Project shall be provided free of charge with official temporary entry and exit visa by the Government of Vietnam.

4.7. The Government of Vietnam commits itself to ensure safe working conditions for the personnel in Vietnam, and to provide diligent assistance (medical, police protection, repatriation) in case unforeseen threatening events occur.

5. Procurement

5.1. The services financed under the Swiss Contribution shall be procured according to the KfW's standard procedures.

6. Administration of the Swiss Contribution

6.1. The Swiss Government entrusts KfW with the implementation of the Swiss Subproject and will, for this reason, enter into an Administrative

Agreement with the KfW. The KfW assumes, on behalf of the Swiss Government, all administrative and supervisory tasks with regard to the Swiss Contribution, including disbursements, monitoring, reporting and evaluation.

6.2. The KfW will conclude a separate Loan and Financing Agreement and Separate Agreement with the Government of Vietnam, consistent with the provisions of the Administrative Agreement between the KfW and the Swiss Government. The Loan and Financing Agreement and Separate Agreement further details the amount and the terms and conditions of the Swiss Contribution, including the disbursement procedures as well as the monitoring, reporting and evaluation requirements.

7. Supervision and Consultation

7.1. The Government of Vietnam declares its commitment to the objectives of the Project as set forth in Schedules 1 and 2 of this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under this Agreement, shall implement the Project through its MPI.

7.2. The Government of Vietnam and the Swiss Government (or their authorised representatives) shall exchange views at regular intervals on the progress achieved on the Project.

7.3. The Government of Vietnam agrees that the Swiss Government and KfW (or their authorised representatives) may undertake at any time evaluations of the Project and will cooperate with their supervision missions.

7.4. The Contracting Parties shall promptly inform each other and, to the extent reasonably practicable, consult each other regarding any event, which interferes, or threatens to interfere with the successful implementation of this Bilateral Agreement.

8. Anti-Corruption Clause

The Contracting Parties share a common concern in the fight against corruption, which jeopardizes good governance and the proper use of resources needed for development, and, in addition, endangers fair and open competition based on price and quality. They declare, therefore, their intention of combining their efforts to

fight corruption and, in particular, declare that any offer, gift, payment, remuneration or benefit of any kind whatsoever, made to whomsoever, directly or indirectly, with a view to being awarded a mandate or contract within the framework of this Agreement, or during its execution, will be construed as an illegal act or corrupt practice. Any act of this kind constitutes sufficient grounds to justify annulment of the present Agreement, the procurement or resulting award, or for taking any other corrective measures foreseen by applicable law.

9. Conditionality

The respect of democratic principles and fundamental human rights, as specified in particular in the Universal Human Rights Declaration, inspires the domestic and international policies of the Contracting Parties, and represents an essential element, as important as the objectives of the present Agreement.

10. Authorities in Charge of the Application of the Bilateral Agreement

The following authorities shall be responsible for the application of the Bilateral Agreement:

On the side of the Government of Vietnam:

Ministry of Planning and Investment

6B Hoang Dieu Street, Ba Dinh District,
Hanoi, Socialist Republic of Vietnam
Telephone: +84 4 38 45 43 63
Fax: +84 4 37 33 05 36

On the side of the Swiss Government:

State Secretariat for Economic Affairs

SECO
Infrastructure Project Financing Division
Holzikofenweg 36
3003 Bern
Switzerland
Telephone: +41 31 324 08 30
Fax: +41 31 324 08 65

11. Amendments to the Agreement

Amendments to the present Bilateral Agreement shall be effected in writing and with the consent of the Contracting Parties. Amendments to the schedules attached to the present Bilateral Agreement shall be effected in writing and with the consent of the operational level.
The attached Schedules 1 – 3 form an integral part of the present Bilateral Agreement

12. Entny into Force, Closing Date, Suspension, Termination

12.1. The present Agreement shall enter into force after its signing by the Contracting Parties and after the signing of the Loan and Financing Agreement, Separate Agreement and the Administrative Agreement, and shall remain in force until all obligations under it have been fulfilled. It is expected that the activities will be completed by June 30th, 2016. After that date, the Swiss Government may at any time cancel the remaining balance of the Contribution and terminate this Agreement with immediate effect.

12.1. However, if either Contracting Party considers that, before the termination of the Bilateral Agreement, its aims can no longer be achieved or that the other Contracting Party is not meeting its obligations, it shall have the right to suspend with immediate effect or terminate this Agreement by giving six months prior written notice. Notwithstanding the preceding, either Contracting Party can, upon written notice, terminate the Bilateral Agreement with immediate effect in case of substantial breach of one of the essential objectives of the Bilateral Agreement. Substantial breach means serious breach of one of the essential objectives of the present Agreement.

12.2. If the cause of the suspension remains for more than 90 days, the Swiss Government may terminate the present Agreement without further delay.

12.3. The Swiss Government reserves the right to suspend or terminate the Swiss Contribution and/or this Bilateral Agreement, following the procedure stated in provisions 12.2 and 12.3 above, in case of suspension or termination of any of the following Agreements: Loan and Financing Agreement, Separate Agreement or Administrative Agreement.

12.4. In case of suspension or termination of this Bilateral Agreement, the provisions of this Agreement continue to apply to ongoing consulting and/or supply contracts financed under the Swiss Contribution on condition that the Contracting Parties shall in such a case take all necessary steps to bring ongoing consulting and/or supply contracts to a close in a prompt and orderly manner and shall make every effort to keep expenditures for this purpose to a minimum.

Done at .....Bern..... on the ..13...September..2011

in two originals in the English language.

For the Government of the Socialist Republic of Vietnam

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Ministry of Planning and Investment

by:

name: Mr Nguyen The Phuong
title: Vice Minister of Planning and Investment

For the Government of the Swiss Confederation

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State Secretariat for Economic Affairs

by:

name: Ambassador Ms. Beatrice Maser
title: Head Economic Development Cooperation

SCHEDULE 1

Description of overall Project

The overall objective of the Project is to improve the quality, reliability and sustainability of wastewater disposal and solid waste management services in the participating provincial towns in the North of Vietnam. The programme contributes to an economically, ecologically and socially sustainable development of infrastructure facilities for wastewater disposal and solid waste management in the project area. It is directed to the urban population in the project cities and the downstream users.

The measures in the cities, which are focused on wastewater disposal, shall be directed to the implementation of sewer and drainage networks in the central cities areas and to the realization of a wastewater treatment plant with at least mechanical treatment. This target shall be achieved with the following project measures:

1) Extension and rehabilitation of sewerage networks (primary, secondary and tertiary sewers)
2) Construction of wastewater pumping stations and rising mains
3) Construction of retention basins and overflows
4) Construction of mechanical wastewater treatment plant

In cities, which are focused on solid waste management, it is envisaged to ensure in the long term the environmentally friendly solid waste disposal with waste treatment plants and landfills. The concerning measures comprise the following components:

1) Construction of mechanical-biological pre-treatment plants
2) Construction of landfills, including the concerning infrastructure, base line sealing, leakage collection and treatment
3) Procurement of technical equipment and vehicles (compactor, lorries, wheel loader and others)
4) Procurement of solid waste collection and transport vehicles

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SCHEDULE 2

Logframe of the Project

Overall Objective
Economically, ecologicalyy and socially sustainable use of urban infrastructure.

Indicators
At least coverage of operation and maintenance costs from tariffs (or communal budgets).
DONREs confirm planned discharge standards (WWTP, leachate treatment).
Waste water/ solid waste tariffs < 3% than average monthly houshold income.

Assumptions for achieving Overall Objective
Waste water discharges into the receiving waters from sources other than the waste water treatment plant do not change after project impleme
Industries and businesses use new sanitary landfill to dispose of hazardous waste.
Sewerage sludge is disposed of according to Vietnamese standards.
Necessary extensions of the plants are carried out as agreed.
Environmental laws, decrees and regulations are effectively enforced by the responsible agencies.

Project Objective
Improvement of waste water and solid waste disposal in accordance with the target group's economic capacities.

Indicators for Project Objective

Mechanical treatment: Settleable solids < 1ml/l.
Waste water treatment plant is used to at least 70% of its capacity 2 years after entry into operation.
Solid waste pre-treatment plant is used to at least 70% of its capacity 2 years after entry into operation.
Landfill and treatment plant are operated according to the operational manual.
Old dump sites are closed or rehabilitated.
Income from tariffs covers at least 100% of operation and maintenance costs.

Assumptions for achieving Project Objective
Industries and businesses comply with waste water discharge regulations.
Households are connected to the sewerage network.
Solid waste is collected in the project area.

Result 1
Core urban areas are connected to a sewerage system and mechanical treatment plant.

- Construction of combined or separate sewage systems.
- Adjustment, improvement and cleaning measures in the existing sewage system.
- Mechanical waste water treatment plants constructed in phase I.
- Resettlement and/or compensation for each of the project sites.

Result 2
Environmentally sound waste disposal ensured through sanitary landfills.

- Construction of landfills with basic sealing and leachate collection.
- Sealing of old dump sites.
- Resettlement and/or compensation for each of the project sites.

Result 3
Operators have sufficient knowledge and income to run the plants properly and sustainably.

- Introduction, increase of tariffs that cover operation and maintenance costs according to an agreed road map.
- Recruitment and training of operating staff (staff support measure) and support for the executing agency (TC).

Measures required for more than one Result

Assumptions for achieving Results
Rehabilitation and extension of tertiary networks will be financed and implemented (if necessary).
People's Council approves increase of tariffs.
Recruitment and long-term employment of qualified staff for the operation of the treatment plants.

SCHEDULE 3:

Indicative allocation of the proceeds of the Swiss Contribution for the technical assistance:

	Total costs* [mio €]	Swiss financing [mio €]	German financing [mio €]	Vietnamese financing [mio €]
Works and supplies	*45.09*	*0*	*31.56*	*13.53*
Lang Son (Wastewater)	11.25		7.87	3.38
Son La (Wastewater)	11.10		7.77	3.33
Hoa Binh (Wastewater)	11.70		8.19	3.51
Bac Ninh (Solid waste)	11.04		7.73	3.31
Consulting Services	*5.00*	*5.00*	-	-
Lang Son (Wastewater)	1.41	1.41		
Son La (Wastewater)	1.40	1.40		
Hoa Binh (Wastewater)	1.46	1.46		
Bac Ninh (Solid waste)	0.73	0.73		
Sub-total	*50.09*	*5.00*	*31.56*	*13.53*
Contingencies**	22.01	-	15.41	6.60
Financeable Programme Costs	72.10	5.00	46.97	20.13
Taxes, Duties, land acquisition, compensation, other costs (PMUs, fees)	8.43	-	-	8.43
Total Programme Costs	***80.53***	***5.00***	***46.97***	***28.56***
Admin Fees KfW (5 %)	0.25	0.25	-	-
Total Costs	**80.78**	**5.25**	**46.97**	**28.56**

* based on estimates from Feasibility Study (Dec. 2009) and update by KfW in Dec. 2010

** Contingencies for price escalation, exchange rate risk and technical unforeseen issues

Additional components	Swiss financing [mio CHF]
Concept development for sludge treatment	0.45
Follow-up operational trainings on WWTP's	0.20
Total Costs for additional components	**0.65**