# AGREEMENT

**between**

**THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM**

**and**

**THE GOVERNMENT OF THE ITALIAN REPUBLIC**

**ON THE CREATION AND MANAGEMENT OF THE COUNTERPART FUNDS GENERATED FROM THE BILATERAL AID OF THE ITALIAN COOPERATION**

**The Government of the Socialist Republic of Vietnam,**
**represented by the Minister of Planning and Investment,**

**and**

**The Government of the Italian Republic,**
**represented by the Minister of Foreign Affairs,**

Whereas within the scope of the Bilateral Cooperation Program, the Government of the Italian Republic, through the General Directorate for Development Cooperation of the Ministry of Foreign Affairs hereinafter referred to as "M.A.E. – D.G.C.S.", the donor, has offered and may offer in the future Food Aid to the Government of the Socialist Republic of Vietnam, the beneficiary,

Considering That there is a need to establish a standard procedure on the creation, allocation, payment, accounting and utilization of the Italian Counterpart Fund (Fondi di Contropartita Italiani - F.D.C.I) generated by the Food Aid Programs.

Considering That an efficient management and utilization of the "F.D.C.I" is essential to pursue an effective bilateral development cooperation program in Vietnam,

have agreed on the following:

Vụ Luật pháp và Điều ước quốc tế Bộ Ngoại giao

## ARTICLE 1
## THE PURPOSE OF THE AGREEMENT

1. The present Agreement establishes the procedure, agreed by the Parties, on the creation, deposit, programming, allocation, disbursement, utilization and the accounting of the "F.D.C.I." generated from the sales in Vietnam of the products provided by the " M.A.E. – D.G.C.S." within the framework of the Food Aid Programs of the Bilateral Cooperation.

2. The procedure of the present Agreement, except when and where specifically stated to the contrary by the two Parties via the exchange of Notes, will be applied to all "F.D.C.I." produced in accordance with the Bilateral Aid Agreement of the Government of the Italian Republic for the supply in the form of goods and services or in the form of food stuff, hereinafter referred to as "supplies", which have not been allocated and/or utilized until the date when the present Agreement comes into effect and that will be generated after this date.

3. The "supplies" provided by the Government of the Italian Republic shall be exempt from any custom duties, taxation or any other relevant tribute.

## ARTICLE 2
## CREATION AND DEPOSIT OF THE COUNTERPART FUND

1. The Parties agree on the importance of the establishment of a standard procedure for the constitution of the "F.D.C.I." generated by the sales of the "supplies" stated in article 1.2. The commercialization of these supplies, in line with the purpose of this Agreement, means the donation of the supplies, which will be sold in Vietnam through standard channels regulated by this purpose. Moreover, the two Parties agree that the standard procedure, as much as possible, shall reflect the standard commercial methodology. Also, it is agreed that such sales may involve the Government of the Socialist Republic of Vietnam in providing bank guarantee and/or means and/or services throughout the sales procedure.

2. At least one month before the date of the arrival of the "supplies", which will be notified by M.A.E – D.G.C.S, the beneficiary will present to M.A.E - D.G.C.S a proposal containing information on the mode of commercialization of the product and in particular the expected sale price.

Vụ Luật pháp và Điều ước quốc tế
Bộ Ngoại giao

The proposal will become effective between the two Parties after the formal approval from the M.A.E. – D.G.C.S. The sale price, agreed by the two Parties in accordance with the procedure regulated in this article 2.2, will be determined with the reference of the existing international price or of the domestic price if there is a market for this product or domestic price of similar products if such products exist in the domestic market.

3. In any case, the price agreed must be such as not to negatively affect the local production of the similar products or their substitutes as to reduce the commercial quota of the food imports, which are being programmed by the beneficiary Country. The quantity of product delivered by the aid program shall be additional to the quantities related to the commercial transactions already planned or in progress.

4. To certify what is stipulated in article 2.3, the beneficiary shall issue a statement that the supplies of the Italian Food Aid do not and will not modify the planned commercial purchases of the beneficiary for the current year.

5. The amount of the funds generated from the sales of the "supplies" which will be deposited in added to the "F.D.C.I." is equivalent to the agreed sale price multiplied by the quantity of the received products at the unloading port, as it is certified in the take over certificate.

   An appropriate amount for the expenditures of the commercialization of the products may be deducted from the above Funds, in accordance with article 2.2.

6. The Ministry of Finance of the Socialist Republic of Vietnam will deposit in an appropriate profitable "special joint current account" in VND / USD named as "Italian Counterpart Funds", in an officially recognized bank, all "F.D.C.I." as well as the proceeds obtained from the sales of the "supplies" in relation to each bilateral assistance Agreement of the Italian Cooperation, stipulated between the two Parties.

   The above funds must be paid totally within a maximum period of 120 days since the arrival of the "supplies" to the unloading port. Otherwise if compliance with this term is not possible, a justifiable request for an extension shall be provided.

Vụ Luật pháp và Điều ước quốc tế
Bộ Ngoại giao

For special "supplies" (fertilizer, agricultural and industrial machines, …), time and method of payment will be defined on a case by case basis.

7. The interest yielded from the deposit of "F.D.C.I." in banking institutions will be compounded to the principal of the Funds.

## ARTICLE 3
## UTILIZATION OF THE COUNTERPART FUNDS

1. The two Parties agree on the necessity for maximizing the utilization of the "F.D.C.I." in development projects and in humanitarian activities. The following order does not reflect the order of priority for the utilization of funds. Funds shall be used to finance:

    1. The activities covering programs or initiatives in the field of poverty reduction and hunger elimination.

    2. The local costs of the bilateral cooperation projects funded by the Government of the Italian Republic in the Agriculture, Area Development, Management of the Natural Resources and Education sectors, aiming at reduction of the food insufficiency and infant malnutrition

    3. The completion of the local cost for the intervention carried out within the frame of the bilateral cooperation projects funded by the Government of the Italian Republic in the Agriculture, Area Development, Management of the Natural Resources and Education sectors, aiming at the reduction of the food insufficiency and infant malnutrition

    4. Interventions carried out in case of emergency

## ARTICLE 4
## MANAGING AND CONTROLLING THE UTILIZATION OF "F.D.C.I."

1. "F.D.C.I." will be managed and controlled by a Steering Committee, which is composed of:

    A) Italian side: (one vote) represented by the Italian Ambassador or his delegate.

Vụ Luật pháp và Điều ước quốc tế
Bộ Ngoại giao

B) Vietnamese side: (one vote) represented by the Competent Authorities appointed by the Vietnamese Government - the Director of the Foreign Economic Relations Department of the Ministry of Planning and Investment or his delegate and the Director of the External Finance Department of the Ministry of Finance or his delegate

The Steering Committee will be assisted by a Secretariat of the Steering Committee, provided by the Vietnamese side.

2. The Steering Committee shall distribute the "F.D.C.I." in a fair way among all considered beneficiaries, taking into proper account individual project financial needs on the basis of the criteria listed in Article 3.

3. The Steering Committee is competent in:

   1. Agreeing on the projects to be proposed for approval by the Competent Authorities stated in article 3.1 and on the basis of the elements listed in Annex 1.
   2. Controlling the correct management of the funds in general and the execution of each project in particular.
   3. Issuing and signing the orders of payment.

4. The Steering Committee will meet at least every quarter of the year. In any case, the Committee can convene a meeting, whenever it is recognized to be necessary upon request of one of its members. The experts, functional and competent staff of both Parties can participate in the Committee's meetings with no right to vote.

5. The managers of the projects benefiting from of the "F.D.C.I." shall present an activity report in line with the requirement of Annex II.

   In addition, a project manager may be asked to provide a report on the status of his project operation upon a written request of one member of the Steering Committee.

6. The Ministry of Planning and Investment is responsible for preparing the projects and developing their activities in accordance with the project design. For this purpose, the MPI will use all appropriate means that may include sending expert to the beneficiary places or assisting in the process of monitoring and evaluating the project results.

Vụ Luật pháp và Điều ước quốc tế
Bộ Ngoại giao

## ARTICLE 5
## FINAL ARRANGEMENT

1. This Agreement shall enter into force at the date of its signature and shall remain in force until each Party may intervene to essentially modify its conditions and content.

2. Each Party may terminate this Agreement at any moment through a "60 days written notice".

   In case, the Agreement is terminated following the present clause, the procedures set forth by this Agreement will continue to be applied to the "F.D.C.I." produced, deposited and withdrawn by the "Special current account" before the effective date of the termination of the Agreement, unless a specific written disposition to the contrary by the two Parties.

3. The present Agreement can be modified through an exchange of diplomatic Notes.

4. The Government of the Socialist Republic of Vietnam and the Government of the Italian Republic shall be free to appoint functional staff of their choice to be responsible for carrying out specific tasks in the execution of this Agreement. A written notification of such appointments shall be forward to the other Party.

5. When the present Agreement enters into force, all the previous Agreements and dispositions concerning the utilization of the "F.D.C.I." shall be revoked.

In witness thereof the undersigned Representatives, duly authorised by their respective Governments, have signed the present Agreement.

Done in Hanoi on 17/7/2000, in two originals in the English language.

| For the Government of the Socialist Republic of Vietnam | For the Government of the Italian Republic |
|---|---|

Attached document:
Annex I: Proposal for project financing
Annex II: Project Report

Vụ Luật pháp và Điều ước quốc tế
Bộ Ngoại giao

## Annex I: Proposal for project financing

The proposal submitted to the Secretariat of the Steering Committee, has to include the following elements:

1. Complete title of the project or intervention
2. Name and description of the implementing organization with relevant document (status, brochure…)
3. Objectives and goals of the project or intervention, beneficiary people;
4. Project justification: context of the beneficiary areas, priority
5. Project component and related activities: type, methodology, equipment;
6. Organization and method of project's execution
7. Duration of the project or intervention and time table of the execution
8. Estimated cost and financing means: local budget, support from other agencies, contributions received from "F.D.C.I".
9. Working plan, detailing concrete objectives and activities to be executed with relevant costs. The costs will be shown by chapters, with the indication, if needed, of the unitary costs and the provided quantities.

In case the proposal follows the project, the proposal has to be accompanied by a status report, indicating actions to be taken as well as the expenditures have been made and the sources of such expenditures.

Vụ Luật pháp và Điều ước quốc tế
Bộ Ngoại giao

## Annex II: Project Report

The report submitted to the Secretariat of the Steering Committee has to include the following elements:

1. A technical report and an accounting report, clearly reflecting the operation plan and the budget presented in the proposal for financing.

2. A report evaluating the achievement of the project's objectives.

3. Project changes occurred during the implementing period and their justification.

The funds will be further disbursed only after approval by the Steering Committee of the accounting report showing the proper utilization of the received funds.

Vụ Luật pháp và Điều ước quốc tế
Bộ Ngoại giao

BỘ NGOẠI GIAO
---
Số : 72 /LPQT

SAO Y BẢN CHÍNH
(Để thực hiện)

*Hà Nội, ngày 02 tháng 8 năm 2000*

TL. BỘ TRƯỞNG BỘ NGOẠI GIAO
KT. Vụ trưởng Vụ Luật pháp và Điều ước quốc tế
Phó Vụ trưởng

Nguyễn Duy Chiến

Nơi nhận :

- Văn phòng Chính phủ (để báo cáo),
- Bộ Kế hoạch và Đầu tư,
- Bộ Tài chính,
- Tổng cục Hải quan,
- Đại sứ quán Việt Nam tại I-ta-li-a,
- Vụ Châu Âu 2,
- Vụ LPQT,
- Lưu trữ.

*Hiệp định giữa Chính phủ Cộng hoà xã hội chủ nghĩa Việt Nam và Chính phủ Cộng hoà I-ta-li-a về thiết lập và quản lý Quỹ đối tác do Chính phủ I-ta-li-a viện trợ* bắt đầu có hiệu lực từ ngày 17 tháng 7 năm 2000.

Vụ Luật pháp và Điều ước quốc tế
Bộ Ngoại giao