GRANT NUMBER 0147-VIE (SF)

GRANT AGREEMENT
(Water Financing Partnership Facility)

(Thanh Hoa City Comprehensive Socioeconomic Development Project)

between

GOVERNMENT OF SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 02 February 2010

GRANT AGREEMENT
(Special Operations)

GRANT AGREEMENT dated 02 February 2010 between the GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIET NAM (the "Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Socialist Republic of Viet Nam (the "Borrower") applied to ADB for (i) a loan for the purpose of financing Component 2 (i) and (ii), Component 3 (i) through to (vi), Component 4, and Component 5 of the Project described in Schedule 1 to the Loan Agreement dated 17 April 2009 between the Borrower and the ADB for financing the Thanh Hoa City Comprehensive Socioeconomic Development Project ("the Loan Agreement"); and (ii) a grant from the Water Financing Partnership Facility, administered by ADB, for the purpose of financing Component 2 (iii) and Component 3 (vii) of the Project described in Schedule 1 to the said Loan Agreement;

(B) ADB has agreed to make a loan in an amount equivalent to forty-eight million three hundred and twenty one thousand Special Drawing Rights (SDR 48,321,000) to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth in the Loan Agreement of 17 April 2009 between the Borrower and ADB;

(C) ADB has further agreed to make to the Recipient a grant in the amount of two million dollars ($2,000,000) from the Water Financing Partnership Facility administered by ADB upon terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Externally Financed Grant Regulations of ADB, dated 8 April 2009 (the "Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Grant Regulations and the Loan Agreement are applicable to this Grant Agreement unless the context requires otherwise. In addition, the following term have the following meaning:

(a) "Procurement Plan" means the updated procurement plan for the Project dated 13 October 2009 and agreed between the Borrower and ADB, as further updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient a Grant in the amount of two million Dollars ($2,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on Component 2 (iii) and Component 3 (vii) of the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. The Goods and consulting services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant among different categories of such Goods and consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 2 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, all Goods and consulting services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 3 to this Grant Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of Goods and consulting services shall be made only on account of expenditures relating to

(a) Goods which are produced in and supplied from and consulting services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and

(b) Goods and consulting services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 28 February 2013 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Recipient shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to Section 4.01(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Recipient unless the Recipient shall otherwise agree.

Section 4.02. The Recipient shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Grant, and any relevant records and documents.

ARTICLE V

Suspension and Cancellation

Section 5.01. The following is specified as an additional event for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations or cancellation of the Grant pursuant to Section 8.02 of the Grant Regulations: the loan provided under the Loan Agreement shall have become liable for suspension or cancellation.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the Loan Agreement shall have become effective.

Section 6.02. A date ninety (90) days after the date of this Grant Agreement is specified for the effectiveness of the Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Governor of the State Bank of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

State Bank of Vietnam
47 – 49 Ly Thai To
Hanoi, Viet Nam

Facsimile Numbers:

(84-4) 38250-612
(84-4) 38258-385

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2336.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIET NAM

By _____
NGUYEN VAN GIAU
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____
AYUMI KONISHI
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Project

1. The expected impact of the Project is the establishment of Thanh Hoa City as a competitive, livable, and sustainable city, leading to socio-economic development of Thanh Hoa Province. The intended outcome is well-managed, safe and functional, affordable, and physically accessible urban infrastructure, competitive tourism, and industrial development.

2. The Project shall consist of the following Components:

Component 1: Urban Road Development

(i) Constructing four bridges over the Le river and the North canal;
(ii) Constructing about 11 km ring road around Thanh Hoa City, including infrastructure to receive power and telecommunications grid;
(iii) Upgrading about 11 km of secondary and access roads, including drainage channels, culverts, and streetlights in peri-urban areas around Thanh Hoa City; and
(iv) Developing and implementing a public awareness program on road safety.

Component 2: Water Supply Expansion and Upgrading

(i) Constructing about 19 km of primary and secondary piped water supply in peri-urban areas around Thanh Hoa City;
(ii) Replacing about 19 km of damaged primary and secondary pipes in the center of Thanh Hoa City; and
(iii) Updating and implementing an institutional and policy reform agenda in accordance with the Recipient's prevailing regulations, action plan, and capacity building activities in the area of water supply services.

Component 3: Drainage and Wastewater Treatment

(i) Constructing about 20 km of interceptors for sewerage and drainage in peri-urban areas around Thanh Hoa City;
(ii) Upgrading about 28 km of interceptors for sewerage and drainage in the center of Thanh Hoa City;
(iii) Constructing 13 pumping stations in and around Thanh Hoa City;
(iv) Constructing a wastewater treatment pond with a capacity of 15,000 cubic meters per day;
(v) Constructing a wastewater treatment unit in each of the 3 hospitals in Thanh Hoa City;
(vi) Developing and implementing a community awareness strategy on household sanitation; and
(vii) Updating and implementing an institutional and policy reform agenda in accordance with the Recipient's prevailing regulations, action plan, and capacity building activities in the area of drainage and wastewater treatment.

Component 4: Human Resource Development

(i) Upgrading six vocational training centers, including providing equipment;
(ii) Providing skills upgrading to teachers of the vocational training centers mentioned under (i) above, and developing and implementing action plans to address skills mismatch and increase skilled labor;
(iii) Establishing and equipping a one-stop-shop in THC for job seekers; and
(iv) Organizing annual job fairs.

Component 5: Tourism Development

(i) Upgrading the infrastructure of the Thanh Hoa Museum;
(ii) Constructing access roads, a welcome center, tourist amenities, and developing a 60 hectare botanical park in the Ham Rong tourist area;
(iii) Upgrading pathways and infrastructure and renovating buildings in the Dong Son archaeological site;
(iv) Upgrading infrastructure in Mat Son, including beautification of the Le river; and
(v) Strengthening Thanh Hoa City's and Thanh Hoa City's capacity to manage tourist facilities.

3. The Project is expected to be completed by 30 June 2014.

SCHEDULE 2

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Categories of Goods, consulting services, and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories listed in the Table shall be financed out of the proceeds of the Grant on the basis of the percentages set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Grant then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient reallocate such excess amount to any other Category.

Imprest Account; Statement of Expenditures

4. (a) Except as ADB may otherwise agree, the Recipient shall establish immediately after the Effective Date, an imprest at a commercial bank agreed upon between the Recipient and ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. The currency of the imprest account shall be the Dollar. The initial amount to be deposited into the imprest account shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Grant amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. Each payment under the statement of expenditures procedures shall not exceed the equivalent of $100,000 per payment.

Attachment to Schedule 2

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Thanh Hoa City Comprehensive Socioeconomic Development Project)			
CATEGORY			ADB FINANCING
Number	Item	Amount Allocated $ Category	Percentage and Basis for Withdrawal from the Grant Account
1	Consulting Services	1,412,540	100 percent of total expenditure*
2	Equipment	30,000	100 percent of total expenditure*
3	Training and Workshops	180,000	100 percent of total expenditure*
4	Energy Audits	40,000	100 percent of total expenditure*
5	Revolving Fund	200,000	100 percent of amount requested
6	Project Administration	113,000	100 percent of amount requested
7	Contingencies	24,460	
	Total	2,000,000	

* Exclusive of taxes and duties imposed within the territory of the Recipient.

SCHEDULE 3

Procurement of Goods and Works, and Consulting Services

A. General

1. All Goods and consulting services to be financed out of the proceeds of the Grant shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.

2. All terms used and not otherwise defined in this Grant Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods shall only be procured on the basis of shopping.

C. Selection of Consulting Services

4. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, the Recipient shall apply quality- and cost-based selection for selecting and engaging consulting services.

D. Industrial or Intellectual Property Rights

5. (a) The Recipient shall ensure that all Goods procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Recipient shall ensure that all contracts for the procurement of Goods contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

6. The Recipient shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

E. ADB's Review of Procurement Decisions

7. All contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.

SCHEDULE 4

Execution of Project

The Recipient's Thanh Hoa Provincial People's Committee shall be the Project Executing Agency with overall responsibility for Project coordination and implementation, and liaison with ADB and Government agencies concerned.