HB3449

FINANCING AGREEMENT

between

THE EUROPEAN COMMUNITY

and

THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM

Title of Project: **Small and Medium-Sized Enterprise Development Fund - Institutional Support to Lending Institutions**

Project number: **Project N° VNM/AIDCO/2000/2469**

FINANCING AGREEMENT

The European Community, hereinafter referred to as "the Community", represented by the Commission of the European Communities, hereinafter referred to as "THE COMMISSION", represented in turn by the Member with special responsibility for External Relations,

of the one part, and

the Government of the Socialist Republic of Vietnam, hereinafter referred to as "THE BENEFICIARY", represented by the Government, represented in turn by the Ministry of Planning and Investment,

of the other part,

Whereas the Cooperation Agreement between the European Community and the Socialist Republic of Vietnam signed on 17 July 1995 provides for financial and technical cooperation with the Government of the Socialist Republic of Vietnam in the pursuit of its objectives,

HAVE AGREED AS FOLLOWS:

ARTICLE 1: FINANCING AGREEMENT, GENERAL TERMS AND CONDITIONS AND TECHNICAL AND ADMINISTRATIVE PROVISIONS.

The project described in Article 2 shall be implemented in accordance with the Financing Agreement, the General Terms and Conditions set out in Annex 1 and the Technical and Administrative Provisions in Annex 2. The Annexes form an integral part of this Agreement.

The Financing Agreement and the Technical and Administrative Provisions amend or supplement the General Terms and Conditions and, in the case of conflict, take precedence over the latter.

ARTICLE 2: NATURE AND PURPOSE OF THE OPERATION

THE COMMISSION shall provide a grant to contribute to the financing of the project referred to below:

Project number: VNM/AIDCO/2000/2469

Title: ***Small and Medium-Sized Enterprise Development Fund - Institutional Support to Lending Institutions***

Hereinafter referred to as "the project" which is described in the Technical and Administrative Provisions in Annex 2.

ARTICLE 3: THE COMMUNITY'S COMMITMENT

The total cost of the project is estimated to be 2,395,000 euro (two million three hundred and ninety five thousand euro).

The commitment of the Community is fixed at a maximum of 995,000 euro (nine hundred and ninety five thousand euro), hereinafter referred to as the EC Grant.

This Financing Agreement is subject to an expiry date, after which any balance of funds remaining available under the EC Grant shall be automatically cancelled. THE COMMISSION may however, depending on the circumstances, agree to an appropriate extension of this expiry date, should such an extension be requested and properly justified by THE BENEFICIARY.

For the present project, the expiry date of the Financing Agreement is hereby set at 31 December 2008.

ARTICLE 4: THE BENEFICIARY'S COMMITMENT

The Beneficiary will make financial contributions to the project to the counter-value of 1,400,000 euro (one million four hundred euro) as indicated in the Technical and Administrative Provisions in Annex 2.

ARTICLE 5: CORRESPONDENCE

Correspondence relating to the implementation of this Agreement should be marked with the number and title of the project and be sent to:

(a) for the EUROPEAN COMMUNITY

Commission of the European Communities
EuropeAid Co-operation Office
Director D
B-1049, Brussels, Belgium

Through:

Delegation of the Commission of the European Communities
The Metropole Centre
56 Ly Thai To Street
Hanoi, Vietnam

(b) for the BENEFICIARY

Ministry of Planning and Investment
No. 2 Hoang Van Thu Street
Hanoi, Vietnam

ARTICLE 6: ORIGINALS

This Agreement shall be drawn up in triplicate, two for the Commission and one for the Beneficiary, the three texts being equally authentic.

ARTICLE 7: ENTRY INTO FORCE

This Agreement shall enter into force on the date on which it is signed by the Parties. Any Party may rescind the Agreement by notifying the other Parties in writing. In that case, it shall continue to apply in respect of the obligations deriving from agreements or contracts concluded under this Agreement.

SIGNATURES

In witness whereof, the undersigned representatives, duly empowered to this effect, have signed this Agreement.

Done at ...Brussels..... *Done at* .....Hanoi.....

(Date) 21. 02. 2003 *(Date)* 16. 04. 2003

FOR THE EUROPEAN COMMUNITY ***FOR THE BENEFICIARY***

Annex 1: *General Terms and Conditions*
Annex 2: *Technical and Administrative Provisions*

ANNEX 1

GENERAL TERMS AND CONDITIONS

TITLE I - PROJECT FINANCING

ARTICLE 1: THE COMMUNITY'S COMMITMENT

The Community's commitment for the project, which is specified in the Financing Agreement, shall determine the level of the Community's contribution.

The Community's financial commitment must be implemented by the time limit specified for the project in the Financing Agreement.

ARTICLE 2: THE BENEFICIARY'S COMMITMENT

If the Financing Agreement stipulates that the implementation of the project requires the Beneficiary to make a financial contribution, disbursement of the Community contribution shall be conditional on the Beneficiary's obligations being fulfilled.

ARTICLE 3: COST OVERRUNS

Cost overruns are incurred where, at the time the contract is awarded or the estimate for a project is drawn up, the amount of a contract or estimate exceeds the initial budget.

Cost overruns are also incurred where, in the course of implementation of a contract or estimate, as a result of an increase in the volume of work or change or adjustment to the project, taking into account the known or likely impact of price variations, the costs provided for in the contract or estimate, including contingency reserves, are likely to be exceeded.

Any cost overruns shall be borne by the Beneficiary.

ARTICLE 4: COVERING COST OVERRUNS

Once it appears that cost overruns are likely to be incurred, the Beneficiary shall inform the Commission and notify them of the measures which he intends to take in order to cover such cost overruns, either by reducing the scale of the project or calling on his own resources.

If the project cannot be scaled down or the overruns cannot be covered by the Beneficiary's own resources, the Commission may, exceptionally, at the Beneficiary's substantiated request, adopt an additional Community financing decision. If the request is approved, the relevant costs shall be financed, without prejudice to the relevant Community rules and procedures, by an additional contribution to be set by the Commission.

TITLE II - IMPLEMENTATION

ARTICLE 5: GENERAL PRINCIPLE

The project shall be implemented by the Beneficiary in close collaboration with the Commission in accordance with the provisions of this Agreement.

ARTICLE 6: HEAD OF DELEGATION

The Head of Delegation shall represent the Commission vis-à-vis the Beneficiary's government for the purposes of implementing this Agreement and in respect of the funds for which the Commission acts as authorising officer.

ARTICLE 7: DISBURSEMENT

1. Where appropriate, the Beneficiary shall authorise and validate any expenditure covered by this Agreement against appropriations committed by the Commission. The Beneficiary shall remain financially liable to the Commission until the Commission clears the operations for the execution of which the Beneficiary is responsible.

2. For payments in currencies other than that of the Beneficiary's national currency the Commission shall make direct payment for services provided.

3. For payments in the Beneficiary's national currency at least two accounts must be opened in the sole name of the project:

- one account in euro ;
- one account in the Beneficiary's national currency.

These accounts shall be opened in the Beneficiary's country with a commercial financial institution recognised by the Beneficiary and approved by the Commission.

4. The accounts referred to in paragraph 3 shall be replenished to meet actual cash requirements. Transfers shall be made in euro or, exceptionally, in the currency

of a Member State, and shall be converted into the Beneficiary's national currency as payments fall due at the exchange rate applying on the date of payment.

5. Interest on the deposits in the accounts referred to in paragraph 3 shall be used exclusively for the project. The interest, which should be entered under a separate heading in the accounts, and the charges on these accounts shall accrue to or be borne by the project. However, the Commission's prior approval is required before the interest can be used for the project.

6. At regular intervals, and, at least once every quarter, the Beneficiary shall send the Commission a statement of actual expenditure and revenue, together with supporting documents. These documents and all accounts shall be kept for five years following the last date of payment.

ARTICLE 8: PAYMENT PROCEDURES

1. Payments to contractors shall be made in euro, directly by the Commission, for contracts made out in euro. Payments for contracts in the Beneficiary's national currency shall be made in this currency.

2. Contracts signed under this Agreement shall be eligible for payment only if they have been concluded before the date of expiry for activities under this Agreement. The last payment for such contracts must be effected no later than the final date for financial commitments set in Article 3 of the Financing Agreement.

TITLE III - AWARD OF CONTRACTS

ARTICLE 9: GENERAL RULE

Notwithstanding Articles 12 and 13, works and supply contracts shall be awarded after open invitations to tender and service contracts shall be awarded after restricted invitations to tender.

ARTICLE 10: ELIGIBILITY

1. Tendering procedures for works, supply and service contracts shall be open on equal terms to all natural and legal persons of the Member States of the Community and to all natural and legal persons of the Beneficiary country.

2. For jointly financed projects, the Commission, treating each case on its own merits, may agree to allow nationals of countries other than the partner countries concerned to bid for tenders and contracts. In such instances, firms from third countries shall be eligible only if there are reciprocal arrangements.

ARTICLE 11: EQUALITY OF CONDITIONS

The Commission and the Beneficiary shall take the necessary steps to ensure the widest possible participation on equal terms in tendering procedures and in works, supply and service contracts financed by the Community.

To this end they shall:

- ensure invitations to tender are published far enough ahead in the Official Journal of the European Communities and the official gazette of the Beneficiary's country;

- remove any discriminatory practice or technical specifications which could prevent wide participation, on equal terms, by any natural or legal person referred to in Article 10.

ARTICLE 12: WORKS AND SUPPLY CONTRACTS

Works and supply contracts shall be awarded on the basis of the general terms and conditions applying to such contracts and approved by the Commission.

Exceptionally, in urgent cases or where the nature, small scale or particular features of certain work or supplies warrant, the Commission or the Beneficiary, with the Commission's agreement, may authorise:

- contracts to be awarded on an open invitation to tender restricted to tenderers from particular geographical areas;
- contracts to be awarded on restricted invitation to tender;
- contracts to be concluded by direct agreement;
- contracts to be performed by direct labour.

ARTICLE 13: TENDER DOSSIER

1. For works and supply contracts, the Beneficiary shall submit the tender dossiers for the Commission's approval before invitations to tender are issued. On the basis of the decisions approved, and in close collaboration with the Commission, the Beneficiary shall issue invitations to tender, receive and assess tenders, and select the successful tenderer.

2. The Commission shall always be represented when tenders are opened. The Commission has the right to be present, as an observer when the tenders are assessed.

3. The Beneficiary shall submit the results of the scrutiny of the tenders and the name of the proposed contractor to the Commission for approval. With the Commission's prior approval the Beneficiary shall sign contracts, amendments thereto and estimates and shall notify the Commission thereof. The Commission shall, if

necessary, make individual commitments for contracts, amendments thereto and estimates. Individual commitments shall take precedence over commitments under the Financing Agreement.

ARTICLE 14: SERVICE CONTRACTS

1. As a general rule, service contracts shall be prepared, negotiated and concluded by the Commission on the Beneficiary's behalf.

2. The Commission shall draw up, if necessary after prequalification, a short list of candidates on the basis of criteria which guarantee the qualifications, professional experience and independence of bidders, and their availability for the operation in question.

3. If express provision is made in the Agreement, the responsibilities referred to in paragraph 1 shall be delegated to the Beneficiary with the Commission's approval and under a representative's supervision. In that case the general specifications for public service contracts financed by the European Community shall apply.

ARTICLE 15: PROCEDURES APPLYING TO LOCAL CONTRACTS

The procedures for service, supply and works contracts in the Beneficiary country are set out in the Technical and Administrative Conditions to the Agreement.

ARTICLE 16: CRITERIA FOR THE SELECTION OF CONTRACTORS

For each operation the Commission and the Beneficiary shall ensure that the tender selected is the economically most advantageous in terms of the price of the services provided, costs, technical value, qualifications and guarantees provided by tenderers, and the type of the works or supplies and the conditions of performance. These criteria must be mentioned in the tender document and the notice of contract award.

TITLE IV - PERFORMANCE OF THE CONTRACT

ARTICLE 17: ESTABLISHMENT AND RIGHT OF RESIDENCE

Natural and legal persons participating in tendering and works, supply or service contracts shall be granted equal and provisional right of establishment and residence in the Beneficiary's country where this is justified by the nature of the contract. This right shall remain valid for one month after the contractor is selected.

Contractors and natural persons and members of their family whose services are required for the contract shall enjoy similar rights for the duration of the contract up to one month following the final acceptance of work performed under the contract.

ARTICLE 18: ORIGIN OF SUPPLIES

The supplies required for the performance of works, supply and service contracts must originate in countries allowed to participate pursuant to Article 10, unless an exception is authorised by the Commission.

ARTICLE 19: TAX AND CUSTOMS ARRANGEMENTS

1. No tax, duties or other charges shall be financed from the Community's contribution.

2. In context of the co-operation, the Beneficiary government shall apply to contracts financed by the Community tax and customs arrangements no less favourable than those applied to the most-favoured State or most-favoured international organisation.

ARTICLE 20: FOREIGN EXCHANGE ARRANGEMENTS

The Beneficiary's government shall undertake to authorise the import or acquisition of foreign exchange required for implementation of the project. It shall also undertake to apply its national rules on foreign exchange on a non-discriminatory basis to the countries authorised to participate pursuant to Article 10.

ARTICLE 21: INTELLECTUAL PROPERTY

If studies are financed under this Agreement the Commission and the Beneficiary shall be entitled to use the data contained in such studies, and to publish it or pass it on to third parties.

ARTICLE 22: DISPUTES BETWEEN THE BENEFICIARY AND CONTRACTOR

1. Without prejudice to paragraph 2 any disputes which arise between the Beneficiary and a contractor from a Member state, during implementation of a contract financed by the Community shall be settled in accordance with the conciliation and arbitration rules of the International Chamber of Commerce in Paris.

2. The Beneficiary shall undertake to reach agreement with the Commission before a final position is taken on any request for compensation, irrespective of

whether it is justified, from the contractor. If no agreement can be reached, the Commission shall not provide a financial commitment for any amounts granted unilaterally including those by the Beneficiary.

TITLE V - GENERAL AND FINAL PROVISIONS

ARTICLE 23: VISIBILITY

The project shall be implemented in such a way to ensure maximum visibility for the European Community's involvement at all times. Actions of communication and information shall be determined in close collaboration with the EC Delegation.

Special attention shall be devoted to implementing these rules at events and in all public or official written material connected with the project. Objects, equipment and documentation connected with the project shall carry the European Community flag with the text in the language of the Beneficiary. The symbols identifying the European Community shall be of the same size and appearance as any symbols identifying the Beneficiary, should the latter be present.

ARTICLE 24: AUDITING OF ACCOUNTS

1. The Commission shall have the right to send its own agents or authorised representatives to undertake any technical, accounting or financial assignments it may consider necessary to monitor the implementation of the project.

2. The Court of Auditors, in the accomplishment of its responsibilities under the Treaty establishing the European Community, shall have the right to undertake a full audit, if necessary, on the basis of supporting documents of accounts and accounting documents and any other documents relating to the financing of the project and on the spot.

3. The Beneficiary shall be notified if agents appointed by the Commission or the Court of Auditors are sent to the project site.

4. To this end the Beneficiary:

- shall undertake to provide any information or documents requested, and to take any measures to facilitate the work of persons undertaking such audits;

- shall keep the dossiers and accounts required to identify the work, supplies or services financed under this Agreement and the supporting documents relating to local expenditure in accordance with the best accounting practice;

- shall assist the Court of Auditors, in the accomplishment of its responsibilities under the Treaties establishing the European institutions, in auditing the project's accounts, if necessary, on the spot;

- shall ensure the Commission's representatives can inspect any accounting or other documents relating to projects financed under this Agreement and shall assist the Court of Auditors in monitoring the use made of Community funds.

ARTICLE 25: CONCILIATION

1. Any matter relating to the implementation or interpretation of this Agreement shall give rise to consultation between the Beneficiary and the Commission. This procedure may, if necessary, lead to this Agreement being amended.

2. If any obligation under the Agreement is not met, the Commission may suspend financing after consulting the Beneficiary.

3. The Beneficiary may decide to withdraw wholly or partially from the project with the Commission's approval.

4. Any decision taken by the Commission to suspend financing or by the Beneficiary to withdraw totally or partially from a project shall be notified to all Parties in writing.

ARTICLE 26: ARBITRATION

Any dispute between the Community and the Beneficiary, arising from the implementation of this Agreement which is not settled by common accord by the Parties in due time, shall be settled by arbitration, in accordance with the Permanent Court of Arbitration's Optional Rules for Arbitration involving International Organisations and States (The Hague).

ARTICLE 27: NOTIFICATION – ADDRESSES

Any communication or agreement between the Parties shall be recorded in writing giving the number and title of the project. This shall be sent by letter to the authorised addressee at the latter's address. In emergencies, communications by fax, telegram or telex shall be allowed provided they are immediately confirmed by letter. The addresses shall be set out in the Financing Agreement.

ANNEX 2

Technical and Administrative Provisions

Beneficiary:	**GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM**
Title:	**Small and Medium-Sized Enterprise Development Fund - Institutional Support to Lending Institutions**
Project no:	**VNM/AIDCO/2000/2469**

1. OBJECTIVES

1.1 Overall Objectives

The overall objective of the project is to enhance economic and social development in Vietnam through the provision of improved financial services to small- and medium-sized enterprises (SMEs).[1]

1.2 Project Purpose

The purpose of the project is

1. To create and operate a revolving financing facility - the small and medium-sized enterprise development fund (SMEDF) - that offers medium to long-term financing to selected commercial banks for on-lending to SMEs. The SMEDF will be capitalised with the financial resources retrieved from the reimbursement of loans granted under the project "Small and Medium-Sized Enterprise Development Fund SMEDF VNM/B7-3000/96/032".
2. To strengthen the institutional capacity of the Vietnamese Development Assistance Fund (DAF) and of intermediary banks in dealing with the financing needs of SMEs.

These measures will contribute to increase the productivity and competitiveness of SMEs in Vietnam, and help to create new employment opportunities.

1.3 Main Results

The project will produce the following outputs:

i. establishment and operation of a revolving refinancing facility for on-lending to SMEs (the SMEDF), using existing financial resources from the previous project;
ii. design and delivery of training to (a) the staff and management of the DAF, (b) staff of intermediary banks and (c) managers of SMEs.

1.4 Location

The project will be implemented in the Socialist Republic of Vietnam.

1.5 Logical Framework

The initial Logical Framework for the project is annexed as Appendix 1. This may be updated or adapted in the Overall Work Plan, to which it will then be annexed, without necessitating an amendment to the Financing Agreement.

[1] The eligibility for loans under this scheme will be limited to Vietnamese- and EU-owned SMEs.

2. PROJECT DESCRIPTION

The project will consist of two main components:

I. The establishment and operation of a revolving financing facility – the SMEDF – to offer concessional medium to long-term financing to selected commercial banks for on-lending to SMEs at market or, in certain cases, preferential interest rates. The SMEDF will be capitalised with the financial resources retrieved from the reimbursement of loans granted under the project "Small and Medium Enterprise Development Fund", SMEDF VNM/B7-3000/96/032" and will aim at achieving self-sustainability in the medium- to long term;

II. The preparation and delivery of training courses with the purpose of strengthening the capacity of the staff of (a) DAF, (b) those banks that were selected to operate as intermediaries, and (c) SME managers.

2.1 Activities

Major project activities related to the above outputs are:

➢ *Establishment and operation of a Project Management Unit (PMU) at the DAF:*

- physical installation: procurement of office equipment, furniture, installation of computer systems
- recruitment of Vietnamese professional and support staff
- design and implementation of internal systems and work flows
- allocation of responsibilities and on-the-job training
- administrative and budgetary project control and reporting

➢ *establishment and operation the SMEDF:*

- opening of accounts and transfer of funds
- determination of SMEDF lending policies
- selection of participating banks and allocation of quota
- screening of disbursement requests
- supervision of disbursement and reimbursement transactions
- monitoring of approved loans
- continued recovery and re-allocation of funds from the previous project

➢ *provision of professional training to staff at DAF:*

- identification of training needs of staff and management
- analysis of similar training programmes of other donors/institutions
- design and development of training courses
- identification and recruitment of local resources and/or short-term experts for delivery of training
- execution of training courses and monitoring of results

➢ *provision of professional training to staff at participating banks:*

- identification of training needs of staff and management of participating banks

- analysis of similar training programmes of other donors/institutions
- design and development of training courses as "classroom" style training for the banks in credit related issues
- identification and recruitment of local resources or short-term experts for delivery of training
- execution of training courses and monitoring of results
- on-site training for credit officers of participating banks in diagnostic reviews at SMEs

➢ *provision of professional training to SME managers:*

- identification of the training/information needs of managers of SMEs
- design and provision of training courses for SME managers to strengthen their capacity to prepare investment plans and bank loan requests. This is likely to be carried out with the involvement of chambers of commerce or other business associations.

2.2 Inputs

The project will benefit from the existing resources available from the fund established under the project "*Small and Medium Enterprise Development Fund - SMEDF VNM/B7-3000/96/032*", which will be used once again for on-lending. This fund is currently estimated at VND 175 billion (equivalent to 13 million), but will increase to VND 290 billion (equivalent to € 21 million) over the next three years due to the repayment of loans granted under the previous project.

Financial resources to carry out the institutional support and strengthening activities will amount to € 2,395,000, and will be financed from the EC grant and the Vietnamese Government contribution. The details of these contributions are listed below.

2.2.1. EC Grant:

An amount of € 995,000 will be provided to support the costs of an EU Technical Assistance team for the design and delivery of the training programmes, planning, monitoring and reporting on project components, and for the general management of the project. The team will consist of:

- One long-term senior expert as resident EU Co-Director for 30 person months. This expert will be a qualified economist with substantial experience in the area of project management, banking and SME development.
- A maximum of 30 person-months of unallocated short-term expertise for other specialists as required for i.a. the following tasks:
  - development of SMEDF lending policies;
  - selection of participating banks;
  - preparation and holding of training courses for the staff of DAF as well as intermediary banks and, to the extent feasible, for managers of SMEs.

2.2.2. Vietnamese Government Contribution:

Financial resources (equivalent to € 1,400,000) will be used for the logistics and organisation of the training and capacity building activities for project stakeholders, local technical assistance, equipment and consumables for training, visibility/ promotional activities, PMU equipment, operating costs and PMU local personnel. The Vietnamese Government contribution will be covered by the interest earned on disbursed and un-disbursed amounts from the previous project.

In addition to financial resources the Government of Vietnam (GoV) will second government staff from the DAF to the project. This will include one person to act as the full-time Vietnamese Co-director.

2.3 Time schedule

The project activities will be carried out over a period of four years, starting from the commencement date of the service contract for EC Technical Assistance. This includes a six months inception phase in the beginning of the project to confirm the content and specific locations of each project activity and to draw up a detailed timetable for implementation as well as to prepare for the Overall Work Plan and the first Annual Work Plan. The last six months of the project will be dedicated to phasing out activities and to preparing for the post-project situation.

2.4 Project Costs and Financing

The total cost of the project is estimated at € 2,395,000, of which the EC contribution is € 995,000. The GoV will provide financial contributions to the counter-value of € 1,400,000.[2]

[2] As indicated above, the Vietnamese Government contribution will be financed from the interest earned on disbursed and un-disbursed amounts from the project SMEDF VNM/B7-3000/96/032. Any possible increase in the Vietnamese Government contribution to cover operational costs will normally also be covered from this source.

The table below summarises the project budget (all figures in €):

Category Breakdown[3]	EC	Vietnam	Total
1. Services	**950.000**	**120.000**	**1.070.000**
1.1 European TA	890,000		890,000
1.2 Local TA		120,000	120,000
1.3 Monitoring and evaluation	60,000		60,000
2. Supplies		**175,000**	**175,000**
2.1 Vehicle rent/purchase		60,000	60,000
2.2 Office equipment		80,000	80,000
2.3 Consumables		35,000	35,000
4. Information/visibility		**20,000**	**20,000**
4.1 Development of information material, CD ROMs, web pages etc.		20,000	20,000
5. Operating Costs		**1,060,000**	**1,060,000**
5.1 Local personnel and office costs		400,000	400,000
5.2 Local transport and communications		260,000	260,000
5.3 Training-related expenses		250,000	250,000
5.4 Audit		80,000	80,000
5.5 Others		70,000	70,000
6. Contingencies	**45.000**	**25.000**	**70.000**
Total	**995,000**	**1,400,000**	**2,395,000**

- Contingencies can only be used with the written agreement of the European Commission.
- The breakdown of the budget is indicative only and may be adjusted according to needs, subject to prior written agreement between the Executing Authority and the European Commission.
- The headings "European TA" and "Monitoring and evaluation" will be managed directly by the European Commission.
  - The heading "Local TA" refers to short-term expertise/specialist technical personnel, hired locally by the PMU to assist with the design, supervision and/or implementation of the project. The personnel contracted under this line are not considered permanent PMU staff.
- The heading "local personnel" covers PMU professional and support staff (e.g. monitoring officers, secretaries, accountant, drivers, etc...)

[3] In addition to the budget breakdown for the new financing as stated in this table an amount of approximately VND 290 billion (equiv. € 21 MEUR) from project phase I will be made available for the credit component of the current project.

2.5 Contribution Details

The GoV will fully support and assure the availability of the fund from the previous project for the purposes of the current project, currently estimated at VND 175 billion (equivalent to € 13 million) and expected to increase to approx. VND 290 billion (equivalent to € 21 million) over the next years.

The GoV's contribution to the current project, to be financed from this source, will cover the following elements:

- the salaries of local staff;
- appropriate office facilities, including furniture ;
- operational costs as necessary for the proper functioning of the PMU and the smooth implementation of the project, including electricity and communication lines free of charge for EU and Vietnamese experts;
- the costs for the day-to-day operation of the SMEDF;
- training related expenses;
- local transport and
- the costs for an audit of the operations of the SMEDF.

The GoV will cover all costs related to the participation of officials in meetings, workshops and other events as part of the normal functioning of the public services. The other beneficiaries of training activities (banks and SMEs participating in the project) will cover all the salaries and all the operational costs related to the participation of their staff in the project.

In general, the GoV will cover any project-related operating costs not included in the EC contribution.

In the cases where EC and the GoV are both providing financial contributions to the same activity category, the specific actions to be covered by each party will be clearly identified in the Annual Workplan and Budget concerned.

The GoV will be responsible for facilitating constructive and effective co-operation of the concerned Ministries and other public authorities.

2.6 Reallocation of EC Funds

Any reallocation of the funding provisions for individual components within the project budget which might become necessary to take account of the relative progress and achievements of the different components shall be proposed for the agreement of the Executing Authority and the European Commission in the annual revisions of the project Work Plan.

2.7 Implementation

The Executing Authority for the project will be the Development Assistance Fund (DAF).

The Executing Authority will establish a Project Steering Committee (PSC) with responsibility for policy guidance and co-ordination between all institutions and groups involved in the project, as well as a Project Management Unit (PMU).

The PSC will be chaired by a senior official of DAF. Its members will include representatives of the Ministry of Finance, the State Bank of Vietnam, the Ministry of Planning and Investment, the Government Office and the PMU. Representatives of the EC, as well as of the European Chamber of Commerce, will be invited to the PSC meetings as observers with the right to speak. The EU Co-director and the Vietnamese Co-director will constitute the secretariat of the PSC.

The PSC will meet at least twice a year upon convocation by the chairperson. The PSC will ensure that the overall policy framework of the project is respected. In addition, the PSC will review the PMU's Annual Work Plans and Budgets, Progress Reports and their strategic implications before they are sent to the Executing Authority and the European Commission for approval. Finally, the PSC will assist in facilitating overall project implementation, in which capacity it will:

I. Comment and endorse the Initial Plan of Actions, the Overall Work Plan and the Annual Work Plans of the project and their respective budgets before they are sent to the Executing Authority and the European Commission for approval;
II. Review and approve the project's and the PMU's audited financial statements;
III. Comment and approve the Progress Reports prepared by the PMU and take policy decisions accordingly;
IV. Endorse the choice of participating banks and the Memorandum of Refinancing to be signed with them;
V. Examine and comment in a timely manner on any matters of major importance brought to its attention by the PMU;

The PMU will be based in the Hanoi offices of DAF. The PMU will be jointly headed by a full-time Vietnamese Co-Director appointed by the DAF and endorsed by the European Commission, and an EU Co-Director, appointed by the European Commission and endorsed by the GoV. The EU Co-Director will also be the Team Leader of the EC technical assistance team. Both Co-Directors will have joint and equal authority for the management of the project, co-signing all technical and financial documents.

Within the framework of the Overall and Annual Work Plans and disbursement schedules approved by the Executing Authority and by the European Commission, the PMU will have operational autonomy to cover the technical, administrative, financial and human resources aspects related to the project co-ordination, implementation and management.

The PMU will, in particular, undertake the following tasks:

- the physical establishment of the PMU, including all procurements in conformity with standard EC procedures, and the opening of SMEDF and PMU accounts;
- the recruitment of Vietnamese professional and support staff;

- the preparation of the Initial Plan of Activities (IPA), the Overall Work Plan and Budget (OWP), as well as subsequent Annual Work Plans and Budgets (AWP) and Progress Reports for the approval of the Executing Authority and the European Commission;
- the preparation of a Project Progress Monitoring Plan, including objectively verifiable indicators, to be submitted together with the OWP;
- the execution of activities as approved by the Executing Authority and by the European Commission in accordance with EC procedures;
- the preparation of standardised six-monthly progress reports to monitor all technical, financial and administrative aspects on the utilisation and impact of all resources made available to the project;
- the selection of participating banks following approval by the PSC of the criteria to be applied;
- the drafting of the Memoranda of Refinancing to be signed with the participating banks, reflecting SMEDF lending policies and Terms and Conditions;
- the screening of requests for disbursements from the SMEDF received from the participating banks in view of their eligibility;
- the supervision of disbursements from and of reimbursements to the SMEDF;
- in co-operation with the participating banks: the identification of training needs of their staff and the drafting of appropriate training programmes as well as the carrying out of training activities including diagnostic reviews at SMEs;
- in co-operation with the SMEs related organisations: the organisation of workshops/seminars for SME managers;
- the identification of needs for short-term technical assistance, drafting of respective Terms of Reference, and guidance and supervision of short-term experts;
- the organisation and implementation of a monitoring system for all project activities;
- the liaison with other institutions/stakeholders involved in any of the project's areas of activity, in view of creating synergies and avoiding duplication of efforts;
- the liaison with the PSC on any matter affecting, impeding or necessitating changes of project policies and/or activities;
- the assistance to and participation in audit and evaluation missions undertaken by the European Commission;
- the responsibility to ensure that project activities are well co-ordinated and that necessary pre-conditions are met concerning post-project ownership, operation, maintenance and sustainability;
- the timely preparation and execution of wind-up and hand-over activities at the end of the project;

- the preparation of recommendations to the Vietnamese authorities and the European Commission for the use of the SMEDF after completion of the project;
- the provision of information to the Executing Authority and the European Commission of any event which might jeopardise the success of the project.

The EC-financed experts will work under terms of reference agreed by both the Executing Authority and the European Commission. These will reflect in particular the shared responsibility for co-signature, accountancy and utilisation of the EC funds.

2.8 Donor Co-ordination

In order to preserve the necessary coherence between the activities of the present project and those activities undertaken by other donors in the sector, regular meetings will take place with all interested parties to ensure an open exchange of information, to avoid overlapping of activities and/or financing and to incorporate the lessons learnt by these other actors into the work of the project.

2.9 Planning and Reporting

Workplans and reports to be submitted by the PMU shall conform to the EC standard format and include at least:

- an Initial Plan of Actions (IPA): This will be prepared and submitted within one month of arrival of the EU Project Co-director and will describe the activities to be carried out during the inception phase (6 months).

- an Overall Work Plan and Budget (OWP): This will be prepared within three months of the arrival of the EU Project Co-director. It will describe and justify the general planning of activities over the duration of the project, explain their sequence and duration, allocate responsibilities for their execution among PMU staff members and review budget estimates. The OWP will include a logical framework.

- Annual Work Plans and Budget (AWP): The first AWP will be prepared together with the OWP and will cover the remaining months of the first project year. The AWPs for project years 2 and 3 will be integrated into the Annual Progress Reports for the years preceding them. The AWPs will break down into more detail the provisions and budget estimates of the OWP and, where appropriate, update and modify them. The AWP will also, where appropriate, adapt the logical framework.

- a Project Progress Monitoring Plan, including objectively verifiable indicators, to be submitted together with the OWP;

- Quarterly Progress Reports (QPR): These will be prepared in the 2 weeks following the end of each 3-months period of project implementation; the first of them after the 6th project month. The last QPR of each 12-months period will coincide with the respective Annual Progress Report. The QPRs will be based on

the project's internal monitoring and evaluation system (see 2.10 below) and will include statements of expenditure for the period under review.

- Annual Progress Reports (APR): These will be prepared in the month following the end of each project year; the APR for the last project year will coincide with the project's Final Report. APRs will put emphasis on a critical analysis and assessment of project achievements versus project planning and include the AWP for the following year.

- Six monthly Audit Reports (SAR): These will include the statements of PMU expenses and of the transactions of the SMEDF, duly certified and commented upon by the auditors and by the PMU, where appropriate.

- A Final Project Completion Report (FR): This will evaluate, from the perspective of the PMU, the degree of attainment of the project objectives, the effectiveness and efficiency of project operations, and draw conclusions for lessons to be learned by the European Commission and the Vietnamese authorities for future interventions. A draft of the FR will be prepared before the end of the project.

- Special Reports (SP) The PMU will prepare any special reports related to priority issues upon the specific request of the PSC.

Any deviation in the AWP from the OWP shall be clearly presented and justified. If approved, it shall initiate automatically a procedure for the approval of a revised OWP prior to the approval of the AWP and its start up.

Except for the initial activities indicated in the approved IPA, expenditure shall only take place in strict compliance with an approved AWP and in conformity with the OWP.

2.10 Monitoring and Evaluation

The PMU will establish an internal monitoring and evaluation system (M&E) within the first six months of its operation. This will be designed in such a way that it allows the activities actually carried out by the project to be compared with the provisions of the Work Plans, the effectiveness of their execution and their efficiency to be judged with regard to the project objectives. The logical framework (attachment 2) will also be used as a monitoring tool. The project will develop suitable indicators for this purpose. The analysis of M&E results will be an integral part of the project's Progress Reports and will, wherever appropriate, lead to recommendations to the PSC for modifications to project design.

Two external evaluations are foreseen: a Mid Term Review which will take place 18 months after the effective start of the project, and a Final Evaluation which will be carried out at its end, to assess the performance of the project and draw conclusions for similar future EC projects.

The project shall, in accordance with EC procurement guidelines, appoint a reputable chartered accountant whose role shall include monitoring the project's expenditure and the semi-annual auditing of the project's accounts for submission to the European

Commission at the end of every six months. The costs thereof will be paid as part of the PMU running costs.

Representatives of the European Commission and of the Court of Auditors of the European Communities will be afforded all facilities to visit the project and have access to all documentation relating to project implementation, as well as accounting documents relating to the use of the EC financing. In particular, all documents supporting the EC grant disbursement and the project itself shall be kept in the offices of the PMU and will be made available to visiting EC missions. Audits may be performed at the location of the Executing Authority, the PMU, sub-contractors or beneficiaries of project activities.

2.11 Financial Management

The EC disbursements for the implementation of the present project will be executed after verification of the conformity of the expenses with the needs established in the work programme and in accordance with the availability of annual budgetary appropriations.

For expenditure funded under the EC grant and involving direct payments in currencies other than the money of the country (VND), payment shall be made directly by the European Commission in euro using its own procedures.

To cover expenditure financed from the GoV's contribution in Vietnam Dong, the Executing Authority and the Commission will establish, on a joint signature basis, an appropriate interest bearing bank account entitled "Special Account" to which an amount equivalent to € 1,400,000 will be transferred from the Credit Funds Account during the inception phase of the project. This allocation is considered as an advance of interest earned from the Credit Funds purely for the purpose of financing the Vietnamese Government's contribution to the project's operational expenditure.

Local project expenditure in Vietnamese Dong shall be made from the Special Account as follows:

- The PMU shall establish for this sole purpose an appropriate interest bearing bank account in Vietnam Dong, denominated as the "Local Currency Account";
- The Local Currency Account shall be operated with the joint signatures of the two Co-Directors. Subordinate accounts will only be opened with the express agreement of the European Commission;
- Upon notification of the opening of the Local Currency Account an initial advance equivalent to € 150,000 shall be transferred to the Local Currency Account from the Special Account. This is to cover the personnel and recurrent costs of the starting-up of the project as well as the inception phase activities;
- On the basis of the agreed Overall and first year Work Plans and budgets, further payments will be made from the Special Account of up to 80 % of the estimated expenditure of the PMU during the first year of implementation, decreased by the initial advance already transferred;
- For the second and subsequent years of implementation, the outstanding advance of the preceding year shall be adjusted to reflect the agreed estimates of

expenditure for the current year. This adjustment will be effected by providing a supplementary advance, or by decreasing subsequent payment instalments made in respect of the reimbursement request during that current year;

- Disbursement from the PMU accounts shall be made in line with requirements of the project and the agreed plan on implementation and estimates;
- All expenses of the project will be supported by records such as bills, receipts and bank statements. Such documents as well as the book accounting and the inventory logbook shall be kept for at least five years from the last payment. The project's bookkeeping will be in accordance with the double-entry system and shall include the registration of each receipt and each expense. The accounting results of these books must appear in a general book of the project. Even if the national legislation does not foresee it, the European Commission may request the application of minimum criteria of analytical accounting, according to the nature and the needs of the project;
- The two Co-Directors shall prepare expenditure reports on a six-monthly basis. On a six-monthly basis, these reports shall be submitted for inspection to a qualified firm of auditors hired by the project for this purpose. Once certified by the auditors as being in conformity with project progress and the agreed Work Plan estimates, these six-monthly reports shall be the basis of requests by the two Co-Directors of the PMU through the Executing Authority to the PSC for the transfer of additional funds. Such requests shall normally be made every six months;
- In case of urgency, duly justified by the two Co-Directors, the PSC may be requested to make a temporary partial reimbursement on the basis of a non-audited request. Any such temporary reimbursement will be recovered from subsequent audited requests;
- Interest generated by the bank accounts will be accounted separately and utilisation will require prior written authorisation from the European Commission and the Executing Authority;
- Upon request by the PMU the PSC and the European Commission will take a decision regarding the use of "contingencies". Depending on the use of the contingencies the European Commission will either pay directly (for European TA or evaluation) or transfer funds to the Local Currency Account.

Regarding the credit component, the SMEDF will be jointly managed by the two co-directors and the allocation of funds to participating financial institutions will be determined subject to the performance of the banks and the disbursement progress and in accordance with the lending policy of the project.

At the end of the project the European Commission and the GoV will agree on the most appropriate further use of all funds in the project accounts, including any interest that may have accumulated, in the context of assisting the financing needs of SMEs.

2.12 Procurement Procedures

Contracts for services, works and supplies will be awarded throughout the Project implementation period. All contracts required to implement this project must be

awarded using the procedures and standard documents defined and published by the Commission for the implementation of external actions.

As concerns local contracting, the procurement of services, goods and works in Vietnam will be undertaken by the PMU on behalf of the Executing Authority of the project (the "Contracting Authority") using the procedures and standard documents defined and published by the Commission for the implementation of external actions.

2.13 Visibility

Public relations and awareness raising will be designed to increase the visibility, and thus the effectiveness, of the project. This will also serve to give European Commission co-operation maximum visibility.

Particular attention will be given to the promotion of the project at exhibitions, conferences and similar events, as well as in all public and official written material connected with the project. All such activities shall be conducted in close collaboration with the Commission Delegation to Vietnam. All equipment and documentation connected with the project shall carry the European Community flag and the Vietnamese flag.

3. SPECIAL CONDITIONS

Equipment and vehicles will be purchased locally and/or imported by the project free of any taxes and duties under the procurement procedures stipulated in section 2.12. These supplies can only be used for activities foreseen in the approved project work plans. In the interest of the sustainability of the project, equipment and vehicles will be handed over to the appropriate authorities at the end of the project, based on a detailed proposal prepared by the two Project Co-Directors and approved by the Executing Authority and the Commission.

The GoV will appoint and assign, prior to project commencement and at an appropriate professional level, the counterpart staff required for the implementation of the project. The GoV is also committed to maintaining line staff in their posts where the project has invested training and other resources in them. The GoV will take appropriate budgetary measures to ensure the sustainability and maintenance of the project's undertakings during and after the implementation of the project.

The GoV will invite the EC to take part in meetings with the Government and other international donors, which focus on the co-ordination of programmes being implemented in the sector.

The GoV will grant to the EU staff of the project - and to their families - benefits, privileges and exemptions which are no less favourable than those granted to expatriates under other bilateral or multilateral agreements or arrangements for technical co-operation.

In line with the Modalities of Organisation of 27 February 1992 and its article 8.7.8, the ongoing lending activities and further use of the SMEDF after the end of the project will be agreed between the European Commission and the Vietnamese authorities. However, the GoV and the Commission agree that financial resources of

the SMEDF will exclusively be used to continue operating a revolving fund to cover financial needs of Vietnamese SMEs. The PMU must present a proposal transferring the project to the beneficiary at the latest five months before the expiry date of the project implementation.

Representatives of the European Commission and of the Court of Auditors of the European Communities will be afforded all facilities to visit the project and have access to all documentation relating to project implementation, as well as accounting documents relating to the use of the EC financing. In particular, all documents supporting the EC grant disbursement and the project itself shall be kept in the offices of the PMU and will be made available to visiting EC missions. After completion of the project all documents will be transferred to the appropriate Vietnamese authorities.

APPENDIX 1 – LOGICAL FRAMEWORK

LOG-FRAME FOR THE 'SMALL AND MEDIUM ENTERPRISE DEVELOPMENT FUND (SMEDF) - 2nd PHASE'

LEVEL	INDICATORS	VERIFICATION SOURCE	ASSUMPTIONS
1. Overall Project Objective Enhancement of economic and social development in Vietnam through provision of improved financial services to SMEs	• Number of new jobs created by beneficiary enterprises • Increase of turnover and exports of beneficiary enterprises	Reports and statistics of project Monitoring & Evaluation system	• Continued political and economic stability • Favourable regulatory environment, particularly for privately owned SMEs • Conducive SBV interest rate policy
2. Immediate Project Objectives ➢ Strengthening of the financial capability of selected banks to extend medium- and long-term loans to SMEs ➢ Reduction of the lending risk of the selected banks ➢ Improvement of lending management and operations of the selected banks	• Use of SMEDF funds by participating banks • Increase in SME lending and regional diversification of loans	• PMU Annual Reports • SMEDF statistics • SME loan portfolio of participating banks	• Banks focus on SMEs as a target group for their lending operations • In their appraisal of loan applications banks focus on economic potential of enterprises instead of collateral • Banks develop and pursue a consistent staff development policy
3. Project Outputs ➢ Establishment of a Project Management Unit (PMU) ➢ Establishment and operation of a revolving refinancing facility (the FUND) ➢ Design and delivery of training for selected banks ➢ Design and delivery of training for SMEs manager	• PMU physically existent and operational • Memoranda of Refinancing signed with participating banks • Number of loans disbursed to participating banks/numbers of SMEs borrowers • Number of training courses executed • Number of seminars for SMEs managers on how to prepare for bank loans.	• PMU Work Plans and Progress Reports • Memoranda of Refinancing • Notices of Drawing from banks • Fund disbursements statistics • Number of workshops for familiarisation of PMU; bank staff and SMEs managers. • Curricula and training materials • Evaluation reports of training courses	• Timely recruitment of qualified Vietnamese staff at budgeted costs • Timely selection of participating banks and agreement on lending terms and conditions • Participating banks are committed to SME lending, particularly to privately owned SMEs • Participating banks accept and make use of the training services offered by the project

4. Project Inputs ➢ Approximately VND 290 billion from loan repayments and interest on loans from 1st phase of the SMEDF to be used for: • provision of medium- and long-term funds to selected banks for on-lending to SMEs (VND 266 billion) • running costs of the Project Management Unit (PMU) to be identified under the Overall Workplan to be endorsed by the European Commission and the Executing Authority ➢ : • Provision of one long-term advisor (30 m/m) • Provision of short-term specialists (30 m/m) ➢ Vietnamese Co-Director's full-time	• Financing Agreement • Technical Assistance Service Contract • PMU, SMEDF accounts statements • Project Work Plans and Progress Reports • Auditors' reports • Steering Committee Minutes • Reports of short-term specialists • Full-time presence of Vietnamese Co-Director	• Timely conclusion of Financing Agreement and Technical Assistance Service Contract • Timely selection of participating banks Timely agreement on SMEDF lending terms and conditions and signing of Memoranda of Refinancing • Participating banks are committed to SME lending with nor discrimination of privately owned enterprises • Qualified short-term specialists can be identified and mobilised as and when required • Timely processing of funding requests by the Commission Services

APPENDIX 2 - Credit Funds

A Small and Medium Sized Enterprise Development Fund (SMEDF) will be established within the framework of the present project. The SMEDF aims at enabling the following activities:

The creation and operation of a revolving financing facility - SMEDF - that offers medium to long-term financing to selected commercial banks for on-lending to SMEs. The SMEDF will be capitalised with the financial resources retrieved from the reimbursement of loans granted under the project "Small and Medium-Sized Enterprise Development Fund SMEDF VNM/B7-3000/96/032.

A Memorandum of Understanding (MoU) on the conditions on which the SMEDF will be established and operated, will be signed between the Commission and the Executing Authority within six months of the arrival of the European Co-Director.

The MoU will include clear and transparent priority selection criteria. It will contain provisions for the establishment of appropriate structures which will consider applications for such loans and which will formulate recommendations for approval by the intermediary banks.

The basic terms of the loans will be established in the MoU and will include provisions on (a) loan size, (b) loan duration, (c) interest rates (d) required security, (e) provisions for claims to be made in the event that principal repayments or interest payments are not made by the beneficiary on their due date.

- The Commission will transfer its financial contribution subject to the following conditions:

- Signature of the Financing Agreement;
- Signature of the MoU governing the SMEDF.

The SMEDF will be operating as a "Revolving Fund" (i.e. as loan repayments are received, this money can be re-utilised for new loans).

The conditions and format of the post-project activities will be proposed by the PMU no later than five months before the end of the project implementation period for approval by the PSC and the EC.

PMU Tasks relating to the SMEDF (see also section 2.7 of the technical and administrative provisions):

- Prepare, within six months of the arrival of the EC Co-Director a Memorandum of Understanding (MoU) to be signed between the Commission and the Executing Authority on the conditions on which the CFs will be established and operated;
- Define objectively verifiable indicators and quantified targets for the operation of the SMEDF;
- Prepare a detailed Operational Manual for the SMEDF before the end of the inception phase;

- Establish and manage the SMEDF in accordance with the terms and conditions of the MoU;
- Train staff (including that of participating banks) in the operation of micro-credit funds in accordance with the EC document entitled "Microfinance – Methodological Considerations (2nd Edition) dated December 2000.
- Establish effective systems for accounting and financial control, and for making claims against security on default;
- monitor the operation of the SMEDF in order to ensure that:
  - ♦ the conditions governing their operation as specified in the MoU are fully respected;
  - ♦ the operations undertaken are efficient;
  - ♦ the agreed quantified targets and objectives are achieved (as per agreed objectively verifiable indicators).

  The findings of such monitoring will be addressed in the quarterly progress reports mentioned below.
- Produce quarterly financial statements and progress reports on the SMEDF (including total value and number of loans awarded and paid out against the revolving fund, loans awarded in the quarter, loans paid out during the quarter, loans repaid during the quarter, loans causing concern, bad loans written off, interest earned and forecasts of loans to be paid out and re-paid in the following quarter);
- Arrange an annual external audit of the operations of SMEDF, to be carried out by an independent chartered firm of auditors.

BỘ NGOẠI GIAO

Số: 24 /LPQT

SAO Y BẢN CHÍNH
(Để thực hiện)

Hà Nội, ngày 30 tháng 5 năm 2003

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

Trần Duy Thi

Nơi nhận :

- Văn phòng Chính phủ (để báo cáo),
- Bộ Kế hoạch-Đầu tư,
- Bộ Tài chính,
- Bộ Thương mại,
- Ngân hàng Nhà nước Việt Nam,
- Đại sứ quán Việt Nam tại Bỉ,
- Vụ Châu Á,
- Vụ LPQT,
- Lưu trữ.

Hiệp định tài chính tài trợ cho hai Dự án : "Quỹ phát triển doanh nghiệp vừa và hỗ trợ về mặt thể chế cho các tổ chức cho vay, giai đoạn II" và "Chương trình hỗ trợ kỹ thuật của Châu Âu cho Việt Nam" có hiệu lực từ ngày [illegible] tháng 4 năm 2003.

Tình trạng :
- "... Quỹ hỗ trợ phát triển"
- "... Chương trình hỗ trợ kỹ thuật ..." của Bộ KH-ĐT

FINANCING AGREEMENT

between

THE EUROPEAN COMMUNITY

and

THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM

"European Technical Assistance Programme for Vietnam (ETV2)"
VNM/AIDCO/2002/0589

FINANCING AGREEMENT

*The European Community, hereinafter referred to as "**the Community**", represented by the Commission of the European Communities, hereinafter referred to as "THE COMMISSION", represented in turn by Commissioner Mr Chris Patten,*

of the one part, and

*The Socialist Republic of Vietnam, represented by the Government of Vietnam, hereinafter referred to as "**the Beneficiary**", represented by the Ministry of Planning and Investment, represented in turn by Minister Mr Vo Hong Phuc,*

of the other part,

HAVE AGREED AS FOLLOWS:

ARTICLE 1: FINANCING AGREEMENT, GENERAL TERMS AND CONDITIONS AND TECHNICAL AND ADMINISTRATIVE PROVISIONS.

The project described in Article 2 shall be implemented in accordance with the Financing Agreement, the General Terms and Conditions set out in Annex 1 and the Technical and Administrative Provisions in Annex 2. The Annexes form an integral part of this Agreement.

The Financing Agreement and the Technical and Administrative Provisions amend or supplement the General Terms and Conditions and, in the case of conflict, take precedence over the latter.

ARTICLE 2: NATURE AND PURPOSE OF THE OPERATION

THE COMMISSION shall provide a grant to contribute to the financing of the project referred to below:

*Project number: **VNM/AIDCO/2002/0589***

*Title: **"European Technical Assistance Programme for Vietnam (ETV2)"***

Hereinafter referred to as "the project" which is described in the Technical and Administrative Provisions in Annex 2.

ARTICLE 3: THE COMMUNITY'S COMMITMENT

The total cost of the project is estimated to be a maximum of 12.024.800 Euro (twelve million twenty four thousand eight hundred Euro).

The commitment of the Community is fixed at a maximum of 11.034.800 Euro (eleven million thirty four thousand eight hundred Euro), hereinafter referred to as the EC Grant.

This Financing Agreement is subject to an expiry date, after which any balance of funds remaining available under the EC Grant shall be automatically cancelled. THE COMMISSION may however, depending on the circumstances, agree to an appropriate extension of this expiry date, should such an extension be requested and properly justified by THE BENEFICIARY.

For the present project, the expiry date of the Financing Agreement is hereby set at 31st December 2008.

ARTICLE 4: THE BENEFICIARY'S COMMITMENT

The Beneficiary will make in-kind contributions to the Project to the counter-value of 990.000 Euro (nine hundred ninety thousand Euro) as indicated in the Technical and Administrative Provisions in Annex 2.

ARTICLE 5: CORRESPONDENCE

Correspondence relating to the implementation of this Agreement should be marked with the number and title of the project and be sent to:

(a) for the EUROPEAN COMMUNITY
Commission of the European Communities,
EuropeAid Co-operation Office,
Direction D,
Rue de la Loi 200,
B-1049 Brussels, Belgium.
Through the:
Delegation of the Commisison of the European Communities,
The Metropole Centre,
56 Ly Thai To Street,
Hanoi, Vietnam.

(b) *for the BENEFICIARY*
Mr. Vo Hong Phuc
Minister
Ministry of Planning and Investment
2, Hoang Van Thu Street
Hanoi, Vietnam
Tel. (844) 845 43 63
Fax. (844) 733 05 36

ARTICLE 6: *ORIGINALS*

This Agreement shall be drawn up in triplicate, two for the Commission and one for the Beneficiary, the three texts being equally authentic.

ARTICLE 7: *ENTRY INTO FORCE*

This Agreement shall enter into force on the date on which it is signed by the Parties. Any Party may rescind the Agreement by notifying the other Parties in writing. In that case, it shall continue to apply in respect of the obligations deriving from agreements or contracts concluded under this Agreement.

SIGNATURES

In witness whereof, the undersigned representatives, duly empowered to this effect, have signed this Agreement.

Done at...Brussels.... *Done at*.....Hanoi.....

(Date) 05. 03. 2003 *(Date)* 16. 04. 2003

FOR THE EUROPEAN COMMUNITY *FOR THE BENEFICIARY*

Annex 1: *General Terms and Conditions*
Annex 2: *Technical and Administrative Provisions*

ANNEX 1

GENERAL TERMS AND CONDITIONS

TITLE I - PROJECT FINANCING

ARTICLE 1: THE COMMUNITY'S COMMITMENT

The Community's commitment for the project, which is specified in the Financing Agreement, shall determine the level of the Community's contribution.

The Community's financial commitment must be implemented by the time limit specified for the project in the Financing Agreement.

ARTICLE 2: THE BENEFICIARY'S COMMITMENT

If the Financing Agreement stipulates that the implementation of the project requires the Beneficiary to make a financial contribution, disbursement of the Community contribution shall be conditional on the Beneficiary's obligations being fulfilled.

ARTICLE 3: COST OVERRUNS

Cost overruns are incurred where, at the time the contract is awarded or the estimate for a project is drawn up, the amount of a contract or estimate exceeds the initial budget.

Cost overruns are also incurred where, in the course of implementation of a contract or estimate, as a result of an increase in the volume of work or change or adjustment to the project, taking into account the known or likely impact of price variations, the costs provided for in the contract or estimate, including contingency reserves, are likely to be exceeded.

Any cost overruns shall be borne by the Beneficiary.

ARTICLE 4: COVERING COST OVERRUNS

Once it appears that cost overruns are likely to be incurred, the Beneficiary shall inform the Commission and notify them of the measures which he intends to take in order to cover such cost overruns, either by reducing the scale of the project or calling on his own resources.

If the project cannot be scaled down or the overruns cannot be covered by the Beneficiary's own resources, the Commission may, exceptionally, at the Beneficiary's

substantiated request, adopt an additional Community financing decision. If the request is approved, the relevant costs shall be financed, without prejudice to the relevant Community rules and procedures, by an additional contribution to be set by the Commission.

TITLE II - IMPLEMENTATION

ARTICLE 5: GENERAL PRINCIPLE

The project shall be implemented by the Beneficiary in close collaboration with the Commission in accordance with the provisions of this Agreement.

ARTICLE 6: HEAD OF DELEGATION

The Head of Delegation shall represent the Commission vis-à-vis the Beneficiary's government for the purposes of implementing this Agreement and in respect of the funds for which the Commission acts as authorising officer.

ARTICLE 7: DISBURSEMENT

1. Where appropriate, the Beneficiary shall authorise and validate any expenditure covered by this Agreement against appropriations committed by the Commission. The Beneficiary shall remain financially liable to the Commission until the Commission clears the operations for the execution of which the Beneficiary is responsible.

2. For payments in currencies other than that of the Beneficiary's national currency the Commission shall make direct payment for services provided.

3. For payments in the Beneficiary's national currency at least two accounts must be opened in the sole name of the project:

- one account in Euro or in the currency of a Member State of the Community;
- one account in the Beneficiary's national currency.

These accounts shall be opened in the Beneficiary's country with a commercial financial institution recognised by the Beneficiary and approved by the Commission.

4. The accounts referred to in paragraph 3 shall be replenished to meet actual cash requirements. Transfers shall be made in Euro or, exceptionally, in the currency of a Member State, and shall be converted into the Beneficiary's national currency as payments fall due at the exchange rate applying on the date of payment.

5. Interest on the deposits in the accounts referred to in paragraph 3 shall be used exclusively for the project. The interest, which should be entered under a separate heading in the accounts, and the charges on these accounts shall accrue to or be borne by the project. However, the Commission's prior approval is required before the interest can be used for the project.

6. At regular intervals, and, at least once every quarter, the Beneficiary shall send the Commission a statement of actual expenditure and revenue, together with supporting documents. These documents and all accounts shall be kept for five years following the last date of payment.

ARTICLE 8: PAYMENT PROCEDURES

1. Payments to contractors shall be made in Euro, directly by the Commission, for contracts made out in Euro. Payments for contracts in the Beneficiary's national currency shall be made in this currency.

2. Contracts signed under this Agreement shall be eligible for payment only if they have been concluded before the date of expiry for activities under this Agreement. The last payment for such contracts must be effected no later than the final date for financial commitments set in Article 3 of the Financing Agreement.

TITLE III - AWARD OF CONTRACTS

ARTICLE 9: GENERAL RULE

Notwithstanding Articles 12 and 13, works and supply contracts shall be awarded after open invitations to tender and service contracts shall be awarded after restricted invitations to tender.

ARTICLE 10: ELIGIBILITY

1. Tendering procedures for works, supply and service contracts shall be open on equal terms to all natural and legal persons of the Member States of the Community and to all natural and legal persons of the Beneficiary country.

2. For jointly financed projects, the Commission, treating each case on its own merits, may agree to allow nationals of countries other than the partner countries concerned to bid for tenders and contracts. In such instances, firms from third countries shall be eligible only if there are reciprocal arrangements.

ARTICLE 11: EQUALITY OF CONDITIONS

The Commission and the Beneficiary shall take the necessary steps to ensure the widest possible participation on equal terms in tendering procedures and in works, supply and service contracts financed by the Community.

To this end they shall:

- ensure invitations to tender are published far enough ahead in the Official Journal of the European Communities and the official gazette of the Beneficiary's country;

- remove any discriminatory practice or technical specifications which could prevent wide participation, on equal terms, by any natural or legal person referred to in Article 10.

ARTICLE 12: WORKS AND SUPPLY CONTRACTS

Works and supply contracts shall be awarded on the basis of the general terms and conditions applying to such contracts and approved by the Commission.

Exceptionally, in urgent cases or where the nature, small scale or particular features of certain work or supplies warrant, the Commission or the Beneficiary, with the Commission's agreement, may authorise:

- contracts to be awarded on an open invitation to tender restricted to tenderers from particular geographical areas;
- contracts to be awarded on restricted invitation to tender;
- contracts to be concluded by direct agreement;
- contracts to be performed by direct labour.

ARTICLE 13: TENDER DOSSIER

1. For works and supply contracts, the Beneficiary shall submit the tender dossiers for the Commission's approval before invitations to tender are issued. On the basis of the decisions approved, and in close collaboration with the Commission, the Beneficiary shall issue invitations to tender, receive and assess tenders, and select the successful tenderer.

2. The Commission shall always be represented when tenders are opened. The Commission has the right to be present, as an observer when the tenders are assessed.

3. The Beneficiary shall submit the results of the scrutiny of the tenders and the name of the proposed contractor to the Commission for approval. With the Commission's prior approval the Beneficiary shall sign contracts, riders thereto and estimates and shall notify the Commission thereof. The Commission shall, if necessary, make individual commitments for contracts, riders thereto and estimates. Individual commitments shall take precedence over commitments under the Financing Agreement.

ARTICLE 14: SERVICE CONTRACTS

1. As a general rule, service contracts shall be prepared, negotiated and concluded by the Commission on the Beneficiary's behalf.

2. The Commission shall draw up, if necessary after prequalification, a short list of candidates on the basis of criteria which guarantee the qualifications, professional experience and independence of bidders, and their availability for the operation in question.

3. If express provision is made in the Agreement, the responsibilities referred to in paragraph 1 shall be delegated to the Beneficiary with the Commission's approval and under a representative's supervision. In that case the general specifications for public service contracts financed by the European Community shall apply.

ARTICLE 15: PROCEDURES APPLYING TO LOCAL CONTRACTS

The procedures for service, supply and works contracts in the Beneficiary country are set out in the Technical and Administrative Conditions to the Agreement.

ARTICLE 16: CRITERIA FOR THE SELECTION OF CONTRACTORS

For each operation the Commission and the Beneficiary shall ensure that the tender selected is the economically most advantageous in terms of the price of the services provided, costs, technical value, qualifications and guarantees provided by tenderers, and the type of the works or supplies and the conditions of performance. These criteria must be mentioned in the tender document and the notice of contract award.

TITLE IV - PERFORMANCE OF THE CONTRACT

ARTICLE 17: ESTABLISHMENT AND RIGHT OF RESIDENCE

Natural and legal persons participating in tendering and works, supply or service contracts shall be granted equal and provisional right of establishment and residence in the Beneficiary's country where this is justified by the nature of the contract. This right shall remain valid for one month after the contractor is selected.

Contractors and natural persons and members of their family whose services are required for the contract shall enjoy similar rights for the duration of the contract up to one month following the final acceptance of work performed under the contract.

ARTICLE 18: ORIGIN OF SUPPLIES

The supplies required for the performance of works, supply and service contracts must originate in countries allowed to participate pursuant to Article 10, unless an exception is authorised by the Commission.

ARTICLE 19: TAX AND CUSTOMS ARRANGEMENTS

1. No tax, duties or other charges shall be financed from the Community's contribution.

2. In context of the co-operation, the Beneficiary government shall apply to contracts financed by the Community tax and customs arrangements no less favourable than those applied to the most-favoured State or most-favoured international organisation.

ARTICLE 20: FOREIGN EXCHANGE ARRANGEMENTS

The Beneficiary's government shall undertake to authorise the import or acquisition of foreign exchange required for implementation of the project. It shall also undertake to apply its national rules on foreign exchange on a non-discriminatory basis to the countries authorised to participate pursuant to Article 10.

ARTICLE 21: INTELLECTUAL PROPERTY

If studies are financed under this Agreement the Commission and the Beneficiary shall be entitled to use the data contained in such studies, and to publish it or pass it on to third parties.

ARTICLE 22: DISPUTES BETWEEN THE BENEFICIARY AND CONTRACTOR

1. Without prejudice to paragraph 2 any disputes which arise between the Beneficiary and a contractor, during implementation of a contract financed by the Community shall be settled in accordance with the conciliation and arbitration rules of the International Chamber of Commerce in Paris.

2. The Beneficiary shall undertake to reach agreement with the Commission before a final position is taken on any request for compensation, irrespective of whether it is justified, from the contractor. If no agreement can be reached, the Commission shall not provide a financial commitment for any amounts granted unilaterally including those by the Beneficiary.

TITLE V - GENERAL AND FINAL PROVISIONS

ARTICLE 23: VISIBILITY

The project shall be implemented in such a way to ensure maximum visibility for the European Community's involvement at all times. Actions of communication and information shall be determined in close collaboration with the EC Delegation.

Special attention shall be devoted to implementing these rules at events and in all public or official written material connected with the project. Objects, equipment and documentation connected with the project shall carry the European Community flag with the text in the language of the Beneficiary. The symbols identifying the European Community shall be of the same size and appearance as any symbols identifying the Beneficiary, should the latter be present.

ARTICLE 24: AUDITING OF ACCOUNTS

1. The Commission shall have the right to send its own agents or authorised representatives to undertake any technical, accounting or financial assignments it may consider necessary to monitor the implementation of the project.

2. The Court of Auditors, in the accomplishment of its responsibilities under the Treaty establishing the European Community, shall have the right to undertake a full audit, if necessary, on the basis of supporting documents of accounts and accounting documents and any other documents relating to the financing of the project and on the spot.

3. The Beneficiary shall be notified if agents appointed by the Commission or the Court of Auditors are sent to the project site.

4. To this end the Beneficiary:

- shall undertake to provide any information or documents requested, and to take any measures to facilitate the work of persons undertaking such audits;

- shall keep the dossiers and accounts required to identify the work, supplies or services financed under this Agreement and the supporting documents relating to local expenditure in accordance with the best accounting practice;

- shall assist the Court of Auditors, in the accomplishment of its responsibilities under the Treaties establishing the European institutions, in auditing the project's accounts, if necessary, on the spot;

- shall ensure the Commission's representatives can inspect any accounting or other documents relating to projects financed under this Agreement and shall assist the Court of Auditors in monitoring the use made of Community funds.

ARTICLE 25: CONCILIATION

1. Any matter relating to the implementation or interpretation of this Agreement shall give rise to consultation between the Beneficiary and the Commission. This procedure may, if necessary, lead to this Agreement being amended.

2. If any obligation under the Agreement is not met, the Commission may suspend financing after consulting the Beneficiary.

3. The Beneficiary may decide to withdraw wholly or partially from the project with the Commission's approval.

4. Any decision taken by the Commission to suspend financing or by the Beneficiary to withdraw totally or partially from a project shall be notified to all Parties in writing.

ARTICLE 26: ARBITRATION

Any dispute between the Community and the Beneficiary, arising from the implementation of this Agreement which is not settled by common accord by the Parties in due time, shall be settled by arbitration, in accordance with the Permanent Court of Arbitration's Optional Rules for Arbitration involving International Organisations and States (The Hague).

ARTICLE 27: NOTIFICATION – ADDRESSES

Any communication or agreement between the Parties shall be recorded in writing giving the number and title of the project. This shall be sent by letter to the authorised addressee at the latter's address. In emergencies, communications by fax, telegram or telex shall be allowed provided they are immediately confirmed by letter. The addresses shall be set out in the Financing Agreement.

ANNEX 2:

Technical and Administrative Provisions

Beneficiary:	GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM
Title:	European Technical Assistance Programme for Vietnam (ETV2)
Project no:	VNM/AIDCO/2002/0589

2. PROJECT DESCRIPTION

The project is composed of six components. Component 1-5 will be jointly tendered and implemented by one European consulting company. Component 6 will be tendered separately and implemented by a European consulting company.

2.1 Activities

The overall project period (4 years) and related activities can be divided into three phases, an inception phase of three months, the main operational phase and the phasing out.

In order to achieve the agreed and expected results, activities will comprise, in general:

1. Collecting, analysing and processing of data/info from various sources (tax, customs, central statistics office (GSO), trade, regional/local government, chamber of commerce (VCCI) etc.)
2. Reviewing existing laws and regulations, checking for inconsistencies, problem areas and assessing public reaction (especially regarding legal, administrative changes)
3. Discussing problem areas with the private sector, tax paying public, business organisations, industry, importers etc; improving dialogue and info exchange
4. Conducting workshops/seminars, on topics related both to policy analysis, and to the dissemination (Public Relations) of new policies and legal provisions
5. Assuring effective functioning of the Steering Committees and secretariats
6. Conducting on the job training for counterparts, secretariat staff and more formal training on policy analysis for larger groups of officials at the concerned Ministries and other administrations
7. Preparing notes, memos, discussion papers, studies on critical and urgent issues.
8. Assisting open and effective dialogue between the various ministries and regional/local governments.
9. Recruiting qualified Short Term Experts (STE) and Local Experts, assuring good preparation, and providing optimum and relevant inputs and sound follow-up.
10. Publishing and distributing results of studies, new legislation, procedures etc. in co-operation with organisations working directly with the private sector (e.g. Vietnam Chamber of commerce and Industry)
11. Developing and effectively applying a sound Monitoring and Evaluation System.

In order that its objectives can be fully achieved, the programme is divided into six project components:

- Component 1: Fiscal Policy and Legal Advisory Services
- Component 2: Taxation
- Component 3: Customs
- Component 4: Accounting, Auditing, Insurance
- Component 5: Statistical Analysis, Policy Tools
- Component 6: Standards and Quality Control

Specific activities listed by component are:

Component 1:

- Undertaking legal and policy needs analysis and producing a strategic plan.
- Identifying technical revenue collection and legal issues for discussion, problem-solving, and decision-making.
- Design management, organisation and administration guidelines.
- Mobilisation and effective utilisation of the services and advice provided by long-term advisers and short-term experts.
- Performing technical and legal needs analysis regarding local and regional taxes/revenue sources and proposing improvements for inter-governmental fiscal relations.
- Identifying legal tax potentials, proposing improvements for increased utilisation of potentials.
- Initiating an overall review of efficiency and effectiveness of fiscal systems. Developing criteria for measuring performance for tax and custom apparatus.
- Carrying out a study on equity and incidence of revenue system.

Component 2 + 3:

- Establishing stable and comprehensive legal frameworks.
- Drafting laws in keeping with international standards.
- Producing subsidiary legislation, regulations and procedures.
- Carrying out priority projects.
- Putting management and operational planning systems in place.
- Developing and testing methods and systems for revenue projections/forecasting.
- Putting operational systems in place.

Component 4:

- Enhancing capacity to conduct sound policy research and application at the Department for Accounting Policies and the Department of Banking and Financial Institutions of the Ministry of Finance.
- Preparing and applying effective and sound laws/regulations, policies, and standards in accounting, auditing and insurance at the Ministry of Finance.
- Preparing decrees for the implementation of the law on accounting for business enterprises and on the implementation of the law on accounting for administrative units;
- Assisting in continually preparing and publishing accounting as well as auditing standards in line with international standards and suitable for Vietnamese management and the tendency to economic integration to obtain international recognition
- Preparing and issuing guidelines on accounting and auditing standards;
- Supporting the activities of the National Council of Accounting (NCA);
- Re-developing a training curriculum for accounting and auditing.
- Assisting the institutional development of the Insurance Supervision Division, by developing an early warning system, together with processes and methods for recovering payments; developing regulation(s) on state management in supplying over-the-border services; developing reports on legal and financial aspects of capital requirements based on risks; building models of insurance management authority: framework of organisation.

Component 5:

- Improving staff skills and practice in short term monitoring of statistics.
- Improving staff skills in the areas of medium and long term planning and policy analysis as well as forecasting procedures.
- Assisting in the building up of information systems for managing enterprises and investment projects.
- Providing both hardware and software equipment to enable the Ministry of Planning and Investment to complete their local area communications network at three HQ sites in Hanoi with connections to twenty provincial offices.

Component 6:

- Establishment of a stable and agreed legal framework, shared among all the concerned parts (Code of Good Practice)
- Full alignment of Vietnamese metrology with international practice
- Completion of the existing National Standards corpus, starting from the most urgent sectors, in line with the Government's priorities (eg fish and other food products) and following the international approach, creating the basis for a proper follow-up
- Improving testing capabilities of the Vietnamese quality testing operators involved in the quality process and engendering the creation of a testing culture in line with the international one, particularly in fish and other food products
- Updating and enlarging the certification and accreditation system;
- Creating a "Quality System Vietnam"
- Involving the Vietnam Chamber of Commerce and Industry (VCCI) as reference point for documentation and basic formation, but also as representative of the developing Private Sector

After the mid-term review (year 2) the long term experts will phase out with intermittent services. Most of the STEs will have completed their assignments. Activities will then cover primarily:

1. Publication, dissemination of results, Concluding workshops, seminars
2. Testing M&E system, computerisation, management performance standards etc.
3. Evaluation of Training programmes, of pilot projects, and of administrative improvements
4. Continued dialogue with the private sector

2.2 Inputs

Financial resources required to meet the project's objective will amount to EUR 11.034.800 and will be financed from the EC grant.

The Vietnamese Government's in kind contribution, to the counter value of EUR 990.000, will be from existing departmental resources corresponding to each component of the programme. These contributions shall comprise the remuneration for seconded staff, office accommodation in the respective headquarters buildings, logistic and organisational support for training and capacity building activities, local technical assistance, equipment and consumables for training, visibility/promotional activities, secretariat equipment and furniture for own staff, operating costs[1] and secretariat local personnel.

[1] Cleaning, electricity, water supply, local telephone costs

EU technical assistance teams will be responsible for technical advisory services, training activities, planning, monitoring and reporting on project components and for the general management of the project.

Listed by component, the team will consist of:

Component 1:

EU technical assistance teams:

- Two long-term technical support experts, each 36 person-months, of which one mainly in charge of the management of the overall programme and of the co-ordination between its components.
- 20 person-months of EU short-term experts with the following areas of expertise: tax potential analyses, revenue forecasting, M&E systems, local taxes/ intergovernmental fiscal relations. Legal experts in the respective tax legislation. Final scope and timing to be decided under the Inception phase.

Local Experts: 10 person-months, scope and timing to be decided in the Inception phase

Seconded Government Staff from the MOF would include:

- One Vietnamese high level counterpart, chairman of Steering Committee (part time, secretariat)
- 48 person-months full time counterparts for long term expert
- 48 person-months part time counterparts for the STEs

Component 2:

EU technical assistance teams:

- One long-term senior expert as resident EC Adviser for 36 person-months (during phasing out under the total 4 years duration of the project, there will be intermittent services). This expert will be a senior taxation officer experienced in all aspects of management planning, human resource development, tax reform programmes including programme management, drafting procedures, training, practical experience in VAT and/or Income Tax collection operational work taxation computerised systems.
- A maximum of 20 person-months of short-term legal expertise, for example, the following tasks: assist in drafting primary legislation; support the drafting of specific subsidiary legislation; advise on drafting legal documents concerned with international agreements.
- A maximum of 50 person-months of short-term technical expertise for other specialists as required, for example, the following tasks: drafting procedures; designing operational systems; preparing and holding training courses for GDT staff.

Local Technical Assistance will comprise 20 person-months of local experts. Type and timing of those inputs shall be determined during the Inception Phase.

Seconded Government staff from the General Department of Taxation Office: One part time Counterpart (Programme Director) and two full time Counterparts are considered as minimum (One Manager and one technical).

Seconded Government staff: One part time Project Director and one full time manager are considered as minimum with support staff.

Component 6:

EU technical Assistance teams:

- One Long term senior expert as resident EC Advisor for 36 person-months
- Short term senior experts - 28 person-months
- A maximum of 20 person-months of unallocated short-term expertise are also foreseen for other specialists as required (e.g. examine the legal framework, prepare and hold training courses for trainers and/or for managers).

Local Technical Assistance for basic training and/or for the required contacts at any level, consisting of a maximum of 50 person-months of expertise.

Seconded Government staff: One full time Project Director and support staff.

2.3 Time schedule

The project activities will be carried out over a period of 48 months (four years), starting from the commencement date of the service contract for EC Technical Assistance. This includes a three month inception phase in the beginning of the project to confirm the content and specific locations of each project activity and to draw up a detailed timetable for implementation as well as to prepare for the Overall Work Plan and the first Annual Work Plan. The last six months of the project will be dedicated to phasing out activities and to preparing for the post-project situation.

All individual legal commitments to be made for the implementation of the project will have to be concluded within the aforementioned period of four years.

2.4 Project Costs and Financing

The total cost of the project to the EC is estimated at **EUR 11 034 800.**

Category Breakdown	EC	Beneficiary	Total
	In EURO		
1. Services	**8 038 000**	**500 000**	**8 538 000**
1.1 European TA	7 568 000	0	7 568 000
Long-term advisor(s)	3 690 000	0	3 690 000
Short-term experts	3 878 000	0	3 878 000
1.2 Local TA	470 000	500 000	970 000
2. Supplies	**860 000**	**0**	**860 000**
2.1 Vehicles & equipment	860 000	0	860 000
2.2 Consumables	0	0	0
3. Activities	**240 000**	**0**	**240 000**
3.1 Seminar/workshops	240 000	0	240 000
4. Information	**260 000**	**0**	**260 000**
5. Operating Costs	**528 000**	**490 000**	**1 018 000**
5.1 Local personnel	360 000	195 000	555 000
5.2 Other costs (running costs, local transport, communications, office supplies)	168 000	295 000	463 000
6. Training	**350 000**	**0**	**350 000**
7. Monitoring, Evaluation & Auditing	**250 000**	**0**	**250 000**
8. Contingencies	**508 800**	**0**	**508 800**
Total	**11 034 800**	**990 000**	**12 024 800**

For a detailed cost calculation see Attachment 3.

- Contingencies can only be used after written agreement of the Commission.

2.5 Contribution Details

The Government of Vietnam's contribution to the current project, to be financed from its own resources, will cover the following elements:

- the salaries of local staff;
- adequate office facilities within the related Ministries;
- furniture and office equipment for own staff ;
- operational costs for expert office accommodation and all other customs facilities required for the smooth implementation of the project, including electricity and communication lines free of charge for EC and Vietnamese experts;

Component 3:

EU technical assistance teams:

- One long-term senior expert as resident EC Adviser for 36 person-months (with intermittent services during the final phase of the 4 year project period). This expert will be a senior Customs Officer experienced in all aspects of management planning, human resource development, customs reform programmes including programme management, drafting customs procedures, training, practical experience in customs operational work at ports, airports and border crossings and some knowledge of Customs computerised systems.
- One medium term legal covering 12 person-months. This legal expert will be experienced in all aspects of primary Customs and subsidiary legislation and regulations, especially pertaining to WTO, GATT, and Revised Kyoto Convention requirements.
- A maximum of 38 person-months of unallocated short-term legal expertise, for example, the following tasks: assist in drafting primary legislation; support the drafting of specific subsidiary legislation; advice in drafting legal documents concerned with international agreements; drafting procedures; designing operational systems; preparing and holding training courses for Customs staff.
- A maximum of 20 person-months of local expertise as required.

Equipment to be provided by the EC for the use of the TA team will come from the overall budget allocation as above. This office equipment is necessary for them to complete their tasks efficiently and effectively. Short term experts should be expected to provide their own laptop computers but must have access to desk space, printers, transportation, telephones, faxes, etc.

Seconded Government staff: One part time Counterpart (Programme Director) and one full time manager with support staff.

Component 4:

EU technical assistance teams:

- Two long term senior experts up to for 12 person-months for each sub-component in total. One expert will be a senior consultant in Accounting and Auditing. The other expert will be a senior consultant in the Insurance business and control
- A maximum of 6 person-months of short-term experts to both sub-components;
- A maximum of 20 person-months of local expertise as required.

Seconded Government staff: One part time Project Director with support staff.

Component 5:

EU technical assistance teams:

- One long-term senior expert as resident EC Adviser for 18 person-months. This expert will be a senior economist expert in data monitoring, statistical analysis and forecasting with experience in information systems design.
- A maximum of 10 person-months of unallocated short-term European experts to assist the long term expert in all areas of data monitoring, statistical analysis, forecasting and designing information systems – as required.
- A maximum of 10 person-months of unallocated short-term local experts to assist the long term expert in all areas of data monitoring, statistical analysis, forecasting and designing information systems – as required

- training related expenses;
- local transport for Ministry staff.

The Government of Vietnam will cover all costs related to the participation of officials in meetings, workshops, training activities, and other events as part of the normal functioning of the public services.
The Government of Vietnam will cover any project-related operating costs not included in the EC contribution.

In cases where EC and the Government of Vietnam are both providing financial contributions to the same activity category, the specific actions to be covered by each party will be clearly identified in the Annual Work-plan and Budget concerned.

The Executing Authorities of each component will be responsible for facilitating constructive and effective co-operation of the concerned Ministries and other public authorities.

2.6 Reallocation of EC Funds

Any reallocation of the funding provisions for individual components within the project budget which might become necessary to take account of the relative progress and achievements of the different components shall be proposed for the agreement of the Executing Authority, MPI and the European Commission in the annual revisions of the project Work Plan.

2.7 Implementation

The Ministry of Planning and Investment is the Counterpart Agency for the Project.

The project consists of six components with three Executing Authorities:
- Ministry of Finance (for components 1, 2, 3, 4)
- Ministry of Planning and Investment (for component 5)
- Ministry for Science and Technology (MOSTE) (for component 6)

Component 1-5 will be jointly tendered and implemented by a consulting company (the Consultant). The Consultant will co-ordinate the five components. This co-ordination is part of the usual backstopping activities. The Consultant will also ensure financial management of activities.

Component 6 will be tendered separately and implemented by a consulting company. Financial management will be done by the company.

Overall project co-ordination will be ensured by the Consultant responsible for component 1-5.

There will be an Overall Project Steering Committee (OPSC) that meets once a year. This OPSC will be chaired by the Ministry of Planning and Investment with membership of all the lead organisations involved in the project. The Commission will be an observer with the right to speak, and secretarial services will be ensured by a European long-term expert.

For each project component, the responsible Executing Authority will establish a Project Steering Committee with responsibility for policy guidance and co-ordination between all institutions and groups involved in the Project.

The PSCs will meet twice a year and will assist the Executing Authority by:

- Commenting on and endorsing the Initial Plan of Actions, the Overall Work Plan and the Annual Work Plans of the ETV2 project before they are sent to the Executing Authority and the European Commission for approval;
- Commenting on and approving the Progress Reports prepared by the EU advisors or Counterpart staff with responsibility for policy guidance, decision making and co-ordination for the implementation of high level plans between all institutions, specific projects and groups involved, as well as a Secretariat from all current projects and take policy decisions accordingly;
- Examining and commenting on in a timely manner any matters of major importance brought to its attention by the Secretariat;

The PSC for component 1 will be chaired by the Vice Min/MOF. Its members will include the Programme Director (a nominated high ranking MOF Officer) and a minimum of six appropriate MOF department heads. The following representatives should be considered among others to also be members: the Director General of Taxation as well as that of the Customs Department, a representative of the Ministry of Trade, a representative of the Prime Minister's Office and the Ministry of Planning and Investment.

The PSC for component 2 will be chaired by the Director General of Taxation. Its members will include the Programme Director (a nominated high ranking GDT Officer) and a minimum of six appropriate GDT department heads. Among others the following representatives should also be considered to become members: the Director General of the General Customs Department, a representative of the Ministry of Trade, a representative of the Prime Minister's Office, a representative of the Ministry of Planning and Investment and a representative of the Ministry of Finance.

The PSC for component 3 will be chaired by the Director General of Customs. Its members will include a minimum of six appropriate GDC department heads as well as representatives from GD tax, Ministry of Planning and Investment and relevant Ministries.

The PSC for component 4 will be chaired by the Directors for Insurance and Auditing. Its members will include a minimum of six appropriate MOF department heads. Among others the following representatives should also be considered for membership: a representative of the Ministry of Trade, a representative of the Prime Minister's Office, a representative of the Ministry of Planning and Investment and a representative of the Ministry of Finance.

The PSC for component 5 will be chaired by the MPI. Its members will include a minimum of six appropriate MPI department heads. Among others the following representatives should also be considered for membership: a representative of the Central Statistic Office/GSO, of the Ministry of Trade, a representative of the Prime Minister's Office and a representative the Ministry of Finance.

The PSC for component 6 will be chaired by the Director General of STAMEQ. Its members will include a minimum of six appropriate STAMEQ department heads. Among others the following representatives should also be considered for membership: representatives of the Ministry of Science, Technology and Environment, the Ministry of Fisheries, the Ministry of Agriculture and Rural Development, of the Ministry of Planning and Investment and the Ministry of Trade.

EC representatives will be invited to all the PSC meetings as observers with the right to speak. The EC Adviser and the Vietnamese Programme Manager will constitute the secretariat at the PSC.

Within the framework of the Overall and Annual Work Plans and disbursement schedules approved by the Executing Authority and by the Commission, the appointed consultancy companies will have operational autonomy to cover the technical, administrative, financial and human resources aspects related to the Project co-ordination, implementation and management.
The appointed consultancy companies will, in particular, undertake the following tasks:

- prepare the Initial Plan of Activities (IPA), the Overall Work Plan and Budget (OWP), as well as subsequent Annual Work Plans and Budgets (AWP) and Progress Reports for the approval of the PSC and the European Commission;
- ensure the management of financial, personnel and administrative affairs;
- execute the activities as approved by the Executing Authority and by the Commission in accordance with EC procedures;
- ensure that Project activities are well co-ordinated and that necessary pre-conditions are met concerning post-project ownership, operation, maintenance and sustainability;
- prepare standardised six-monthly progress reports to monitor all technical, financial and administrative aspects on the utilisation and impact of all resources made available to the Project;
- prepare and attach to the final year AWP a proposed blueprint for the phasing out of Project activities and preparation for the post-project situation
- inform the Executing Authority and the Commission of any event which might jeopardise the success of the Project;
- identify training needs and the drafting of appropriate training programmes as well as the carrying out of training activities;
- organise workshops/seminars;
- identify needs for short-term technical assistance, draft respective Terms of Reference, and guide and supervise short-term experts, seeking other donor assistance when appropriate;
- organise and implement a monitoring system for all project activities;
- liaise with other donor activities involved in any of the project's areas of activity, in view of creating synergies and avoiding duplication of efforts;
- assist and participate in audits and evaluations of the ETV2 project, undertaken by the European Commission.

The EC-financed experts (appointed consultants) will work under terms of reference agreed by both the Executing Authority and the Commission.

2.8 Donor Co-ordination

In order to preserve the necessary coherence between the activities of the present project and those activities undertaken by other donors in the target sectors, regular meetings will take place with all interested parties to ensure an open exchange of information, to avoid overlapping of activities and/or financing and to incorporate the lessons learnt by these other actors into the work of the project.

2.9 Planning and Reporting

Work-plans and reports to be submitted by the appointed consultancy companies for each Project component will conform to the EC standard formats and include at least:

- an Initial Plan of Activities (IPA), including activities to be undertaken in the inception phase, to be submitted within two months of arrival of the European consultants,
- the Overall Work Plan and Budget (OWP) as well as the first Annual Work Plan and Budget (AWP) to be submitted within three months of arrival of the European consultants,
- a Project Progress Monitoring Plan, including objectively verifiable indicators, to be submitted together with the OWP,
- successive Annual Work Plans and Budgets (AWP),
- six-monthly technical and financial progress reports,
- any special reports related to priority issues,
- a final Project completion report.

Any deviation in the AWP from the OWP will be clearly presented and justified. If approved, it will initiate automatically a procedure for the approval of a revised OWP prior to the approval of the AWP and its start up.

Except for the initial activities indicated in the approved IPA, expenditure will only take place in strict compliance with an approved AWP and in conformity with the OWP.

2.10 Monitoring and Evaluation

Day-to-day technical and financial monitoring will be a continuous process as part of the Consultant's responsibilities.

Independent consultants recruited directly by the Commission on specially established terms of reference will implement external monitoring and evaluation.

The Project will, in accordance with EC procurement guidelines, appoint a reputable chartered accountant whose role shall include monitoring the Project's expenditure and annual auditing of the Project's accounts for submission to the European Commission at the end of each financial year.

2.11 Financial Management

The project shall be fully executed through service contracts that will be governed by the relevant EC regulations and relevant documents (respectively in their last updated versions).

2.12 Procurement Procedures

All contracts required to implement this project must be awarded using the procedures and standard documents defined and published by the Commission for the implementation of external actions.

As concerns local contracting, the procurement of services, goods and works in Vietnam will be undertaken by the appointed consultancy company on behalf of the Ministry of Planning and Investment (Contracting Authority) using the procedures and standard documents defined and published by the Commission for the implementation of external actions.

2.13 Visibility

Public relations and awareness raising will be designed to increase the visibility, and thus the effectiveness, of the Project. They will also serve to give European Commission co-operation maximum visibility.

Particular attention will be given to the promotion of the Project at exhibitions, conferences and similar events, as well as in all public and official written material connected with the Project. All such activities will be conducted in close collaboration with the Commission Delegation to Vietnam. All equipment and documentation connected with the Project shall carry the European Community and the Vietnamese flags.

3. SPECIAL CONDITIONS

Equipment and vehicles will be purchased locally and/or imported by the project free of any taxes and duties under the procurement procedures stipulated in section 2.12. These supplies can only be used for activities foreseen in the approved project work plans. In the interest of the sustainability of the project, equipment and vehicles will be handed over to the appropriate authorities at the end of the project, based on a detailed proposal prepared by the long term Adviser and Project Director and approved by the Executing Authority and the Commission.

Each Executing Authority will appoint and assign, prior to project commencement and at an appropriate professional level, the counterpart staff required for the implementation of the project. The Executing Authorities are also committed to maintaining line staff in their posts where the project has invested training and other resources in them. The Executing Authorities will take appropriate budgetary measures to ensure the sustainability and maintenance of the project's undertakings during and after the implementation of the project.

Each Executing Authority will invite the EC to take part in meetings with the Government and other international donors, which focus on the co-ordination of programmes/projects being implemented.

The Government of Vietnam will grant to the EU staff of the project - and to their families - benefits, privileges and exemptions which are no less favourable than those granted to expatriates under other bilateral or multilateral agreements or arrangements for technical co-operation.

ANNEXES TO TECHNICAL ADMINISTRATIVE PROVISIONS

A. Logical Framework ETV2

B. Logical Frameworks Components 1-6

C. List of abbreviations

D. Cost Calculations Components 1-6

Annex A – Logical Framework ETV2

Level	Indicators of Achievement	Means of Verification	Assumptions & Risks
Overall Objective			
To improve economic and social development through better decision making in the public and private sector, i.e. clear, rational, transparent policies, strategies, plans and legislation by strengthening policy/legislation making capacity as to contents and format.	– New improved policies and legislation – Components I-VI successfully implemented	World Bank (WB), International Monetary Fund (IMF) reports Project Progress and Final Reports SC reports	Reform path continues; Valid advice and improvement proposals under I-VI accepted and applied
Specific Objectives			
I To improve Fiscal policy and legal advisory services and increase output and efficiency of the domestic revenue system	– increased revenue raising capacities by way of improving the policy making processes – stabilisation, increase of revenue – taxation / customs laws are appropriate and the collection systems are fair and equitable – Vietnam's legal system improved and its socio-economic Development Strategy for the period 2001 – 2010 in place – Positive review by experts	Budgets, Finance Reports IMF, WB reports New legislation, amendments; Evaluation studies	Long Term Expert recognised and his services effectively used
II To improve Tax policy and legal advisory services and increase output and efficiency of the tax system	– improved legal and operational capacities – procedures are in line with international standards, norms and recommendations – increased output collection of revenues for which officials are responsible	see above; Budgets IMF, WB	see above; Political will for enforcement at all levels

Level	Indicators of Achievement	Means of Verification	Assumptions & Risks
III To improve Custom policy and legal advisory services and increase output and efficiency of customs	– improved legal and operational capacities – procedures comply with international agreements and norms – increased collection of all import and export customs revenues – better staff performance, efficiency standards	see above	see above
IV To improve policy and legal advisory services in Insurance and Auditing/Accounting and develop new standards on international quality level	– primary legislation in those areas and new/better standards based on international experience and professional standards – Positive response by insurance industry/clients	see above; Legislation, Review by experts	Approval by National Authorities
V To improve Data Analysis/processing and Info Management at MPI	– Improved Info Management – Performance standards applied, sanctioned – Positive feedback from policymakers/experts	see above; Publications, Manuals, Guidelines	New policy tools effectively applied; Info services requested
VI To improve Quality Control, Standardisation, and Training of Food Technicians/Inspectors with focus on agricultural/fishery products at STAMEQ and Ministry of Fishery	– Positive response/ evaluation from domestic/ foreign clients – Increased output, exports, quality	see above; Studies, Evaluation Surveys Vietnam Chamber of Commerce and Industry (VCCI)	New standards applied; Effective sanctions to assure Quality Control compliance

Annex B - LOGICAL FRAMEWORKS COMPONENTS

Component 1: Fiscal Policy and Legal Advisory Service.

Level	Indicator of Achievement	Verification Source	Assumptions & Risks
Overall Project Objective			
Enhance capacity for raising domestic revenue at MOF for all major revenue sources and at all levels and provide support for strengthening policy making and for developing and applying related tools	Increase, stabilisation of revenue New, improved policies and legislation	Legislation, policy documents	Ministry of Finance (MOF)/Government of Vietnam (GOV) continues reform program Improvement proposals/programs Applied/implemented
Project Purpose			
To strengthen sound policy (making) , improve Information-Management-Personnel etc "systems", train and qualify staff, improve legal and administrative provisions and develop quality standards and controls based on international experience and best practices	Improved follow up legislation Administrative provisions, procedures Clear performance standards	Legislation, decrees, by laws, management guidelines, handbooks 5 year modernisation plan, strategy paper	See above
Outputs			
(1) Legal and policy needs analysis undertaken and strategic plan produced. (2) Technical revenue collection and legal issues identified for discussion and decision-making. (3) Management, organisation and administration guidelines designed. (4) Services and advice by Long-term advisers and STEs efficiently and effectively utilised.	Need analyses, Policy paper, 5 Year Modernisation plan Study, memos, discussion papers Proposals Guidelines, proposals, assessments, analyses Participation in Steering Committee Policy advice requests by MOF	Official Reports, Policy Statements, guidelines Progress Reports Studies Official guidelines Organisation manual Project Progress Reports	Valid advice is acted upon Set time frames achievable Good co-ordination within MOF and GDC , national, regional Steering Committee active See above Continues interest and willingness to change by MOF Valid advice requested and acted upon

Level	Indicator of Achievement	Verificati.. Source	Assumptions & Risks
(5) Technical and legal needs analysis undertaken regarding local and regional taxes/revenue sources and improvements for intergovernmental fiscal relations proposed	See 1	LNA. Study Evaluation report	
(6) Legal tax potentials identified, measured and improvements for increased utilisation of potentials proposed	Study, analyses, improvement programme	Report, study	Adequate Data available
(7) Overall review of efficiency and effectiveness of fiscal systems initiated Criteria for measuring performance for tax and custom apparatus developed	Performance standards, criteria	Report, study	See 3
(8) Study on equity and incidence of revenue system prepared.	Analyses, study, research results	Study , report	Data available
(9) Methods and system for revenue projections/forecasting developed and tested	Tested method, guidelines	Forecasting model, software manual	Data available

Component 2: Taxation

Level	Indicators of Achievement	Verification Source	Assumptions & Risks
Overall Project Objective			
To improve legal and operational capacities using procedures that use international standards, norms and recommendations and enable staff to maximise the collection of revenues for which it is responsible.	• A progressive increase of the revenue collected. • Taxpayer compliance improved.	• GSO statistics. • MPI analyses. • MOF statistics. • GDT reports. • IMF reports. • Audit reports.	• GDT produces and implements a Strategic Management Plan (or similar) and other plans. • Valid advice is acted upon.
Project Purpose			
1. To assist in the drafting of Taxation legislation and procedures.	• Stable and comprehensive legal framework established. • Laws drafted to international standards. • Subsidiary legislation, regulations, systems and procedures produced.	• Legislation enacted. • Instructions to staff . • Guidance available to trade and public.	• Valid advice is acted upon. • Set timeframes achievable.
2. To support GDT's development and implementation of planning systems, management, operational control, HR issues, communications and procedures.	• Steering Committee in place. • Priority projects completed. • Strategic and management and operational planning in place. • Operational systems in place.	• SC progress reports. • GDT reports.	• Valid advice is acted upon. • Set timeframes achievable. • Management and staff commitment. • Sufficient expert resources available.
Project Outputs			
1. Steering Committee and Secretariat established and operational.	• Secretariat staff working full time. • SC meetings being held every two months.	• SC reports. • Secretariat reports. • Project reports etc.	• Management and staff commitment. • Valid advice is acted upon.
2. Technical and legal needs analyses completed in all primary taxation areas.	• Reports and recommendations presented to SC.	• SC reports. • Secretariat reports. • Project reports etc.	• Sufficient expert resources available. • Set timeframes achievable. • Management and staff co-operation.

Level	Indicators of Achievement	Verification Source	Assumptions & Risks
3. A Strategic Business Plan (or similar) drafted and implementation commenced with management and operational plans developed (for all tax systems), organisation structure reviewed and internal communications improved.	• SBP, proposed organigram, etc. presented and accepted by SC. • Specific projects started. • Management and operational plans in place. • Training given.	• SC reports. • SBP, management and operational plan reports.	• Top management actively involved. • Management and staff commitment. • Management use expert inputs.
4. Legislation produced to international standards.	• Legislation drafted. • Subsidiary legislation, etc. drafted and produced. • International recognition received.	• Legislation enacted. • GDT reports. • SC reports. • IMF reports.	• Valid advice is acted upon. • Set timeframes achievable.
5. Procedures, instructions and guidance produced from key legislation.	• Procedures drafted. • Instructions to staff issued. • Guidance available to trade and public. • Procedures operational.	• Validation reports by international experts and other ministries. • GDT reports. • SC reports.	• Valid advice is acted upon. • Set timeframes achievable. • Management and staff commitment.
6. Taxation systems redesigned and developed within a restructured department.	• Departmental reorganisation completed. • 'Stand alone' tax systems operational. • Revenue increased.	• MOF reports. • GCO / MPI reports. • GDT reports. • IMF validated.	• Valid advice is acted upon. • Set timeframes achievable. • Management and staff commitment.
7. Human resource strategy, policies, and systems in place supporting the Strategic Management Plan.	• HR policies agreed and plan drafted. • Systems designed and in place. • Clear links established between HR system and SBP.	• SC reports. • Plan reports.	• Top management actively involved. • Management and staff commitment. • Management use expert inputs.
8. Ensuring maximum efficiency and integrity of revenue collection and management.	• Appropriate policies drafted. • Effective accounting regulations and procedures in place. • Internal audit functions established.	• SC reports. • GDC reports. • Audit reports. • Increase in revenue collected.	• Management and staff commitment.

Level	Indicators of Achievement	Verification Source	Assumptions & Risks
9. An ethics policy drafted to include information and training as well as a designed a management control system, recruitment policy and a system of internal sanctions in place for employee misconduct.	• International principles observed. • Ethics policy developed. • Information and training given to staff. • Management controls in place. • Disciplinary code drafted.	• SC reports. • GDT reports. • Ethics policy published and distributed. • Disciplinary actions seen.	• Top management actively involved. • No management and staff resistance.
10. Development of a training programme using modern instructional techniques.	• Training strategy agreed and drafted. • Needs analyse completed. • Training curriculum drafted. • 'Train the trainer' course programmes established. • Courses designed.	• SC reports. • GDT reports. • Training needs assessments. • Training modules. • Training evaluations.	• No resistance to using new training techniques. • No overlap with other donor assistance.
11. Trade and public information systems designed, developed and trailed in co-operation with private sector representation (trade associations, chambers of commerce, etc.).	• Information leaflets published. • Website established. • Media information broadcasts made. • Private sector information available to taxpayers. • Tax consultant associations formed.	• SC reports. • GDT reports. • VCCI and other CofC reports. • Media reaction.	• Management and staff commitment. • Management use expert inputs. • VCCI and other private sector representative organisations consulted.
12. Improvement of the methods to detect, prevent and investigate fraud.	• Intelligence led risk analysis and selectivity techniques in place. • Improved relations with prosecution services. • Specialist fraud unit(s) established. • Training systems established.	• SC reports. • GDT reports. • MoF reports. • Increase in frauds detected and prosecutions made. • Media reaction.	• Sufficient technical and equipment resources available.

Level	Indicators of Achievement	Verification Source	Assumptions & Risks
13. Systems designed and developed to improve public and trade compliance.	• Systems and procedures working. • Revenue increased.	• SC reports. • GDT reports. • MoF reports. • Increase in frauds detected and prosecutions made. • Media reaction. • Audit reports.	• Management and staff commitment. • Management use expert inputs.
14. Audit standards and selection criteria designed.	• Internal Audit section established and operational. • Internal irregularities identified. • Audit recommendations received.	• SC reports. • GDT reports. • MoF reports. • Increase in frauds detected and prosecutions made. • Audit reports.	• Higher management commitment and support. • Staff co-operation. • Expert inputs used.
15. The tax self assessment pilot project supported.	• Pilot project completed. • System expanded into other provinces or nationally.	• SC reports. • GDT reports. • Audit reports. • IMF reports.	• Management and staff commitment. • Management use expert inputs.
16. Information Technology (IT) service and integrated IT system environment needs analyse completed.	• Report presented to SC. • Plan(s) made.	• SC report. • GDT reports.	• Management and staff commitment. • Management use expert inputs. • Management and staff accept that the needs must be realistic and achievable.

Level	Indicators of Achievement	Verification Source	Assumptions & Risks
Project Inputs • The EC to supply the equivalent in kind of € 2.415.755 • EC provision of: One long-term technical advisor (36 m/m). Various short term technical experts (26 m/m). Two medium legal experts (24m/m). Various short term legal experts (20m/m). • EC supplied support staff. • ECF supplied vehicle and equipment. • One full time GDT Programme Manager. • One part time GDT Programme Director. • GDT supplied support staff. • GDT supplied equipment etc (for own staff).		• Technical Assistance Service Contract • Project Work Plans and Progress Reports • Auditors' reports • Steering Committee Minutes • Reports of short-term specialists • Full-time presence of Vietnamese Project Manager. • SC working.	• Timely conclusion of Technical Assistance Service Contract • Qualified short-term specialists can be identified and mobilised as and when required • Timely processing of funding requests by the Commission Services

Component 3: Customs

Level	Indicators of Achievement	Verification Source	Assumptions & Risks
Overall Project Objective			
To improve legal and operational capacities using procedures that comply with international, agreements, norms and recommendations and enable staff to maximise the collection of all import and export customs revenues as well as protecting society.	• A progressive increase of the revenue collected. • Barriers to trade reduced. • An increase of prohibited and restricted items seized.	• GSO statistics. • MoF statistics. • GDC reports. • M. of Trade statistics.	• GDC implements its 'Customs Development and Customs Modernisation 5 Year Plan' and other plans. • Valid advice is acted upon.
Project Purpose			
1. To draft Customs legislation and procedures.	• Stable and comprehensive legal framework established. • Laws drafted to international standards. • Subsidiary legislation, regulations and procedures produced.	• Legislation enacted. • WTO and Revised Kyoto Convention and other convention / international requirements met. • Instructions to staff issued. • Guidance available to trade and public.	• Valid advice is acted upon. • Set timeframes achievable.
2. To support GDC's development and implementation of planning systems, management, operational control, HR issues, communications and procedures.	• Steering Committee in place. • Priority projects completed. • Management and operational planning systems in place. • Operational systems in place.	• SC progress reports. • GDC reports.	• Valid advice is acted upon. • Set timeframes achievable. • Management and staff commitment. • Sufficient expert resources available.
Project Outputs			
1. Legislation produced to international standards, especially in the areas linked to WTO, Revised Kyoto and ITA Conventions.	• Legislation drafted. • Subsidiary legislation, etc. drafted and produced. • WTO, Revised Kyoto and other Convention / international requirements met.	• Legislation enacted. • WTO Agreements, Revised Kyoto and ATA Conventions joined/signatory. • GDC reports. • SC reports.	• Valid advice is acted upon. • Set timeframes achievable.

Level	Indicators of Achievement	Verification Source	Assumptions & Risks
2. Procedures, instructions and guidance produced from key legislation, especially in the areas linked to WTO Agreements, Revised Kyoto and ATA Conventions.	• Procedures drafted. • Instructions to staff issued. • Guidance available to trade and public. • Procedures operational.	• Validation reports by international experts and other ministries. • GDC reports. • SC reports.	• Valid advice is acted upon. • Set timeframes achievable. • Management and staff commitment.
3. 'Customs Development and Customs Modernisation 5 Year Plan' implementation commenced with management and operational plans developed, organisation structure reviewed and internal communications improved.	• Steering Committee, or similar, working. • Specific projects started. • Management and operational plans in place. • Training given.	• SC reports. • Management and operational plan reports.	• Top management actively involved. • Management and staff commitment. • Management use expert inputs.
4. Human resource strategy, policies, and systems in place supporting the 'Customs Development and Modernisation Plan 5 Year Plan'.	• HR policies agreed and plan drafted. • Systems designed and in place. • Clear links established between HR system and Modernisation Plan.	• SC reports. • Plan reports.	• Top management actively involved. • Management and staff commitment. • Management use expert inputs.
5. An ethics policy drafted to include information and training as well as a designed a management control system, recruitment policy and a system of internal sanctions in place for employee misconduct.	• WCO Arusha Declaration principles observed. • Ethics policy developed. • Information and training given to staff. • Management controls in place. • Disciplinary code drafted.	• SC reports. • GDC reports. • Ethics policy published and distributed. • Disciplinary actions seen.	• Top management actively involved. • No management and staff resistance.
6. Development of a training programme using modern instructional techniques.	• Training strategy agreed and drafted. • Needs analyse completed. • Training curriculum drafted. • 'Train the trainer' course programmes established. • Courses designed.	• SC reports. • GDC reports. • Training needs assessments. • Training modules. • Training evaluations.	• No resistance to using new training techniques. • No overlap with other donor assistance.

Level	Indicators of Achievement	Verification Source	Assumptions & Risks
7. Ensuring the maximum efficiency and integrity of revenue collection and management.	• Appropriate policies drafted. • Effective accounting regulations and procedures in place. • Internal audit functions established.	• SC reports. • GDC reports. • Audit reports. • Increase in revenue collected.	• No management and staff resistance.
8. Improving customs control operations at ports, airports and land borders capable facilitating the flow of legitimate passengers and trade and enhancement of the methods to collect the revenue and the protect society developed.	• Intelligence led risk analysis and selectivity techniques in place. • Systematic controls applied. • Post clearance audit working. • Co-operation with other agencies working. • Trade and public relations and information flow improved.	• SC reports. • GDC reports. • Feedback from trade organisations. • Increase in revenue collected. • Media reports.	• No management and staff resistance. • Expert input accepted.
9. Improvement of the methods to detect, prevent and investigate fraud.	• Intelligence led risk analysis and selectivity techniques in place. • Improved relations with prosecution services. • Trade and public relations and information flow improved. • Training systems established.	• SC reports. • GDC reports. • Increase in seizures and prosecutions.	• No lack of technical and equipment resources.

Level	Indicators of Achievement	Verification Source	Assumptions & Risks
10. Development and implementation of trade facilitation mechanisms and information flows minimising the costs of customs procedures for the trade as well as creating effective and efficient customs procedures.	• Appropriate policies and procedures developed to strengthen links between customs and trade. • Trade organisations, VCCI, etc. consulted and involved. • Information leaflets published. • Website operational. • Information provided via media. • Staff trained. • Private sector and 'trade' consulted.	• SC report. • Feedback from trade organisations, VCCI, etc. • Media reports.	• No management and staff resistance. • Trade organisations, VCCI, consulted.
11. A transit system designed which supports effective customs control, facilitates legitimate trade and the movement of legitimate goods, and uses modern technology.	• Creation of climate of partnership between customs and other participants. • Design and development of controllable systems. • Training courses started.	• SC report. • Trade feedback. • Other participant countries feedback. • Media reports. • Number of irregularities found. • Trade statistics.	• Agreement with other participant countries and trade reached.
12. Support given to design and implement an Information Technology (IT) service and integrated IT system environment.	• Areas of support identified from needs analyse and Computerisation Plan. • Infrastructure designed and prepared. • Project proposals prepared. • Donor assistance identified.	• SC report. • Computerisation Plan report. • Donor commitment to assistance.	• Proposed systems meet GDC's needs and are practical to deliver. • Donor assistance not identified.

Level	Indicators of Achievement	Verification Source	Assumptions & Risks
Project Inputs • The EC to supply the equivalent in kind of € 2.059.280 • EC provision of: One long-term technical advisor (36 m/m). Various short term technical experts (19 m/m). One medium legal expert (12m/m). Various short term legal experts (19 m/m). • EC supplied support staff. • ECF supplied vehicle and equipment. • One full time GDC Programme Manager. • One part time GDC Programme Director. • GDC supplied support staff. • GDC supplied equipment etc (for own staff).		• Technical Assistance Service Contract • Project Work Plans and Progress Reports • Auditors' reports • Steering Committee Minutes • Reports of short-term specialists • Full-time presence of Vietnamese Project Manager. • SC working.	• Timely conclusion of Technical Assistance Service Contract • Qualified short-term specialists can be identified and mobilised as and when required • Timely processing of funding requests by the Commission Services

Component 4: Accounting, Auditing, Insurance

Level	Indicators	Verification Source	Assumptions
Overall Project Objective			
▪ To improve accounting, auditing, and insurance legislation, and ▪ To develop related standards in line with international standards.	▪ Comprehensive legislation on accounting/auditing and insurance established	▪ Ministry of Finance. ▪ Accounting/Auditing organisations in Vietnam ▪ Insurance corporations in Vietnam ▪ International and domestic accounting and audit firms ▪ International and domestic insurance companies	▪ Promulgation of accounting laws and standards ▪ Valid advice is acted upon.
Project Purpose			
I. Accounting and Auditing			
▪ Assist to finalise the accounting and auditing legal frame work in Vietnam	▪ Decrees, Regulations ▪ Vietnamese Accounting Standards ▪ Vietnamese Standards on Auditing	▪ MOF ▪ VAA ▪ International auditing firms ▪ Vietnamese auditing firms ▪ Media	▪ Political will to adopt a system based in international standards
▪ Assist to develop professional organisations	▪ Capacity development within the organisations	▪ MOF ▪ VAA ▪ International auditing firms; ▪ Vietnamese auditing firms ▪ Universities	▪ Sponsorship of MOF
▪ Assistance in training	▪ Training courses ▪ Study tours	▪ MoF ▪ VAA ▪ International auditing firms; ▪ Vietnamese auditing firms ▪ Universities	▪ New legislation, standard promulgated
II. Insurance			
▪ Assist to develop insurance legal framework in Vietnam	▪ Decrees and circulars ▪ Regulatory framework for monitoring operation ▪ Design of monitoring system ▪ Training assistance	▪ MoF ▪ Vietnamese insurance companies ▪ International insurance companies ▪ Vietnam Insurance Association	▪ Political will in implementing the Law on Insurance
Project Outputs			
I. Accounting and Auditing			
▪ Law and decrees on accounting promulgated;	▪ Law and decrees ▪ Standards	▪ MOF ▪ VAA	▪ Internationally accepted (not too Vietnamised)

▪ 30 accounting standards issued; ▪ 15 auditing standards issued; ▪ Development of professional organisations	▪ Development of professional organisations	▪ International auditing firms ▪ Vietnamese auditing firms ▪ Universities	▪ Workable by businesses and accounting profession
II. Insurance			
▪ Transparent and internationally recognised legislation ▪ Training for Insurance Supervision Division and related organisations	▪ Decrees and circulars ▪ Proper operation of Insurance Supervision Division ▪ Efficient and effective legal and professional environment for industry	▪ MOF ▪ International insurance companies ▪ Domestic insurance companies ▪ Vietnam Insurance Association ▪ Media	▪ Insurance market continues to grow ▪ Products offered by all companies allowed to develop ▪ Even playing field for all companies
Project Inputs ▪ The EC to grant €785.315. ▪ EC provision of: - Two long-term technical advisor (24 m/m in total). - Short termShort-term technical experts (6 m/m). - Local experts (20m/m). ▪ MoF provision of : - One part time Project Director. - Supplied support staff. - Equipment and facilities	▪ Technical Assistance Service Contract ▪ Project Work Plans and Progress Reports ▪ Steering Committee Minutes ▪ Reports of short-term specialists ▪ Presence of Vietnamese Project Manager. ▪ SC working.	▪ Timely conclusion of Technical Assistance Service Contract ▪ Qualified short-term specialists can be identified and mobilised as and when required ▪ Timely processing of funding requests by the Commission Services	

Component 5: Statistical Analysis, Policy Tools

Level	Indicators	Verification Source	Assumptions
Overall Project Objective			
To improve staff skills and practise in data analysis, monitoring and forecasting and produce information system to monitor enterprises and investment projects as well as providing tools to enhance their product.	• MPI monitoring complete. • Improved accuracy in Government analysis and forecasting. • Government crisis reaction processes speeded. • IS system monitoring enterprises and investment operational.	• GSO statistics. • MPI reports. • Government, PM & National Assembly feedback. • Media reaction.	• MPI produces and implements a Business Plan (or similar). • Valid advice is acted upon. • Network IT equipment functional. • Set timeframes achievable.
Project Purpose			
1. To improve staff skills and practise in short term monitoring of statistics.	• Reports produced quickly. • Historical data proves previous monitoring accurate. • Manuals produced.	• MPI reports. • Follow up validation. • GSO statistics. • Manuals.	• Valid advice is acted upon. • Management and staff commitment. • Sufficient expert resources available.
2. To improve assistance in improving staff skills in the areas of medium and long term planning and policy analysis as well as forecasting procedures.	• Reports produced quickly. • Historical data proves previous monitoring accurate. • Manuals produced.	• MPI reports. • Follow up validation. • GSO statistics. • Manuals.	• Valid advice is acted upon. • Management and staff commitment. • Sufficient expert resources available.
3. To assist in the building up of information systems for managing enterprises and investment projects.	• IS system in place and working. • Manuals produced.	• MPI reports. • Manuals.	• Valid advice is acted upon. • Management and staff commitment. • Sufficient expert resources available.

Level	Indicators	Verification Source	Assumptions
4. To provide both hard and soft ware IT equipment to enable the MPI to complete their local area communications network at three HQ sites in Hanoi and connections to twenty provincial offices.	• Network systems operational. • Manuals produced.	• MPI reports. • Manuals.	• EC Delegation procurement support established and active. • Procurement procedures and responsibilities fully understood by all concerned. • MPI infrastructure in place.
Project Outputs			
1. Communication established between the Adviser and the appropriate EC Delegation section responsible for the procurement of equipment and clear definitions of role and responsibilities agreed.	• Contracts signed and equipment delivered. • Network IT equipment installed and operational.	• MPI reports. • Project reports. • EC reports.	• MPI, EC management and staff commitment. • Valid advice is acted upon. • Suitable equipment identified for supply locally.
2. A needs analyses completed.	• Reports and recommendations presented to PD & EC.	• MPI reports. • Project reports etc. • Action plan.	• Sufficient expert resources available. • Set timeframes achievable. • Management and staff co-operation.
3. A MPI Action Plan produced and implemented.	• Plan published. • Actions commenced. • Specific projects started. • Training given.	• MPI reports. • Action Plan. • Project reports.	• MPI management actively involved. • Management and staff commitment. • Management use expert inputs.

Level	Indicators	Verification Source	Assumptions
4. Key staff trained, mainly by way of 'in desk' methods, to monitor statistics in logical, accurate and timely methods.	• Key MPI staff trained. • Statistical monitoring reports produced quicker and more accurately. • Manuals produced.	• MPI reports. • Statistical reports. • Project reports. • Government feedback. • Manuals.	• Valid advice is acted upon. • Set timeframes achievable. • Management and staff commitment.
5. Key staff trained, mainly by way of 'in desk' methods, medium and long term planning and policy analysis as well as forecasting procedures.	• Key MPI staff trained. • Medium and long term data analysis and forecast reports produced quicker and more accurately. • Manuals produced.	• MPI reports. • Statistical reports. • Project reports. • Government feedback. • Manuals.	• Valid advice is acted upon. • Set timeframes achievable. • Management and staff commitment.
6. Assistance given to design information systems for managing enterprises and investment projects designed and make them operational.	• IS system is operational.	• MPI reports. • Project reports. • PM /Government feedback. • Manuals.	• Valid advice is acted upon. • Set timeframes achievable. • Management and staff commitment.
7. Appropriate manuals produced.	• All manuals published.	• MPI reports. • Project reports. • Manuals.	• Valid advice is acted upon. • Set timeframes achievable. • Management and staff commitment.

Level	Indicators	Verification Source	Assumptions
8. Hard and soft ware IT equipment supplied to enable the MPI to complete their local area communications network at three HQ sites in Hanoi and connections to twenty provincial offices. Specifically: o 3 large servers. o 2 small servers. o Cabling, HUBs, switches, modems, network cards, etc. o System software (Windows NT and Back Office). o 90 PCs. o 20 laser printers. o 20 modem / router. o Network facilities, telecommunications, connections to 'centre' and ancillary equipment.	• Network installed. • Network properly operational.	• MPI reports. • Project reports. • Manuals.	• Management and staff commitment. • Valid advice is acted upon. • Set timeframes achievable.
Project Inputs • The EC to supply the equivalent in kind of €1.076.690. • EC provision of: One long-term technical advisor (18 m/m). Various short term EC technical experts (10 m/m). Various short term local Experts (10 m/m) • EC supplied support staff. • EC supplied networking IT equipment for MPI. • ECF supplied vehicle and equipment. • One full time MPI Programme Manager. • One part time MPI Programme Director. • MPI supplied support staff as required. • MPI supplied equipment etc (for own staff).	• Technical Assistance Service Contract • Project Work Plans and Progress Reports • Auditors' reports • Reports of short-term specialists • Full-time presence of Vietnamese Project Manager. • EC reports.	• Timely conclusion of Technical Assistance Service Contract • Qualified short-term specialists can be identified and mobilised as and when required • Timely processing of funding requests by the Commission Services	

Level	Indicators	Verification Source	Assumptions
Overall Project Objective			
▪ To improve knowledge and confidence on the MSTQ process, through the harmonisation of both the conformity assessment procedures and the level of the quality infrastructures with the international ones.	▪ Reliability of the MSTQ System ▪ Legal framework established and implemented ▪ International mutual recognition ▪ Reduction of trade barriers ▪ Confidence of industry	▪ Government's Ordinances ▪ MOST's STAMEQ ▪ MOFI's NAFIQACEN ▪ MOT ▪ Industry ▪ Media ▪	▪ The PSC is properly constituted ▪ The 3 Ministries are willing to collaborate ▪ The priorities are rationally defined ▪ The personnel to be trained is correctly selected ▪ The legal framework is stable and well defined ▪ There is no lack of communication
Project Purpose			
▪ To help STAMEQ in completing its implementation/revision of the MSTQ practice, starting from the indicated urgent sectors	▪ Food Standards *corpus*, including Fisheries, adopted/issued by VNSI ▪ National Standard *corpus* completed/planned ▪ VMC aligned with international practice ▪ QUATEST operators skilled ▪ QUACERT operators professionally advanced ▪ BoA recognised internationally ▪ Timely responses ▪ Range of offered services ▪ Increased confidence	▪ VNSI list of published/available/planned Standards ▪ Government approval ▪ Ministries degree of satisfaction ▪ Ministries participation to VNSI activities ▪ Industry's degree of satisfaction ▪ Industry's participation to VNSI activities ▪ VMC degree of self-financing ▪ Time to get a service (QUATEST, QUACERT, BoA) ▪ PSC progress reports ▪ Media	▪ Government supports the activities ▪ STAMEQ accepts the defined priorities ▪ Industry is encouraged to take part proactively

Level	Indicators	Verification Source	Assumptions
▪ To assist MOFI in the required updating and improvement of NAFIQACEN and in the formative activities	▪ Government Ordinances ▪ MOFI statistics ▪ Elimination of dangers to health ▪ Reduction/elimination of export obstacles ▪ Skill level ▪ Increased confidence ▪ Scholarisation ▪ Media	▪ Government ▪ MOFI ▪ Export statistics ▪ MOT ▪ Ministry of Health ▪ Industry ▪ Fishery enterprises ▪ Media	▪ MOFI states a proper plan of training ▪ Availability of operators to be trained ▪ Increased degree of communication ▪ Timely verification of the results ▪ Media strongly involved
▪ To harmonise the above purposes in order to get a reliable MSTQ system and an improved and durable degree of confidence	▪ Clear and stable legal framework ▪ Availability of Standards ▪ Reliability of the Testing and Certification system ▪ International recognition and mutual agreements ▪ Sectoral certification supported by a central reference ▪ Degree of international confidence ▪ Increase of the quality culture and sensibility ▪ Industry to take advantage from the existing structure ▪ Presence of quality themes on the media	▪ Legislation ▪ STAMEQ list of Standards ▪ STAMEQ list of clients ▪ Ministries statistics ▪ Industry ▪ Associations ▪ Media	• Lack of conflicts among Authorities • Planning well established, regularly reviewed and respected • Building up of Quality as a continuous process • Willingness to establish the Vietnam Quality System
Project Outputs			
▪ Stable and agreed legal framework, shared between the concerned parts	▪ Proper legislation issued ▪ Absence of work duplication ▪ Mutual recognition among Vietnam Authorities ▪ Continuous legal improvement ▪ Communication enhanced	▪ Government Ordinances ▪ Ministries ▪ Industry ▪ Associations	▪ Willingness to clarify the legal framework ▪ Willingness to cooperate among the concerned parts

Level	Indicators	Verification Sources	Assumptions
▪ Completion of the existing National Standard *Corpus* and follow up	• Food (Fishery) Standard issued • Planning of lacking urgent Standards • Number of participants to the standardisation activity • Presence of industry, SOE and private • Collaboration with international organisations • Governmental support to the activities •	▪ List of VNSI standards ▪ VNSI annual planning ▪ VNSI list of members ▪ VNSI meetings attendance list ▪ Governmental standard implementation	▪ VNSI planning is flexible ▪ Industry decides to participate proactively ▪ Participation to international activities can be financed ▪ Government to sustain the action
• Improvement of the capability of the Vietnam Quality System	• Standards timely available • National Metrology recognised • Quality operators skilled • Reduction of non conformities • Alignment to the international praxis • Confidence in the System	• STAMEQ • Ministries • National and export statistics • Industry • Media	▪ Absolute transparency ▪ Training on the job assured ▪ Government willing to have a Quality System
• Certification and accreditation system updated and enlarged, confidence enhanced, recognition in and outside Vietnam	• Number of certified organisations • Number of accredited organisations • Laws on certification and accreditation • Mutual recognition world-wide • Industry confidence	▪ QUACERT ▪ STAMEQ's BoA ▪ Legislation ▪ Ministries	▪ Government willing to have a National Quality System ▪ Increase of the exchanges with foreign countries
• Availability of a reference point for the Private Sector	• Completeness of the offered services • International traceability • Competence of operators • International formation and approach	▪ STAMEQ ▪ MOFI ▪ MOT ▪ VCCI ▪ MPI	▪ Government willing to help the Private Sector ▪ Private Sector organising and able to operate ▪ Redistribution of jobs and competences

Project Inputs ▪ The EC to grant € 2.432.680. ▪ EC provision of: - one long-term technical advisor (36 m/m in total). - Short term technical experts (28 m/m). - Short term expert (20 m/m) - Local experts (50m/m). ▪ STAMEQ provision of : - One full time Project Director. - Supplied support staff. - Equipment and facilities	▪ Technical Assistance Service Contract ▪ Project Work Plans and Progress Reports ▪ Steering Committee Minutes ▪ Reports of short-term specialists ▪ Full-time presence of Vietnamese Project Manager. ▪ SC working.	▪ Timely conclusion of Technical Assistance Service Contract ▪ Qualified short-term specialists can be identified and mobilised as and when required ▪ Timely processing of funding requests by the Commission Services

Annexe C

List of ABBREVIATIONS

ADB	Asian Development Bank
AFTA	Asean Free Trade Agreement
APEC	Asia Pacific Economic Co-operation
ASEAN	Association of Southeast Asian Nations
ASEM	Asia – Europe Meetings
AUSAID	Australian Agency for International Development
CEPT	Common Effective Preferential Tariff
CG	Consultative Group
CGPRS	Comprehensive Growth and Poverty Reduction Strategy
CIDA	Canadian International Development Agency
CIEM	Centre for Institutional and Economic Management
CSP	Country Strategy Paper
DANIDA	Danish Agency for International Development
DFID	Department for International Development, UK
FDI	Foreign Direct Investment
GDC	General Department of Customs
GOV	Government of Vietnam
GSO	General Statistic Office
HCMC	Ho Chi Minh City
HEPR	Hunger Eradication and Poverty Reduction
IAS	International Accounting Standards
IDA	International Development Association
IDT	International Development Target
IL	Inclusion List
IMF	International Monetary Fund
ISP	Information System for Economic Planning
IT	Information Technology
JICA	Japan International Co-operation Agency
LTE	Long Term Expert
MOF	Ministry of Finance
MOI	Ministry of Industry
MOJ	Ministry of Justice
MOSTE	Ministry of Science and Technology
MOT	Ministry of Trade
MPI	Ministry of Planning and Investment
MUTRAP	Multilateral Trade Policy Assistance Programme
NA	National Assembly
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
NSCERD	National Steering Committee for Enterprise Reform and Development
NTB	Non-Tariff Barriers
NTR	Normal Trade Relation
ODA	Official Development Assistance
OOG	Office of Government
PAR	Public Administration Reform
PCU	Project Co-ordination Unit
PER	Public Expenditure Review
PIP	Public Investment Program
PMU	Project Management Unit

PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit
PTF	Poverty Task Force
QR	Quantitative Restriction
QUACERT	Vietnam Certification Services
QUATEST	Quality Assurance and Testing Centre
SBV	State Bank of Vietnam
SME	Small and Medium Enterprise
SOCB	State Owned Commercial Bank
SOE	State Owned Enterprises
STAMEQ	Directorate for Standards and Quality
STE	Short Term Expert
TA	Technical Assistance
TC	Training Centre
UNDP	United Nations Development Program
USBTA	United States Bilateral Trade Agreement
VAT	Value Added Tax
VN	Vietnam
WTO	World Trade Organisation

Annexe D

COST CALCULATIONS COMPONENTS 1-6

Component 1

Category Breakdown	EC	Beneficiary	Total
	In EURO		
1. Services	**1 604 000**	**100 000**	**1 704 000**
1.1 European TA	1 564 000	0	1 564 000
Long-term advisor(s)	1 176 000		1 176 000
Short-term experts	388 000		388 000
1.2 Local TA	40 000	100 000	140 000
2. Supplies	**50 000**	**0**	**50 000**
2.1 Vehicles & equipment	50 000		50 000
2.2 Consumables			0
3. Activities	**50 000**	**0**	**50 000**
3.1 Seminar/workshops	50 000		50 000
4. Information	**50 000**		**50 000**
5. Operating Costs	**105 600**	**100 000**	**205 600**
5.1 Local personnel	72 000	50 000	122 000
5.2 Other costs (running costs, local transport, communications, office supplies	33 600	50 000	83 600
6. Training	**50 000**	**0**	**50 000**
7. Contingencies	**95 480**	**0**	**95 480**
Total	**2 005 080**	**200 000**	**2 205 080**

Component 2

Category Breakdown	EC	Beneficiary	Total
	In EURO		
1. Services	**1 997 500**	**100 000**	**2 097 500**
1.1 European TA	1 927 500	0	1 927 500
Long-term advisor(s)	608 000		608 000
Short-term experts	1 319 500		1 319 500
1.2 Local TA	70 000	100 000	170 000
2. Supplies	**50 000**	**0**	**50 000**
2.1 Vehicles & equipment	50 000		50 000
2.2 Consumables			0
3. Activities	**50 000**	**0**	**50 000**
3.1 Seminar/workshops	50 000		50 000
4. Information	**50 000**		**50 000**
5. Operating Costs	**105 600**	**100 000**	**205 600**
5.1 Local personnel	72 000		72 000
5.2 Other costs (running costs, local transport, communications, office supplies	33 600	100 000	133 600
6. Training	**50 000**	**0**	**50 000**
7. Contingencies	**115 155**	**0**	**115 155**
Total	**2 418 255**	**200 000**	**2 618 255**

Component 3

Category Breakdown	EC	Beneficiary	Total
	In EURO		
1. Services	**1 658 000**	**100 000**	**1 758 000**
1.1 European TA	1 588 000	0	1 588 000
Long-term advisor(s)	608 000		608 000
Short-term experts	980 000		980 000
1.2 Local TA	70 000	100 000	170 000
2. Supplies	**50 000**	**0**	**50 000**
2.1 Vehicles & equipment	50 000		50 000
2.2 Consumables			0
3. Activities	**50 000**	**0**	**50 000**
3.1 Seminar/workshops	50 000		50 000
4. Information	**50 000**		**50 000**
5. Operating Costs	**105 600**	**100 000**	**205 600**
5.1 Local personnel	72 000	50 000	122 000
5.2 Other costs (running costs, local transport, communications, office supplies	33 600	50 000	83 600
6. Training	**50 000**	**0**	**50 000**
7. Contingencies	**98 180**	**0**	**98 180**
Total	**2 061 780**	**200 000**	**2 261 780**

Component 4

Category Breakdown	EC	Beneficiary	Total
	In EURO		
1. Services	**567 500**	**50 000**	**617 500**
1.1 European TA	497 500	0	497 500
Long-term advisor(s)	394 000		394 000
Short-term experts	103 500		103 500
1.2 Local TA	70 000	50 000	120 000
2. Supplies	**40 000**	**0**	**40 000**
2.1 Vehicles & equipment	40 000		40 000
2.2 Consumables			0
3. Activities	**20 000**	**0**	**20 000**
3.1 Seminar/workshops	20 000		20 000
4. Information	**20 000**		**20 000**
5. Operating Costs	**52 800**	**40 000**	**92 800**
5.1 Local personnel	36 000	20 000	56 000
5.2 Other costs (running costs, local transport, communications, office supplies	16 800	20 000	36 800
6. Training	**50 000**	**0**	**50 000**
7. Contingencies	**35 848**	**0**	**35 848**
Total	**786 148**	**90 000**	**876 148**

Component 5

Category Breakdown	EC	Beneficiary	Total
	In EURO		
1. Services	**525 000**	**50 000**	**575 000**
1.1 European TA	485 000	0	485 000
Long-term advisor(s)	296 000		296 000
Short-term experts	189 000		189 000
1.2 Local TA	40 000	50 000	90 000
2. Supplies	**370 000**	**0**	**370 000**
2.1 Vehicles & equipment	370 000		370 000
2.2 Consumables			0
3. Activities	**20 000**	**0**	**20 000**
3.1 Seminar/workshops	20 000		20 000
4. Information	**10 000**		**10 000**
5. Operating Costs	**52 800**	**50 000**	**102 800**
5.1 Local personnel	36 000	25 000	61 000
5.2 Other costs (running costs, local transport, communications, office supplies	16 800	25 000	41 800
6. Training	**50 000**	**0**	**50 000**
7. Contingencies	**50 557**	**0**	**50 557**
Total	**1 078 357**	**100 000**	**1 178 357**

Component 6

Category Breakdown	EC	Beneficiary	Total
	In EURO		
1. Services	**1 686 000**	**100 000**	**1 786 000**
1.1 European TA	1 506 000	0	1 506 000
Long-term advisor(s)	608 000		608 000
Short-term experts	898 000		898 000
1.2 Local TA	180 000	100 000	280 000
2. Supplies	**300 000**	**0**	**300 000**
2.1 Vehicles & equipment	300 000		300 000
2.2 Consumables			0
3. Activities	**50 000**	**0**	**50 000**
3.1 Seminar/workshops	50 000		50 000
4. Information	**80 000**		**80 000**
5. Operating Costs	**105 600**	**100 000**	**205 600**
5.1 Local personnel	72 000	50 000	122 000
5.2 Other costs (running costs, local transport, communications, office supplies	33 600	50 000	83 600
6. Training	**100 000**	**0**	**100 000**
8. Contingencies	**113 580**	**0**	**113 580**
Total	**2 435 180**	**200 000**	**2 635 180**