PROGRAM AGREEMENT

BETWEEN

THE GOVERNMENT OF THE SWISS CONFEDERATION

represented by
The Swiss State Secretariat for Economic Affairs (SECO)

AND

THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM

represented by
The Ministry of Industry and Trade (MoIT)

ON

"Decentralized Trade Support Services for Strengthening the International Competitiveness of Vietnamese Small and Medium-sized Enterprises"

June 1, 2013 – May 31, 2017

Within the Framework Agreement concerning Cooperation and Development signed by both Governments on June 7, 2002, in Bern, the Government of the Swiss Confederation (hereinafter referred to as the "Government of Switzerland") and the Government of the Socialist Republic of Vietnam (hereinafter referred to as the "Government of Vietnam") bearing regard to the ties of friendship existing between the two countries and with the objective of enhancing their development cooperation, have agreed on the following:

ARTICLE 1

FIELD OF COOPERATION

The Government of Switzerland shall continue to support the Government of Vietnam in its efforts to contribute to sustainable economic growth by a better integration into the world trading system. Trade is recognized as an important driver of economic development and hence poverty reduction. The cooperation, therefore, is focusing on developing sustainable trade which creates jobs and generates income in dynamic but less developed regions of Vietnam by increasing the international competitiveness of exporting SMEs through an effective decentralized trade support infrastructure.

This cooperation shall be known as "Decentralised Trade Support Services for Strengthening the International Competitiveness of Vietnamese Small and Medium sized Enterprises" (herein after referred to as "the Program").

ARTICLE 2

SPECIFIC OBJECTIVES

2.1. The development goal and objectives of the Program are as follows:

Development goal: to contribute to sustainable and inclusive economic growth by facilitating trade development, and more specifically, the effective implementation of the National Export-Import Strategy 2011-2020 which aims at strengthening the performance of the export sector.

Overall objective: to increase the international competitiveness of exporting SMEs in Northern-, Central- and Southern Vietnam through decentralized trade support services.

The Program pursues the following three immediate objectives:

Immediate objective 1: Effective use by regional SMEs of professional trade development services provided by strong and sustainable Regional Trade Support Networks;

Immediate objective 2: A stronger national trade supporting environment is facilitating SME exports; and

Immediate objective 3: Vietnam's Trade Promotion Agency (VIETRADE)'s back-stopping capacity for provincial Trade Promotion Organisations, Trade Support Institutions and Product Associations is strengthened.

2.2. The details of the Program, the objectives, the expected outputs and the activities, the budget, the work plan for the inception phase and the logical framework are stipulated in the Program Document (Annex 1) which forms an integral part of this Agreement.

ARTICLE 3

ORGANIZATIONAL AND MANAGEMENT STRUCTURES

3.1. The Government of Vietnam shall participate in the Program through the Ministry of Industry and Trade (hereinafter referred to as "MoIT").

3.2. The Government of Switzerland shall participate in the Program through the State Secretariat for Economic Affairs (hereinafter referred to as "SECO").

3.3. The Program will be executed nationally by the Vietnam Trade Promotion Agency (VIETRADE) under the MoIT. In accordance with the Hanoi Core Statement on Aid Effectiveness, VIETRADE will execute the Program in cooperation with the provincial Trade Promotion Organizations, Trade Support Institutions and exporting SMEs in the target regions. Also, VIETRADE will be supported by an international advisor, the International Trade Center and other international experts.

3.4 The Program Steering Committee (PSC) includes representatives of the following: Ministry of Planning and Investment, Ministry of Industry and Trade, Ministry of Finance, VIETRADE, the three Regional Trade Support Networks, SECO, and the International Trade Center (ITC). The PSC meeting will be co-chaired by VIETRADE and SECO.

The PSC normally meets once a year and is responsible for guiding the Program strategically. Moreover, it is in charge of reviewing and approving annual reports on the progress, the financial situation, the work plans and budgets of the Program.

3.5 The International Senior Technical Adviser (STA) who had worked for the Project VIE/61/94 "Support to Trade Promotion and Export Development in Vietnam" 2004 - 2009 will be directly appointed by SECO to continue the STA mandate as described in the Program document for the first year (12 months) of the Program to support the PMU and to ensure the smooth implementation as soon as the Program starts.

A successor STA will be procured by VIETRADE in accordance with the Vietnamese procurement rules (Article 5.3) during the first nine (9) months of the inception phase. VIETRADE shall ensure that the successor STA shall be in place and start working for the Program at least three months before the contract of the appointed STA is terminated to ensure the smooth hand-over in the first year of implementation.

ARTICLE 4

CONTRIBUTIONS

4.1. The Government of Vietnam commits to make an in-kind contribution to the Program equivalent to an amount of USD 570'570 (five hundred and seventy thousand five hundred and seventy USD) to cover for office space and equipment, meeting and training rooms and part-time salaries of VIETRADE's senior and support staff working in the Program Management Unit (PMU) and a portion of the National Trade Promotion Program managed by VIETRADE.

4.2. The Swiss Government shall provide a non-reimbursable grant of up to USD 3'320'000 (three million three hundred and twenty thousand USD), for financing the

Program. This contribution is equivalent to around 85 % of the total budget, and shall be used in accordance with the Program Document (see Annex 1).

A detailed annual budget will be provided on a yearly basis in accordance with the annual work plans.

ARTICLE 5

BUDGET AND PROCUREMENT

5.1. The annual budget of the Program shall be based on its annual work plans which will be fine-tuned from year to year. The annual budget shall be within the budget frame specified in the Program Document (see Annex 1).

The annual budgeting will be in line with the latest version of UN-EU Guidelines for financing of local costs in development cooperation in Vietnam, taking into account the current cost level.

5.2. The funds will be released on a half-yearly basis subject to the approval by the PSC of the detailed annual work plan and the corresponding annual budget as well as satisfactory Program progress.

5.3. The Program is executed nationally in compliance with the Hanoi Core Statement on Aid Effectiveness, and hence applies the Vietnamese procurement rules.

ARTICLE 6

ACCOUNTING AND AUDITING

6.1. The Swiss contribution shall be transferred in half-yearly instalments from SECO to VIETRADE. For this purpose, VIETRADE will open a separate bank account in American dollars (USD) at a commercial bank and under the Program title.

6.2 Independent financial audits of the Program will be conducted on an annual basis in line with SECO's financial audit policy. The audit company needs to be qualified and independent to perform the audits according to international standards of auditing (ISA). VIETRADE commits to adopt the recommendations as stipulated in the management letter of the audit company. The Swiss Cooperation Office in Hanoi will be consulted by VIETRADE for the recruitment of the audit company; VIETRADE is responsible for mandating and contracting the audit company.

6.3 Financial responsibilities and management for the Vietnamese and Swiss contributions will be in line with current Vietnamese regulations on ODA management and with the Hanoi Core Statement on Aid Effectiveness.

ARTICLE 7

MONITORING, REPORTING AND EVALUATION

7.1. The PSC will give strategic guidance, review and monitor the Program progress based on the annual progress report and the annual financial report, and approve the annual work plan and corresponding annual budget. The decisions by the PSC are made by consensus.

7.2. The PMU will prepare and submit to the PSC members the following reports: Annual progress report, annual financial report, annual work plan and annual budget for the next operational year, and after Program termination a final report covering the whole Program period.

All reports shall be submitted to the PSC ten days in advance of its annual meeting to allow for a proper meeting preparation. The progress reports shall follow the structure of the logical framework and inform on progress against the set objectives and outputs.

7.3. The first external evaluation will be conducted towards the end of the inception year in order to review the Program progress and to generate recommendations which will help to refine the contents of the main phase.

A second external evaluation can take place at the Program mid-term if deemed useful by the PSC.

An external ex-post evaluation will be conducted approximately one year after the Program termination to assess the Program impacts.

SECO will be in charge of recruiting, and mandating the external evaluators, funding is included in the Program budget.

ARTICLE 8

OWNERSHIP

8.1. For the duration of the Program, investments and equipment (hereafter referred to as "items") provided by the Swiss Government shall remain at the unrestricted disposal of the Program and shall not be diverted for other purposes without prior approval of the PSC. If, for any reason whatsoever, items or parts thereof become useless for the Program, they may be sold if the PSC so agrees. The utilisation of the proceeds of such sales shall be shown in the financial reports and agreed upon by the PSC.

8.2. Items financed under the Swiss contribution shall become the property of the Vietnamese partners upon entry into the respective inventory at the end of the Program.

8.3. Equipment purchased in previous phases will be shifted and continued to use in this Program. At the end of this Program, Program assets will be transferred in line with the decision taken by the PSC.

ARTICLE 9

PUBLICATION AND INTELLECTUAL PROPERTY

9.1. Results of collaborative research will be published as mutually agreed. The results of the co-operative work will be published jointly by the scientists working for the participating organisations/agencies.

9.2. Intellectual property rights, in particular copyrights, of material such as information, software and designs, made available by VIETRADE and the participating organisations/agencies to be used to carry out activities under this agreement shall remain with the originating party.

Copyrights of the information as well as the rights to any other intellectual property that are developed jointly by the Program and participating organisations/ agencies under this agreement shall be jointly owned by the parties.

VIETRADE will provide SECO with copies of any report or paper published as the results of the grant and will acknowledge the role of SECO in support of the Program in any report or paper published.

ARTICLE 10

SETTLEMENT OF CONFLICTS

Any difference or dispute arising out of the interpretation or implementation of this Agreement shall be settled amicably by consultation between the two Governments.

ARTICLE 11

ANTICORRUPTION CLAUSE

The two Governments share a common concern in the fight against corruption, which jeopardizes good governance and the proper use of resources needed for development. They declare, therefore, their intention of combining their efforts to fight corruption and, in particular, declare that any offer, gift, payment, remuneration or benefit of any kind whatsoever, made to whomsoever, directly or indirectly, with a view to being awarded a mandate or contract within the framework of this Agreement, or during its execution, will be construed as an illegal act or corrupt practice. Any act of this kind constitutes sufficient grounds to justify annulment of the present Agreement, the procurement or resulting award, or for taking any other corrective measures foreseen by applicable legislation.

ARTICLE 12

TERMINATION

12.1. This Agreement may be terminated at any time by either Government by means of written notice given at least six months in advance.

12.2. In the event of default by one of the Governments or one of their executing representatives in the fulfilment of the basic principles or any commitment or obligation under this Agreement, the other Government may give notice to suspend the application of the Agreement. Should the reason for the suspension continue beyond six months the said Government may terminate the Agreement immediately. The two Governments shall try to settle the cause of suspension through negotiations and diplomatic means.

12.3. If events resulting from force majeure (natural disaster, war etc.) prevent the execution of the Agreement, either Government may terminate the Agreement with effect from the manner when it becomes impossible to carry it out.

12.4. In case of premature termination of the present Agreement or at the end of the Program, any unspent funds provided within the frame of the Program shall be returned to SECO.

ARTICLE 13

FINAL PROVISIONS

13.1. The present Agreement shall come into force upon signature and cover the period from June 1, 2013 until May 31, 2017. It shall remain valid until the fulfilment of all mutual obligations.

13.2. Amendments to this Agreement shall be effected by means of exchange of letters between the two Governments.

13.3. The following annexes form integral part of this Agreement.

Annex 1: Program Document

Done in Hanoi on 31 May, 2013, in two original copies in the English language.

ON BEHALF OF THE GOVERNMENT OF THE SWISS CONFEDERATION

Andrej Motyl
Ambassador
Embassy of Switzerland in Vietnam

ON BEHALF OF THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM

Tran Tuan Anh
Vice Minister
Ministry of Industry and Trade