DENMARK TRUST FUND
Grant Agreement

(Eighth Poverty Reduction Support Development Policy Financing)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the Denmark Trust Fund for Co-financing of the Eighth Poverty Reduction Support Development Policy Financing

Dated June 8, 2010
GRANT NUMBER TF095964-VN

DENMARK TRUST FUND
GRANT AGREEMENT

AGREEMENT dated June 8, 2010, entered into between:

SOCIALIST REPUBLIC OF VIETNAM ("Recipient"); and

INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Denmark Trust Fund, for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement) through the co-financing of the Eighth Poverty Reduction Development Policy Financing extended to the Socialist Republic of Vietnam by the International Development Association acting in its own capacity.

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 ("Standard Conditions"), with the modifications set forth in Section II of the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
The Program

2.01. The Recipient declares its commitment to the Program and its implementation. To this end:

(a) the Recipient and the World Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;

(b) prior to each such exchange of views, the Recipient shall furnish to the World Bank for its review and comment a report on the progress...
achieved in carrying out the Program, in such detail as the World Bank shall reasonably request; and

(c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall exchange views with the World Bank on any proposed action to be taken after the disbursement of the Grant which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program.

Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to Dkr 58,104,647 (Danish Kroner fifty-eight million, one hundred and four thousand, six hundred and forty seven) ("Grant") to assist in financing the Program.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Schedule 1 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following: namely that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

Article V
Effectiveness

5.01. This Agreement shall become effective upon its execution by the parties hereto.

Article VI
Recipient’s Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Governor, or a Deputy Governor, of the State Bank of Vietnam.
6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

State Bank of Vietnam
49 Ly Thai To
Ha Noi
Socialist Republic of Vietnam

Cable: VIETBANK Telex: 412248 Facsimile: (84-4) 3 825 0612
Hanoi NHTWVT

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INDEVAS Telex: 248423 (MCI) or 1-202-477-6391 Facsimile 64145 (MCI)

AGREED at Hanoi, Vietnam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By Nguyen Van Binh Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the Denmark Trust Fund for Co-financing of the Eighth Poverty Reduction Support Development Policy Financing

By Victoria Kwakwa
Victoria Kwakwa
Country Director
SCHEDULE 1

Availability of Grant Proceeds

A. **General.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient.

B. **Allocation of Grant Amounts.** The Grant shall be withdrawn in a single tranche. The allocation of the amounts of the Grant to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Grant Allocated (in Danish Kroner)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Tranche</td>
<td>Dkr 58,104,647</td>
</tr>
<tr>
<td>Total Amount</td>
<td>Dkr 58,104,647</td>
</tr>
</tbody>
</table>

C. **Withdrawal Tranche Release Conditions.**

1. No withdrawal shall be made of the single withdrawal tranche unless the World Bank is satisfied (a) with the Program being carried out by the Recipient, and (b) with the appropriateness of the Recipient’s macroeconomic policy framework.

D. **Deposit of Grant Amounts.** Except as the World Bank may otherwise agree:

1. The Recipient shall open, prior to furnishing to the World Bank the first request for withdrawal from the Grant Account, and thereafter maintain a deposit account in a foreign currency acceptable to the World Bank (“Foreign Currency Deposit Account”) on terms and conditions satisfactory to the World Bank.

2. All withdrawals from the Grant Account shall be deposited by the World Bank into said Foreign Currency Deposit Account. Upon each deposit of an amount of the Grant into the Foreign Currency Deposit Account, the Recipient shall deposit an equivalent amount in local currency into an account of the Recipient within its budget management system to finance budgeted expenditures.
E. **Audit.** Upon the World Bank's request, the Recipient shall:

1. have the Foreign Currency Deposit Account audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank;

2. furnish to the World Bank as soon as practicable, but in any case not later than four (4) months after the date of the World Bank's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the World Bank shall reasonably request; and

3. furnish to the World Bank such other information concerning the Foreign Currency Deposit Account and its audit as the World Bank shall reasonably request.

F. **Excluded Expenditures.** The Recipient undertakes that the proceeds of the Grant shall not be used to finance Excluded Expenditures. If the World Bank determines at any time that an amount of the Grant was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the World Bank, refund an amount equal to the amount of such payment to the World Bank. Amounts refunded to the World Bank upon such request shall be cancelled.

G. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2010.
APPENDIX

Section 1. Definitions

1. “Excluded Expenditure” means any expenditure:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than IDA or IBRD has financed or agreed to finance, or which IDA or IBRD has financed or agreed to finance under a credit or loan, or another grant;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the World Bank by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
<tr>
<td>897</td>
<td>897.3</td>
<td>Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)</td>
</tr>
</tbody>
</table>
(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

2. “Financing Agreement” means the agreement dated August 7, 2009, entered into between the Recipient and International Development Association whereby the International Development Association has agreed to provide financing for the Program on the basis of: (a) actions which the Recipient has already taken under the Program as described in Section I of Schedule 1 to said Agreement, and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework.

3. “Foreign Currency Deposit Account” means the account referred to in paragraph D.1 of Schedule 1 to this Agreement.

4. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty, set forth in the Recipient’s Socio-economic Development Plan 2006-2010 (SEDP 2006-2010) approved by National Assembly Resolution No. 56/2006/QH11 of June 29, 2006, together with the Action Plan of the Government to implement the SEDP issued by Prime Minister Resolution No. 25/2006/NQ-CP of October 9, 2006; the Recipient having expressed its continued commitment to the execution of said Program, and requested assistance from the Association in support of the Program during its execution in a letter to the Association dated May 19, 2009.
Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. Sections 2.01 (Project Execution Generally) and 2.07 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

2. Paragraph (a) of Section 2.03 (renumbered as such pursuant to paragraph 1 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

3. Paragraph (c) of Section 2.04 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

   “Section 2.04. Documents; Records. The Recipient shall ensure that:

   … (c) all records evidencing expenditures under the Grant are retained until two years after the Closing date;”

4. Section 2.05 (renumbered as such pursuant to paragraph 1 above) is modified to read as follows:

   “Section 2.05. Program Monitoring, Reporting and Evaluation. The Recipient shall:

   … (b)(ii) ensure the preparation and delivery to the World Bank, not later than six months after the Closing Date, a completion report of such scope and in such detail as the World Bank shall reasonably request, on the execution of the Program, the performance by the Recipient and the World Bank of their respective obligations under the Grant Agreement and the accomplishment of the purposes of the Grant.”

5. Sections 3.05 (Designated Accounts) and 3.06 (Eligible Expenditures) are deleted in their entirety, and the remaining Sections in Article III are renumbered accordingly.

6. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:
"Eligible Expenditure" means any use to which the Grant is put in support of the Program, other than to finance expenditures excluded pursuant to the Grant Agreement.

(b) The term "Financial Statements" and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term "Project" is modified to read "Program" and its definition is modified to read as follows:

"Program" means the program referred to in the Grant Agreement in support of which the Grant is made. All references to "Project" throughout these Standard Conditions are deemed to be references to "Program".