
GRANT NUMBER 0060-VIE(SF)

FINANCING AGREEMENT

(Forests for Livelihood Improvement in the Central Highlands Sector Project)

between

GOVERNMENT OF THE
SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 06 JUNE 2007

FAS:VIE 34341

FINANCING AGREEMENT

FINANCING AGREEMENT dated 06 June 2007 between the Government of the Socialist Republic of Viet Nam (hereinafter called the Government) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

WHEREAS

(A) the Government and ADB have entered into a loan agreement (the Loan Agreement) for the purposes of the Project described in Schedule 1 to the Loan Agreement;

(B) the Government has applied to the Trust Fund for Forests, for a grant (hereinafter called TFF Grant) to assist in financing a part of the Project (as fully described in Schedule 1 to the Loan Agreement); and

(C) the TFF Grant will be provided through, and administered by, ADB in accordance with the terms and conditions agreed upon between TFF and ADB;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Definitions

Section 1.01. The terms defined in the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Administration and Use of the TFF Grant

Section 2.01. ADB shall administer the TFF Grant in an amount equivalent to eight million dollars (\$8,000,000). ADB shall provide the Government with the TFF Grant on a grant basis.

Section 2.02. The Government shall cause the proceeds of the TFF Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Financing Agreement.

Section 2.03. The goods and services and other items of expenditure to be financed out of the proceeds of the TFF Grant and the allocation of amounts of the TFF Grants towards different components of the TFF Grant shall be in

accordance with the provisions of the Schedule to this Financing Agreement, as such Schedule may be amended from time to time by agreement between the Government and ADB.

Section 2.04. Except as ADB and the Government may otherwise agree, all goods and services to be financed out of the proceeds of the TFF Grant shall be procured in accordance with the provisions of Schedule 4 to the Loan Agreement. ADB may refuse to finance a contract where goods or services have not been procured under procedures substantially in accordance with those agreed between the Government and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.05. Except as ADB may otherwise agree, the Government shall cause all goods and services financed out of the proceeds of the TFF Grant to be used exclusively in the carrying out of the Project.

Section 2.06. Disbursements from the TFF Grant Account in respect of goods and services shall be made only on account of expenditures relating to

- (a) goods which are produced in and supplied from and services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) goods and services which meet such other eligibility requirements as shall have been specified by ADB's policies from time to time.

Section 2.07. Subject to any conditions or restrictions specified in this Financing Agreement, ADB shall make disbursements from the TFF Grant Account for purposes of the Project upon application by the Government in accordance with the ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time.

Section 2.08. Except as ADB may otherwise agree, the Government shall establish within three months of the effective date of this Financing Agreement, a TFF Grant imprest account at a commercial bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangement agreed upon between the Government and ADB. The initial amount to be deposited into the imprest account shall be equivalent to six months' estimated expenditure, but in any case not exceeding the equivalent of five hundred thousand dollars (\$500,000).

Section 2.09. The Government shall maintain, and cause the CPMU and PPMUs to maintain, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the TFF Grant, separately from the records and accounts for the purpose of the Loan.

Section 2.10. Notwithstanding any other provision of this Financing Agreement, ADB is not obliged to make any disbursement from the TFF Grant Account, except to the extent that ADB has received the TFF Grant funds.

Section 2.11. In the carrying out of the Project and operation of the Project facilities, the Government shall perform, or cause to be performed, all obligations set forth in Article IV of the Loan Agreement and Schedule 5 to the Loan Agreement.

ARTICLE III

Suspension; Cancellation

Section 3.01. If any of the following events shall have occurred at any time after the date of this Financing Agreement and be continuing, ADB may by notice to the Government suspend in whole or in part the right of the Government to apply for disbursements from the TFF Grant Account:

- (a) The Government shall have failed to perform any of its obligations under this Financing Agreement.
- (b) The loan provided by ADB under the Loan Agreement shall have become liable for suspension or cancellation.

The right of the Government to apply for disbursements from the TFF Grant Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have, in the reasonable opinion of ADB, ceased to exist or until ADB shall have notified the Government that the right to make withdrawals has been restored in whole or in part, whichever is the earlier.

Section 3.02. If (i) the right of the Government to apply for disbursements from the TFF Grant Account shall have been suspended with respect to any amount of the TFF Grant for a continuous period of thirty (30) days, or (ii) at any time ADB determines, after consultation with the Government, that any amount of the TFF Grant will not be required for the purposes of the Project, or (iii) except as otherwise agreed upon between the Government and ADB, by the closing date for withdrawals from the Loan Account an amount of the TFF Grant shall remain undisbursed from the TFF Grant Account, ADB may by notice to the Government terminate the right of the Government to apply for disbursements with respect to such amount. Upon giving of such notice, such amount of the TFF Grant shall be cancelled.

Section 3.03. Notwithstanding any cancellation or suspension, all the provisions of this Financing Agreement shall continue in full force and effect except as in this Article specifically provided.

ARTICLE IV**Effectiveness**


Section 4.01. This Agreement shall become effective upon fulfillment of the following conditions:

- (a) The Loan Agreement shall have become effective;
- (b) The Government and ADB shall have received the confirmation of the Trust Fund for Forests that the TFF Grant will be made available for the purpose of the Project; and
- (c) The Co-Financing Agreement between the Trust Fund for Forests and ADB shall have been duly executed and delivered.

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

GOVERNMENT OF THE SOCIALIST
REPUBLIC OF VIET NAM

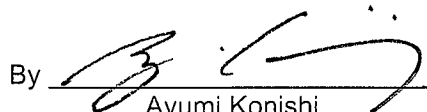
By



Le Duc Thuy
Authorized Representative

ASIAN DEVELOPMENT BANK

By



Ayumi Konishi
Country Director
Viet Nam Resident Mission

SCHEDULE**Allocation and Withdrawal of TFF Grant Proceeds**General

1. The table attached to this Schedule (hereinafter called the Table) sets forth the Grant Components and the allocation of amounts of the TFF Grant to each such Grant Component. (Reference to "Grant Component" in this Schedule is to a Grant Component listed in the Table.)

Reallocation

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

(a) if the amount of the TFF Grant allocated to any Grant Component appears to be insufficient to finance all agreed expenditures for that Grant Component, ADB may, by notice to the Government, reallocate to such Grant Component, to the extent required to meet the estimated shortfall, amounts of the TFF Grant which have been allocated to another Grant Component but, in the opinion of ADB, are not needed to meet other expenditures; and

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

TABLE

ALLOCATION OF TFF GRANT PROCEEDS (Forests for Livelihood Improvement in the Central Highlands Sector Project)		
Number	GRANT COMPONENT	AMOUNT ALLOCATED (\$)
(i)	Business Development for Sustainable Forest Management	2,370,000
(ii)	Livelihood Improvement	1,200,000
(iii)	Capacity Development	3,520,000
(iv)	Project Management and Implementation	910,000
	TOTAL	8,000,000