

**Direct Funding Agreement between the
Government of Australia as represented by the Department of
Foreign Affairs and Trade
and
Government of Vietnam as represented by the Ministry of Planning
and Investment, the Ministry of Industry and Trade and the Ministry
of Agriculture and Rural Development
In relation to**

Restructuring for a more Competitive Vietnam Project (RCV)

General

1. This Agreement expresses understandings between the Government of Vietnam as represented by the Ministry of Planning and Investment (MPI), the Ministry of Industry and Trade (MOIT), and the Ministry of Agriculture and Rural Development (MARD) hereafter referred to as the "Partner Government" and the Government of Australia as represented by the Department of Foreign Affairs and Trade hereafter referred to as "GOA", hereafter referred to collectively as "the Parties".
2. This Agreement is made pursuant to the terms of Memorandum of Understanding on Development Cooperation of 27 May 1993 and its amendment of 28 August 2011 (MOU) between GOA and the Partner Government. This Agreement constitutes a Subsidiary Arrangement under Article 5 of the MOU.
3. The terms of the MOU between GOA and the Partner Government apply to this Agreement.
4. This Agreement represents the understanding of the respective responsibilities and contributions of both Parties with regard to the provision of the Restructuring for a more Competitive Vietnam Project ("the Project").

Definitions

5. Under this Agreement:

AWP refers to the Annual Work Plan

CD refers to the Component Director

CIEM refers to the Central Institute for Economic Management

CPV refers to Communist Party of Vietnam

IPSARD refers to the Institute for Policy and Strategy of Agriculture and Rural Development

MARD refers to the Ministry of Agriculture and Rural Development

MOIT refers to the Ministry of Industry and Trade

MPER refers to the Master Plan on Economic Restructuring of the Government of Vietnam

MPI refers to the Ministry of Planning and Investment

NA refers to National Assembly of Vietnam

PCC refers to the Project Coordination Committee

PCU refers to the Project Coordination Unit

PD refers to the Project Director

PDD refers to the Project Design Document commissioned by the Parties

OM refers to the Operational Manual

RMP refers to the Risk Management Plan

SAG refers to the Senior Advisory Group

SEDP refers to the Socio Economic Development Plan of the Government of Vietnam

SPC-E refers to the Senior Project Coordinator cum Economist

STA refers to the Senior Technical Adviser

VCA refers to the Vietnam Competition Authority

Implementation Arrangements and responsibilities

6. The Partner Government will be fully responsible for the implementation of the Project and for the management of the GOA financial contributions.
7. The Partner Government will provide quarterly (3 monthly) financial statements in accordance with an identified and applicable financial reporting framework – Vietnamese Accounting Standards. The financial statements will show all sources of funding, with sufficient breakdowns of data to permit identification of individual sources of funds and disbursements on major activities or types of expenditure. Project reporting formats are detailed in Project Operational Manual (OM), which will be developed by the Project Coordination Unit (PCU) in consultation with Partner Government agencies.
8. The Partner Government will immediately inform GOA in writing of any circumstance which may interfere or threaten to interfere with the successful implementation of the Project and, with a view to resolving the issue, will consult with the GOA on remedial action to be taken.
9. In matters pertaining to the implementation of this Agreement, the Partner Government Ministry with overall responsibility for implementing the Project will be the MPI.

Implementing Principles

10. The Parties agree that the implementation of the Project under this Agreement will be guided by the following principles:
 - a) Implementation will be based on a partnership approach;
 - b) Partner Government leadership and ownership of the Project is maximised;
 - c) GOA support is aligned to the Partner Government needs and priorities;
 - d) Fairness, transparency, openness, accountability and mutual trust in all dealings;
 - e) A focus on sustainable and equitable development that meets the needs of the Partner Government and beneficiary communities;
 - f) The strategic orientation of policies and strategies;
 - g) The effective and efficient use of Project resources;
 - h) A commitment to joint monitoring and evaluation within an agreed performance assessment framework;
 - i) Ensuring the pace of implementation is appropriate and responsive to the absorptive capacity of the Partner Government and appropriate capacity building measures are implemented;

- j) Be based on the Partner Government's sectoral policy and plans as detailed in the Socio Economic Development Plan (SEDP) and the Master Plan on Economic Restructuring (MPER) as may be amended from time to time; and
- k) The Paris Declaration, Accra Agenda for Action and Busan partnership commitments are reflected in implementation to the maximum extent possible.

Goal and Strategic Objectives

- 11. The overall goal of the Project is to support the Partner Government in achieving its MPER goals of developing a more internationally competitive economy with increased productivity, reduced corruption and accelerated growth in employment and income.
- 12. The strategic objective of the Project is improved implementation of selected elements of the MPER in line with international economic cooperation agreements, supported by the following key sub-objectives:
 - a) Improved business-enabling environment with reduced compliance costs, greater transparency, reduced corruption and improved corporate governance (including reforms to enterprise and investment legislation);
 - b) Strengthened analytical capacity and information base resulting in enhanced implementation of competition policy in line with international good practice (including proposals submitted to the Partner Government on changes in the Competition Law);
 - c) Concrete actions taken by provincial authorities and other stakeholders in Dong Thap province to restructure rice value chain institutions, with pilot initiatives attracting interest from local and central stakeholders. Ideally, there should also be evidence of more substantive policy debate about the impediments to increasing value added in the rural economy; and
 - d) Policy recommendation resulting in Partner Government strategic documents dealing with economic restructuring including restructuring of the rural economy.
- 13. A summary outline of the Project is attached as **Annex 1**.

Duration of Project

- 14. The duration of the initial Phase of the Project is 2 years 6 months (June 2014-December 2016).
- 15. This Agreement will take effect from the date of its signature by the Parties and will conclude when all responsibilities and obligations of the Parties have been fulfilled unless the Agreement is terminated earlier.
- 16. Any changes to the Project including changes to the funding as shown in **Table 2** or duration will be subject to the mutual agreement of the Parties and a formal amendment of this Agreement.

GOA Funding

- 17. Subject to annual parliamentary appropriations, the GOA will contribute up to a maximum of **AUD2,500,000** through direct funding support to the Partner Government for the Project activities.
- 18. The indicative annual funding to be provided by GOA is shown in **Table 2**.
- 19. In addition to the indicative total amount as shown in **Table 2**, GOA will also provide up to an estimated AUD600,000 for technical assistance and related support for the implementation of the Project and design of the new phase either through a separate Agreement with a contracted service provider and/or by direct contracting by GOA. This includes fund for the Senior Technical Adviser (STA) position, which will be directly contracted by GOA.

20. Any technical assistance to be provided is to be demand driven and the Partner Government is responsible for requesting specific technical assistance and providing an outline of the justification, purpose and estimated duration of the assistance.
21. The Partner Government agrees to use the GOA funding provided solely for the implementation of the Project and in accordance with expenditures as detailed in the Annual Work Plans (AWP) unless the GOA provides written advice to the contrary.
22. In the event that GOA funding is not used in accordance with **Clause 21** above and/or there is a finding of fraudulent or corrupt practice in respect of the Project, GOA may reduce or suspend its funding until such time as both Parties agree a mutual resolution.
23. The Partner Government agrees that GOA funds will **not** to be used for the
 - a) Recurrent administrative costs including salaries of permanent staff, housing allowances or office costs; and
 - b) Capital costs, vehicles and equipment.
24. The GOA funds may be considered to co-fund eligible office costs of the Project Coordination Unit, which must be approved by GOA in writing as part of the Annual Work Plan.
25. At the Agreement Completion Date any unexpended portions of GOA funds will be refunded to GOA.

Partner Government Contribution and funding

26. Partner Government Budget funding details over the duration of the Project and breakdown by component are shown in Table 1 below.

Table 1: Indicative Partner Government Project Funding (AUD'000)

Year/Component	2014-15	2015-16	2016-17	Total
Component 1				
MPI	10	10	6	26
Component 2				
MOIT	13	13	9	35
Component 3				
MARD	14	14	9	37
Component 4 - Flexible fund and project coordination				
MPI	14	14	9	37
Total	51	51	33	135

27. The GOA and Partner Government funding for the Project is shown in Table 2.

Table 2: Indicative Project Funding (AUD'000)

Year/Funding	2014-15	2015-16	2016-17	Total
GOA (Direct Funding)	1,300	1,200		2,500
GOA technical support (Service Provider Contract)	200	200	200	600
Partner Government (Budget)	51	51	33	135
Total	1,551	1,451	233	3,235

28. In addition to its financial contribution, the Partner Government undertakes to provide such human resources, office accommodation and logistical support as is required to ensure the successful implementation of the Project.

Deposit and Disbursement of GOA funds

29. The Schedule for payments by GOA to the Partner Government are detailed in **Annex 2 - Payment of GOA funds.**
30. GOA contributions will be deposited in a single foreign exchange account nominated by the Partner Government (MPI) at the Vietcombank and held in the name of the PCU under the CIEM-MPI.
31. The local currency equivalent of the GOA contribution will be calculated on the basis of the exchange rate on the date of transfer of the funds by GOA.
32. The PCU will immediately acknowledge receipt of the funds, in writing, to GOA and the local currency equivalent. The PCU will also immediately transfer to local currency bank accounts nominated by and held at the Vietcombank in the name of the VCA-MOIT and IPSARD-MARD the amounts for respective Components as detailed in **Annex 2 - Payment of GOA funds,** and provide details of these transfers to the GOA. The VCA-MOIT and IPSARD-MARD will immediately acknowledge receipt of the funds, in writing, to GOA and the local currency equivalent.
33. Any interest income attributable to the GOA contribution(s) may be utilised by the Partner Government solely for the implementation of the Project.
34. Any interest income attributable to the GOA contribution will be reported to the Project Coordination Committee (PCC) on an annual basis.

Management Arrangements

35. Decisions on Project strategy, focus and activity approval (for Flexible Fund) will be made by the Project Director (PD), who is the leader of CIEM, with the concurrence of GOA. Component implementing agencies (MOIT-VCA and MARD-IPSARD) will appoint Component Directors (CD) to be responsible for respective component.
36. Once AWP have been approved (by the PD and GOA), the CDs will make operational decisions on activity implementation and accountable for fund management in order to implement the agreed work-plans.

Project Director and Component Directors

37. The PD responsibilities include:

- a) Ensuring that Project supported activities are consistent with annual MERP and SEDP priorities;
- b) Taking the lead in organizing regular policy dialogue on priority cross-cutting economic restructuring and macroeconomic development issues;
- c) Developing and approving (with GOA concurrence) the Project Operating Manual (OM);
- d) Developing, approving (in consultation with GOA and the CDs) of consolidated AWP and approving (with GOA concurrence) any CD requests for substantive revisions to AWP;
- e) Consolidation and submission of consolidated quarterly progress reports in line with Partner Government and GOA requirements;
- f) Monitoring and evaluating Project implementation and results performance, including preparation and submission of an annual progress and results monitoring report; and
- g) Management of the Flexible Fund Component, including approval (in consultation with GOA) of funded activities.

38. The CDs responsibilities include:

- a) Developing draft annual component work plans and budgets (and proposed revisions to these plans if needed);
- b) Ensuring that Project supported activities are consistent with established priorities;
- c) Ensuring compliance with financial management, transparency and reporting requirements of the GOA and Partner Government;
- d) Actively exploring opportunities to ensure project activities are inclusive, and are targeted towards inclusive outcomes;
- e) Preparing and submitting consolidated quarterly progress reports;
- f) Monitoring and evaluating component implementation and results performance, including preparation and submission of an annual component progress and results monitoring report;
- g) Developing and implementing a communications, policy dialogue, and knowledge management strategy in cooperation with the PD;
- h) Participating in PCC meetings and other Project related consultations; and
- i) Supporting the PD in organizing ad hoc policy dialogue on priority economic restructuring issues.

Local Senior Advisory Group – International Senior Technical Adviser

39. The PD will be provided with advisory support by the local SAG and an international STA.

40. The SAG will comprise experienced, well connected local experts from a range of backgrounds. The SAG will be retained under periodic contracts with the PCU to provide the Project stakeholders with support and advice on: political economy and policy dialogue; sectoral policy issues and considerations; emerging priorities; and tactics for increasing the Project's influence.

41. While not necessarily independent of the GoV or the CPV, SAG members must be respected Vietnamese who have been engaged in economic reforms or as advocates of economic reforms, with a track record of providing frank and useful advice and/or stimulating debate in the public arena. The SAG will help build national (including GoV/ CPV) ownership of the program, as well as building partnerships with key stakeholders to and the Australian Embassy to improve the quality of policy dialogue and engagement on economic issues between Australia and Vietnam.
42. The STA will be recruited by GOA and will be accountable to both GOA and the PD. Work plans for the STA will be jointly developed and agreed between GOA and the PCU. The STA will be an experienced international expert with post-graduate qualifications in economics and extensive experience in providing support for economic policy and institutional change and development in Vietnam and the region.

Project Coordination Unit

43. The Partner Government will establish a Project Coordination Unit (PCU) within CIEM, MPI.
44. The PCU will be headed by Senior Project Coordinator-Economist (SPC-E), and staffed by Partner Government employees and contracted staff.
45. The PCU will be responsible for:
 - a) Providing the Secretariat for the PCC including;
 - i. the drafting and distribution of the agenda and working papers and reports to PCC members;
 - ii. the collation, analysis and reporting of Performance indicators data; and
 - iii. coordinating and distributing financial reports.
 - b) Development of the draft AWP and finalising the AWP following endorsement by the PCC;
 - c) Preparation of papers and reports for the Annual Review meeting;
 - d) Updating the Risk Management Plan as requested by the PCC;
 - e) Preparation of requests for use of Flexible Fund for presentation to the PCC and management of relevant funded activities;
 - f) Monitoring project financial management and audit procedures in line with GOA and Vietnamese ODA guidelines; and
 - g) Other specific responsibilities/tasks as relevant/appropriate to the Project.
46. The PCU may also be supported by technical assistance provided by the GOA.

Project Coordination Committee

47. The Parties acknowledge that regular consultation between the Parties is critical to the effective implementation of the Project.
48. Coordination between the Parties will be achieved through the establishment of a Project Coordination Committee (PCC) to ensure on-going consultation, planning, coordination and implementation of the Project. The PCC will facilitate the use of "whole of government" approaches to supporting economic restructuring and development.
49. The PCC will meet at least every 6 months unless an alternative time interval between meetings is subsequently agreed by the PD and GOA.

50. The PCC will comprise the PD (as its Chair), CDs and GOA. In addition to the above representatives, representatives from relevant organisations or agencies, such as those from SAG, National Assembly Economic Committee, and CPV Economic Commission may be invited to attend PCC meetings with the agreement of both Parties in order to advance the reform agenda.
51. The PCU is responsible for providing the agenda and papers including reports to all PCC representatives 5 working days in advance of a meeting.
52. Key subjects to be discussed by the PCC include:
 - a) Assessment/review of performance/budget execution and expenditure priorities on the basis of the indicators described in the Performance Assessment Framework- Annex 3;
 - b) Annual review of AWP for the forthcoming calendar year/revenue and expenditure priorities; implementation of the Agreement;
 - c) Review/update of Project risk management plan - Annex 4;
 - d) Consideration of audit report(s) and follow up required on audits;
 - e) Share knowledge and experiences with Project implementation and on implementation of the MPER;
 - f) Suggest priorities for policy dialogues and implementation of major policy dialogue events; and
 - g) Suggest priorities for the use of Flexible Fund, and requirements for additional technical assistance for implementation.
53. The results of the meeting will be recorded in Agreed Minutes.
54. The Agreed Minutes will be drafted by the PCU and a draft sent to GOA and all other PCC representatives, for their comments/approvals, within 10 working days of the meeting being held.
55. The GOA will inform the Partner Government of their approval/comments within ten working days of receipt of the draft Minutes. If no comments are received from GOA within 10 working days it will be assumed that GOA has endorsed the Minutes.
56. Additional consultation meetings may be requested by the Partner Government or GOA on any subject relevant to the implementation of the Project.

Annual Project Review and Planning Meeting(s)

57. In June 2014 and 2015, the PCC will convene an Annual Project Review and Planning meeting.
58. Prior to the meeting the PCU will develop and circulate the following papers in advance of the meeting:
 - a) An Annual Project Management Report including:
 - i. Summarising overall progress and achievements over the previous 12 months compared against the AWP for the period; and
 - ii. a detailed Project performance report assessing progress against the agreed Performance assessment framework.
 - b) A costed draft AWP for the next 12 months which identifies priorities and provides detail of proposed fund based on the agreed plan of activities approved at the PDD.

59. At this meeting the PCC will:

- a) Assess the performance of the Project against the Performance Assessment Framework indicators based on the most recent available data and/or monitoring and evaluation reports;
- b) Identify issues and where possible causes of concern arising from the performance assessment and, where necessary, seek to identify measures to be implemented to address these;
- c) Review the proposed Partner Government AWP for the following year in relation to Project priorities and funding availability; and
- d) Agree a final AWP for implementation.

Project Risk Management

60. Both Parties are jointly responsible for managing Project risks in accordance with the Project Risk Management Plan (RMP) as detailed in **Annex 4- Project risk management plan**.

61. The RMP is to be reviewed quarterly and annually by the PCC and updated as required.

Review and Evaluation

62. The Project will be reviewed in the first half of 2016 to assess its effectiveness and inform the design in the second half of 2016 of the next phase of the Project to 2020. These timelines will work well with GOA decision-making process and budget cycle.

Procurement

63. The Partner Government will be responsible for all procurement in accordance with its established rules, procedures and legislation as may be amended by the Partner Government from time to time.

64. Both parties agree that a sample of major procurements may be audited periodically either independently or by the Partner Government State Audit.

Environment Protection

65. The Partner Government is responsible for ensuring the protection of the environment in accordance with their national/local laws, rules, regulations and standards and in accordance with their obligations at international law including under international Treaties signed or ratified by them relating to the environment.

Project Accounts and Records

66. The Partner Government agrees that it will:

- a) Maintain a sound administrative and financial system capable of verifying all Acquittal Statements;
- b) Keep proper and detailed accounts, records and assets registers along with adequate Project management records providing clear audit trails in relation to expenditure under this Agreement;
- c) Afford adequate facilities for audit and inspection of the financial records referred to in this Agreement by GOA and its authorised representatives at all reasonable times and allow copies and extracts to be taken; and

- d) Ensure that its accounts and records are held for the term of this Agreement and for a period of three (3) years from the date of expiry or termination of this Agreement.

Audit

- 67. The Partner Government is responsible for ensuring that the Project and its associated funding are audited on an annual basis.
- 68. The annual audit will also examine (i) procurement decisions and /or related contracts; and/or (ii) compliance with partner government procedures and regulations where GOA funds are utilised by the Partner Government for the procurement of goods and/or services.
- 69. The Annual audit of the Project will be undertaken by independent auditors and, wherever possible, the Partner Government's State Audit.
- 70. The arrangements, including the terms of reference, selection method and costs, for the engagement of an independent auditor will be agreed by the PD and GOA.
- 71. The annual audit report will include formal advice detailing any weaknesses in the Project's internal controls and recommendations for strengthening identified weaknesses.
- 72. The annual audit report will be provided to all representatives of the PCC and be included as an agenda item for the PCC meeting at the earliest opportunity.
- 73. The Partner Government agrees that GOA may commission independent audits, including financial, compliance and/or performance audits, of the Project and acknowledges that it will cooperate fully with any such audits.
- 74. GOA agrees to provide the Partner Government with copies of any independent audit reports.

Fraud

- 75. Fraudulent activity' or 'fraud' means: Dishonestly obtaining a benefit by deception or other means.
- 76. The Parties are committed to preventing and detecting fraud.
- 77. The Partner Government is responsible for preventing and detecting fraud involving or relating to the Project.
- 78. The Partner Government must report in writing to GOA, within five (5) Business Days, any detected, suspected, or attempted fraudulent activity involving or relating to the Project.
- 79. The Partner Government is required to investigate any alleged fraud and must undertake an investigation in accordance with its own procedures and standards.
- 80. Following the conclusion of an investigation, where the investigation finds or identifies acts of a fraudulent nature Partner Government will:
 - a) initiate recovery action in accordance with recovery procedures, including if appropriate civil litigation, available in the Partner Country; and
 - b) referring the matter to the relevant Partner Country police or other authorities responsible for prosecution of fraudulent activity; or
 - c) where a Partner Government employee is involved in fraudulent activity, take the relevant disciplinary procedures in accordance with relevant Code of Conduct or similar Partner Government provisions where these exist.

Anti-Corruption

81. The Parties are committed to preventing and detecting corruption and bribery. Both Parties through their employees, agents or representatives will not make or cause to be made, nor will they receive or seek to receive, any offer, gift or payment, consideration or benefit of any kind, which would or could be construed as an illegal or corrupt practice, either directly or indirectly to any party, as an inducement or reward in relation to the execution of this Agreement or any arrangement or provision of funds in relation to the Project. The Parties will use their best endeavors to ensure that their respective employees, agents, representatives or other entities involved in the Project will also adhere to this provision.
82. For the purposes of this paragraph (Anti-Corruption), the term "corrupt" includes (but is not limited to) any action or practice which would warrant disciplinary procedures being taken against an individual under applicable laws.
83. In the event of alleged misuse of Project funds involving fraudulent or corrupt behaviour as defined above, GOA may reduce or suspend its funding until such time as the matter is mutually resolved by the Parties.

Status of Agreement

84. This Agreement serves only as a record of the Parties' intentions and does not constitute or create (and is not intended to create) rights or obligations under domestic or international law and will not give rise to any legal process and will not be deemed to constitute or create any legally binding or enforceable rights or obligations (expressed or implied).

Settlement of Disputes

85. Any dispute, controversy, or claim, which arises out of the interpretation or application of this Agreement will not be subject to adjudication or arbitration, but will instead be dealt with through amicable consultations and negotiations as the only method of achieving the peaceful settlement of that dispute, controversy, or claim.

Extraordinary Events

86. Neither the Partner Government of the GOA will be responsible for any failure to perform or any delay in performing their obligations under this Agreement where the cause of such failure of delay is beyond that Party's reasonable control (Force majeure). The Party claiming suspension of its obligations due to an extraordinary event will immediately notify the other Party in writing of its intent and the reason(s) for suspension.

Indemnity and Insurance

87. The Partner Government will indemnify GOA at all times against any actions, claims, liabilities, damages or expenses suffered or incurred by GOA as a result of, or arising from, the implementation of the Project.
88. The Partner Government will be responsible for insurance cover against loss of life, personal accident and illness, loss, theft and damage to personal effects and Project supplies and assets and all Project activities and Project personnel engaged directly by the Partner Government. The GOA will have no responsibility for any insurance cover for the Partner Government personnel, property, assets and supplies or actions.

Use of Agreement Information

89. Both Parties will respect the confidentiality of information provided by the other as "Confidential" or "In-Confidence". Neither Party will disclose such information to a third party without obtaining the written agreement of the other Party unless and except where the disclosure of such information is required by law or government convention.

90. GOA may disclose matters relating to the Agreement, including the Agreement to governmental departments and agencies, Ministers and Parliamentary Secretaries of the Commonwealth of Australia, and to the Parliament of the Commonwealth of Australia, including responding to requests for information from Parliamentary committees or inquiries. This clause will survive termination or expiration of the Agreement.
91. The Partner Government may disclose matters relating to the Agreement, including the Agreement to its governmental departments and agencies, Ministers and Parliamentary Secretaries, and to the Parliament, including responding to requests for information from Parliamentary committees or inquiries.

Amendment

92. All changes to this Agreement must be mutually agreed in writing by the Parties in the form of a formal amendment to the Agreement.
93. This Agreement may be amended at any time by an Exchange of Letters between the Parties.

Termination

94. Termination of this Agreement may be effected by one Party on giving 90 days written notice and reasons for the termination to the other Party.
95. In the event of any termination the Partner Government will provide an independently audited financial statement of the Project funding for the financial year during which termination occurred.

Provisions to Prevent Financing of Terrorism

96. The Partner Government will use its best endeavors to ensure that funds provided by GOA under the Agreement, do not provide direct or indirect support or resources to organisations and individuals associated with terrorism or listed on a 'Relevant List'
97. If, during the course of this Agreement, the Partner Government discovers that an organisation or individual involved in the Agreement is listed on a 'Relevant List' or has any link whatsoever with any organisation or individual associated with terrorism it will inform GOA immediately.
98. GOA may terminate this Agreement immediately by notice in writing to the Partner Government if the Partner Government breaches any of its obligations to prevent the financing of terrorism.
99. Notwithstanding GOA's right to terminate this Agreement under **Clause 95** in the event of a breach of this **clause**, the Partner Government will use its best endeavours to recover an amount equivalent to the relevant funds which are found to have been paid to organisations and individuals associated with terrorism and refund that amount to GOA.
100. 'Relevant List' means the lists of terrorist organisations made under Division 102 of the *Criminal Code Act 1995* (Cth) and the *Charter of the UN Act 1945* (Cth) posted at: <http://www.nationalsecurity.gov.au/Listedterroristorganisations/Pages/default.aspx> and <http://www.dfat.gov.au/sanctions/>

Exemption from Taxation

101. The Partner Government agrees that all the provisions of the MOU apply to this Project including taxation exemptions.

Correspondence

102. All correspondence related to the implementation of this Agreement should be addressed to:

GOA: DFAT
Australian Embassy, 8 Dao Tan st, Hanoi
84 4 3771076
Attention: Ms Nguyen Mai Chi, Senior Project Manager
(Development Cooperation): RCV Project

Partner Government: CIEM
68 Phan Dinh Phung st, Hanoi
84 4 3845 6795
Attention: Mr Nguyen Dinh Cung, President, Project Director: RCV
Project

ANNEXURES to this Agreement form an integral part of it.

IN WITNESS THEREOF, the undersigned have signed this Agreement.

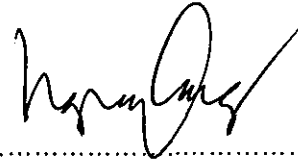
Signed in quadruplicate the 30th day of June in the year of 2014 in four (4) originals in the English and Vietnamese languages, both of the texts being equally authentic.

**FOR THE GOVERNMENT OF
AUSTRALIA**

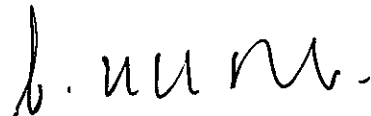


Michael Wilson, Minister Counsellor,
Development Cooperation, DFAT Hanoi

FOR THE GOVERNMENT OF VIETNAM



Nguyen Dinh Cung, President
The Central Institute for Economic Management
Ministry of Planning and Investment
as Partner Government agency with primary
responsibility for implementation



Bach Van Mung, Director General
The Vietnam Competition Authority, Ministry of
Industry and Trade



Dang Kim Son, President
The Institute for Policy and Strategy of Agriculture
and Rural Development, Ministry of Agriculture
and Rural Development

Annex 1: Summary outline of the Project

Planned Development Outcomes

1. The Restructuring for a Competitive Vietnam (RCV) Project has been designed to support implementation of selected elements of the Government Master Plan on Economic Restructuring (MPER, 2013-2020). MPER goals supported by RCV are:
 - a) Increased national economic competitiveness;
 - b) Accelerated growth in labour productivity, employment and incomes; and
 - c) Improved transparency in business regulation and reduced corruption.
2. Key results expected from the program by December 2016 are:
 - a) Reductions in business compliance costs (following approval of revisions to the Enterprise and Investment Laws);
 - b) Increase in the quantity and quality of the cases handled by the Vietnam Competition Agency;
 - c) Concrete actions taken by GoV to begin restructuring the rice value chain at national and central level; and
 - d) Policy recommendation resulted in GoV, CPV's strategic documents dealing with economic restructuring including restructuring of the rural economy.
3. The program will help the GoV achieve these objectives via three targeted components and a flexible fund to respond to emerging priority issues linked to the economic restructuring program. The three components and planned outputs are:
 - a) Enhanced business competitiveness and transparency. This Central Institute for Economic Management (CIEM)- Ministry of Planning and Investment (MPI) led component will result in:
 - i. More business friendly Enterprise and Investment Law approved by National Assembly (in late 2014, with key implementing regulations approved by the GoV by 2015);
 - ii. Diagnostic report on impediments to private sector development and to implementation of international economic commitments submitted to GoV (by end 2015);
 - iii. Quarterly and annual reports on progress and issues with MPER used by GoV to sustain pressures to implement the MPER, and to adapt MPER priority actions to meet changing circumstance; and
 - iv. At least two high quality analytical reports on priority macro-economic and broader economic development issues submitted by the MPI to the national leadership and widely discussed in mass media (by 2016).
 - b) Restructuring competition institutions in line with international commitments. The intended outputs of this Vietnam Competition Agency (VCA)- Ministry of Industry and Trade (MOIT) led component are:
 - i. Enhanced evidence base, information and skill to enforce competition policy;

- ii. Enhanced policies, systems and support to minimize the negative impact of anti-dumping actions and other trade remedies; and
 - iii. Expanded early warning systems on potential trade defence cases.
- c) Restructuring the rural economy to increase value added. This Institute for Policy and Strategy of Agriculture and Rural Development (IPSARD)- Ministry of Agriculture and Rural Development (MARD) led component will result in the following outputs:
- i. Analysis and reports contribute to improved institutional structure for rice value chain collaboration in Dong Thap supported by representatives of all stages of the rice value chain;
 - ii. Reports on modelling of impacts of rice value chain restructuring (including proposed reforms to paddy land reservation policies, and proposed reforms to increase competition in rice exports in line with international commitments) submitted to Minister, Ministry of Agriculture and Rural Development (MARD); and
 - iii. Policy dialogue on rice value chain restructuring issues reflected in media coverage and public awareness of issues and policy options.

Timeframe and Resource Commitments

4. The initial pilot program will be implemented during 2 years 6 months from June 2014 to December 2016 with the budget up to AUD3,100,000. The Government of Australia will provide grant financing of AUD2,500,000, technical assistance including supervision/evaluation and design of the new phase of AUD600,000. The GOV will provide, through the implementing agencies, the counter funding of AUD122,000. Considerable in-kind contributions (mostly in the form of people's time) are expected from the private sector, media, business associations, research institutes, and the broader community.
5. Component 4- the Flexible Fund is estimated of AUD600,000 in value out of the total program budget of AUD3,100,000. The PD is responsible for endorsing proposals for financing using of flexible fund. The PD will submit endorsed proposals for funding greater than AUD20,000 to GOA for no objection (i.e. final clearance to proceed with implementation). GOA, the SAG, and/or the PCC members may suggest priority areas to the PD through the PCU. STA and relevant SAG members will appraise these proposals against a limited set of key selection criteria, including relevance to targeted criteria; design logic; expected impacts and beneficiaries; contributions to promoting inclusive/equitable outcomes; cost effectiveness (value for money) and risk. Clear criteria for selection of activities from the Flexible Fund, appraisal and approval process will be detailed in the Program Operational Manual. Possible activities are policy dialogues led by the Economic Commissions of the National Assembly or the Communist Party of Vietnam; impact assessment activities and practical pilot project at the local level on priorities emerging issues that are identified as the result of improved quality monitoring of the MEPR.
6. A review of the program will be conducted in the first half of 2016 to assess the effectiveness of the program and design a new phase to 2020 to support priorities of the new National Socio-economic Development Plan (SEDP 2016-2020).

Delivery Approach and Key Partnerships

7. CIEM will be the lead agency responsible for overall program delivery. MPI will appoint a Project Director (PD) to oversee the program. CIEM, VCA and IPSARD will be responsible and accountable for effective and efficient delivery of component outputs as discussed above. Component implementing agencies will appoint Component Directors (CDs). CIEM will be responsible for the overall program management and coordination, and for the implementation of the Flexible Fund to respond quickly to emerging policy issues.

8. A Project Coordination Committee (PCC) will be established and meet at least every six months to review progress and implementation issues. PD, CDs and GOA will participate in the PCC. The PD and GOA may decide to invite other observers (such as representative of Senior Advisory Group (SAG), National Assembly (NA) or CPV) if that is seen as advancing the Project objectives.
9. GOA will be involved in program planning and strategy decisions, including approval of the Operational Manual (OM), key program personnel in the Project Support Unit (PCU) (including the Senior Program Manager-Economist (SPME), the SAG, and decisions on the use of the Flexible Fund.
10. The local SAG and the international Senior Technical Advisor (STA) will play an important role in planning, policy dialogue, communications and quality control over program activities.

Annex 2: Payment of GOA funds

1. GOA funds under this grant **AUD2,500,000** for a direct grant to Partner Government. A further AUD600,000 for technical assistance and related support for the implementation of the Project and design of the new phase may be made available either through a separate Agreement with a contracted service provider and/or by direct contracting by GOA.
2. GOA will pay the Partner Government up to a maximum of **AUD2,500,000**, in tranches divided as follows:

Indicative Date	Tranche Number	Amount of Grant Funds
July 2014	1	AUD 1,300,000
July 2015	2	Up to AUD 1,200,000

3. GOA will pay Tranche 1 within thirty (30) days of the date of this Agreement and subject to receipt of a valid invoice.
4. GOA will pay subsequent tranche at the date indicated above subject to the Partner Government:
 - a) submitting AWP and an annual project management report approved by GOA; and
 - b) submitting a valid invoice.
5. GOA contributions will be deposited in a single foreign exchange account nominated by the Partner Government (MPI) at the Vietcombank and held in the name of the PCU under the CIEM-MPI.
6. The local currency equivalent of the GOA contribution will be calculated on the basis of the exchange rate on the date of transfer of the funds by GOA.
7. The PCU will immediately acknowledge receipt of the funds, in writing, to GOA and the local currency equivalent. The PCU will also immediately transfer the amounts for respective Components to local currency bank accounts at the Vietcombank nominated by and held in the name of the IPSARD-MARD and the VCA-MOIT. The IPSARD-MARD and the VCA-MOIT will immediately acknowledge receipt of the funds, in writing, to GOA and the local currency equivalent.
8. The allocation of grants to respective Components is detailed below based on schedule of activity implementation of the Investment Design. However, these amounts for Tranche Number 2 might be changed subject to the amount approved by GOA for the AWP of Year 2 for each Component.

Indicative Date	Tranche Number	Amount of Grant Funds
July 2014	1	AUD1,300,000, in which: - Component 1-CIEM: 400,000 - Component 2- VCA: 300,000 - Component 3- IPSARD: 200,000 - Component 4 - CIEM: 400,000
July 2015	2	Up to AUD1,200,000, in which: - Component 1-CIEM: 300,000 - Component 2- VCA: 200,000 - Component 3- IPSARD: 100,000 - Component 4 - CIEM: 600,000

Annex 3: Program Performance Assessment Framework

Hierarchy of Objectives	Indicators	Means of Verification	Assumptions
Impact (by 2020) More internationally competitive economy with increased productivity reduced corruption and accelerated growth in employment and income.	Improvements in Viet Nam's Global Competitiveness Index score (up from 4.18 in 2013-14)	Improvements in Viet Nam's Global Competitiveness Index score	N.A
	A recovery in the annual rate of growth in labour productivity, from 3.2% in 2005-11, to > 4.8%.	Accelerated growth in labour productivity (General Statistics Office Data)	
	Improvements in Vietnam's Corruption Perception Index score (up from a score of 31 in 2013)	Improvements in Vietnam's Global Corruption Index score	
Outcome (by December 2016): Improved implementation of selected elements of the Master Plan for Economic Restructuring in line with economic cooperation agreements	Policy recommendations resulted in GOV, CPV's strategic documents dealing with economic restructuring including restructuring of the rural economy (e.g., CPV 30 years Doi Moi review, CPV Plenum doc, SEDP 2016-2020)	End of RCV Completion Report in December 2016; Annual RCV reports	
	Reduced business compliance costs and time	End of RCV Completion Report in December 2016; Annual RCV reports that include: WB Doing Business report, and CIEM analysis of change in compliance costs following revised laws	GOV and NA remains committed to taking action to facilitate private sector development.
	No and quality of successful competition and trade remedy cases handled by VCA improves from those reported in 2013	End of RCV Completion Report in December 2016; Annual RCV reports that include: VCA annual reports; reference to VCA role in breaking up cartels in media	VCA gets high-level support to handle competition issues in targeted sectors.
	Concrete actions taken by Dong Thap to restructure the institution for rice production and attract interest from local and central stakeholders	End of RCV Completion Report in December 2016; Annual RCV reports that include Dong Thap province decisions on institution for rice production that address identified impediments.	Dong Thap province authorities remains committed to take action to restructure the institution for rice production

Hierarchy of Objectives	Indicators	Means of Verification	Assumptions
Component 1: Enhanced Business Competitiveness and Transparency			
Output 1.1: Improved Enterprise and Investment Legislation	Enterprise and Investment Laws approved by NA by 2014-15, and in effect by 2015-16.	Law approved by NA and issued by appropriate authority	PM endorses recommendations on alleviating constraints to Private Sector Development
	Key implementing regulations that help reduce business compliance costs; and improve compliance of SOEs on corporate governance that are in line with OECD principles issued by 2015-16	Decree issued by Prime Minister	The NA endorses revisions to the Enterprise and Investment Laws
Output 1.2: Removed impediments to competitive business environment	Diagnostic reports on: impediments to business (e.g. border trade procedures, market entry conditions, market distortion caused by SOEs); and additional reforms needed to comply with international economic cooperation agreements, submitted to PM by 2015-16	Letter submitting report to the Prime Minister	MPI and GOV as relevant endorse proposed changes
Output 1.3: Improved evidence based analysis and dialogue on MPER implementation performance and emerging issues	Improved feedback on MPER dialogue and MPER progress reports	CIEM Quarterly and Annual RCV reports;	National leaders continue to prioritise implementation of MPER and retain confidence in CIEM reporting on implementation.
	Evidence that MPER reports were discussed in national and sub-national level GOV meetings and the media.	Media tracking	
Output 1.4: Enhanced policy dialogue (taking account of international experience) on macro-economic and economic development issues.	At least 2 quality analytical reports submitted by CIEM to national leadership and widely discussed in GOV meetings and mass media by December 2016	CIEM Quarterly and Annual RCV reports; Media tracking	A strong consensus on policy actions to address macro-economic issues is built among policy makers.

Hierarchy of Objectives	Indicators	Means of Verification	Assumptions
Component 2: Restructuring competition institutions			
Output 2.1: Enhanced evidence base, information systems and skills to enforce competition policy	Sector analysis completed, information accessible from VCA information systems, and actively disseminated.	VCA Quarterly and Annual RCV reports	The GOV remains committed to revising the Competition Law, and the NA includes revisions to the Competition Law on the drafting agenda of the NA.
	Number of staff trained in skills needed to effectively investigate and enforce competition policy		
	Proposed revision to strengthen enforcement of the Competition Law (e.g. to provide immunity for "whistle-blowers") submitted to the GOV		
Output 2.2: Strengthened institutions needed for effective application of trade remedies	A report analysing the Ordinances on Anti-Dumping, Anti-subsidy and Safeguards, with recommended changes is presented to state agencies, and businesses by 2016	VCA Quarterly and Annual RCV reports	GOV continues to support reforms to trade policy and institutions in line with international commitments
	A Handbook with guidelines on dealing with trade remedies, and software to calculate dumping margins in accordance with WTO rules are available by 2015-16		VCA staff have adequate resources to support remedy trade cases
	Recommendations to GOV on reforms to subsidy policies that do not comply with international commitments.		
Output 2.3: Enhanced the early warning system for anti-dumping cases	Additional targeted markets and products added to scope of the early warning system.	VCA Quarterly and Annual RCV reports	Economic integration environment provides incentives for businesses to use early warning system
	Number of external users of the early warning system		

Hierarchy of Objectives	Indicators	Means of Verification	Assumptions
Component 3: Restructuring of Rural Economy Focusing on Rice Value Chains			
Output 3.1: Proposed changes to institutional structure for rice production value chain in Dong Thap province	Report submitted to Dong Thap authorities by 2015-16. Stakeholder commitment to recommendations. Action to implement recommendations, by December 2016, including institutional reform	Feedback from stakeholders in the value chain on recommendations; IPSARD Quarterly and Annual RCV Reports	Dong Thap PPC and private stakeholders support rice value chain restructuring scheme; Market opportunities provide incentives for different stakeholders of the value chain to collaborate with each other.
Output 3.2: Improved economic modeling & analysis of impacts of international trade/economic cooperation agreement commitments and paddy land conversion	Reports submitted to Minister of MARD on key policy issues with recommended actions to address bottlenecks to increase value-added of the rural sector, including that in the rice value chain.	International peer reviews of methodology and analysis; Feedback from rice value chain stakeholders on draft report. IPSARD Quarterly and Annual RCV Reports	There is support from different stakeholders in communicating the report's recommendations
Output 3.3: Improved awareness of opportunities for increasing competitiveness through re-structuring of rice value chains	Policy briefs on prioritised issues Study reports are communicated through provincial and national workshops with positive feedbacks from participants Media coverage	International peer reviews of methodology and analysis; Feedback from rice value chain stakeholders on draft report. IPSARD Quarterly and Annual RCV Reports	IPSARD has a voice in formulating the SEDP 2016-20 and prioritizing rice sector restructuring using RCV supported analysis. Consensus reached on policy actions to address priority issues

Annex 4: Program Risk Management Plan

No	Description of Risks	Impacts	Risk rating			Management response	Residual risk rating	Owner
			Consequence	Likelihood	Risk Rating			
I	Overarching risks applying across the program							
1	Changes in domestic policy agenda will influence the level of commitments to restructuring in program-targeted areas. Changes may stifle restructuring and/or create new opportunities for restructuring	Strategic policy recommendations in targeted areas of the program are not reflected into strategic documents dealing with economic restructuring.	Moderate	Possible	High	-The PD (also President of CIEM and economic advisor to the PM) is in a good position to convey strategic policy advice to national leaders. -Inclusion of the well- connected PD and SAG in the program design, combined with commitment of GOA experts in Hanoi will mitigate this uncertainty. -The SAG will provide program's managers with up-to-date understanding of changing circumstances that might impact on program performance -The program is structured to allow flexibility to respond quickly to changing circumstances.	Moderate	PCU, Program Director, GOA's First Secretary and SPM
2	Delays in implementation could substantially reduce opportunities for study recommendations to influence strategic policy decisions	Impacts and returns on investment lower than expected. Loss of credibility	Moderate	Unlikely	Moderate	While some delays are possible, relationships developed during BWTO, intensive counterpart involvement in program design, and the involvement of the SAG (many who were also involved with BWTO) means that is unlikely that any delays would substantially reduce opportunities for recommendations to influence policy making.	Low	Program Director GOA's SPM
3	Australia is associated with an unpopular restructuring program.	Undermining of Australia's reputation with the GOV and people of Vietnam could have adverse political and economic costs.	Moderate	Unlikely	Moderate	-GOA's SPM will draw on the expertise and understanding of the PD, SAG, PCU and STA to implement a communications strategy to support program objectives and raise Australia's profile as Vietnam partner in economic restructuring. -Policy dialogue and knowledge dissemination will help build consensus on program supported restructuring. -GOA will work with development partners to coordinate efforts and raise the program's profile.	Low	GOA's First Secretary and SPM

No	Description of Risks	Impacts	Risk rating			Management response	Residual risk rating	Owner
			Consequence	Likelihood	Risk Rating			
4	Flexible funds are fragmented and less strategic focused	Activities funded by flexible funds do not fully contribute to the program's expected outcomes	Moderate	Likely	High	<ul style="list-style-type: none"> - Set of criteria to select partners, activities will be developed taking into account how funded activities or partners will contribute to the program overall outcomes - No objection from GOA as donor will be needed before allocating flexible funds 	Moderate	PCU, Program Director, GOA's First Secretary and SPM
5	Fraud, misuse of funding, overlap of funding and resources between GOA, counterpart funding and other donors' funding	Poor program's value for money and corruption	Moderate	Unlikely	Low	<ul style="list-style-type: none"> - Different funding agreement signed between GOA and implementing partners will define clearly funding contribution from different stakeholders to the program - GOA's Senior Program Manager, PCU's manager will have regular information exchange with other donors to avoid overlap of funding but also to explore potential areas for joined funding - Audit reports for funding (both GOA and GOV contributions) will be disclosed to relevant stakeholders 	Moderate	PCU, Program Director, GOA's First Secretary and SPM
II Specific risks								
Component 1: Enhanced Business Competitiveness and Transparency								
1	Party and GOV leaders don't act on recommendations to alleviate constraints to private sector development, and improving the enforcement of corporate governance of State Enterprises	National Assembly does not approve revised Enterprise and Investment Legislations or the revisions to the legislation fails to address the most important constraints to private sector development	Major	Unlikely	Moderate	<ul style="list-style-type: none"> -Concrete policy recommendations on alleviating constraints to private sector development will be conveyed by PD to Party and GOV high-level leadership in all relevant forums. -Program communication strategy will be developed and implemented to convey the program's policy recommendations in a timely manner. -The program is designed so that researchers will work with the private sector, mass media, development partners, SAG, think tanks and researchers for harmonised and collective policy recommendations on private sector development 	Moderate	CIEM Component Director, Program Director

No	Description of Risks	Impacts	Risk rating			Management response	Residual risk rating	Owner
			Consequence	Likelihood	Risk Rating			
2	Implementation of the MPER is a long time exercise (from 2013-2020), covering a broad range of economic issues that need coordinated action, while program's resources are limited with a short timeline	The program can only support limited elements of the MPER with limited impacts in terms of analytical inputs to implementation of MPER and to MPER performance monitoring and reporting.	Moderate	Likely	High	- Program will target selective areas in the MPER, burning macroeconomic issues that are relevant to the program's intervention areas for evidence-based analysis and reporting. -The Program design recognizes that with limited resources, time and capacity Program activities need to be tightly focussed on priority activities that have already been included on the action agenda of the GOV and/or NA.	Moderate	Program Director, GOA First Secretary and SPM
Component 2: Restructuring competition institutions								
3	-Politically connected interest groups that currently benefit from monopoly powers or from GOV subsidies can be expected to resist reforms	Progress with reforms will be slower than planned, with negative implication for national competitiveness and potential negative implications in terms of complying with international agreements. This could negatively affect growth in trade and investment, and will slow innovation and growth in productivity and incomes.	Moderate	Likely	High	- VCA, based on sectors analysis' outputs will select typical case for evidence-based analysis for concrete policy recommendations. - VCA will pursue various policy advocacy tactics including working with mass media, private sector, law firm, policy-making agencies to convey key policy messages. -the PD will support advocacy initiatives as appropriate.	High	VCA Component Director, Program Director

No	Description of Risks	Impacts	Risk rating			Management response	Residual risk rating	Owner
			Consequence	Likelihood	Risk Rating			
4	-Capacity building targets only individuals	VCA's institutional capacity is not improved as expected	Moderate	Likely	High	-Training needs assessment (including assessment of gaps in institutional capacity) will be carried out before capacity building design - Detailed knowledge transfer/ sharing to wider beneficiaries in the agency will be part of follow up action plan of capacity building's beneficiaries - Criteria to select trainees will take into account trainees' potential to make institutional reforms		VCA Component Director
Component 3: Component 3: Restructuring of Rural Economy Focussing on Rice Value Chains								
5	Interest of rice value chain's stakeholders are different	Institutional structure for rice production value chain in Dong Thap is not changed. (e.g., the establishment of appropriate rice value chain institutional arrangements in Dong Thap is delayed or ineffective)	Major	Likely	High	- IPSARD will pursue bottom up approach in working with local level's stakeholders in the value chain in Dong Thap to build pressure for changes in institutional structure -Open policy debate will be conducted with all stakeholders of the rice value chain including farmers, researcher, SOE, private sector....) to present evidence based analysis and get their consensus on the most appropriate institutional structure to increase rice value added in Dong Thap	High	IPSARD Component Director
6	The activities proposed by IPSARD are still vague.	Program support may not generate the tangible contributions to practical restructuring initiatives expected under this program	Moderate	Likely	High	-The program will closely monitor the planning and implementation of IPSARD's activities. Two years planning will be carried out but with an initial focus on specific and feasible outputs for the first year of program budgeting and resources allocation. - Annual review and planning mechanism will allow the adjustment of the intervention areas as needed.	High	PCU, Program Director, GOA SPM, IPSARD Component Director

No	Description of Risks	Impacts	Risk rating			Management response	Residual risk rating	Owner
			Consequence	Likelihood	Risk Rating			
7	Change of IPSARD's leader.	Reduced opportunity for IPSARD to be involved in strategic rural reform planning & policy development. This may result in sub-optimal program impacts in terms of influencing the rural restructuring agenda	Moderate	almost certain	High	-The program will explore the opportunity to invite IPSARD's leader who will retire to be member of SAG	Moderate	GOA's SPM, Project Director, PCU