

GRANT NO. NDF C25

**GRANT AGREEMENT**

**Integrating Climate Change Adaptation in Transport  
under  
Transport Connections in Northern Mountainous Provinces Project**

**between**

**SOCIALIST REPUBLIC OF VIETNAM**

**and**

**NORDIC DEVELOPMENT FUND**

**Dated. May 31, 2012**

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## GRANT AGREEMENT

between SOCIALIST REPUBLIC OF VIETNAM (the "Recipient") and NORDIC DEVELOPMENT FUND (the "Fund").

### WHEREAS

- a) the Fund was established as a Nordic multilateral development financing institution pursuant to an agreement between the Governments of Denmark, Finland, Iceland, Norway and Sweden for the purpose of promoting economic and social development in developing countries through participation in financing on concessional terms of projects of interest to the Nordic Countries;
- b) the Recipient, having satisfied itself of the feasibility and priority of the project described in Annex 1 to this Agreement (the "Project"), has requested the Fund to assist in the financing of the Project;
- c) the Recipient will enter into an agreement (the "<Financing Agreement>") with Asian Development Bank (the "Lead Agency") to assist in the financing of the Project;
- d) the Project will be carried out by Bac Kan Provincial Project Management Unit in consultation with the Joint Coordination Committee (each an "Implementing Agency" collectively the "Implementing Agencies"). The Recipient will make the proceeds of the Grant (as defined in Article 1) available to Bac Kan Provincial Project Management Unit and the Joint Coordination Committee as provided for in this Agreement;
- f) the Fund, in accordance with a co-operation agreement dated 19 January 2011, may request the Lead Agency to carry out on behalf of the Fund the monitoring and evaluation of the part of the Project to be financed by the Fund according to the Lead Agency's usual procedures;
- g) the Recipient and the Fund have on 12 September 1996 entered into an agreement on the legal status of the Fund in Vietnam;
- h) the Fund has agreed, on the basis, inter alia, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW IT IS AGREED:

## ARTICLE I

### Definitions

1.01 Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the Preamble to this Agreement have the meanings therein set forth, and the following additional terms have the following meanings:

"Agreement" means this particular grant agreement, including all annexes, schedules and agreements supplemental hereto, as such agreement may be amended from time to time;

"Banking Day" means, in relation to any place where transactions under this Agreement have to be carried out, a day on which commercial banks in such place are neither required nor authorised to be closed;

"Closing Date" means a date after which the right of the Recipient to make drawdowns under this Agreement may be terminated by the Fund;

"Contractor" means a supplier of goods, works and/or services for the Project, selected in accordance with Annex 1 to this Agreement;

"Grant" means the grant provided for in this Agreement or any part thereof, as the context requires;

"Dollar(s)", "USD" and the sign "\$" mean the currency of the United States of America;

"EUR" and the sign "€" mean euro, the lawful currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25th March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7th February 1992);

"Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of this Agreement or imposed thereafter.

ARTICLE II  
The Grant  
Use of the Grant - Financing of Taxes  
Disbursements

2.01 The Fund agrees to grant to the Recipient, on the terms and subject to the conditions set forth or referred to herein, an amount of up to EUR 2 million (two million euros).

2.02 The Recipient shall be entitled to draw down the Grant in accordance with the provisions of this Agreement, for the purpose of paying eligible expenditures, as defined in Section 3.2 , Schedule III, Annex 1, incurred in respect of the reasonable cost of goods, works and services required for the Project and to be financed by means of the Grant.

2.03 Unless the Fund shall agree otherwise, no amount of the Grant shall be drawn or be applied, directly or indirectly, on account of expenditures incurred prior to the date of this Agreement.

The use of any of the proceeds of the Grant to pay for Taxes levied by, or in the territory of, the recipient on or in respect of eligible expenditures, or on the importation, manufacture, procurement or supply of goods, works and services for such eligible expenditures, if permitted pursuant to this Agreement, is subject to the Fund's policy of requiring economy and efficiency in the use of the proceeds of its grants. To that end, if the Fund at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Fund may, by notice to the Recipient, adjust the percentage of such expenditures to be financed out of the proceeds of the Grant, as required to ensure consistency with such policy of the Fund.

2.04 Drawdowns shall reflect the implementation of the Project. The proceeds of the Grant shall be paid in accordance with the Fund's Disbursement Instructions (i) directly to the Contractor(s), or (ii) to a third party for eligible expenditures under special commitments entered into, in writing, at the Recipient's request and on terms and conditions agreed between the Fund and the Recipient, or (iii) to one or more special accounts opened for the purposes of the Project on terms and conditions acceptable to the Fund.

2.05 Subject to the conditions of disbursement specified in Article III having been, and remaining, fulfilled to the Fund's satisfaction, disbursements under the Grant shall be made upon receipt by the Fund of (i) a disbursement request containing all relevant information and otherwise acceptable to the Fund, duly documented, and submitted by or on behalf of the Recipient, or (ii) in case of special commitment, a payment request submitted by the third party to whom the special commitment was provided by the Fund.

2.06 Each disbursement shall be made on a date determined by the Fund. Unless the Recipient has requested disbursement on a specified later date, disbursement will normally be made not later than 30 calendar days after receipt of the disbursement request, provided that all conditions precedent to disbursement set out in Article III hereof have been fulfilled.

2.07 The Closing Date shall be 31 December 2017, or such later date as the Fund shall establish. The Fund shall promptly inform the Recipient of such later date.

ARTICLE III  
Conditions of Disbursement

3.01 Unless otherwise agreed, the making of disbursements from the Grant shall be subject to the conditions precedent that

(a) this Agreement is in full force and effect, and no event, which would entitle the Fund to suspend disbursements under this Agreement, shall have occurred and be continuing;

(b) the Recipient has taken or caused to be taken all action necessary or advisable to enable the Recipient to receive the Grant and to perform its obligations hereunder, including obtaining all required exemptions, consents and permits; and

(c) the Fund has received and accepted

(i) a legal opinion showing that this Agreement has been duly authorised or ratified by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms;

(ii) if requested by the Fund, further evidence satisfactory to it that the execution and delivery of this Agreement on behalf of the Recipient has been duly authorised by all necessary authorities;

(iii) evidence satisfactory to it of the authority of the person or persons authorised to sign disbursement requests and the authenticated specimen signature of any such person;

(iv) evidence satisfactory to it that the Financing Agreement with ADB has been signed and is in full force and effect;

v) evidence satisfactory to it that other financing contemplated for the Project, including financing from the Recipient, has been obtained, and that conditions precedent to the effectiveness of such financing have been met and that the Project thereby is fully financed;

(vi) if relevant, certified copies of implementation agreements, acceptable to the Fund, whereby the Recipient makes the Grant available to the Implementing Agencies;

(vii) if relevant, evidence that Special Account(s) have been opened on terms and conditions satisfactory to the Fund; and

(viii) any other documentation the Fund reasonably requests relating to the execution of this Agreement or the implementation of the Project

ARTICLE IV  
Currency Provisions

4.01 The proceeds of the Grant shall be disbursed in freely convertible currency with reference to EUR in accordance with section 4.02 hereof.

4.02 Whenever it shall be necessary for the purpose of this Agreement to determine the value of one currency or unit of account with reference to another currency or unit of account as of a given date, such value shall be as reasonably determined by the Fund.

ARTICLE V  
Co-operation and Information  
Recipient's Undertakings and Representations

5.01 The Recipient and the Fund shall co-operate fully to ensure that the purpose of the Grant will be accomplished. To that end, each of them shall furnish to the other party all such information as it shall reasonably request with regard to the general status of the Project.

5.02 (a) The Recipient and the Fund declare their commitment to counteract corrupt practices in relation to the Grant and the execution of the Project. Whenever such corrupt practices are indicated, the Recipient and the Fund shall, at the request of either party, discuss the matter with a view to agree on the form, scope and schedule of investigations and actions and, if applicable, the financing thereof.

(b) The Recipient undertakes to take all necessary action to prevent corrupt practices within its territory and to pursue, by all appropriate means, any such practices whenever identified.

5.03 The Recipient shall promptly inform the Fund of (i) any condition which interferes or threatens to interfere with the accomplishment of the purpose of the Grant (including substantial increase in the cost of the Project), and (ii) any event which with the lapse of time or otherwise would entitle the Fund to suspend disbursements under this Agreement.

5.04 The Recipient recognises that the Fund follows policies similar to other multilateral financial institutions as regards project execution.

ARTICLE VI  
Execution of the Project

6.01 The Recipient shall take or cause to be taken all action which shall be necessary to execute the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, social, environmental and climate change mitigation and adaptation practices. These practices also include transparency in project operations and wide and easy access to public information on the project. In particular, the Recipient shall make available to the

public (i) project related safeguards assessments and plans related to environment, resettlement, and indigenous peoples; (ii) audited annual financial statements for the project; (iii) procurement plans; and (iv) results of procurement procedures.

6.02 (a) The Recipient shall ensure that the proceeds of the Grant shall be used only for the financing of the Project or, as applicable, Project component(s) for which the Grant is extended. Procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Annex 1 to this Agreement as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall prepare a Procurement Plan in accordance with procurement guidelines acceptable to the Fund for a period covering at least 18 initial months of the project execution, and update the Procurement Plan and furnish such update to the Fund for "no objection" not later than 12 months after the date of the preceding Procurement Plan.

(c) The Recipient shall ensure that in respect of procurement of goods, works and services for the Project, invitations to tender as well as procurement contracts shall, respectively, include clauses that gives the Recipient and the buyer the right to (i) demand investigations of the tenderer's/Contractor's books by independent auditors for the purpose of ascertaining whether or not corrupt practices have taken place, (ii) reject any tender and cancel any procurement contract in case any corrupt practices have taken place in connection with the procurement procedure related to the contract or the execution thereof, (iii) claim compensation for the damage or loss arising from any such rejection of tender or cancellation of contract, and (iv) exclude the tenderer/Contractor, either indefinitely or for a certain period of time, from competing for and participating in the execution of contracts in the territory of the Recipient.

6.03 In addition to the proceeds of the Grant the Recipient shall make available or cause to be made available promptly when needed, all other funds that are required for the execution of the Project (including any funds that may be required to meet any increase in cost).

6.04 The Recipient shall insure or cause to be insured, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Grant against hazards incidental to the acquisition, transportation and delivery thereof to the place of use or installation. Any indemnity for such insurance shall be payable in a freely usable currency to replace or repair such goods.

6.05 The Recipient shall:

(i) maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods, works and services financed out of the proceeds of the Grant and to disclose their use in the Project;

(ii) enable the Fund's representatives to visit any facilities and construction sites included in the Project and to examine the goods, works and services financed out of proceeds of the Grant and any plants, installations, sites, works, buildings, property, equipment, records and documents relevant to the performance of the obligations of the Recipient under this Agreement; and



(iii) furnish to the Fund at regular intervals reasonably detailed information concerning the Project, its budgeted and actual cost, the budgeted and actual expenditure of the proceeds of the Grant, and the goods and services financed out of such proceeds. Audited accounts of the use of the Grant for the preceding financial year (January - December) shall be provided not later than 30 June each year up to and including Project completion.

6.06 Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Fund, the Recipient shall prepare and furnish to the Fund a reasonably detailed report on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it.

## ARTICLE VII

### Suspension and Cancellation

7.01 If any of the following events of suspension shall have occurred and be continuing, the Fund may, by notice to the Recipient, suspend in whole or in part the right of the Recipient to draw down the Grant:

- (a) The Recipient shall have failed to perform any obligation under this Agreement.
- (b) The Recipient shall have failed to make payment of principal, charges or any other amount due to the Fund under any credit, grant or guarantee agreement between the Recipient and the Fund.
- (c) The Recipient shall have failed to perform any of its obligations (other than payment obligations) under any credit or grant agreement with the Fund which gives the Fund the right to suspend in whole or in part the right of the Recipient to make drawings under such agreement
- (d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project can be carried out or that the Recipient will be able to perform its obligations under this Agreement.
- (e) An extraordinary situation shall have arisen in which any further disbursement by the Fund would exceed its resources available for disbursement.
- (f) A representation made by the Recipient in or pursuant to this Agreement, or any statement furnished in connection therewith, and intended to be relied upon by the Fund in extending the Grant, shall have been incorrect in any material respect.
- (g) (i) (A) The right of the Recipient to draw down the proceeds of any grant or loan made to the Recipient (other than by the Fund) for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such grant shall have become repayable or any such loan shall have become due and payable prior to the agreed maturity thereof.

- (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Fund that (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

(h) The Fund shall have determined, with respect to any contract to be financed in full or in part out of the proceeds of the Grant, that corrupt, fraudulent, collusive, coercive or obstructive practices, as determined by the Fund, were engaged in by representatives of the Recipient or any beneficiary of the Grant during the procurement of goods and services, consultants' selection or the execution of a contract, without the Recipient having taken timely and appropriate action satisfactory to the Fund to remedy the situation; or the Fund shall have determined that the procurement of any goods or services to be financed out of the proceeds of the Grant is inconsistent with the relevant procedure agreed on between the Recipient and the Fund.

(i) The Recipient has failed to pay any of its external debt to a multilateral financial institution.

(j) Payments to the Recipient are prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

The right of the Recipient to draw down the Grant 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 ceased to exist, unless the Fund shall have notified the Recipient that the right to draw down has been restored in whole or in part, as the case may be.

7.02 If (a) the conditions precedent to the first disbursement have not been fulfilled 150calendar days after the date of this Agreement, or (b) the right of the Recipient to draw down the Grant shall have been suspended for a continuous period of thirty days, or (c) at any time, the Fund determines, after consultation with the Recipient, that an amount of the Grant will not be required to finance the Project's costs to be financed out of the proceeds of the Grant, or (d) at any time the Fund determines, with respect to any contract to be financed in full or in part out of the proceeds of the Grant, that corrupt, fraudulent, collusive, coercive or obstructive practices, as determined by the Fund, were engaged in by representatives of the Recipient or any beneficiary of the Grant during the procurement of goods and services, consultants' selection or the execution of a contract, without the Recipient having taken timely and appropriate action satisfactory to the Fund to remedy the situation; (e) after the Closing Date, an amount of the Grant shall remain undrawn, the Fund may, by notice to the Recipient, terminate the right of the Recipient to draw down the Grant or, as applicable, the

relevant amount of the Grant. Upon the giving of such notice, the Grant or the relevant amount of the Grant, shall be cancelled.

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

## ARTICLE VIII

### Repayment

8.01 The Recipient shall upon the Fund's demand promptly repay to the Fund (or, if applicable and agreed by the Fund, to the Special Account) any amount of the Grant used in a manner inconsistent with the provisions of this Agreement.

8.02 The Recipient shall upon the Fund's demand promptly repay to the Fund any amount of the Grant standing to the credit of a Special Account if the Fund determines, after consultation with the Recipient, that such amount will not be required to finance the Project's costs to be financed out of the proceeds of the Grant.

## ARTICLE IX

### Enforceability and Arbitration

#### Failure to Exercise Rights

#### Waiver of Immunity

9.01 The rights and obligations of the Recipient and the Fund under this Agreement shall be valid and enforceable in accordance with the terms hereof notwithstanding the law of any state or political subdivision thereof to the contrary. Neither the Recipient nor the Fund shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement is invalid or unenforceable because of any provision of the Articles of Agreement or the Statutes of the Fund.

9.02 Any dispute, controversy or claim arising out of or relating to the interpretation, application or performance of this Agreement, including its existence, validity or termination, which has not been settled by agreement of the parties within 60 calendar days, shall be settled by final and binding arbitration under the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organizations and States, as in effect on the date of this Agreement.

The place of arbitration shall be Paris and the language of the arbitral proceedings shall be English.

9.03 Service of any notice of process in connection with any proceeding under this Article may be made in the manner provided for in section 10.02 hereof. The parties hereto waive any and all other requirements for the service of any such notice of process.

9.04 No delay in exercising or omission to exercise any right, power or remedy accruing to any party under this Agreement upon default or otherwise shall impair any such right, power or remedy or

be construed to be a waiver thereof, nor shall any action of such party in respect of any default affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

9.05 The parties hereby expressly waive any right of immunity they might have on the grounds of sovereignty or otherwise in connection with any arbitral proceeding pursuant to section 9.02 hereof or with the enforcement of any award pursuant thereto.

## ARTICLE X

### Miscellaneous Provisions

10.01 The Minister of Planning and Investment of the Recipient is designated as representative of the Recipient for the purposes of signing and executing on behalf of the Recipient any documents used in connection with this Agreement. Any amendments to the Agreement shall be made in writing between the Fund and the Minister of Planning and Investment. Any change to, or further specification of, Annex 1, Project Description, including the attached Procurement Schedule, shall be approved also by the Implementing Agency. Any such amendment, change or further specification shall be deemed an integral part of this Agreement.

10.02 Any document, notice or request required or permitted to be given or made under this Agreement shall be made in writing in the English language and may be delivered (i) by airmail or internationally recognised courier service, (ii) by telefax, or (iii) by other electronic means to the party to which it is required or permitted to be given or made, at such party's address specified below or at such other address as such party shall have designated by notice to the other party. Any document, notice or request expressly required under this Agreement shall, if given by telefax or by other electronic means, promptly be confirmed by letter, and the Fund shall not be under any obligation to take any action until receipt of such letter.

For the Fund:

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Finland

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For the Recipient:

Ministry of Planning and Investment  
6B Hoang Dieu, Ba Dinh  
Hanoi, Vietnam

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For the Implementing Agencies:

Bac Kan Provincial Project Management Unit (PPMU)  
No 5, Truong Chinh Street  
Bac Kan town, Bac Kan Province  
Vietnam

tel: +84 281 3870 635

telefax: +84 281 3 870 635

10.03 The Fund may disclose this Grant Agreement and any information related to this Grant Agreement in accordance with its policy on access to information, in effect at the time of such disclosure.

10.04 This Agreement is made in two copies each of which shall be an original.

10.05 The following annex forms part of this Agreement:

Annex 1 Project Description/Procurement

IN WITNESS WHEREOF the parties hereto, acting through their duly authorised representatives, have caused this Agreement to be signed, and thereby effective, with their respective names as of

May 31, 2012.

MINISTER OF PLANNING AND INVESTMENT FOR AND ON BEHALF OF

SOCIALIST REPUBLIC OF VIETNAM

By:   
\_\_\_\_\_

NORDIC DEVELOPMENT FUND

By:   
\_\_\_\_\_

Helge Semb, Managing Director

  
\_\_\_\_\_

Satu Santala, NDF Board Member

## Grant Agreement: Integrating Climate Change Adaptation to Transport under the Transport Connections in Northern Mountainous Provinces Project

### KEY PROJECT INFORMATION:

<b>Sector:</b>	CRS Code: 21020 Road Transport; Rio Marker: Adaptation 2
<b>Recipient country/institutions:</b>	The Socialist Republic of Vietnam/Bac Kan Provincial Project Management Unit (PPMM) in consultation with the Joint Coordination Committee (JCC)
<b>Lead Agency:</b>	Asian Development Bank (ADB)
<b>Lead Agency Project:</b>	Transport Connections in Northern Mountainous Provinces Project
<b>Project implementation period:</b>	January 2012 - December 2016
<b>Cost -estimate and Financing plan:</b>	<p>NDF grant EUR 2 million (USD 2.8 million) for: the following activities under the ADB project:</p> <p><u>Activity 1:</u> Capacity building of provincial staff;</p> <p><u>Activity 2:</u> Vulnerability mapping of the six mountainous provinces selected for the project;</p> <p><u>Activity 3:</u> Identification and prioritisation of adaptation approaches and vulnerable sections along selected roads for rehabilitation;</p> <p><u>Activity 4:</u> Detailed design to increase the resilience of the selected project road infrastructure to climate change; and</p> <p><u>Activity 5:</u> Policy strengthening</p> <p>The ADB budget for the project is USD 80 million</p>
<b>Relevance and rationale for NDF's climate change mandate:</b>	<p>The project addresses potential damages caused to road transport infrastructure by changes in climate, such as increased temperatures, changes in rainfall patterns and extreme weather events occurrence. The project strengthens the capacity of relevant stakeholders to undertake such climate proofing and provides experience and local best practices through pilot projects.</p>

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## Schedule I: Project Description

### 1.1 Introduction

During ADB's and NDF's regular bi-annual consultations, an opportunity was identified for integrating climate change adaptation into the project Transport Connections in Northern Mountainous Provinces. The project area is in the northern central mountainous area of Vietnam in six provinces, namely, Bac Kan, Cao Bang, Ha Giang, Tuyen Quang, Yen Bai, and Lao Cai. Five activities for climate proofing the project "Transport Connections in Northern Mountainous Provinces" were identified together with stakeholders in Vietnam: 1. Capacity building of provincial staff, 2. Vulnerability mapping of roads selected for rehabilitation, 3. Identification and prioritisation of adaptation approaches, 4. Detailed design to increase the resilience of the project road infrastructure to climate change, and 5. Policy strengthening and coordination.

Two similar projects have been approved for financing by NDF: this project actually builds upon experience gained from the NDF financed project in Cambodia (NDF C15 Adaptation Approaches for the Transport Sector) as well as across continents and institutions, i.e. on the NDF financed project in Senegal (NDF C10 Transport and Urban Mobility Project - Integrating Climate Change Adaptation to Transport in Senegal co-financed with the World Bank). Further, NDF recently signed a grant agreement (NDF C18 Support to the National Target Program on Climate Change) to help Vietnam strengthen its institutions in the planning and design of climate change projects, which also includes interventions targeting the transport sector.

### 1.2 Relevance and Rationale

Much of the attention with respect to climate change impacts and adaptation in Vietnam has been concentrated along the long coastline. In the National Communications, a clear emphasis has been placed on coastal infrastructure, leaving the project area fairly neglected in terms of vulnerability assessment and development of adaptation projects. This is not unique to climate change as the area is not the centre of economic activity in the country and is one of the poorest and most marginalized. Indeed, while sea-level rise and storms along the coastline is extremely important, mountain ecosystems are recognized as being equally sensitive to climate changes but have received relatively little attention and is a gap which this project seeks to address.

The local population has observed changes to the timing of the seasons. The area is also already affected by occasional floods and droughts. Flash floods occur in some locations along the project roads and have caused damage to a number of causeways. Initial observations and discussions suggest that the current impacts of most concern in the project area include landslides and some flash-flooding. Permanent flooding as is seen in many areas in the south is less common in the north because of the location of the roads in the highlands.

The NDF activities have been subject to climate change screening which confirmed that the NDF activities satisfies the minimum NDF screening criterion in light of its emphasis on technical assistance targeting adaptation climate change. As such, the NDF activities will not directly reduce vulnerability but will greatly facilitate it through its impact on the ADB project.



In addition to adaptation, the project may have both a negative and a positive impact on greenhouse gas emissions. In NDF's climate change screening it has been assumed that this mitigation impact is negligible.

The project is in line with the Government's Socio-Economic Development Plan and with ADB's Vietnam Country Partnership Strategy and, and is expected to be in line also with the forthcoming Plan and Strategy. The intervention will be coordinated with the Government's and other actors activities linked to the National Target Program on Climate Change, as well as with other projects in the area such as the World Bank funded Second Northern Mountains Poverty Reduction Project.

The project will further be coordinated with two ADB administered technical assistance projects in Vietnam, one financed by NDF (NDF C18 Support to the National Target Program on Climate Change) and another by the Australian Government. The former project will assist the Ministry of Transport and Ministry of Infrastructure to more thoroughly develop and implement their National Target Programs. This project includes climate change assessment and the development of adaptation pilot projects in two ministries, one province and two cities. The latter project, which is ongoing, includes national level downscaling with a focus on the Mekong Delta area of Vietnam. This project will contribute by undertaking detailed impact assessments in the complex northern mountainous area, which has been a gap up to date. It is expected that lessons learned and experiences from the two projects can be used as models for the NDF activities.

### 1.3 Project Background

The northern mountainous provinces of Vietnam have developed at a much slower pace than the rest of the country. The region had 58% of the population living in poverty in 2007, which is far above the 20% average for the country. Ethnic minorities typically inhabit the more mountainous and less accessible areas of the provinces, and account for 67% of the project area's population. Income level of ethnic minorities is below averages. Poor access to market, health, education, and other government services is a major constraint for socio-economic development.

Poor conditions of the road network in Vietnam, which consists predominantly of unpaved, narrow, local roads, is highlighted as a major issue in ADB's *Assessment, Strategy, and Roadmap* for the transport sector. The role of local governments in development and management of local roads is becoming increasingly important as a decree in 2006 made it possible for the provincial governments to become line agencies of official development assistance programs. The project will be implemented directly by the provinces.

The project will support rehabilitation of high-priority provincial and district roads to promote sustainable socio-economic development. The project roads have been selected based on social and economic indicators to maximize development benefits and impacts.

## 1.4 Project Objective

The overall objective of the project is reduced poverty in the project areas. The outcome will be improved and reliable road connectivity with increased resilience to climate change. The immediate project objective, improved road connectivity in the northern mountainous provinces, will be measured by and aim for a 40% reduction in the average travel time from commune centers along the project road to district centers, and a 100% decrease in average number of days per year that ordinary automobiles cannot pass through the project roads.

## 1.5 Project Activities and Expected Results

The expected results of the ADB project will be:

- (i) rehabilitated priority provincial roads totalling 304 km including partial upgrading of roads, application of design guidelines, and climate proofing of vulnerable road sections,
- (ii) enhanced capacity among staff on potential climate change impacts, and
- (iii) enhanced awareness of potential social problems among vulnerable people, especially women and ethnic minorities.

## 1.6 NDF's components

The NDF financed activities have been designed to enhance output (i) and (ii) of the ADB project described above. The NDF component will focus primarily on technical assistance and capacity building. The objective of the NDF adaptation activities therefore is to enhance capacity of the staff of the provincial people's committees to consider climate change adaptation strategies in the design, planning and maintenance of road infrastructure. The associated activities are as follows:

- Activity 1. Capacity building of provincial staff
- Activity 2. Vulnerability mapping of roads selected for rehabilitation,
- Activity 3. Identification and prioritisation of adaptation approaches,
- Activity 4. Detailed design to increase the resilience of the project road to climate change,
- Activity 5. Policy strengthening and coordination

The main content of each activity is described briefly below:

### **Activity 1: Capacity building of provincial staff**

Identify of capacity building needs; design and implementation of capacity building plan, including training and exchange of expertise within the country

### **Activity 2: Vulnerability mapping of roads selected for rehabilitation**

Data collection, develop methodology and conduct vulnerability and climate change impact assessment; produce vulnerability maps; conduct community and field consultations to identify key specific risks to be addressed

### Activity 3: Identification and prioritisation of adaptation approaches

Develop decision making framework, including criteria for the selection of priority adaptation measures; identify ecosystem based adaptation options; select and prioritise adaptation options within the given budget

### Activity 4: Detailed design to increase resilience of the project road to climate change

Design ecosystem based adaptation measures identified in prioritisation process; incorporate adaptation measures into detailed design for selected segments of the project roads; revise budget for civil works; revise tendering documents to include climate change adaptation.

### Activity 5: Policy Strengthening and Coordination

Identify best practices and lessons learned; hold policy level dialogue workshop with other transport sector stakeholders and a seminar for inter-sectoral planning; conduct study tours to enhance learning within the country; produce recommendations for revision of transport master plan and for inter-sectoral planning

The NDF financed activities are described in the results based monitoring framework below:

Design Summary	Performance Targets	Means of Verification	Assumptions
<b>Objective:</b> Increased capacity to consider climate change in the design, planning and maintenance of roads			
<b>Activity 1:</b> Capacity building of provincial staff	At least 20 PPMU staff members attend adaptation seminars, of which at least 25% are female.	Consultant's progress reports. EA's project completion report.	Provincial staff acquire basic knowledge and understanding in the initial training.
<b>Outputs</b>			
1. Needs assessment report			
2. Capacity building plan			
3. Training materials			
<b>Tasks</b>			
1. Identify capacity building needs throughout the course of the project			
2. Design capacity building program including training with climate change experts in the country			
3. Implement capacity building plan, including project initiation training			
<b>Activity 2:</b> Vulnerability mapping of roads selected for rehabilitation	Maps are used to identify priority road segments	Project detailed design	Data is available and of quality
<b>Outputs</b>			
1. Identification and agreement of relevant vulnerability indices			
2. Usable database and data sources			
3. Climate change impact assessment			
4. Draft vulnerability maps			
5. Final vulnerability maps and identification community concerns			

6. Identification of priority issues			
<b>Tasks</b>			
1. Develop methodology for vulnerability and impact assessment			
2. Collect necessary data from national and international sources			
3. Downscale climate models and conduct impact assessment modelling to identify key risks			
4. Produce vulnerability maps using geographic information systems			
5. Conduct necessary community and field consultations			
6. Assess implications of vulnerability with project stakeholders to identify risks to be addressed			
<b>Activity 3.</b> Identification and prioritisation of adaptation approaches	At least three adaptation measures are identified	Consultant's progress reports. EA's project completion report.	Vulnerability and impacts are easily identifiable.
<b>Output</b>			
1. Decision making framework			
2. Long-list of adaptation options			
3. Short-list of adaptation options			
4. Refined and developed short list of adaptation options			
5. Priority list of adaptation measures			
<b>Tasks</b>			
1. Develop decision making framework, including criteria for the selection of adaptation measures			
2. Identify all potential adaptation options, including ecosystem based options, to address key impacts and vulnerabilities			
3. Apply decision making framework to develop short list of adaptation options			
4. Collect data needed to support decision making of priority options, such as costs and benefits			
5. Prioritisation of adaptation options, including based on budget limitations			
<b>Activity 4.</b> Detailed design to increase the resilience of the project roads to climate change	At least three adaptation measures are developed	Consultant's progress reports. EA's project completion report, detailed design report	The budget is sufficient to finance adaptation adjustments
<b>Output</b>			
1. Design of measures, including ecosystem based measures, identified in prioritisation process			
2. Revised and updated detailed design of project roads			
3. Revised budget			
4. Revised tendering documents and budget			
<b>Tasks</b>			
1. Detailed design of adaptation measures, including ecosystem based measures such as increased slope stabilisation			
2. Incorporate adaptation measures into detailed design for selected road segments			
3. Budget revision for civil works			
4. Revised tendering documents to include climate change adaptation			

<b>Activity 5.</b> Policy strengthening and coordination	At least two other transport sector stakeholders incorporate adaptation into their work	Reports from other transport projects	Lessons learned are transferable
<b>Output</b>			
1. Lessons learned report			
2. Workshop report			
3. Report			
4. Participants one page report of learning			
<b>Tasks</b>			
1. Identify best practices and lessons learned			
2. Hold policy level dialogue/workshop with other transport sector stakeholders in the country			
3. Identify opportunities for inter-sectoral planning (land use, forestry, agriculture and water)			
4. Conduct study tours at different stages of the project to enhance learning within the country			
5. Recommend revision of transport master plan and inter-sectoral planning			

The indicators and baseline are expected to be further developed and detailed at the start of the project, and could include e.g. (i) engineering detailed design and road design documents have climate change considerations incorporated where relevant, (ii) climate change vulnerability maps produced, (iii) number of staff trained in the use of climate change adaptation methods and tools, and (iv) uptake of recommendations by other provinces and national frameworks.

### 1.7 Cost Estimates and Financing Plan

The total project budget is USD 107.9 million (EUR 76.1 million). The ADB project budget is USD 80.0 million (EUR 56.5 million), of which USD 2.7 million (EUR 1.9 million) will be set aside to finance adaptation adjustments to civil works. The estimated cost for the NDF financed activities is EUR 2.0 million (USD 2.8 million). NDF financing will be provided as parallel co-financing. The following notional allocation lists the budget distribution by activity:

**Table 1: Cost estimate by activity**

ITEM	EUR
Activity I Training	570,000
Activity II Vulnerability mapping	845,000
Activity III Identification and prioritisation of adaptation approaches	141,000
Activity IV Detailed design to increase the climate change resilience of the project road	150,000
Activity V Policy strengthening and coordination	245,000
Contingency	49,000
<b>TOTAL COST ESTIMATE</b>	<b>2,000,000</b>

## **Schedule II: Implementation Arrangement, Project Monitoring, Reporting and Evaluation**

### **2.1 Project Organization**

The NDF adaptation activities will follow the ADB project implementation structure. The overall project will be overseen by a Joint Coordination Committee (JCC). There are Provincial Project Management Units (PPMUs) established in all six provinces, which will be in charge of implementation. These PPMUs are staffed with counterpart personnel mostly seconded from the Provincial Departments of Transport. The JCC will coordinate and monitor the activities of six PPMUs and report them to NDF and ADB. The Bac Kan PPMU will be authorized to carry out certain tasks such as signing contracts on behalf of the JCC.

ADB will engage a project coordination consultant to support the JCC. It is foreseen that a climate change project coordinator be hired to oversee activities across the project area and management units to ensure coherence with the rest of the project.

### **2.2 Project Reports; Completion Reports**

The Implementing Agency shall prepare progress reports in accordance with the provisions of Section 6.05 of the Agreement and on the basis of indicators specified for the Project. Each progress report shall cover a calendar quarter and shall be furnished to NDF and ADB not later than 45 days after the end of the quarter. The reporting of progress of the NDF-components can be integrated into the ADB progress reports.

The recipient shall prepare the Completion report in accordance with the provisions of Section 6.06 of the Agreement. The Completion report shall be furnished to NDF and ADB not later than three months after the closing date and can be integrated into the overall ADB completion report.

### **2.3 Financial Reporting/Audits**

The Implementing Agency shall prepare financial reports in accordance with the provisions of Section 6.05 of the Agreement and on the basis of an agreed format specified for the Project. Each progress report shall cover a calendar quarter and shall be furnished to NDF not later than 45 days after the end of the quarter. The financial reporting of the NDF-components can be integrated in the overall ADB reports.

The Implementing Agency will submit an audit report to ADB within six months after the end of each financial year. This audit report shall also include reporting on the NDF-activities. The arrangements for the external audit of the financial statements of the Project should be communicated to ADB/NDF through agreed terms of reference. Appropriate terms of reference for the external audit should be developed by the institutions and agreed with ADB and NDF.

## 2.4 Monitoring and Evaluation

The JCC is expected to have the overall responsibility for establishing the monitoring system, including establishing the baseline and collecting data for each indicator and reporting regularly to NDF and ADB. All PPMUs are expected to be involved with the data collection and reporting in their provinces. A mid-term and final evaluation will be conducted as part of the ADB project.

## Schedule III: Grant Proceeds, Disbursement, Eligible Expenditures

### 3.1 Disbursement

The Recipient may request disbursement of the grant proceeds in accordance with the provisions of the Grant Agreement, this Schedule and such additional instructions as NDF may specify by notice to the Recipient.

The disbursements may be made to finance eligible expenditures for the project through (i) direct payments to consultants, suppliers, contractors and services providers or (ii) through direct payments to a third party under a special commitment.

Requests by the Recipient for direct payments to consultants, suppliers, contractors and services providers shall be supported by copies of invoices, certificates and other necessary documents as well as by copies of or references to contracts signed with the payees.

If payments for goods to be imported shall be made through letters of credit (L/C), NDF may, at the request of the Recipient and in the form acceptable to the Recipient and NDF, provide a special commitment to the commercial bank confirming the L/C. In such case, NDF shall make the payments directly to the confirming bank at their request.

Unless otherwise agreed by NDF in writing during the project implementation, there will be no Special Account opened for the NDF grant funds.

Since NDF's contribution is provided as parallel financing, the size of the disbursements will eventually be determined in the contract, and the timing will depend upon progress. The disbursement schedule is tentatively estimated as follows:

#### Provisional Disbursement Schedule (EUR million)

	2012	2013	2014	2015	2016	Total
<b>Per cent</b>	0	30%	40%	20%	10%	100%
<b>Amount EUR</b>	0	0.6	0.8	0.4	0.2	2.0

### 3.2 Eligible Expenditures

The following table specifies the categories of eligible expenditures that may be financed out of the proceeds of the Grant, the allocations of the amounts of the Grant to each category and the percentage of expenditures to be financed in each category.



## Definition of Eligible Expenditures

CATEGORY	Amount of the grant allocated (EUR)*
<b>Activity I. Training</b>	
A. Consultants' fees and expenses: training, project coordination, monitoring and management support, and other technical backstopping	515,000
B. Goods: training materials/equipment/transport	55,000
<b>Sub-Total</b>	<b>570,000</b>
<b>Activity II. Vulnerability mapping</b>	
A. Consultants' fees and expenses: vulnerability mapping, adaptation methodology development, application to the selection of adaptation pilots, climate change downscaling and hydrological modelling	505,000
B. Goods: equipment (ground-truthing, observation points, GIS, computer), software (for climate and hydrological modelling), data for modelling (to be confirmed after identification of data gaps)	340,000
<b>Sub-Total</b>	<b>845,000</b>
<b>Activity III. Identification and prioritisation of adaptation approaches</b>	
A. Consultants' fees and expenses: engineering, economics, decision support, data collection	141,000
<b>Sub-Total</b>	<b>141,000</b>
<b>Activity IV. Detailed design to increase the resilience of the project road infrastructure to climate change</b>	
A. Consultants' fees and expenses: engineering	150,000
<b>Sub-Total</b>	<b>150,000</b>
<b>Activity V. Policy support and coordination</b>	
A. Consultants' fees and expenses: climate change adaptation expert, policy expert, transport specialist	120,000
B. Goods: Materials for report writing and workshops, transport for workshops and study tours	125,000
<b>Sub-Total</b>	<b>245,000</b>
<b>Contingency (unallocated)</b>	<b>49,000</b>
<b>TOTAL COST ESTIMATE</b>	<b>2,000,000</b>

\* It is assumed that contracts for goods, services and works under the grant are exempted from taxes and duties.

The contingency allocation can with the acceptance of NDF be used to finance eventual cost overruns of categories A and B.

## Schedule IV: Procurement

### 4.1 NDF General Procurement Guidelines

*All goods, works and services* (other than consultants' services) shall be procured in accordance with the provisions of Section 4 of the "NDF General Procurement Guidelines for Grant-financed Projects", and with the provisions of this Schedule.

*All consultants' services* shall be procured in accordance with Section 5 of the "NDF General Procurement Guidelines for Grant-financed Projects", and with the provisions of this Schedule.

### 4.2 Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

#### A. International Competitive Bidding

Except as otherwise provided in Section 4.5 - Procurement Thresholds - or later in this Section, contracts shall be awarded on the basis of *International Competitive Bidding (ICB)*. The provisions of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by local contractors

#### B. Other Procurement Procedures

1. Goods and Services which can only be purchased from a limited number of suppliers/ service providers may be procured under contracts awarded on the basis of *Limited International Bidding*.

2. *National Competitive Bidding (NCB) and Shopping* can be used in cases defined in the Procurement Thresholds Table (see section 4.5)

3. Goods which NDF agrees meet the requirements for *Direct Contracting* may be procured in accordance with the provisions of this procurement method.

4. *Procurement from UN Agencies*. Goods which NDF agrees may be procured directly from United Nations Agencies, in accordance with the provisions of the Procurement Guidelines, or as otherwise agreed by NDF.

### 4.3 Particular Methods of Procurement of Consultants' Services

A. Except as otherwise provided in Section 4.5 - Procurement Thresholds - or later in this Section, consultants' services shall be procured under contracts awarded on the basis of *Quality- and Cost-based Selection*. The shortlist of consultants for services estimated to cost less than €100,000 equivalent per contract may comprise of entirely national consultants.

#### B. Other Procedures

1. *Selection Under a Fixed Budget*. NOT APPLICABLE in this project

2. *Least-cost Selection*. NOT APPLICABLE in this project

3. *Selection Based on Consultants' Qualifications* can be used in cases defined in the Procurement Thresholds Table (see section 4.5)

4. Services for tasks in circumstances which meet the requirements of the Guidelines for *Single Source Selection*, may, with NDF's prior agreement, be procured under contracts awarded on the basis of this method in accordance with the provisions of the Guidelines.

5. *Individual Consultants*. Services for assignments that meet the requirements set forth in the Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of the Guidelines. Under the circumstances described in paragraph 5.4 of the World Bank Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

#### 4.4 Review by NDF of Procurement Decisions

Except as the NDF shall otherwise determine by notice to the Recipient, the contracts shall be subject to Prior Review by NDF in accordance with the **Procurement Thresholds Table** (see section 4.5). All other contracts shall be subject to Post Review by NDF.

In addition, all amendments of contracts raising the initial contract value by more than 15% of original amount or above the prior review thresholds will be subject to Prior Review by NDF.

#### 4.5 Procurement Thresholds

Expenditure Category	Contract Value Threshold (EUR)	Procurement Method	Contracts Subject to Prior Review (EUR)
1. Works	Above EUR 3,000,000 Below EUR 3,000,000 Below EUR 50,000	ICB NCB Shopping	All contracts Above EUR 100,000 First two contracts
2. Goods	Above EUR 300,000 Below EUR 300,000 Below EUR 30,000	ICB NCB Shopping	All contracts Above EUR 50,000 First two contracts
3. Non-consulting Services	Above EUR 200,000 Below EUR 200,000 Below EUR 30,000	ICB NCB Shopping	All contracts Above EUR 40,000 First two contracts
4. Consulting Services with Firms	Above EUR 100,000 Below EUR 100,000	QCBS Qualifications/Other	All contracts Above EUR 30,000
5. Consulting Services with individuals		Individual	Above EUR 15,000
6. All types of contracts	All contracts	Single-source/Direct contracting and TORs	Above EUR 15,000