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CREDIT NUMBER 5249-VN

# Project Agreement

(Inclusive Innovation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

NATIONAL FOUNDATION FOR SCIENCE AND TECHNOLOGY  
DEVELOPMENT

Dated September 6, 2013

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## **PROJECT AGREEMENT**

AGREEMENT dated *September 6*, 2013, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the NATIONAL FOUNDATION FOR SCIENCE AND TECHNOLOGY DEVELOPMENT (variously the "Project Implementing Entity" or "NAFOSTED") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the SOCIALIST REPUBLIC OF VIETNAM ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

### **ARTICLE II — PROJECT**

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out its Respective Parts of the Project in accordance with the requirements of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Part of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Part of the Project in accordance with the provisions of the Schedule to this Agreement.

### **ARTICLE III — TERMINATION**

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

### **ARTICLE IV — REPRESENTATIVE; ADDRESSES**

- 4.01. The Project Implementing Entity's Representative is the Chairman of NAFOSTED's Board.

4.02. The Association's Address is:

International Development Association  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

248423(MCI)

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

39 Tran Hung Dao Street  
Hoan Kiem District  
Ha Noi City,  
Viet Nam.

Facsimile:

+84 (4) 3936-7751

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Victoria Kwakwa

Authorized Representative

Name: Victoria Kwakwa

Title: Country Director

NATIONAL FOUNDATION FOR SCIENCE AND  
TECHNOLOGY DEVELOPMENT

By

Le Dinh Tien

Authorized Representative

Name: Le Dinh Tien

Title: Chairman of the Board

## SCHEDULE

### Execution of the Project Implementing Entity's Respective Part of the Project

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

1. NAFOSTED shall incorporate to its Board, by no later than three (3) months after the Effective Date, and thereafter maintain as one of its Board members throughout the implementation of the Project, a representative of the private sector related to industries involved in the design and implementation of Inclusive Innovation solutions, selected in a manner and substance satisfactory to the Association.
2. NAFOSTED shall maintain throughout the period of implementation of its Respective Parts of the Project, a Project Implementation Unit: (a) headed by a Project Manager, assisted by competent staff, including procurement, environmental safeguard and financial management specialists, all with experience and qualifications, in numbers and under terms of reference acceptable to the Association; and (b) provided with such powers, financial resources, functions and competencies, satisfactory to the Association, as shall be required for it to carry out the activities under NAFOSTED's Respective Parts of the Project and fulfill the fiduciary duties described in the Project Operations Manual, the Grants Manual and the ESMF.
3. NAFOSTED shall establish within one (1) months before the first call for proposals under Sections I.D.1 and I.E.1 of this Schedule , and thereafter maintain throughout the period of Project implementation, a technical panel of experts (the "Technical Panel of Experts"), with structure, experience and qualifications, and terms of reference, satisfactory to the Association, to be vested with the responsibility, throughout the implementation of the Project, of: (a) carrying out the screening and selection of NDC Sub-projects and/or proposals for the financing of Inclusive Innovations solutions through NDC Sub-grants, Inclusive Innovation Sub-grants and Matching Grants; and (b) providing advice to the Project Steering Council, EDA, and NAFOSTED, as needed, on relevant policy and technical issues posed by the Project.
4. NAFOSTED shall select and engage, by no later than three (3) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Project, the services of an internationally experienced technical advisor, acceptable to the Association, under terms of reference satisfactory to the Association, in order to advise NAFOSTED's Project Implementation Unit on Project management, Project implementation scheduling, financial management and training of staff.

**B. Anti-Corruption**

The Project Implementing Entity shall ensure that its Respective Parts of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**C. Project Documents**

1. NAFOSTED shall:

(a) implement its Respective Part of the Project in accordance with the Project Operations Manual (including the FM Manual and the Grants Manual); and

(b) refrain from amending, suspending, waiving, and/or voiding any provision of the Project Operations Manual (including the FM Manual and/or the Grants Manual), whether in whole or in part, without the prior written concurrence of the Recipient and the Association.

2. Notwithstanding the foregoing, in the event of any conflict between the provisions of the above referred manuals, on the one hand, and the provisions of this Agreement, on the other, the provisions of this Agreement shall prevail.

**D. NDC Sub-grants and Inclusive Innovation Sub-grants.**

1. For purposes of implementing Component 1 of the Project, NAFOSTED shall, in accordance with the procedures and requirements set forth in the Grants Manual, publicly invite:

(a) consortium of enterprises, RDIs and/or global organizations to submit proposals for the development of technologies/solutions to national development challenges identified in the SEDS within the Priority Theme Areas, as well as the piloting of prototypes (“NDC Sub-projects”); and

(b) RDIs, enterprises and Grassroots Innovators to submit proposals for the development, acquisition, adaptation and/or upgrading of Inclusive Innovation research, prototype technologies and the piloting of products related to any of the Priority Theme Areas; except that the foregoing thematic limitation shall not apply to Grassroots Innovators applicant.

2. NAFOSTED’s Technical Panel of Experts shall screen the proposals submitted pursuant to paragraph 1 above, in accordance with the protocols and eligibility criteria set forth in the Grants Manual.

3. Notwithstanding the foregoing screening procedure, the NAFOSTED shall submit to the Association for no-objection:
  - (a) all NDC Sub-project proposals screened and pre-approved pursuant to paragraph 2 above, irrespective of the amounts solicited and/or authorized as NDC Sub-grant;
  - (b) the first two (2) proposals for each Inclusive Innovation Sub-grants, screened and pre-approved pursuant to paragraph 2 above; and, thereafter,
  - (c) any screened and pre-approved proposal for an Inclusive Innovation Sub-grant in excess of the Free-Limit Sub-grant Amount. To this extent, the Project Implementing Entity shall furnish the Association with: (i) a description of the beneficiary and an appraisal of the respective proposals, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; (ii) the proposed terms and conditions of the NDC Sub-grant or the Inclusive Innovation Sub-grant, as the case may be; (iii) if required pursuant to the ESMF, a copy of the proposal's environmental and social impact assessments and the resulting EMP; and (iv) any other information as the Association shall reasonably request from either NAFOSTED and/or the sub-grants beneficiaries in connection with their respective NDC Sub-grants or Inclusive Innovation Sub-grants under consideration.
4. Upon (I) the selection by the Technical Panel of Experts of the winning proposals submitted under paragraph 2 above; and (II) the no-objection of such selection by the Association, when applicable, pursuant to the screening set forth in paragraph 3 above, NAFOSTED shall enter into a written agreement (the "NDC Sub-grant Agreement" or the "Inclusive Innovation Sub-grant Agreement" as the case may be) with each awardee for the respective NDC Sub-grant or Inclusive Innovation Sub-grant, under terms and conditions set forth in the Grants Manual.

**E. Matching Grants**

1. For purposes of implementing the Matching Grants under Component 2 of the Project, NAFOSTED shall, in accordance with the procedures and requirements set forth in the Grants Manual, publicly call:
  - (a) private enterprises to submit proposals for the upgrade, scale-up and commercialization of Inclusive Technologies to convert pilot innovations into a commercially viable, sustainable and affordable services or products; and

- (b) SMEs to submit proposal for the upgrade of their technological capabilities through the acquisition, adoption and use of technology and innovation in Priority Theme Areas.
- 2. NAFOSTED's Technical Panel of Experts shall screen the proposals submitted pursuant to paragraph 1 above, in accordance with the protocols and eligibility criteria set forth in the Grants Manual.
- 3. Upon the selection by the Technical Panel of Experts of the winning proposals submitted under paragraph 1 above, pursuant to the screening set forth in paragraph 2 above, NAFOSTED shall enter into a written agreement (the "Matching Grant Agreement") with each awardee SME/enterprise for the respective Matching Grant, under term and conditions set forth in the Grants Manual.

**F. Redressal Mechanism**

NAFOSTED shall develop and adopt by no later than three (3) months as of Effective Date, and thereafter apply, throughout the period of implementation of its Respective Parts of the Project, a grievance redressal mechanism, satisfactory to the Association, establishing the principles, guidelines and procedures for RDIs, SMEs and enterprises to file, and NAFOSTED to process and address, any complaints regarding possible errors in the selection and screening of beneficiaries and/or proposals for NDC Sub-grants, Inclusive Innovation Sub-grants and Matching Grants, and/or any complaint by people that claim to be affected by the implementation of the proposals financed thereunder.

**G. Safeguards.**

- 1. NAFOSTED shall implement its Respective Parts of the Project in accordance/compliance with the Environmental and Social Management Framework and the objectives, policies and procedures thereof. To this end, NAFOSTED shall refrain from awarding any NDC Sub-grant, Inclusive Innovation Sub-grant, and/or Matching Grants until: (a) the screening of the respective NDC Sub-project or Inclusive Innovation investment proposal has been carried out pursuant to the ESMF and the Project Operations Manual; and (b) if applicable, an appropriate environmental safeguard instrument, including an Environmental Management Plan setting forth the required mitigation measures for the proposal under consideration has been developed.
- 2. Notwithstanding the foregoing, NAFOSTED shall refrain from awarding any NDC Sub-grant, Inclusive Innovation Sub-grant, and/or Matching Grants for the financing of a specific NDC Sub-project or Inclusive Innovation investment proposal, if pursuant to the environmental and social screening assessment set forth in paragraph (1) above, the implementation of said NDC Sub-project or



Inclusive Innovation investment proposal could potentially cause significant, irreversible, sensitive, diverse and/or unprecedented environmental or social damage.

3. NAFOSTED shall ensure that:
  - (a) no activities involving land taking shall be carried out under its Respective Parts of the Project. In the event that any land acquisition shall be required for the implementation of any proposal approved for financing under an NDC Sub-grant, an Inclusive Innovation Sub-grant and/or a Matching Grant, NAFOSTED shall ensure that the respective beneficiary shall have purchased or acquired such land on a willing buyer-willing seller basis, or by means of an alternative consensual method acceptable to the Association;
  - (b) the proceeds of the Credit are not utilized for any purchase/acquisition of land; and
  - (c) no activities under its Respective Parts of the Project give rise to Displaced Persons.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Parts of the Project and prepare Project Reports for its Respective Parts of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Recipient and the Association not later forty-five (45) days after the end of the respective quarter.
2. The Project Implementing Entity shall provide to the Recipient not later than four (4) month after the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

### **B. Financial Management, Financial Reports and Audits**

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity,

including the operations, resources and expenditures related to its Respective Part of the Project.

2. The Project Implementing Entity shall prepare and furnish to the Association by no later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for its Respective Parts of the Project covering the quarter, in form and substance satisfactory to the Association
3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

**Section III. Procurement**

All goods and services required for the Project Implementing Entity's Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.