

ANNEX-6

JAPAN'S GRANT AID SCHEME

The Grant Aid Program provides a recipient country with non-reimbursable funds to procure the facilities, equipment and services (engineering services and transportation of the products, etc.) for economic and social development of the country under principles in accordance with the relevant laws and regulations of Japan. Grant Aid is not supplied through the donation of materials as such.

1. Grant Aid Procedure

1) Japan's Grant Aid Program is executed through the following procedures.

Application (Request made by a recipient country)

Study (Basic Design Study conducted by JICA)

Appraisal & Approval (Appraisal by the Government of Japan and Approval by Cabinet)

Determination of Implementation (The Notes exchanged between the Governments of Japan and the recipient country)

2) Firstly, the application or request for a Grant Aid project submitted by a recipient country is examined by the Government of Japan (the Ministry of Foreign Affairs) to determine whether or not it is eligible for Grant Aid. If the request is deemed appropriate, the Government of Japan assigns JICA to conduct a study on the request. If necessary, JICA send a Preliminary Study Team to the recipient country to confirm the contents of the request.

Secondly, JICA conducts the study (Basic Design Study), using Japanese consulting firms.

Thirdly, the Government of Japan appraises the project to see whether or not it is suitable for Japan's Grant Aid Programme, based on the Basic Design Study report prepared by JICA, and the results are then submitted to the Cabinet for approval.

Fourthly, the project, once approved by the Cabinet, becomes official with the Exchange of Notes signed by the Governments of Japan and the recipient country.

Finally, for the implementation of the project, JICA assists the recipient country in such matters as preparing tenders, contracts and so on.

2. Basic Design Study

1) Contents of the Study

The aim of the Basic Design Study (hereinafter referred to as "the Study"), conducted by JICA on a requested project (hereinafter referred to as "the Project"), is to provide a basic document necessary for the appraisal of the Project by the Government of Japan. The contents of the Study are as follows:

- a) confirmation of the background, objectives and benefits of the Project and also institutional capacity of agencies concerned of the recipient country necessary for the Project's implementation;
- b) evaluation of the appropriateness of the Project to be implemented under the Grant Aid Scheme from the technical, social and economic points of view;
- c) confirmation of items agreed on by both parties concerning the basic concept of the Project;
- d) preparation of a basic design of the Project; and
- e) estimation of costs of the Project.

The contents of the original request are not necessarily approved in their initial form as the contents of the Grant Aid project. The Basic Design of the Project is confirmed considering the guidelines of Japan's Grant Aid Scheme.

The Government of Japan requests the Government of the recipient country to take whatever measures are necessary to ensure its self-reliance in the implementation of the Project. Such measures must be guaranteed even through they may fall outside of the jurisdiction of the organization in the recipient country actually implementing the Project. Therefore, the implementation of the Project is confirmed by all relevant organizations of the recipient country through the Minutes of Discussions.

2) Selection of Consultants

For the smooth implementation of the Study, JICA uses a consulting firm selected through its own procedure (competitive proposal). The selected firm participates the Study and prepares a report based upon the terms of reference set by JICA.

At the beginning of implementation after the Exchange of Notes, for the services of the Detailed Design and Construction Supervision of the Project, JICA recommends the same

consulting firm which participated in the Study to the recipient country, in order to maintain the technical consistency between the Basic Design and Detailed Design as well as to avoid any undue delay caused by the selection of a new consulting firm.

3. Japan's Grant Aid Scheme

1) Exchange of Notes (E/N)

Japan's Grant Aid is extended in accordance with the Notes exchanged by the two Governments concerned, in which the objectives of the project, period of execution, conditions and amount of the Grant Aid, etc., are confirmed.

2) "The period of the Grant" means the one fiscal year which the Cabinet approves the project for. Within the fiscal year, all procedure such as exchanging of the Notes, concluding contracts with consulting firms and contractors and final payment to them must be completed.

However, in case of delays in delivery, installation or construction due to unforeseen factors such as weather, the period of the Grant Aid can be further extended for a maximum of one fiscal year at most by mutual agreement between the two Governments.

3) Under the Grant, in principle, Japanese products and services including transport or those of the recipient country are to be purchased.

When the two Governments deem it necessary, the Grant Aid may be used for the purchase of the products or services of a third country.

However, the prime contractors, namely consulting, contracting and procurement firms, are limited to "Japanese nationals". (The term "Japanese nationals" means persons of Japanese nationality or Japanese corporations controlled by persons of Japanese nationality.)

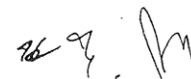
4) Necessity of "Verification"

The Government of the recipient country or its designated authority will conclude contracts denominated in Japanese yen with Japanese nationals. Those contracts shall be verified by the Government of Japan. This "Verification" is deemed necessary to secure accountability of Japanese taxpayers.

5) Undertakings required to the Government of the recipient country

a) to secure a lot of land necessary for the construction of the Project and to clear the site;

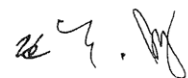
- b) to provide facilities for distribution of electricity, water supply and drainage and other incidental facilities outside the site;
 - c) to ensure prompt unloading and customs clearance at ports of disembarkation in the recipient country and internal transportation therein of the products purchased under the Grant Aid;
 - d) to exempt Japanese nationals from customs duties, internal taxes and fiscal levies which may be imposed in the recipient country with respect to the supply of the products and services under the verified contracts;
 - e) to accord Japanese nationals whose services may be required in connection with the supply of the products and services under the verified contracts such as facilities as may be necessary for their entry into the recipient country and stay therein for the performance of their work;
 - f) to ensure that the facilities constructed and products purchased under the Grant Aid be maintained and used properly and effectively for the Project; and
 - g) to bear all the expenses, other than those covered by the Grant Aid, necessary for the Project.
- 6) "Proper Use"
The recipient country is required to maintain and use the facilities constructed and equipment purchased under the Grant Aid properly and effectively and to assign the necessary staff for operation and maintenance of them as well as to bear all the expenses other than those covered by the Grant Aid.
- 7) "Re-export"
The products purchased under the Grant Aid shall not be re-exported from the recipient country.
- 8) Banking Arrangement (B/A)
- a) The Government of the recipient country or its designated authority should open an account in the name of the Government of the recipient country in an authorized foreign exchange bank in Japan (hereinafter referred to as "the Bank"). The Government of Japan will execute the Grant Aid by making payments in Japanese yen to cover the obligations incurred by the Government of the recipient country or its designated authority under the verified contracts.
 - b) The payments will be made when payment requests are presented by the Bank to the Government of Japan under an Authorization to Pay (A/P) issued by the Government of



recipient country or its designated authority.

9) Authorization to Pay (A/P)

The Government of the recipient country should bear an advising commission of an Authorization to Pay and payment commission to the Bank.



ANNEX-7

Major Undertaking to be taken by Each Government.

No.	Items	To be covered by Japanese Grant Aid	To be covered by Vietnam side
1	To secure land for afforestation, nursery, and other facilities under the project		•
2	To bear the cost for maintenance and management of the established project forest		•
3	To bear the cost for extension works		•
4	To bear the following commissions to the Japanese bank for banking services based upon the Banking Arrangement (B/A)		
	1) Advising commission of the Authorization to Pay(A/P)		•
	2) Payment commission		•
5	To ensure prompt transportation, unloading of machinery and customs clearance		
	1) Marine (Air) transportation of the products from Japan to the handing over point. (The cost and procedure generated with passing the third country(ies) are included)	•	
	2) Tax exemption and custom clearance of the products at port of entry in Vietnam.		•
	3) Internal transportation from the handing over point to the project site		•
6	To accord Japanese nationals, whose service may be required in connection with the supply of the products and the services under the verified contract, such facilities as may be necessary for their entry into the recipient country and stay therein for the performance of their work		•
7	To exempt Japanese nationals from customs duties, internal taxes and other fiscal levies which may be imposed in the recipient country with respect to the supply of the products and services under the verified contracts		•
8	To maintain and use properly and effectively the facilities contracted and equipment provided under the Grant Aid		•
9	To bear all the expenses, other than those to be borne by the Grant Aid, necessary for the transportation and installation of the equipment		•

ANNEX - 8

Role-sharing plan for maintenance between the Japanese side and the Vietnamese side in APSA

Year Fiscal Year Month	2			3			4			5			6		
	(Term-2)			(Term-3)			(Term-4)			(Term-5)					
1 4 5 6 7 8 9 10 11 12 1 2 3 4 5 6 7 8 9 10 11 12 1 2 3 4 5 6 7 8 9 10 11 12 1 2 3 4 5 6 7	APSA														
Implementation period	APSA														
Implementation by the Japanese side	Allocation of the planting areas to the residents			1st Tending Protection			2nd Tending Protection			3rd Tending Protection			Protection		
Implementation by the Vietnamese side	Allocation of the planting areas to the residents			1st Tending Protection			2nd Tending Protection			3rd Tending Protection			Protection		

Note: "1st Tending" includes "Supplementary planting and fertilization", "2nd Tending" and "3rd Tending" include "Fertilization".

(2) Explanation of Draft Final Report

MINUTES OF DISCUSSIONS
ON BASIC DESIGN STUDY ON THE AFFORESTATION PROJECT ON SANDY AREA
IN THE SOCIALIST REPUBLIC OF VIETNAM
(EXPLANATION ON DRAFT REPORT)

In July 2006, the Japan International Cooperation Agency (hereinafter referred to as "JICA") dispatched a Basic Design Study Team on the Afforestation Project on Sandy Area (hereinafter referred to as "the Project") to the Socialist Republic of Vietnam (hereinafter referred to as "Vietnam"), and through discussion, field survey, and technical examination of the results in Japan, JICA prepared a draft report of the study.

In order to explain and to consult Vietnam on the components of the draft report, JICA sent to Vietnam the Draft Report Explanation Team (hereinafter referred to as "the Team"), which is headed by Mr. Yasuhiro Tojo, Senior Deputy Resident Representative, JICA Vietnam Office, from January 28 to February 8.

As a result of discussions, both parties confirmed the main items described on the attached sheets.

Hanoi, February 6, 2007



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ATTACHMENT

1. Components of the Draft Report

The Government of Vietnam agreed and accepted in principle the components of the draft report explained by the Team.

2. Japan's Grant Aid scheme

The Vietnamese side understood the Japan's Grant Aid Scheme and the necessary measures to be taken by the Government of Vietnam as explained by the Team and described in Annex-6 and Annex-7 of the Minutes of Discussions signed by both parties on August 4, 2006.

3. Schedule of the Study

JICA will complete the final report in accordance with the confirmed item and send it to the Government of Vietnam by the end of February.

4. Issues in Quang Nam Province

4-1. The Japanese side expressed its concern over the destruction of 18.7 ha of forest established under PACSA in Quang Nam Province and requested the Vietnamese side to restore the forest immediately as well as to make necessary measures not to recur similar incident in the future. The Japanese side mentioned that the immediate solution on above issues is essential for the positive consideration of the Project. The Vietnamese side replied with regret that it makes necessary measures to restore the forest as early as possible and not to happen it again.

4-2. The Japanese side expressed its concern about the possible overlapping of the Master Plan on Chu Lai Open Economic Zone Phase 2 with the Project sites in Quang Nam Province and requested the Vietnamese side to make it clear that the Master Plan will not affect the contents of the Basic Design on the Project. The Vietnamese side promised that it will reply in consultation with Quang Nam Provincial People's Committee as early as possible.

4-3. The Japanese side requested the Vietnamese side to make an official reply on the above 4-1 and 4-2 as early as possible, considering the requests for early implementation of the Project by Quang

Ngai and Binh Dinh Provinces. The Vietnamese side agreed to reply to JICA Vietnam Office as soon as possible.

5. Other relevant issues

Both sides agreed, on the implementation stage of the Project, that both sides would consult each other on matters concerned if necessary, while respecting the contents of the final report.

The Vietnamese side agreed to implement the following arrangements in accordance with the schedule of the Project;

5-1. To elaborate plans on distribution of forests under planning to the local residents/organizations and to carry out the distribution before the afforestation work starts.

5-2. To elaborate plans on educational activities (awareness raising) and to carry out the plans before and during the afforestation works.

5-3. To ensure necessary arrangement of afforestation permissions from authorities concerned (including the security authorities) in the project area.

5-4. To remove obstacles and clear the lands in the project sites.

