PHẦN VĂN BẢN KHÁC

BỘ NGOẠI GIAO

BỘ NGOẠI GIAO	**CỘNG HÒA XÃ HỘI CHỦ NGHĨA VIỆT NAM** **Độc lập - Tự do - Hạnh phúc**
Số: 09/2015/TB-LPQT	*Hà Nội, ngày 13 tháng 3 năm 2015*

THÔNG BÁO
Về việc điều ước quốc tế có hiệu lực

Thực hiện quy định tại khoản 3 Điều 47 của Luật Ký kết, gia nhập và thực hiện điều ước quốc tế năm 2005, Bộ Ngoại giao trân trọng thông báo:

Hiệp định tài chính Dự án Chương trình hiện đại hóa tài chính công của EU tại Việt Nam giữa Chính phủ nước Cộng hòa xã hội chủ nghĩa Việt Nam và Liên minh Châu Âu ký tại Hà Nội ngày 30 tháng 12 năm 2014, có hiệu lực kể từ ngày 30 tháng 12 năm 2014.

Bộ Ngoại giao trân trọng gửi Bản sao Hiệp định theo quy định tại Điều 68 của Luật nêu trên./.

TL. BỘ TRƯỞNG
KT. VỤ TRƯỞNG
VỤ LUẬT PHÁP VÀ ĐIỀU ƯỚC QUỐC TẾ
PHÓ VỤ TRƯỞNG

Nguyễn Văn Ngự

DCI-ASIE/2013/024-371

FINANCING AGREEMENT

between

THE EUROPEAN UNION

and

THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIET NAM

"EU Public Finance Modernisation Programme in Viet Nam (EU-PFMO)

FINANCING AGREEMENT

SPECIAL CONDITIONS

The European Commission, hereinafter referred to as "**the Commission**", acting on behalf of the European Union, hereinafter referred to as "**the EU**",

of the one part, and

The Government of the Socialist Republic of Viet Nam, hereinafter referred to as "**the Beneficiary**",

of the other part,

have agreed as follows:

Article 1 - Nature of the action

1.1. The EU agrees to finance and the Beneficiary agrees to accept the financing of the following action:

EU Public Finance Modernisation Programme in Viet Nam (EU-PFMO)

Ref: DCI-ASIE 2013/024371

This action is financed from the EU Budget under the following basic act: Multiannual Financial Framework 2007-2013.

1.2. The total estimated cost of this action is EUR 12,900,000 and the maximum EU contribution to this action is set at EUR 6,400,000.

1.3 Following the signing of the Transfer agreement between the EU and Swiss State Secretariat for Economic Affairs (SECO), the total estimated cost of this action will be increased:

- to EUR 13,600,000 subject to the actual receipt of EUR 700,000 (1st instalment) by the EU;
- to EUR 14,000,000 subject to the actual receipt of EUR 400,000 (2nd (final) instalment) by the EU

The increased estimated costs of this action will be communicated to government in writing within 30 days from actual receipts of the respective transfers.

1.4. The Beneficiary shall not co-finance the action.

Article 2 – Execution period

2.1. The execution period of this Financing Agreement as defined in Article 15 of Annex II (General Conditions) shall commence on the entry into force of this Financing Agreement and end 84 months after this date.

2.2. The duration of the operational implementation phase is fixed at 60 months.

2.3. The duration of the closure phase is fixed at 24 months.

Article 3 – Addresses

All communications concerning the implementation of this Financing Agreement shall be in writing, shall refer expressly to this action as identified in Article 1.1 of these Special Conditions and shall be sent to the following addresses:

a) **for the Commission**

Delegation of the European Union to Vietnam
17th floor, Pacific Place,
83B Ly Thuong Kiet,
Ha Noi,
Viet Nam

b) **for the Beneficiary**

The Ministry of Finance of Viet Nam
28 Tran Hung Dao,
Ha Noi,
Viet Nam

The State Audit Office of Viet Nam
111 Tran Duy Hung,
Ha Noi
Viet Nam

Article 4 – OLAF contact point

The contact point of the Beneficiary having the appropriate powers to cooperate directly with the European Anti-Fraud Office (OLAF) in order to facilitate OLAF's operational activities shall be:

Government Inspectorate
Address: D29 Lot Tran Thai Tong - Yen Hoa - Cau Giay - Hanoi
Email: ttcp@thanhtra.gov.vn

Article 5 - Annexes

5.1. This Financing Agreement is composed of:

(a) these Special Conditions;

(b) Annex I: Technical and Administrative Provisions, containing the detailed breakdown of the activities of this action;

(c) Annex II: General Conditions;

5.2. In the event of a conflict between, on the one hand, the provisions of the Annexes and, on the other hand, the provisions of these Special Conditions, the latter shall take precedence. In the event of a conflict between, on the one hand, the provisions of Annex I (Technical and Administrative Provisions) and, on the other hand, the provisions of Annex II (General Conditions), the latter shall take precedence.

Article 6 – Entry into force

This Financing Agreement shall enter into force on the date on which it is signed by the last party.

Done in four original copies in the English language, two being handed to the Commission and two to the Beneficiary.

FOR THE COMMISSION

Dirk Meganck

Director
Directorate Asia, Central Asia,
Middle East/Gulf and Pacific
Directorate-General Development and
Co-operation - EuropeAid
Brussels, Belgium

29.4.2015

FOR THE BENEFICIARY

Đinh Tiến Dung

Minister of Finance

30.12.2014

ANNEX I TO FINANCING AGREEMENT N°**DCI-ASIE/2013/024-371**

TECHNICAL AND ADMINISTRATIVE PROVISIONS

PARTNER COUNTRY / REGION	VIET NAM - ASIE		
BUDGET HEADING	EU Budget BGUE2013-19.100101		
TITLE/CRIS NR	EU Public Finance Modernisation Programme in Viet Nam (EU-PFMO) CRIS number: 2013/024371		

TOTAL COST	Total estimated cost: EUR 12,900,000*
	
	Total amount of EU budget contribution: EUR 6,400,000.
	
	This action is co-financed in joint co-financing by:
	
	• (Component 1) Following the signing of the Transfer agreement between the EU and Swiss State Secretariat for Economic Affairs (SECO), the total estimated cost of this action will be increased:
	
	  • to EUR 13,600,000, subject to the actual receipt of EUR 700,000** (1st instalment) by the EU;
	  • to EUR 14,000,000 subject to the actual receipt of EUR 400,000 (2nd (final) instalment) by the EU.
	
	• (Component 2) Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) for an amount of EUR 6,500,000***
	
	*EU budget contribution of EUR 6,400,000 + GIZ EUR 6,500,000
	
	** An additional amount of EUR 100,000, not included in the present Financing Agreement, will be transferred to the EU to cover management costs for the SECO contribution
	
	*** Subject to a separate Financing Agreement between Federal Republic of Germany and Viet Nam		

AID METHOD / MANAGEMENT MODE AND TYPE OF FINANCING	Project Approach - Direct management implemented by the Commission as the Contracting Authority (Component 1) - Indirect management with GIZ as the Contracting Authority (Component 2)		
DAC-CODE	15111	**SECTOR**	Public finance management

1. DESCRIPTION

The aim of this programme is to contribute to the improved management and oversight of public finances in Viet Nam, by building the organisational and operational capacity of two key institutions, namely the Ministry of Finance (MoF) and State Audit Office of Viet Nam (SAV). In doing so, the programme will contribute to the alleviation of poverty in Viet Nam by reinforcing macroeconomic stability and resilience to external shock, improving the government's ability to implement its economic and social policies through efficient and effective planning and execution of the state budget, as well as improve the accountability and transparency of public service delivery.

- Component 1 of the programme is aimed at ensuring that the activities and outputs of SAV make a significant contribution to improving the accountability, reporting, transparency and oversight of public financial management activities. A twinning-like arrangement will be established with one or more European State Audit Institutions which will be given the mandate to implement the activities under the Component with funding from the EU, SECO (through a transfer agreement to the EU and earmarked to implement activities under this Component) and an in-kind Government Contribution.

- Component 2 of the programme will focus on ensuring that the legal, organisational and regulatory framework for the planning and execution of the state budget at the central and local levels is closer to international standards. The main counterparts within MOF will be the State Budget Department, the Tax Policy Department, the General Department of Taxation (GDT), the Viet Nam Customs Administration and the Financial Strategy and Policy Institute (NIF). This component will be implemented by GiZ with funding from EU (GiZ will manage the EU funds - indirect centralised management), and with an in-kind Government of Viet Nam (GoV) contribution.

The programme is seen as complementary to sizeable ongoing and planned budget support operations in the Health sector in Viet Nam. To maximise the impact on poorer provinces, where the Ethnic Minorities are prevalent, it is anticipated that the selection of pilot provinces of the programme will dovetail those targeted under the planned Health Sector Budget Support operation.

1.1. Objectives

The ***overall objective*** of the programme is to contribute to poverty alleviation and inclusive growth in Viet Nam by reinforcing macroeconomic stability, improving the government's ability to implement its economic and social policies and strengthening the accountability and transparency of public finance in Viet Nam.

The ***purpose*** of the programme is to improve the governance of public funds by strengthening the organisational and operational capacity on public finance and audit in two key institutions, namely the Ministry of Finance and State Audit Office of Viet Nam.

Cross-cutting issues:

- Democracy & good governance: The programme aims to contribute to the legitimacy and assertiveness of the National Assembly on the formulation of policy and oversight of public resources, by providing better quality information from the State Audit Office. The programme also foresees an improvement in the transparency of public finances.

- Gender equality: While respecting the overarching legal framework for public administration in Viet Nam and the broader reform context (which is beyond the scope of this programme), the programme will seek to address gender inequalities by the following measures:

- In dialogue with programme counterparts, the EU Delegation will actively promote implementation of the Law on Gender Equality (2006) and the National Strategy on Gender Equality (2011) as part of Viet Nam's ongoing public administration reform, with an emphasis on gender-friendly human resource policies, such as transparent recruitment, equal access to professional development opportunities, merit based promotion, equal mandatory retirement ages.

- During the development of work plans and the implementation of all project activities, the core principle of equal opportunity to access all training and related capacity development is to be ensured. Likewise, the programme will work with respective HR departments to better identify "hidden" gender issues and integrate gender into their work, where possible.

- Climate change and environmental sustainability: In accordance with the requirements of the German Federal Government, environmental issues and "green" practices are to be fully mainstreamed into GIZ's future PFM related support (co-financed by EU under Component 2).

- Ethnic Minority issues: To maximise the impact on poorer provinces, where ethnic minorities are prevalent, it is anticipated that the "pilot" provinces and districts will target these provinces and address the specific challenges faced in these provinces.

1.2. Expected results and main activities

The programme has two main components:

Component 1 will provide capacity building support to the Supreme Audit Institution by establishing a twinning-like arrangement with one or more European State Audit Institutions which will be given the mandate to implement the activities under the Component with funding from the EU, SECO (through a transfer agreement to the EU and earmarked to implement activities under this Component) and with an in-kind GoV contribution. Two expected results of the programme (result 1 and 2 detailed below) will fall under this component.

Component 2 will provide capacity building support to the Ministry of Finance through the GiZ, with funding from the EU (indirect centralised management to GiZ and earmarked for activities under Component 2), and with an in-kind GoV contribution. Three expected results of the programme (result 3, 4 and 5 detailed below) will fall under this component.

The **Expected results** and **indicative main activities** are as follows:

Expected Result 1 (Component 1 SAV): SAV's ability to carry out its mandate is strengthened by improving the Organisational Structure and Management of its Human Resources

Indicative activities:

- *A revised organisation structure for SAV in place which is fit for purpose and consistent with achieving the SAV mandate efficiently and effectively;*
- *The formulation and implementation of human resource strategies, plans and procedures that are aligned with SAV's overall strategy, and appropriate monitoring and review mechanisms are developed to ensure effectiveness, transparency, coherence and consistency in their implementation.*
- *Appropriate human resource management systems are in place ensuring that SAV is able to attract, develop, utilise, reward and retain the required number of staff and the right 'mix' of competencies, experience and skills.*

- *Continuous professional development systems in place - including Code of Ethics and Professional Conduct - ensuring all staff are equipped with the skills and training necessary to fulfil their professional and ethical responsibilities;*
- *The HR function is enhanced through the use of computerised tools and techniques*

Expected Result 2 (Component 1 SAV): The quality of external audits of public funds is improved by using Modern Strategic Audit Planning techniques, Audit Methodologies and Audit Activity Management techniques

Indicative activities:

- *SAV elaborates its own audit standards in compliance with the Vietnamese legal framework, INTOSAI norms, as well as its own audit experience.*
- *Guidelines, procedures, and methods are developed, trialled (through join audits) and disseminated for all phases of the audit process (i.e. planning, execution, reporting, and follow-up) in order to ensure high quality financial and compliance audit activities in accordance with the SAV standards*
- *Appropriate quality control systems are in place to ensure appropriate supervision of audit teams and review of audit work.*
- *Computerised audit tools and techniques are developed to improve the structure, quality and productivity of the audit process and an appropriate computerised database is developed to help SAV management improve audit planning, quality control and risk assessment as well as enhance knowledge sharing and good-practice amongst SAV staff.*
- *Clear, concise, accurate and objective criteria are set for SAV audit reports, resulting in the provision of information which contributes to more transparent public finances and effective oversight of public financial management in Viet Nam.*

Expected Result 3 (Component 2 MoF): The legal framework for the planning and execution of the State Budget is improved and is more aligned to international practice

Indicative activities:

- *Prepare policy papers outlining good international practice in budget planning and execution.*
- *Support the studies, and issue recommendations, for revision of the State Budget Law, including provisions expanding the scope and content of the budget, the planning calendar, the sectoral allocation, the extent of fiscal decentralization, principles on medium-term financial planning, and the weaknesses related to the current practice of carrying over amounts of revenue and expenditure between fiscal years.*
- *Support the studies, and issue recommendations, for the revision of implementing guidelines and secondary legislation, including practical arrangements for budget preparation, execution, accounting and reporting, including the classifications used in presenting the budget proposals and reporting.*
- *Support the studies, and issue recommendations, for disclosure provisions in order to improved budget transparency and timely release of budget documents to the public.*

Expected Result 4 (Component 2 MoF): The policy and regulatory framework for increased fiscal decentralisation is developed and the capacity of sub-national entities to manage public funds is strengthened, with focus on the poorest provinces, where Ethnic Minority are prevalent

Indicative activities:

- *Prepare policy papers outlining new principles for the intergovernmental transfer system, including functions to be transferred from line ministries to sub-national levels.*
- *Support the studies, and issue recommendations for a suitable framework and improved guidelines for budget entities at the sub-national and sectoral level.*
- *Devise and implement a capacity development plan for central and sub-national administrations.*

- *Provide training to selected officials at the central level to manage a decentralized distribution of responsibilities for planning, preparation and execution of the budget while retaining the central policy role.*
- *Provide training to selected personnel at lower levels of government (province, district and municipality), with focus on Ethnic Minority Provinces, to be able to take on the increased devolved budget responsibility and accountability on a pilot basis.*

Expected Result 5 (Component 2 MoF): Budgetary planning is more effective through the development of medium-term revenue and fiscal forecasting, and better alignment of expenditure with national policy priorities

Indicative activities:
- *Support the improved revenue forecasts in the state budget through better linkage to macroeconomic forecasting and better tax analysis.*
- *Appropriate technical tools for medium-term fiscal planning are introduced and applied.*
- *Accompany the reform of the Vietnamese planning process, including improved linkages between budgets and national/sector policies.*
- *Enhance capacity on the development of medium-term fiscal frameworks (MTFF) for sub-national administration on a pilot basis, with focus on the poorest provinces.*

To maximise the impact on poorer provinces, where the Ethnic Minorities are prevalent, it is anticipated that the selection of pilot provinces and districts will dovetail with the provinces and districts upon which the planned Health Sector Budget support operation will focus.

Progress monitoring indicators

Under each component, indicators, baselines and targets will be defined after the inception phase of the project, estimated to take place during the first six months of implementation. The below indicators will be the reference framework of indicators to be detailed further during the inception phase:

For the Specific Objective:
- *Overall improvement in some relevant PEFA indicators*
- *Quality of state civil servants' performance*
- *MOF and SAV's effectiveness and efficiency in implementing PFM improved*
- *Revised legal framework for PFM, with new laws, policies and regulations issued*
- *Availability of key budget information to the general public and the media is improved*
- *Perception of SAV as an independent institution committed to fill their mandate*
- *Audit reports consistent with international standards are presented to the National Assembly and published*

For Expected Result 1:
- *A revised organisation structure for SAV in place which is consistent with achieving the SAV mandate efficiently and effectively*
- *Human Resource Management systems in place - including Code of Ethics and Professional Conduct*
- *Training needs assessment and training plan developed*

For Expected Result 2
- *Revised and improved audit planning arrangements operational*
- *Programme of joint pilot financial and performance audits agreed and pilot audits completed to international standards*

- *Staff working on pilot audits appropriately trained and guidance materials prepared and disseminated*
- *Specialised trainers identified and trained*
- *Training and guidance materials updated to reflect practical experience gained during pilot audits*

For Expected Result 3

- *In the revision of the State Budget Law (SBL) and implementing regulations, the annual budget planning process is clearly stipulated, including sufficient time for legislative oversight*
- *State Budget Law revision clarifies the scope of the State Budget including fees, charges, government bonds, principal debt servicing, etc. in line with international practice*
- *Mid-year assessments of budget implementation are published*
- *Revised legal framework provides a good foundation for government budgeting at both central and local level*

For Expected Result 4

- *Revised framework provides a good foundation for government budgeting and at both central and local level*
- *Revised framework provides a good foundation for improved cooperation and communication between the budget financial agencies (MOF, DOF, etc.) and sector agencies*
- *Number of Staff in provinces appropriately trained on fiscal decentralisation and guidance materials prepared and disseminated*

For Expected Result 5

- *Budget revenue forecasts based on detailed macroeconomic analysis*
- *Revenue and fiscal forecasting capacity of government officials is enhanced.*
- *Sub-national MTFF piloted*
- *Number of Staff appropriately trained on revenue forecasting and budgetary planning and guidance materials prepared and disseminated*

2. IMPLEMENTATION

2.1. Indicative operational implementation period

The indicative operational implementation period of this action is as specified in Article 2 of the Special Conditions.

2.2. Location

The programme will be implemented in the Socialist Republic of Viet Nam.

The majority of activities will take place at the central level (in Hanoi) with associated activities taking place at sub-national offices in a select number of provinces. A limited number of activities may take place outside Viet Nam, in Asia or Europe. The project teams and experts will be based in Hanoi, and carry out missions to the selected provinces.

To maximise the impact on poorer provinces, where the ethnic minorities are prevalent, it is the pilot provinces will dovetail with the provinces, upon which the planned Health Sector Budget support operation will focus.

2.3. Implementation components and modules

The programme is divided into two distinct components, in order to respect the division between executive and legislature branches of government and maintain the independence of the partner institutions.

The two components will be implemented using different modalities:

2.3.1. Component 1 - Grant: direct award (direct management implemented by the Commission as the Contracting Authority) to "Support State Audit of Viet Nam to improve the accountability, reporting, transparency and oversight of public financial management activities"

(a) Objectives of the grant, fields of intervention, priorities of the year and expected results

Component 1 of the project will enhance the capacity of SAV to provide an independent opinion on financial management issues across the public sector and communicate any management deficiencies in internal control that the auditor has identified to those charged with governance. The project will also aim to provide SAV with the skills and practical experience necessary to develop its audit capacity in line with INTOSAI (International Organisation of Supreme Audit Institutions) standards, with a view to ultimately providing the National Assembly with the quality information it needs to undertake an appropriate oversight function.

The expected results can be seen in Section 1.2 (Expected Result 1 and 2)

(b) Justification of a direct grant

Under the responsibility of the Commission, the recourse to an award of a grant without a call for proposals is justified because:

- As partnership with Supreme Audit Institutions (SAI) through peer-to-peer support has been specifically requested by the Auditor General and senior officials of SAV and is in line with the Backbone Strategy Annex 6;
- On account of the action requiring specific technical competence, knowledge of SAI functioning and high degree of specialisation, generally limited to Supreme Audit Institutions;
- A service contract of this nature is not likely to succeed given that a number of European SAIs would not be in a position to sign a service contract and this would therefore limit competition amongst European SAIs[1];
- Due to the sensitive nature of the work, which may require access to SAV's client auditees and/or confidential/sensitive documentation, the partnership with SAI is more likely to allow the project to engage more closely in SAV's core activities and field-work, hence increasing the impact of the capacity building;
- To enhance active cooperation between the State Audit Office of Viet Nam and other Supreme Audit Institutions, in accordance with pillar five of SAV's Development Action Plan, and to ensure sustainability of action beyond the lifecycle of the project through the establishment of support and information-sharing networks, as requested by SAV;
- To ensure a maximum degree of EU visibility through the use of a consortium of Supreme Audit Institutions led by an EU Member State SAI.

[1] A number of EU SAI are, due to their statutes, unable to participate in competitive service tenders.

(c) Eligibility conditions

A direct grant contract between the European Union, represented by the Commission and one or more Supreme Audit Institutions is envisaged under this component. Provided that it is led by an EU Supreme Audit Institution, the partnership may include:

- Supreme Audit Institutions or Regional Public Sector External Audit bodies from EU Member States
- Supreme Audit Institutions from non-EU European States
- Supreme Audit Institutions from Asia

(d) Essential selection and award criteria

The essential selection criteria are financial and operational capacity of the applicant.

The essential award criteria are relevance of the proposed action to the objectives of the call; design, effectiveness, feasibility, sustainability and cost-effectiveness of the action.

(e) Maximum rate of co-financing

The maximum possible rate of co-financing for this grant is 100%.

The maximum possible rate of co-financing may be up to 100 % in accordance with Article 192 of Regulation (EU, Euratom) No 966/2012 if full funding is essential for the action to be carried out. The essentiality of full funding will be justified by the Commission in the award decision, in respect of the principles of equal treatment and sound financial management.

(f) Indicative trimester to contact the potential direct grant beneficiary

Second trimester of 2014

(g) Exception to the non-retroactivity of costs

Not applicable.

2.3.2. Component 2 - Indirect management with GIZ as the Contracting Authority to "Support the Ministry of Finance to improve the legal, organisational and regulatory framework for the planning and execution of the state budget at the central and local levels"

This action with the objective of Supporting the Ministry of Finance to improve the legal, organisational and regulatory framework for the planning and execution of the state budget at the central and local levels will be implemented in indirect management with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012. This implementation is justified because GIZ has a long-standing and solid track record of cooperation and support to the Ministry of Finance, which has allowed gaining trust and to access higher-level policy makers for policy dialogue with the Government. The project component, by delegating the management of funds to GIZ, will be able to engage at a higher level and in a more effective way on some key policy reform issues (notably State Budget legislation) which are targeted by the project. It will also ensure aid effectiveness by reducing the burden and transaction costs of a separate EU intervention, and is in line with the EU Code of Conduct and Division of Labour.

The entrusted entity will be responsible to the EC for all project technical, project management and budget matters.

GIZ will be responsible to the EC for all programme technical, programme management and budget matters. It will be overall responsible for the management of the funds, sub-contracting, ensure the direct relations with the programme counterparts, and submit the regular progress reports. While GIZ will partially sub-contract specific activities under their management, it will also directly implement part of the action by recruiting temporary staff specifically for the assignment, as this provides direct value added and higher likelihood of impact for the component. Appropriate provisions will be included in the delegation agreement.

The expected results can be seen in Section 1.2. (Expected result 3, 4 and 5)

The change of management mode from indirect to direct management, whether partially or entirely is not considered a substantial change.

2.3.3. Procurement (direct management, implemented by the Commission as the Contracting Authority)

At the project level, external monitoring and evaluation, specific communication and visibility actions, as well as audit assignments, managed by the European Commission are foreseen.

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Audit / Monitoring and Evaluation (Project level)	Services	3	Mid-term and ex-post
Visibility and Information (Project level)	Services	1	Entire lifecycle

2.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act shall apply.

The Commission may extend the geographical eligibility in accordance with Article 9(2b) of Regulation (EU) No 236/2014 (CIR) on the basis of urgency or of the unavailability of products and services in the markets of the countries concerned, or other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

2.5. Indicative budget

The total budget for the operation is EUR 12,900,000. Following the signing of a transfer Agreement between SECO and the EU, the total budget will be increased to EUR 13,600,000 subject to the actual receipt of EUR 700,000 (1st instalment) by the EU and further, increased to EUR 14,000,000 subject to actual receipt of 2nd (final) instalment of EUR 400,000) by the EU, with an EU contribution amounting to EUR 6,400,000.00.

Component 1 (total amount EUR 3,900,000, of which EU contribution is EUR 2,900,000): co-financing between EU and SECO is foreseen. A financial contribution of EUR 1,100,000 is to be made by SECO, via the signature of a transfer agreement with the EU in two instalments of EUR 700,000 and 400,000 respectively.

An additional amount of EUR 100,000, not included in the present Financing Agreement, will be transferred to the EU to cover management costs for the SECO contribution

NOTE: Upon receipt of each instalments, the Government of Vietnam will be informed by the EU of the increased total budget of the operation to EUR 13,600,000 and EUR 14,000,000, by means of letters.

In addition, the project counterpart, SAV, will provide for an in-kind contribution (estimated value of EUR 300,000) to cover costs related to seconded staff and a part of the operating costs, including office space and office running costs.

Component 2 (total amount is EUR 3,000,000): The EU's contribution, outlined in this Financing Agreement, is via a delegated cooperation agreement and will be earmarked for specific activities under the PFM component of the GIZ programme. The EU contribution will support a specific component of the GIZ "Programme in Support of Sustainable Development in Viet Nam", which is to be co-financed by the German government with an estimated EUR 6,500,000.00 from December 2014 to November 2017.

NOTE: The contribution of the German government is to be covered by a separate, bilateral Financing Agreement between the governments of Germany and Viet Nam.

In addition, the project counterpart, MOF, will provide for an in-kind contribution (estimated value of EUR 300,000) to cover costs related to seconded staff and a part of the operating costs, including office space and office running costs.

Additional amounts (total EUR 600,000, of which EU contribution is EUR 500,000 and the contribution of SECO is EUR 100,000) are foreseen for independent evaluation and audit, communication and visibility actions and contingencies. These amounts will be directly managed by the EU Delegation.

	EU contribution	GIZ contribution **	Total	SECO contribution***			
				1st instalment	2nd instalment	Total	Total
Categories	**6,400,000**	**6,500,000**	**12,900,000**	**700,000**	**400,000**	**1,100,000**	**14,000,000**
Component 1:	**2,900,000**		**2,900,000**	**600,00**	**400,00**	**1,000,000**	**3,900,000**
Grants (direct centralised) to Support SAV to improve the accountability, reporting, transparency and oversight of public financial management activities	*2,900,000*		*2,900,000*			*1,000,000*	*3,900,000*
Component 2:	**3,000,000**	**6,500,000**	**9,500,000**				**9,500,000**
Indirect centralised management with GIZ to Support the MOF to improve the legal, organisational and regulatory framework for the planning and execution of the state budget at the central and local levels	*3,000,000*	*6,500,000*	*9,500,000*				*9,500,000*
Procurement	**300,000**		**300,000**	**100,000**		**100,000**	**400,000**
Communication/ Visibility	*150,000*		150,000	*50,000*		*50,000*	200,000
Monitoring, External Evaluation and Audit	*150,000*		150,000	*50,000*		*50,000*	200,000
Contingencies*	**200,000**		**200,000**				**200,000**
TOTAL****	**6,400,000**	**6,500,000**	**12,900,000**	**700,000**	**400,000**	**1,100,000**	**14,000,000**

** The European Union's contribution to the "Contingencies" heading may be used only with prior agreement of the Commission.*

*** Subject to a separate Financing Agreement between the governments of Germany and Viet Nam*

**** The total budget for the operation is EUR 12,900,000 (following the signing of a TA with SECO, increased to EUR 13,600,000 following actual receipt of 1st instalment of EUR 700,000 by the EU and further increased to EUR 14,000,000 following actual receipt of 2nd (final) instalment of EUR 400,000 by the EU).*

***** The State Audit of Viet Nam and the Ministry of Finance will provide each an in-kind contribution (estimated value of EUR 300,000)*

2.6. Performance monitoring

The project will first and foremost rely on existing monitoring procedures by the Government of Viet Nam and the implementing institutions to monitor performance and progress (i.e. reporting pursuant to Viet Nam's existing regulations). At the purpose level, monitoring of progress, outcomes and impact will be based on reference documents such as:

- Government, National Assembly and Communist Party reports, including:
  - *Reporting on progress against the SEDP;*
  - *Reporting on progress in economic management;*
  - *Reporting on progress against corruption*
  - *State Audited Accounts and Annual auditing reports*
- Independent diagnostic work, including:
  - *Repeat PEFA Assessment (expected at the end of the project lifecycle)*

Performance indicators at objective level will be based on the Ministry of Finance's Financial Sector Development Strategy to 2020 and The State Audit Office's Development Strategy to 2020, behind which the EU-PFMO is fully aligned.

Performance indicators at the activity level are to be drawn from the respective medium-term Development Action Plans of MOF and SAV. In accordance with existing internal procedures, both MOF and SAV will report on progress in the implementation of their respective Development Action Plans on an annual basis.

At results and activity level, the project will rely on internal institutional reporting systems, as well as implementation reports by the grantees (Component 1) and the Delegate, GIZ (Component 2).

2.7. Donor Coordination

Viet Nam has a developed architecture for promoting aid effectiveness, including permanent dialogue structures, ad-hoc thematic working groups and regular reporting and review processes.

During implementation, synchronisation between the EU and other donors is to take place formally - within the PFM donor coordination group and the PFM partnership group – as well as informally through ad-hoc meetings and consultations in order to avoid potential overlapping and duplication.

2.8. Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan for the Action, to be elaborated before the start of implementation and supported with the budget indicated in section 2.5 above.

The measures shall be implemented either (a) by the Commission, and/or (b) by the partner country. Appropriate contractual obligations shall be included in, respectively, procurement and grant contracts.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

2.9. Organisational set-up and responsibilities

The programme is divided into two distinct components, in order to respect the division between executive and legislature branches of government and maintain the independence of the partner institutions. The two components will be implemented using parallel organisational set-ups and responsibilities, which will be further defined and clarified during start-up:

Component 1: "Support State Audit of Viet Nam to improve the accountability, reporting, transparency and oversight of public financial management activities"

The project will be implemented by the European Commission, through its Delegation in Viet Nam.

It is envisaged under this component to have a direct grant contract between the European Union, represented by the Commission and a consortium of Supreme Audit Institutions. All contracts and payments are made by the Commission, on behalf of the Beneficiary.

A steering committee shall be set up to oversee and validate the overall direction and policy of the project, including the approval of annual work plans and budgets. The project steering committee shall meet twice a year.

The project steering committee shall be chaired by a Senior SAV official and made up of:

- Senior officials of SAV
- The Project Team leader (from Consortium of SAI)
- a representative of the EU Delegation to Viet Nam
- a representative of SECO

Component 2: "Support the Ministry of Finance to improve the legal, organisational and regulatory framework for the planning and execution of the state budget at the central and local levels"

This action is to be implemented in indirect centralised management with *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) in accordance with Article 54(2)(c) of Financial Regulation 1605/2002.

The tasks entrusted to this body shall give rise to the signature of a delegation agreement between the Commission and the delegate body, in addition to this financing agreement.

A committee shall be set up to oversee and validate the overall direction of the project, including the approval of annual work plans and activities. The committee shall meet twice a year.

The committee shall be chaired by a senior official from the Ministry of Finance and made up of:

- Senior officials of the Ministry of Finance
- Representatives of GIZ, led by the Project Director
- A representative of the EU Delegation to Viet Nam

In due consideration of the principle of ownership, the European Commission reserves its right to change the delegated body indicated above or the scope of the delegation, without this necessarily requiring an amendment to the financing agreement. In that case, it shall consult the Beneficiary on this change and notify to it the name of the new delegated body and/or the scope of the task(s) delegated to it.

2.10. Reporting

Reporting by the Grantee and the Delegate is to be carried out pursuant to the rules and procedures set out in the practical guide.

The State Audit Office will be responsible for preparing annual reports on the implementation of its Development Action Plan, and the six-monthly reports on project progress to be discussed at the Steering Commitees.

The Ministry of Finance will be responsible for preparing annual reports on the implementation of the Medium-Term Action Plan (MTAP), and the six-monthly reports on project progress to be discussed at the Steering Commitees.

3. MONITORING, EVALUATION AND AUDIT

3.1. Monitoring

(a) Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. To this aim, the Beneficiary shall establish a permanent internal, technical and financial monitoring system for the project, which will be used to elaborate the progress reports.

(b) Independent consultants recruited directly by the Commission (or the responsible body to which the monitoring task has been delegated) on specifically established terms of reference may carry out external monitoring ROM system, which in principle will start from the sixth month of project activities, and will be finalised at the latest 6 months before the end of the operational implementation phase.

3.2. Evaluation

a) The Commission may carry out external evaluations [via independent consultants], as follows:
(a) a mid-term evaluation mission;
(b) a final evaluation, at the beginning of the closing phase;
(c) an ex-post evaluation.

The Beneficiary and the Commission shall analyse the conclusions and recommendations of the mid-term evaluation and jointly decide on the follow-up action to be taken and any adjustments necessary, including, if indicated, the reorientation of the project. The reports of the other evaluation and monitoring missions will be given to the Beneficiary, in order to take into account any recommendations that may result from such missions.

b) The Commission shall inform the Beneficiary at least one month in advance of the dates foreseen for the external missions. The Beneficiary shall collaborate efficiently and effectively with the monitoring and/or evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

3.3. Audit

(a) The Commission shall appoint, in accordance with EU procurement rules, an internationally recognised external auditor. In the context of Regional Blending Facilities the auditor is appointed by the Lead Financing Institution to which the EC has entrusted its residual tasks.

The auditor's role shall include:

1. Monitoring the project's expenditure and auditing on a 12 month basis the project's accounts for submission to the Commission.
2. In case of programme estimates, ensuring that the segregation of duties between the Authorising Officer and the Accounting Officer is in place and respected and that the monitoring of expenditure complies with the rules and procedures established in the practical guide to procedures for programme estimates.

(b) In the case where the audits carried out identify non-eligible expenditure, the following procedure is applicable:

1. The Commission shall send the Beneficiary a report concerning the non-eligible expenses;
2. The Beneficiary shall submit its comments to the Commission within one month following its reception of the report;
3. The Commission will communicate its final decision concerning the non-eligible expenses to the Beneficiary;
4. The Beneficiary shall transfer the non-eligible amount to the project account within 45 days following communication of the Commission's final decision. In the case that this deadline is not respected, the Commission may withhold this amount from future payments to the project account.

4. ANNEXES

Logframe

ANNEX II - GENERAL CONDITIONS

Contents

Part One: Provisions Applicable to Activities for which the Beneficiary is the Contracting Authority 2
Article 1 - General principles 2
Article 2 - Deadline for the signature of the procurement and grant contracts by the Beneficiary 6
Article 3 - Visibility 7
Article 4 - Provisions on payments made by the Commission to contractors and grant beneficiaries on behalf of the Beneficiary 7
Article 5 - Programme estimate 9
Article 6 - Payments to the Beneficiary implementing the imprest component of a programme estimate 10
Article 7 - Publication of information on procurement and grant contracts by the Beneficiary 12
Article 8 - Recovery of funds 12
Article 9 - Financial claims under procurement and grant contracts 13
Article 10 - Cost overruns and ways of financing them 13
Part Two: Provisions Applicable to Budget Support 14
Article 11 - Policy dialogue 14
Article 12 - Verification of conditions and disbursement 14
Article 13 - Transparency of budget support 14
Article 14 - Recovery of budget support 14
Part Three: Provisions Applicable to This Action as a Whole, Irrespective of the Management Mode 15
Article 15 - Execution period and contracting deadline in direct management 15
Article 16 - Verifications and checks by the Commission, the European Anti-Fraud Office (OLAF) and the European Court of Auditors 16
Article 17 - Tasks of the Beneficiary in fighting irregularities, fraud and corruption 16
Article 18 - Suspension of payments 17
Article 19 - Allocation of funds recovered by the Commission to the action 18
Article 20 - Right of establishment and residence 18
Article 21 - Tax and customs provisions 19
Article 22 - Confidentiality 19
Article 23 - Use of studies 19
Article 24 - Consultation between the Beneficiary and the Commission 19
Article 25 - Amendment of this Financing Agreement 20
Article 26 - Suspension of this Financing Agreement 20
Article 27 - Termination of this Financing Agreement 21
Article 28 - Dispute settlement arrangements 22

Part One: Provisions Applicable to Activities for which the Beneficiary is the Contracting Authority

Article 1 - General principles

1.1 The purpose of Part One is to define the budget-implementation tasks entrusted to the Beneficiary in indirect management as described in Annex I (Technical and Administrative Provisions) and to define the rights and obligations of the Beneficiary and of the Commission in carrying out these tasks.

Part One shall apply to the budget-implementation tasks related to the EU contribution alone or in combination with the funds of the Beneficiary or of a third party where such funds are implemented in joint co-financing, i.e. where they are pooled. These tasks encompass the implementation by the Beneficiary as contracting authority of procurement and grant award procedures, and the awarding, signing and enforcing the resulting procurement and grant contracts.

As a rule, the Commission shall carry out related payments to contractors and grant beneficiaries. However, the Beneficiary shall carry out certain payments including to its own staff on the basis of a programme estimate as defined in Article 5 of these General Conditions.

Where the Beneficiary is an ACP State and the action is financed by the EDF pursuant to Article 1.1 of the Special Conditions, the tasks entrusted shall be those listed in points (c) to (k) of the sixth subparagraph of Article 35(1) and in Article 35(2) of Annex IV to the ACP-EC Partnership Agreement.

Where the Beneficiary is an OCT and the action is financed by the EDF pursuant to Article 1.1 of the Special Conditions, the exercise of tasks entrusted shall also respect the conditions of Article 86(3) of Council Decision 2013/755/EU of 25 November 2013 on the association of the overseas countries and territories with the European Union (Overseas Association Decision) .

1.2 The Beneficiary shall remain responsible for the fulfilment of the obligations stipulated in this Financing Agreement even if it designates other entities identified in Annex I (Technical and Administrative Provisions) to carry out certain budget-implementation tasks in the context of the implementation of a programme estimate referred to in Article 5 of these General Conditions. The Commission, in particular, reserves the right to suspend payments, and to suspend and/or terminate this Financing Agreement on the basis of the acts, omissions and/or situations of any designated entity.

1.3 The tasks identified in Article 1.1 of these General Conditions shall be carried out by the Beneficiary in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, in force at the time of the launch of the procedure in question.

1.4 The Beneficiary shall set up and ensure the functioning of an effective and efficient internal control system. The Beneficiary shall respect the principles of sound financial management, transparency and non-discrimination and avoid situations of conflict of interest.

A conflict of interest exists where the impartial and objective exercise of the functions of any responsible person is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with a tenderer or applicant, or contractor or grant beneficiary.

Internal control system is a process aimed at providing reasonable assurance that operations are effective, efficient and economical, that the reporting is reliable, that assets and information are safeguarded, that fraud and irregularities are prevented, detected and corrected, and that risks relating to the legality and regularity of the financial operation are adequately managed, taking into account the multiannual character of the activities as well as the nature of the payments concerned.

In particular, where the Beneficiary carries out payments pursuant to a programme estimate, the functions of the authorising and accounting officers shall be segregated and mutually incompatible and the Beneficiary shall operate an accounting system that provides accurate, complete, reliable and timely information. The Beneficiary shall also reasonably protect data enabling the identification of a natural person (personal data).

1.5 Where made a part of this Financing Agreement pursuant to Article 5 of the Special Conditions, the report on the implementation of the tasks entrusted to the Beneficiary shall follow the template provided in Annex III. However, where programme estimates are used pursuant to Article 5 of these General Conditions, the report shall follow the requirements stipulated in the standard documents referred to in Article 5.3 of these General Conditions. Where made a part of this Financing Agreement pursuant to Article 5 of the Special Conditions, the management declaration shall follow the template provided in Annex IV.

1.6 An independent external audit opinion on the management declaration, performed in accordance with internationally accepted auditing standards, does not have to be provided in this case as the Commission shall conduct the audits for this action. These audits will verify the truthfulness of the assertions made in the management declaration and the legality and regularity of the underlying transactions made.

1.7 The Beneficiary shall conduct the procurement and grant award procedures and conclude the resulting contracts in the language of this Financing Agreement.

1.8 The Beneficiary shall inform the Commission when a candidate, tenderer or applicant is in a situation of exclusion from participating in procurement and grant award procedures referred to in Article 1.3 and when a contractor or grant beneficiary has been guilty of making false declarations or has made substantial errors or committed irregularities and fraud, or has been found in serious breach of its contractual obligations.

In such cases, without prejudice to the power of the Commission to take measures against such entity according to the applicable Financial Regulation, financial penalties mentioned in the provisions on administrative and financial penalties of the General Conditions of procurement and grant contracts concluded by the Beneficiary pursuant to standard documents referred to in Article 1.3 may be imposed on the contractors and grant beneficiaries by the Beneficiary if this is allowed by its national law. Such financial penalties shall be imposed following an adversarial procedure ensuring the right of defence of the contractor or grant beneficiary.

The Beneficiary may take into account, as appropriate and on its own responsibility the information contained in the Central Exclusion Database, when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation to the Commission[1] (European Commission, Directorate- General for Budget, Accounting Officer of the Commission, BRE2-13/505, B-1049 Brussels, Belgium and by email to BUDG-C01-EXCL-DB@ec.europa.eu in copy to the Commission address identified in Article 3 of the Special Conditions). The Commission may refuse payments to a contractor or grant beneficiary in an exclusion situation.

1.9 The Beneficiary shall keep all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement or as from an earlier date which is stipulated as the start date of cost eligibility in Article 6 of the Special Conditions for five years as from the end of the execution period, in particular, the following:

Procurement procedures:

a. Forecast notice with proof of publication of the procurement notice and any corrigenda

b. Appointment of shortlist panel

c. Shortlist report (incl. annexes) and applications

d. Proof of publication of the shortlist notice

e. Letters to non-shortlisted candidates

[1] The Beneficiary shall be allowed to have direct access to the Central exclusion database through a liaison point when the Beneficiary certifies to the Commission service responsible that it applies the adequate data protection measures as provided in the Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data (OJ L 8, 12.1.2001, p. 1).

f. Invitation to tender or equivalent

g. Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication

h. Appointment of the evaluation committee

i. Tender opening report, including annexes

j. Evaluation / negotiation report, including annexes and bids received[2]

k. Notification letter

l. Supporting documents

m. Cover letter for submission of contract

n. Letters to unsuccessful candidates

o. Award / cancellation notice, including proof of publication

p. Signed contracts, amendments, riders and relevant correspondence

Calls for proposals and direct award of grants:

a. Appointment of the evaluation committee

b. Opening and administrative report including annexes and applications received[3]

c. Letters to successful and unsuccessful applicants following concept note evaluation

d. Concept note evaluation report

e. Evaluation report of the full application or negotiation report with relevant annexes

f. Eligibility check and supporting documents

g. Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation

h. Cover letter for submission of grant contract

1. Award/cancellation notice with proof of publication

j. Signed contracts, amendments, riders and relevant correspondence

In case of programme estimates: In addition to the above, all relevant documentation relating to payments, recoveries and operating costs.

1.10 The Beneficiary shall ensure an appropriate protection of personal data. Personal data means any information relating to an identified or identifiable natural person. Any involving the processing of personal data, such as collection, recording, organisation, storage, adaption or

[2] Elimination of unsuccessful bids five years after the closure of the procurement procedure
[3] Elimination of unsuccessful applications three years after the closure of the grant procedure.

alteration, retrieval, consultation, use, disclosure, erasure or destruction, shall be based on rules and procedures of the Beneficiary and shall only be done as far as it is necessary for the implementation of this Financing Agreement.

In particular, the Beneficiary shall take appropriate technical and organisational security measures concerning the risks inherent in any such operation and the nature of the information relating to the natural person concerned, in order to:

a) Prevent any unauthorised person from gaining access to computer systems performing such operations, and especially unauthorised reading, copying, alteration or removal of storage media; unauthorised data input as well as any unauthorised disclosure, alteration or erasure of stored information;

b) Ensure that authorised users of an IT system performing such operations can access only the information to which their access right refers;

c) Design its organisational structure in such a way that it meets the above requirements.

Article 2 - Deadline for the signature of the procurement and grant contracts by the Beneficiary

2.1 The procurement and grant contracts shall be duly signed by both parties during the operational implementation phase of this Financing Agreement and at the latest within three years of the entry into force of this Financing Agreement. Additional procurement and grant contracts resulting from an amendment of this Financing Agreement that adds new activities and increases the EU contribution shall be duly signed by both parties during the operational implementation phase of this Financing Agreement and at the latest within three years of the entry into force of that amendment of this Financing Agreement.

Where this action is financed from the EDF, programme estimates referred to in Article 5 of these General Conditions shall also be endorsed by the Commission within that three-year deadline.

That three-year deadline may not be extended, except when the action is financed by the EDF. The extension shall be stipulated in Article 6 of the Special Conditions.

2.2 However, the following transactions may be signed at any time during the operational implementation phase.

a. procurement and grant contracts implementing the imprest component of a programme estimate financed under the EDF;

b. amendments to procurement and grant contracts already signed;

c. individual procurement contracts to be concluded after early termination of an existing procurement contract;

d. amendment of this Financing Agreement resulting from the change of the entity charged with the entrusted tasks, referred to in Article 1.2 of these General Conditions; the amendment shall also stipulate a new period within which procurement and grant contracts shall be concluded by this new entity in accordance

with Article 2.1:

e. Contracts relating to audit and evaluation, which may also be signed during the closure phase.

2.3 After expiry of the three years of the entry into force of this Financing Agreement, any financial balance for activities entrusted to the Beneficiary for which contracts have not been duly signed shall be decommitted by the Commission.

2.4 Article 2.3 shall not apply to any financial balance of the contingency reserve or to funds available again after early termination of a contract. This balance or funds may be used to finance contracts referred to in Article 2.2.

2.5 A procurement or grant contract which has not given rise to any payment within three years of its signature shall be automatically terminated and its funding shall be decommitted.

Article 3 - Visibility

The Beneficiary shall take the necessary measures to ensure the visibility of EU funding for the activities entrusted to it or for other activities under this action. These measures shall either be defined in Annex I (Technical and Administrative Provisions) or shall be agreed later between the Beneficiary and the Commission.

These communication and information measures shall comply with the Communications and Visibility Manual for EU External Actions laid down and published by the Commission, in force at the time of the measures.

Article 4 - Provisions on payments made by the Commission to contractors and grant beneficiaries on behalf of the Beneficiary

4.1 The Beneficiary shall provide the Commission with the approved payment requests within the following deadlines, starting from the date of receipt of the payment request, not counting the periods of suspension of the time-limit for payment:

(a) for pre-financing specified in the procurement or grant contract:

(i) 15 calendar days for an action financed under the Budget;

(ii) 30 calendar days for an action financed under the EDF;

b) 45 calendar days for other payments.

The Commission shall act in accordance with Articles 4.6 and 4.7 within the period amounting to the time-limit for payment provided for in the procurement and grant contracts minus the above deadlines.

4.2 Upon receipt of a payment request from a contractor or grant beneficiary, the Beneficiary shall inform the Commission of its receipt and shall immediately examine whether the request is admissible, i.e. whether it contains the identification of that contractor or grant beneficiary, the contract concerned, the amount, the currency and the date. If the Beneficiary concludes that the request is inadmissible, it shall reject it and inform the contractor or grant beneficiary of this rejection and of its reasons within 30 days of receipt of the request. The Beneficiary shall also

inform the Commission of this rejection and its reasons.

4.3 Upon receipt of an admissible payment request, the Beneficiary shall examine whether a payment is due, i.e. whether all contractual obligations justifying the payment have been fulfilled, including examining a report, where applicable. If the Beneficiary concludes that a payment is not due, it shall inform the contractor or grant beneficiary thereof and of the reasons. The dispatch of this information suspends the time-limit for payment. The Commission shall receive a copy of the information so dispatched. The Commission shall also be informed of the reply or corrective action of the contractor or grant beneficiary. That reply or action aimed at correcting the non-compliance with its contractual obligations shall restart the time-limit for payment. The Beneficiary shall examine this reply or action pursuant to this paragraph.

4.4 If the Commission disagrees with the Beneficiary's conclusion that a payment is not due, it shall inform the Beneficiary thereof. The Beneficiary shall re-examine its positions and, if it concludes that the payment is due, it shall inform thereof the contractor or grant beneficiary. The suspension of the time-limit for payment shall be lifted upon dispatch of this information. The Beneficiary shall also inform the Commission. The Beneficiary shall further proceed as provided for in Article 4.5.

If disagreement between the Beneficiary and the Commission persists, the Commission may pay the undisputed part of the invoiced amount provided that it is clearly separable from the disputed amount. It shall inform the Beneficiary and the contractor or grant beneficiary of this partial payment.

4.5 Where the Beneficiary concludes that the payment is due, it shall transfer the payment request and all necessary accompanying documents to the Commission for approval and payment. It shall provide an overview of how many days of the time-limit for payment are left and of all periods of suspension of this time-limit.

4.6 After transfer of the payment request pursuant to Article 4.5, if the Commission concludes that the payment is not due, it shall inform the Beneficiary and, in copy, the contractor or grant beneficiary thereof and of the reasons. Informing the contractor or grant beneficiary shall have the effect of suspending the time-limit for payment, as provided for in the contract concluded. A reply or corrective action of the contractor or grant beneficiary shall be treated by the Beneficiary in accordance with Article 4.3.

4.7 Where the Beneficiary and the Commission concludes that the payment is due, the Commission shall execute the payment.

4.8 Where late-payment interest is due to the contractor or grant beneficiary, it shall be allocated between the Beneficiary and the Commission pro rata to the days of delay in excess of the time limits stipulated in Article 4.1, subject to the following:

(a) the number of days used by the Beneficiary is calculated from the date of the registration of an admissible payment request referred to in Article 4.3 to the date of the transfer of the request to the Commission referred to in Article 4.5 and from the date of information by the Commission referred to Article 4.6 to the following transfer

of the request to the Commission referred to in Article 4.5. Any period of suspension of the time-limit for payment shall be deducted.

(b) the number of days used by the Commission is calculated from the date following that of transfer of the request by the Beneficiary referred to in Article 4.5 to the date of payment and from the date of transfer to the date of informing the Beneficiary pursuant to Article 4.6.

4.9 Any circumstances unforeseen by the above procedure shall be solved in a spirit of cooperation between the Beneficiary and the Commission by analogy to the above provisions while respecting the contractual relations of the Beneficiary with the contractor or grant beneficiary.

Where feasible, one party shall cooperate at the request of the other party in providing useful information for the assessment of the payment request, even before the payment request is formally transferred to or returned from the first party.

Article 5 - Programme estimate

5.1 When the Beneficiary is additionally entrusted with making payments to contractors, grant beneficiaries and/or in the context of direct labour, it shall do so on the basis of a programme estimate agreed by the Beneficiary and the Commission beforehand.

5.2 The programme estimate is a document laying down the programme of activities to be carried out and the human and material resources required, the corresponding budget and the detailed technical and administrative implementing arrangements for the execution of these activities over a specified period by means of procurement, grants and/or direct labour.

The programme estimate shall have an imprest component and a component of specific commitments.

Under the imprest component of a programme estimate, the Beneficiary shall be entrusted with implementing the procurement and grant award procedures and carry out the related payments and the payments for direct labour.

Under the component for specific commitments, the Beneficiary shall carry out tasks as referred to in the second subparagraph of Article 1.1 of these General Conditions; the Commission shall carry out related payment to contractors and grant beneficiaries. Certain identified activities, including audits, evaluations and recourse to the framework contract, shall be implemented directly by the Commission.

Where the action is financed under the EDF, the tasks described in Annex I may be implemented by a body governed by private law on the basis of a service contract, awarded by the Beneficiary in accordance with the procedures and standard documents referred to in Article 1.3.

5.3 All programme estimates implementing the Financing Agreement must respect the procedures and standard documents concerning programme estimates and laid down by the Commission, in force at the time of the adoption of the programme estimate in question.

Ordinary operating costs incurred by the entity in charge of the tasks entrusted to the Beneficiary referred to in Articles 1.1 and 5.1 of these General Conditions shall be eligible for EU financing under the imprest component of a programme estimate during the entire duration of the execution period of this Financing Agreement, unless an earlier start of cost eligibility is stipulated in Article 6 of the Special Conditions. These costs are incurred in carrying out budget-implementation tasks and include local staff, utilities (e.g. water, gas, and electricity), rental of premises, consumables, maintenance, short-term business trips and fuel for vehicles. They shall not include purchase of vehicles or of any other equipment, or any operational activity. Article 1.3 and 2.1 of these General Conditions shall not apply to these ordinary operating costs.

5.4 The Beneficiary shall submit to the Commission annually, by the date stipulated in Article 6 of the Special Conditions, a management declaration signed by the Beneficiary at the appropriate level using the template in Annex IV.

Article 6 - Payments to the Beneficiary implementing the imprest component of a programme estimate

6.1 The Commission shall transfer funds no later than 30 calendar days after the date on which it registers an admissible payment request for pre-financing from the Beneficiary which contains the date, the amount and the currency; the time-limit shall be 90 calendar days for a payment request for replenishment or closure. Late-payment interest shall be due pursuant to the applicable Financial Regulation. The time-limit for the payment may be suspended by the Commission by informing the Beneficiary, at any time during the period referred to above, that the payment request cannot be met, either because the amount is not due or because the appropriate supporting documents have not been produced. If information which puts in doubt the eligibility of expenditure appearing in a payment request comes to the notice of the Commission, the Commission may suspend the time-limit for the payment for the purpose of further verification, including an on-the-spot check, in order to ascertain, prior to payment, that the expenditure is indeed eligible. The suspension and the reasons for it shall be communicated to the Beneficiary as soon as possible. The time-limit for the payment shall resume once the missing supporting documents have been provided or the payment request has been corrected.

6.2 The Commission shall make payments to a bank account opened at a financial institution accepted by the Commission.

6.3 The Beneficiary shall guarantee that funds paid by the Commission can be identified in this bank account.

6.4 Transfers in euro shall, if necessary, be converted into the Beneficiary's national currency as and when payments have to be made by the Beneficiary, at the bank rate in force on the day of payment by the Beneficiary.

6.5 The imprest component of a programme estimate which has not given rise to any payment to the Beneficiary within three years of the conclusion of the programme estimate shall be automatically terminated, and the corresponding committed amount shall be decommitted.

Article 7 - Publication of information on procurement and grant contracts by the Beneficiary

7.1 The Beneficiary undertakes to publish each year in a dedicated and easily accessible place of its internet site, for each procurement and grant contract for which it is contracting authority under the programme estimates referred to in Article 5, its nature and purpose, the name and locality of the contractor (contractors in case of a consortium) or grant beneficiary (grant beneficiaries in case of a multi-beneficiary grant), as well as the amount of the contract.

The locality of a natural person shall be a region at NUTS2 level. The locality of a legal person shall be its address.

If such internet publication is impossible, the information shall be published by any other appropriate means, including the official journal of the Beneficiary.

Article 6 of the Special Conditions shall stipulate the location, on the internet or otherwise, of the place of publication; reference shall be made to this location in the dedicated place of the internet site of the Commission.

7.2 Scholarships to, and direct financial support of natural persons most in need shall be published anonymously and in an accumulated manner by category of expenditure.

Otherwise, names of natural persons shall be replaced by "natural person" two years after publication. The name of a legal entity containing that of a natural person involved in this entity shall be treated as a natural person's name.

Publication of names of natural persons shall be waived if such publication risks violating their fundamental rights or damaging their commercial interests.

The Beneficiary shall present a list of data to be published on natural persons with any justifications for proposed waivers of publication to the Commission which must grant prior approval to this list. Where necessary, the Commission shall complete the locality of the natural person limited to a region at NUTS2 level.

7.3 Publication of the procurement and grant contracts concluded (i.e. signed by the Beneficiary and the contractor or grant beneficiary) during the reporting period shall take place within six months following the date for submitting the report pursuant to Article 6 of Special Conditions.

7.4 Publication of contracts may be waived if such publication risks harming the commercial interests of contractors or grant beneficiaries. The Beneficiary shall present a list with such justifications to the Commission which must grant prior approval to such publication waiver.

7.5 Where the Commission carries out payments to contractors and grant beneficiaries, it shall ensure the publication of information on procurement and grant contracts according to its rules..

Article 8 - Recovery of funds

8.1 The Beneficiary shall take any appropriate measures to recover the funds unduly paid.

Amounts unduly paid and recovered by the Beneficiary, amounts from financial guarantees

lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the Beneficiary on candidates, tenderers, applicants, contractors or grant beneficiaries, as well as damages awarded to the Beneficiary shall be returned to the Commission.

8.2 Without prejudice to the above responsibility of the Beneficiary to recover funds unduly paid, the Beneficiary agrees that the Commission may, in accordance with the provisions of the Financial Regulation applicable and this Financing Agreement, formally establish an amount as being unduly paid under procurement and grant contracts financed under Part One and proceed to its recovery by any means on behalf of the Beneficiary, including by offsetting the amount owed by the contractor or grant beneficiary against any of his claims against the EU and by forced recovery before the competent courts.

8.3 To this end, the Beneficiary shall provide to the Commission all the documentation and information necessary. The Beneficiary hereby empowers the Commission to carry out the recovery in particular by calling on a guarantee of a contractor or grant beneficiary of which the Beneficiary is the contracting authority or by offsetting the funds to be recovered against any amounts owed to the contractor or grant beneficiary by the Beneficiary as contracting authority and financed by the EU under this or another Financing Agreement or by forced recovery before the competent courts.

8.4 The Commission shall inform the Beneficiary that the recovery proceedings have been initiated (including where necessary before a national court).

8.5 Where the Beneficiary is a sub-delegatee of an entity with which the Commission concluded a delegation agreement, the Commission may recover funds from the Beneficiary which are due to the entity but which the entity was not able to recover itself.

Article 9 - Financial claims under procurement and grant contracts

The Beneficiary undertakes to confer with the Commission before taking any decision concerning a request for compensation made by a contractor or grant beneficiary and considered by the Beneficiary to be justified in whole or in part. The financial consequences may be borne by the EU only where the Commission has given its prior approval. Such prior approval is also required for any use of funds committed under the present Financing Agreement to cover costs arising from disputes relating to contracts.

Article 10 - Cost overruns and ways of financing them

10.1 Individual overruns of the budget headings of the activities implemented by the Beneficiary shall be dealt with by reallocating funds within the overall budget, in accordance with Article 25 of these General Conditions.

10.2 Wherever there is a risk of overrunning the amount foreseen for the activity implemented by the Beneficiary, the Beneficiary shall immediately inform the Commission and seek its prior approval for the corrective activities planned to cover the overrun, proposing either to scale

down the activities or to draw on its own or other non-EU resources.

10.3 If the activities cannot be scaled down, or if the overrun cannot be covered either by the Beneficiary's own resources or other resources, the Commission may, at the Beneficiary's duly substantiated request, decide to grant additional EU financing. Should the Commission take such a decision, the excess costs shall be financed, without prejudice to the relevant EU rules and procedures, by the release of an additional financial contribution to be set by the Commission. This Financing Agreement shall be amended accordingly.

Part Two: Provisions Applicable to Budget Support

Article 11 - Policy dialogue

The Beneficiary and the EU commit to engage in a regular constructive dialogue at the appropriate level on the implementation of this Financing Agreement.

Where the Beneficiary is an ACP State and this action is financed under the EDF pursuant to Article 1.1 of the Special Conditions, this dialogue may form a part of the broader political dialogue provided for in Article 8 of the ACP-EC Partnership Agreement.

Article 12 - Verification of conditions and disbursement

12.1. The Commission shall verify the conditions for the payment of the tranches of the budget support component, as identified in Annex I (Technical and Administrative Provisions).

Where the Commission concludes that the conditions for payment are not fulfilled, it shall inform the Beneficiary thereof without undue delay.

12.2. Disbursement requests submitted by the Beneficiary shall be eligible for EU financing provided that they are in accordance with the provisions set out in Annex I (Technical and Administrative Provisions) and that they are submitted during the operational implementation phase.

12.3. The Beneficiary shall apply its national foreign exchange regulations in a nondiscriminatory manner to all disbursements of the budget support component.

Article 13 - Transparency of budget support

The Beneficiary hereby agrees to the publication by the Commission, of this Financing Agreement and any amendment thereof, including by electronic means, and of such basic information on the budget support which the Commission deems appropriate. Such publication shall not contain any data in violation of the EU laws applicable to the protection of personal data.

Article 14 - Recovery of budget support

All or part of the budget support disbursements may be recovered by the Commission, with due respect to the principle of proportionality, if the Commission establishes that payment has

been vitiated by a serious irregularity attributable to the Beneficiary, in particular if the Beneficiary provided unreliable or incorrect information, or if corruption or fraud was involved.

Part Three: Provisions Applicable to This Action as a Whole, Irrespective of the Management Mode

Article 15 - Execution period and contracting deadline in direct management

15.1 The execution period of this Financing Agreement shall comprise two phases:

- an operational implementation phase, in which the principal operational activities of the action are carried out. This phase shall start on the entry into force of this Financing Agreement and end with the opening of the closure phase;
- a closure phase, during which final audits and evaluation are carried out and contracts and programme estimates for the implementation of this Financing Agreement are technically and financially closed. The duration of this phase is stipulated in Article 2.3 of the Special Conditions. It starts after the end of the operational implementation phase. Only expenditure necessary for the closure shall be eligible.

These periods shall be reflected in the agreements to be concluded by the Beneficiary and by the Commission in the implementation of this Financing Agreement, in particular in delegation agreements and procurement and grant contracts.

15.2 Costs related to the principal operational activities shall be eligible for EU financing only if they have been incurred during the operational implementation phase; the costs incurred by the Beneficiary before the entry into force of this Financing Agreement shall not be eligible for EU financing unless provided otherwise in Article 6 of the Special Conditions. Costs related to final audits and evaluation, and to closure activities shall be eligible until the end of the closure phase.

15.3 Any balance remaining from the EU contribution will be automatically decommitted no later than six months after the end of the execution period.

15.4 In exceptional and duly substantiated cases, a request may be made for the extension of the operational implementation phase and correlatively of the execution period. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the operational implementation phase and approved by the Commission before that end. This Financing Agreement shall be amended accordingly.

15.5 In exceptional and duly substantiated cases, and after the end of the operational implementation phase, a request may be made for the extension of the closure phase and correlatively of the execution period. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the closure phase and approved by the Commission before that end. This Financing Agreement shall be amended accordingly.

15.6 Article 2 of these General Conditions shall apply to activities implemented by the Commission as contracting authority (direct management) with the exception of the second

and third subparagraph of Article 2.1.

Article 16 - Verifications and checks by the Commission, the European Anti-Fraud Office (OLAF) and the European Court of Auditors

16.1 The Beneficiary shall assist and support the verifications and checks carried out by the Commission, OLAF and the European Court of Auditors at their request.

The Beneficiary agrees to the Commission, OLAF and the European Court of Auditors conducting documentary and on-the-spot controls on the use made of EU financing under the activities under this Financing Agreement and carrying out a full audit, if necessary, on the basis of supporting documents of accounts and accounting documents and any other documents relating to the financing of the activities, throughout the duration of this Financing Agreement and for five years from the end of the execution period.

16.2 The Beneficiary also agrees that OLAF may carry out on-the-spot checks and verifications in accordance with the procedures laid down by EU law for the protection of the EU's financial interests against fraud and other irregularities.

To that end, pursuant to Regulation (EC, Euratom) No 2185/96 and to Regulation (EC, Euratom) No 883/2013, the Beneficiary shall grant officials of the Commission, OLAF and the European Court of Auditors and their authorised agents access to sites and premises at which operations financed under this Financing Agreement are carried out, including their computer systems, and to any documents and computerised data concerning the technical and financial management of those operations, and to take every appropriate measure to facilitate their work. Access by authorised agents of the Commission, OLAF and the European Court of Auditors shall be granted on conditions of strict confidentiality with regard to third parties, without prejudice to public law obligations to which they are subject. Documents must be accessible and filed in a manner permitting easy inspection, the Beneficiary being bound to inform the Commission, OLAF or the European Court of Auditors of the exact location at which they are kept.

16.3 The checks and audits described above shall also apply to contractors and grant beneficiaries, and subcontractors who have received EU financing.

16.4 The Beneficiary shall be notified of on the spot missions by agents appointed by the Commission, OLAF or the European Court of Auditors.

Article 17 - Tasks of the Beneficiary in fighting irregularities, fraud and corruption

17.1 The Beneficiary shall immediately inform the Commission of any element brought to its attention which arouses suspicions of irregularities, fraud or corruption and of any measure taken or planned to deal with them.

17.2 The Beneficiary shall ensure and check regularly that the actions financed from the budget are effectively carried out and implemented correctly. It shall take appropriate measures to prevent, detect and correct irregularities and fraud and where necessary, bring prosecutions and recover funds unduly paid.

"Irregularity" shall mean any infringement of this Financing Agreement, implementing contracts and programme estimates or of EU law resulting from an act or omission by anyone who has, or would have, the effect of prejudicing the funds of the EU, either by reducing or losing revenue owed to the EU, or by an unjustified item of expenditure.

"Fraud" shall mean any intentional act or omission concerning:

- the use or presentation of false, incorrect or incomplete, statements or documents which has as its effect the misappropriation or wrongful retention of funds from the general budget of the EU or the EDF;
- non-disclosure of information in violation of a specific obligation, with the same effect;
- the misapplication of such funds for purposes other than those for which they are originally granted.

17.3 The Beneficiary undertakes to take every appropriate measure to prevent, detect and punish any practices of active or passive corruption during the implementation of the Financing Agreement.

"Passive corruption" shall mean the deliberate action of an official, who, directly or through an intermediary, requests or receives advantages of any kind whatsoever, for himself or for a third party, or accepts a promise of such an advantage, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the EU's financial interests.

"Active corruption" shall mean the deliberate action of whosoever promises or gives, directly or through an intermediary, an advantage of any kind whatsoever to an official, for himself or for a third party, to act or refrain from acting in accordance with his duty or in the exercise of his functions in breach of his official duties, which has, or would have, the effect of harming the EU's financial interests.

17.4 The Beneficiary shall immediately inform the Commission (contacts pursuant to the third subparagraph of the Article 1.8 of the General Conditions) of the name of the entity that has been the subject of a judgment which has the force of res judicata for fraud, corruption, involvement in a criminal organisation, money laundering or any other illegal activity detrimental to the EU's financial interests.

17.5 If the Beneficiary does not take appropriate measures to prevent fraud, irregularities and corruption, the Commission may adopt precautionary measures including the suspension of this Financing Agreement.

Article 18 - Suspension of payments

18.1 Without prejudice to the suspension or termination of this Financing Agreement according to Articles 26 and 27, respectively, the Commission may suspend payments partially or fully, if:

a) the Commission has established that or has serious concerns, on the basis of information it received, and needs to verify, whether the Beneficiary has committed substantial errors, irregularities or fraud in the procurement and grant award procedure or in the implementation of the action, or the Beneficiary has failed to comply with its

obligations under this Financing Agreement, including obligations regarding the implementation of the Communications and Visibility plan;

b) the Commission has established that or has serious concerns, on the basis of information it received, and needs to verify, whether the Beneficiary has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under this or other Financing Agreements, provided that those errors, irregularities, fraud or breach of obligations have a material impact on the implementation on this Financing Agreement or call into question the reliability of the Beneficiary's internal control system or the legality and regularity of the underlying expenditure;

c) the Commission suspects that the Beneficiary committed substantial errors, irregularities, fraud or breach of obligations in the procurement and grant award procedure or in the implementation of the action and needs to verify whether they have occurred.

d) it is necessary to prevent significant damage to the financial interests of the EU.

18.2 The Commission shall immediately inform the Beneficiary about the suspension of payments and of the reasons for this suspension.

18.3 The suspension of payments shall have the effect of suspending payment time-limits for any payment request pending.

18.4 In order to resume payments the Beneficiary shall endeavour to remedy the situation leading to the suspension as soon as possible and shall inform the Commission of any progress made in this respect. The Commission shall, as soon as it considers that the conditions for resuming payments have been met, inform the Beneficiary thereof.

Article 19 - Allocation of funds recovered by the Commission to the action

Where the action is financed under the EDF, amounts unduly paid and recovered by the Commission, amounts from financial guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed on candidates, tenderers, applicants, contractors or grant beneficiaries, as well as damages awarded to the Commission shall be allocated to this action.

Article 20 - Right of establishment and residence

20.1 Where justified by the nature of the procurement or grant contract, the Beneficiary shall entitle natural and legal persons participating in invitations to tender for works, supply or service contracts or calls for proposals and entities expected to be entrusted with budget-implementation tasks identified in Annex I with a provisional right of establishment and residence in the Beneficiary's territory(ies). This right shall remain valid for one month after the contract is awarded.

20.2 The Beneficiary shall also entitle procurement contractors and grant beneficiaries, entities entrusted with budget-implementation tasks identified in Annex I (Technical and

Administrative Provisions), natural persons whose services are required for the performance of this action and members of their families with similar rights during the implementation of the action.

Article 21 - Tax and customs provisions

21.1 The Beneficiary shall apply to procurement contracts and grants financed by the EU the most favoured tax and customs arrangements applied to States or international development organisations with which it has relations.

Where the Beneficiary is an ACP State, account shall not be taken of arrangements applied by it to the other ACP States or to other developing countries for the purpose of determining the most-favoured-State treatment.

21.2 Where a Framework Agreement is applicable, which includes more detailed provisions on this subject, these provisions shall apply as well.

Article 22 - Confidentiality

22.1 The Beneficiary agrees that its documents and data held by an entity with which the Beneficiary is in a contractual relationship regarding them may be forwarded to the Commission by that entity for the sole purpose of implementing this or another Financing Agreement. The Commission shall respect all confidentiality arrangements agreed between the Beneficiary and that entity.

22.2 Without prejudice to Article 16 of these General Conditions, the Beneficiary and the Commission shall preserve the confidentiality of any document, information or other material directly related to the implementation of this Financing Agreement that is classified as confidential.

22.3 The Parties shall obtain each other's prior written consent before publicly disclosing such information.

22.4 The Parties shall remain bound by the confidentiality until five years after the end of the execution period.

Article 23 - Use of studies

The contract related to any study financed under this Financing Agreement shall include the right for the Beneficiary and for the Commission to use the study, to publish it and to disclose it to third parties.

Article 24 - Consultation between the Beneficiary and the Commission

24.1 The Beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further pursuant to Article 29 of these General Conditions.

24.2 Where the Commission becomes aware of problems in carrying out procedures relating to management of this Financing Agreement, it shall establish all necessary contacts with the Beneficiary to remedy the situation and take any steps that are necessary.

24.3 The consultation may lead to the amendment, suspension or termination of this Financing Agreement.

24.4 The Commission shall regularly inform the Beneficiary of the implementation of activities described in Annex I which do not fall under Part One of these General Conditions.

Article 25 - Amendment of this Financing Agreement

25.1 Any amendment of this Financing Agreement shall be made in writing, including an exchange of letters.

25.2 If the request for an amendment comes from the Beneficiary, the latter shall submit that request to the Commission at least three months before the amendment is intended to enter into force, except in cases which are duly substantiated by the Beneficiary and accepted by the Commission. In the exceptional cases of an adjustment of the objectives of the action and/or an increase in the EU contribution, such request shall be submitted at least six months before the amendment is intended to enter into force.

25.3 If the adjustment both does not significantly affect the objectives of the activity implemented pursuant to Part One of these General Conditions, and if it concerns matters of detail which do not affect the technical solution adopted, and if it does not include the reallocation of funds, or if it concerns reallocations of funds within the limit of the contingency reserve, the Beneficiary shall inform the Commission of the adjustment and its justification in writing as soon as possible and may apply that adjustment.

25.4 The use of contingency reserve provided for an action shall be subject to the Commission's prior written approval.

25.5 Where the Commission considers that the Beneficiary ceases to perform satisfactorily the tasks entrusted pursuant to Article 1.1 of these General Conditions and without prejudice to Articles 26 and 27 of these General Conditions, the Commission may decide to retake the tasks entrusted from the Beneficiary in order to continue the implementation of the activities on behalf of the Beneficiary after informing the latter in writing.

Article 26 - Suspension of this Financing Agreement

26.1 The Financing Agreement may be suspended in the following cases:

- The Commission may suspend the implementation of this Financing Agreement if the Beneficiary breaches an obligation under this Financing Agreement.
- The Commission may suspend the implementation of this Financing Agreement if the Beneficiary breaches any obligation set under the procedures and standard documents referred to in Article 1.3 and 5.3 of these General Conditions.

- The Commission may suspend this Financing Agreement if the Beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption.
- This Financing Agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage.
- Neither of the Parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any possible damage.

26.2 The Commission may suspend this Financing Agreement without prior notice.

26.3 The Commission may take any appropriate precautionary measure before suspension takes place.

26.4 When the suspension is notified, the consequences for the on-going procurement and grant contracts, delegation agreements and programme estimates and for such contracts, delegation agreements and programme estimates to be signed shall be indicated.

26.5 A suspension of this Financing Agreement is without prejudice to the suspension of payments and termination of this Financing Agreement by the Commission in accordance with Article 18 and 27 of the General Conditions.

26.6 The parties shall resume the implementation of the Financing Agreement once the

conditions allow with the prior written approval of the Commission. This is without prejudice to any amendments of this Financing Agreement which may be necessary to adapt the action to the new implementing conditions, including, if possible, the extension of the implementation period, or the termination of this Financing Agreement in accordance with Article 27.

Article 27 - Termination of this Financing Agreement

27.1. If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate this Financing Agreement at 30 days' notice.

27.2. This Financing Agreement shall be automatically terminated, if within the period of three years of its signature:

a) it has not given rise to any payment;

b) no implementing contract or delegation agreement has been signed;

c) and where this action is financed under the EDF, no programme estimate has been signed;

27.3 When the termination is notified, the consequences for the on-going procurement and grant contracts, delegation agreements and programme estimates and for such contracts, delegation agreements and programme estimates to be signed shall be indicated.

Article 28 - Dispute settlement arrangements

28.1 Any dispute concerning this Financing Agreement which cannot be settled within a six-month period by the consultations between the parties provided for in Article 24 of these General Conditions may be settled by arbitration at one of the parties' request.

Where the Beneficiary is an ACP State or an ACP regional body or organisation and this action is financed under the EDF, the dispute shall be submitted, prior to arbitration and after the consultations provided for in Article 24 of these General Conditions, to the ACP-EC Council of Ministers, or, between its meetings, to the ACP-EC Committee of Ambassadors, pursuant to Article 98 of the ACP-EC Partnership Agreement. If the Council or Committee does not succeed in settling the dispute, either party may request settlement of the dispute by arbitration in accordance with Articles 28.2, 28.3 and 28.4.

28.2 Each party shall designate an arbitrator within 30 days of the request for arbitration. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration (The Hague) to designate a second arbitrator. The two arbitrators shall in their turn designate a third arbitrator within 30 days. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration to designate the third arbitrator.

28.3 Unless the arbitrators decide otherwise, the procedure laid down in the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States shall apply. The arbitrators' decisions shall be taken by a majority within a period of three months.

28.4 Each party shall be bound to take the measures necessary for the application of the arbitrators' decision.

EU Public Finance Modernisation in Viet Nam (EU-PFMO) – Logical Framework

	Intervention Logic	Objectively verifiable indicators of achievement	Sources and means of verification	Risks and Assumptions
Overall objective	To contribute to poverty alleviation and inclusive growth in Viet Nam by reinforcing macroeconomic stability, improving the government's ability to implement its economic and social policies and strengthening the accountability and transparency of public finance in Viet Nam.	• *IMF/World Bank ratings*	• *Socio-economic statistical indicators* • *Assessment of achievement of poverty reduction objectives over medium term (SEDP Progress reports)* • *IMF/World Bank macroeconomic assessment reports (e.g. Art. IV)* • *Independent reports from donors and Non-Government Organizations*	• *Government owned reform plans with strong political commitment to their implementation* • *Ongoing political and Economic stability* • *Sufficient attention is paid to improving transparency and better communication toward the general public.*
Specific objective	The governance of public funds is improved by strengthening the organisational and operational capacity on public finance and audit in two key institutions, namely the Ministry of Finance and State Audit Office of Viet Nam.	• *Overall improvement in some relevant PEFA indicators* • *Quality of state civil servants' performance* • *MOF and SAV's effectiveness and efficiency in implementing PFM improved* • *Revised legal framework for PFM, with new laws, policies and regulations issued* • *Availability of key budget information to the general public and the media is improved* • *Perception of SAV as an independent institution committed to fill their mandate* • *Audit reports consistent with international standards are presented to the National Assembly and published*	• *PEFA repeat assessment / external diagnostic reports* • *Government reports on PFM modernisation and anti-corruption efforts* • *Publication of budgetary information* • *State Audit reports* • *IMF/World Bank assessment reports* • *Independent reports from donors and Non-Government Organization* • *Project reports and evaluations* • *New laws, policies and regulations issued* • *PEFA repeat assessment / external*	• *PFM reforms continue to receive strong government backing* • *MOF & SAV reform strategies have leadership commitment to their implementation and sufficient resources are committed* • *Technical assistance is relevant and meets the needs of the counterparts.* • *Staff are open to change and project counterparts allow international project personnel to become more actively engaged in the practical aspects of PFM reform*

			diagnostic reports • *State Audit reports*	
Component 1: Support State Audit of Viet Nam to improve the accountability, reporting, transparency and oversight of public financial management activities				
Expected result 1	*1. SAV's ability to carry out its mandate is strengthened by improving the Organisational Structure and Management of its Human Resources* Indicative activities: • A revised organisation structure for SAV in place which is fit for purpose and consistent with achieving the SAV mandate efficiently and effectively; • The formulation and implementation of human resource strategies, plans and procedures that are aligned with SAV's overall strategy, and appropriate monitoring and review mechanisms are developed to ensure effectiveness, transparency, coherence and consistency in their implementation. • Appropriate human resource management systems are in place ensuring that SAV is able to attract, develop, utilise, reward and retain the required number of staff and the right 'mix' of competencies, experience and skills. • Continuous professional development systems in place - including Code of Ethics and Professional Conduct - ensuring all staff are equipped with the skills and training necessary to fulfil their professional and ethical responsibilities; • The HR function is enhanced through the use of computerised tools and techniques	• *A revised organisation structure for SAV in place which is consistent with achieving the SAV mandate efficiently and effectively;* • *Human Resource Management systems in place - including Code of Ethics and Professional Conduct* • *Training needs assessment and training plan developed*	• *Training needs assessment and training plan disseminated* • *Code of Ethics and Professional Conduct disseminated* • *PEFA repeat assessment / external diagnostic reports* • *SAV operational reports* • *Project reports and evaluations*	• *Appropriate high-level direct counterparts appointed by SAV* • *SAV accept a greater 'hands-on' approach to project implementation* • *Resistance from SAV staff to change is minimal*
Expected result 2	*2. The quality of external audits of public funds is improved by using Modern Strategic Audit Planning techniques, Audit Methodologies and Audit Activity Management techniques* Indicative activities:	• *Revised and improved audit planning arrangements operational* • *Programme of joint pilot financial and performance audits agreed and pilot audits completed to international standards*	• *Dissemination of audit planning guidelines* • *Dissemination of financial and performance audit guidelines* • *Joint pilot financial and*	• *Appropriate high-level direct counterparts appointed by SAV* • *SAV accept a greater 'hands-on' approach to project implementation*

	• SAV elaborates its own audit standards in compliance with the Vietnamese legal framework, INTOSAI norms, as well as its own audit experience. • Guidelines, procedures, and methods are developed, trialled (through join audits) and disseminated for all phases of the audit process (i.e. planning, execution, reporting, and follow-up) in order to ensure high quality financial and compliance audit activities in accordance with the SAV standards • Appropriate quality control systems are in place to ensure appropriate supervision of audit teams and review of audit work. • Computerised audit tools and techniques are developed to improve the structure, quality and productivity of the audit process and an appropriate computerised database is developed to help SAV management improve audit planning, quality control and risk assessment as well as enhance knowledge sharing and good-practice amongst SAV staff. • Clear, concise, accurate and objective criteria are set for SAV audit reports, resulting in the provision of information which contributes to more transparent public finances and effective oversight of public financial management in Viet Nam.	• *Staff working on pilot audits appropriately trained and guidance materials prepared and disseminated* • *Specialised trainers identified and trained* • *Training and guidance materials updated to reflect practical experience gained during pilot audits*	*performance audit reports* • *Dissemination of training material* • *PEFA repeat assessment / external diagnostic reports* • *SAV operational reports* • *Project reports and evaluations*	*Resistance from SAV staff to change is minimal*
Component 2: Support the Ministry of Finance to improve the legal, organisational and regulatory framework for the planning and execution of the state budget at the central and local level				
Expected result 3	*3. The legal framework for the planning and execution of the State Budget is improved and is more aligned to international practice* Indicative activities: • Prepare policy papers outlining good international practice in budget planning and execution. • Support the studies, and issue recommendations, for revision of the State Budget Law, including provisions expanding the scope and content of the budget, the planning calendar, the sectoral allocation,	• *In the revision of the SBL and implementing regulations, the annual budget planning process is clearly stipulated, including sufficient time for legislative oversight* • *State Budget Law revision clarifies the scope of the State Budget including fees, charges, government bonds, principal debt servicing, etc. in line with international practice* • *Mid-year assessments of budget*	• *State Budget Law revision submitted to National Assembly* • *Secondary legislation promulgated* • *Budget is based on the new budget classification* • *Budget documents produced and published* • *PEFA repeat assessment / external*	• *Strong political commitment to completing the revision of the law is needed*

	the extent of fiscal decentralization, principles on medium-term financial planning, and the weaknesses related to the current practice of carrying over amounts of revenue and expenditure between fiscal years. • Support the studies, and issue recommendations, for the revision of implementing guidelines and secondary legislation, including practical arrangements for budget preparation, execution, accounting and reporting, including the classifications used in presenting the budget proposals and reporting. • Support the studies, and issue recommendations, for disclosure provisions in order to improved budget transparency and timely release of budget documents to the public.	*implementation are published* • *Revised legal framework provides a good foundation for government budgeting at both central and local level*	*diagnostic reports*	
Expected result 4	*4. The policy and regulatory framework for increased fiscal decentralisation is developed and the capacity of sub-national entities to manage public funds is strengthened, with focus on the poorest provinces, where Ethnic Minority are prevalent* Indicative activities: • Prepare policy papers outlining new principles for the intergovernmental transfer system, including functions to be transferred from line ministries to sub-national levels. • Support the studies, and issue recommendations for a suitable framework and improved guidelines for budget entities at the sub-national and sectoral level. • Devise and implement a capacity development plan for central and sub-national administrations. • Provide training to selected officials at the central level to manage a decentralized distribution of responsibilities for planning, preparation and execution of the budget while retaining the central policy role.	• *Revised framework provides a good foundation for government budgeting and at both central and local level* • *Revised framework provides a good foundation for improved cooperation and communication between the budget financial agencies (MOF, DOF, etc.) and sector agencies* • *Number of Staff in provinces appropriately trained on fiscal decentralisation and guidance materials prepared and disseminated*	• *State Budget Law revision submitted to National Assembly* • *Secondary guiding legislation promulgated*	• *State budget law revision provides legal basis for further decentralisation*

	• Provide training to selected personnel at lower levels of government (province, district and municipality), with focus on Ethnic Minority Provinces, to be able to take on the increased devolved budget responsibility and accountability on a pilot basis.			
Expected result 5	*5. Budgetary planning is more effective through the development of medium-term revenue and fiscal forecasting, and better alignment of expenditure with national policy priorities* Indicative activities: • Support the improved revenue forecasts in the state budget through better linkage to macroeconomic forecasting and better tax analysis. • Appropriate technical tools for medium-term fiscal planning are introduced and applied. • Accompany the reform of the Vietnamese planning process, including improved linkages between budgets and national/sector policies. • Enhance capacity on the development of medium-term fiscal frameworks (MTFF) for sub-national administration on a pilot basis, with focus on the poorest provinces.	• *Budget revenue forecasts based on detailed macroeconomic analysis* • *Revenue and fiscal forecasting capacity of government officials is enhanced.* • *Sub-national MTFF piloted* • *Staff appropriately trained on revenue forecasting and budgetary planning and guidance materials prepared and disseminated*	• *Variance between revenue forecasts and actual reduced* • *PEFA repeat assessment / external diagnostic reports* • *MOF PFM progress reports* • *Project reports and evaluations*	• *Strong political commitment to improved revenue forecasting* • *State budget law revision provides legal basis for Medium-term fiscal frameworks* • *The revised State Budget Law restricts the amounts carried forward, requiring them to be re-appropriated as part of the following year's budget*