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CREDIT NUMBER 4089-VN

Development Credit Agreement

(Targeted Budget Support for National Education for All Plan Implementation Program)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 12, 2005

CREDIT NUMBER 4089-VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 12, 2005, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received the Borrower's Education Development Strategic Plan for 2001-2010 and the Borrower's National Education for All Plan as approved by the Prime Minister in July 2003; and said Strategic Plan and Plan set forth a strategic framework for the long-term development of the Education sector, establish the national education goals and targets envisaged in the Borrower's Socio-economic Development Strategy 2001-2010 and Comprehensive Poverty Reduction and Growth Strategy, and express the Borrower's commitment to the execution of said Plans;

(B) the Borrower, having satisfied itself as to the feasibility and priority of the Program described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Program;

(C) the Borrower intends to seek from Belgium through the Directorate General for Development Cooperation (DGDC), Canada through the Canadian International Development Agency (CIDA), the European Commission (EC), New Zealand through the New Zealand Agency for International Development (NZAID) and the United Kingdom of Great Britain and Northern Ireland through its Department for International Development (DFID) (collectively and together with the Association, the Targeted Budget Support Partners or TBS Partners), grants in an aggregate amount approximately equivalent to seventy-eight million Dollars ($78,000,000) to assist in the financing of the Program on terms and conditions set forth in an agreement or arrangement to be entered into between the Borrower and each of DGDC, CIDA, the EC, NZAID and DFID (collectively, the Co-financing Arrangements, and individually, a Co-financing Arrangement);

(D) the Borrower and the TBS Partners expect to enter into a Memorandum of Understanding (the MOU) to provide for common procedures on procurement, disbursement, cooperation and exchange of information in respect of this Program; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below to this Agreement (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:

"Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association's policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association."

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words "corrupt or fraudulent" with the words "corrupt, fraudulent, collusive or coercive".

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "BoET" means a Bureau of Education and Training at the district level, and any successor thereto.

(b) "DoET" means a Department of Education and Training at the provincial level, and any successor thereto.

(c) "Education National Targeted Program" and "Education NTP" mean the Borrower's National Targeted Program for the Education sector in effect since 2001, which is a channel for disbursement of funds complementary to regular state budget funding, earmarked for specific priorities in the Education sector, namely: (i) illiteracy elimination, consolidation of universal primary education and achievement of universal lower secondary education; (ii) renovation of the curriculum, textbooks and teaching

methods; (iii) computer training and introduction of information technology to schools; (iv) upgrading of infrastructure of teacher training institutions and teacher qualifications; (v) support education for ethnic minorities and disadvantaged regions; (vi) development of school infrastructure; and (vii) strengthening vocational training capacity.

(d) "EFA" means Education for All and covers four target areas, namely, (i) early childhood care and education; (ii) primary education; (iii) lower secondary education; and (iv) non-formal education for out-of-school youth and adults with low educational levels.

(e) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement.

(f) "Fiscal Year" and "FY" mean the Borrower's fiscal year which is the calendar year.

(g) "Foreign Exchange Account" and "FE Account" mean the foreign exchange account referred to in Section 2.02 (b) of this Agreement.

(h) "FSQL" means Fundamental School Quality Levels, as set forth in Decision 48/2003/QD-BGD & DT, dated October 24, 2003 of the Borrower's Ministry of Education and Training, which are minimum service delivery standards measured by physical infrastructure, availability and quality of instructional materials, teaching staff qualifications, in-service professional development, school organization and management and school-community linkages.

(i) "Inter-ministerial Instruction for the Education NTP 2006-2010" means the Instruction to be issued jointly by the Borrower's Ministries of Education and Training and of Finance, establishing the operational rules and requirements under the Education NTP applicable for the period 2006-2010, and referred to in paragraph 3 (b) of Schedule 3 to this Agreement.

(j) "Management Committee for the Education NTP" means the committee established pursuant to Decision 4884/QD-BGD & DT-TCCB of MoET (as defined below) dated August 30, 2004, responsible for assisting the Minister of MoET to administer and implement the Education NTP, and referred to in paragraph 1 (a) of Schedule 3 to this Agreement.

(k) "MoET" means the Borrower's Ministry of Education and Training, and any successor thereto.

(l) "MOF" means the Borrower's Ministry of Finance, and any successor thereto.

(m) "MPI" means the Borrower's Ministry of Planning and Investment, and any successor thereto.

(n) "National Education for All Plan" and "National EFA Plan" mean the strategic framework for long-term education development approved by Prime Minister's Decision 872/CP-KG of July 2, 2003.

(o) "National EFA Committee" means the committee established in March 2004, pursuant to Decision 1609/QD-BGD & DT-TCCB of MoET, to coordinate the implementation of the National EFA Plan.

(p) "NTP-eligible Provinces" means those Provinces of the Borrower eligible from time to time to participate in the Education NTP, and any successors thereto; and an "NTP-eligible Province" means any of such Provinces.

(q) "Pilot Provinces" mean the Borrower's Provinces of Yen Bai, Hoa Binh, Ha Tinh, Quang Binh, Dong Thap and Ben Tre, and such other Provinces as may be mutually agreed between the Borrower and the Association, and any successors thereto.

(r) "Program" means the set of activities described in Schedule 2 to this Agreement and constitutes the Project for purposes of the General Conditions.

(s) "SBV" means State Bank of Vietnam, the Borrower's central bank, and any successor thereto.

(t) "Selected Sub-components" means the priority areas of the Education NTP set forth in clauses (i), (ii), (iv), (v) and (vi) of sub-paragraph (c) of this Section 1.01, supported under Part A of the Program.

(u) "TBS" means targeted budget support.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to thirty-three million Special Drawing Rights (SDR 33,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable costs of goods, works and training required for Part A of the Program and to be financed out of the proceeds of the Credit; or (ii) amounts paid (or if the Association shall so agree, to be paid) on account of withdrawals made by the Borrower to meet the reasonable cost of goods, works and training required to meet the Association's share, as determined from time to time, for the Selected Sub-components of the Education NTP under Part A of the Program.

(b) The Borrower may, for the purposes of Part A of the Program, through MOF, open and maintain a foreign exchange account in State Bank of Vietnam on terms and conditions satisfactory to the Association, including a sub-account thereof for each of the currencies specified by the TBS Partners. Deposits into, and payments out of, the Foreign Exchange Account, and in particular out of the Dollar sub-account of said Foreign Exchange Account, shall be made in accordance with the provisions of Part B of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2009 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing September 15, 2015 and ending March 15, 2045. Each installment to and including the installment payable on March 15, 2025 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

(A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Program

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Program as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Program through its Ministry of Education and Training and the NTP-eligible Provinces,

with due diligence and efficiency and in conformity with appropriate administrative, financial, management and education practices, and sound social and environmental standards acceptable to the Association, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Program.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Program in accordance with the Implementation Program set forth in Schedule 3 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and works required for Part A of the Program and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the objectives of the Program; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Education NTP and to the Program.

(b) The Borrower shall:

(i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association) audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year (or

such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of reports referred to in Part II.2 of Schedule 1 to this Agreement (Report-based Disbursements), the Borrower shall:

(i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(ii) enable the Association's representatives to examine such records; and

(iii) ensure that such reports are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 9 of Schedule 3 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

(i) sets forth the sources and uses of funds for each Selected Sub-component of the Education NTP, showing the actual and planned uses of funds, disaggregated by province;

(ii) physical progress in the implementation of each Selected Sub-component, showing the actual and planned implementation, disaggregated by province and by district; and

(iii) the sources and uses of funds for Part B of the Program, explaining variances between the actual and planned uses of funds, and describing the progress in the implementation of said

Part B and explaining the variances between the planned and actual implementation.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of Fiscal Year 2005, and shall cover the period from the incurrence of the first expenditure under the Program through the end of Fiscal Year 2005; thereafter, each FMR shall be furnished to the Association not later than forty-five (45) days after each subsequent semester, and shall cover such semester.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) a situation has arisen which shall make it improbable that the National EFA Plan, or a significant part thereof, will be carried out;

(b) the Borrower's Education NTP and/or the Inter-ministerial Instruction for the Education NTP 2006-2010 shall have been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the carrying out of the Program or the accomplishment of the objectives thereof or of the objectives of the National EFA Plan;

(c) (i) Subject to sub-paragraph (ii) of this paragraph: (A) the right of the Borrower to withdraw the proceeds of any grant or credit made to the Borrower for the financing of the Program shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefore; or (B) any such credit shall have become due and payable prior to the agreed maturity thereof.

(ii) Sub-paragraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination of pre-maturing is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Program are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur; and

(b) the event specified in paragraph (c)(i)(B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (c)(ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Borrower has prepared and issued an Inter-ministerial Instruction for Education NTP for 2006-2010, acceptable to the Association, for application to the Pilot Provinces, in accordance with the provisions of paragraph 3 (a) of Schedule 3 to this Agreement;

(b) the Borrower has: (i) adopted sub-codes for sub-components of the Education NTP for the accounting system and (ii) completed the preparation of Treasury reporting format in accordance with the provisions of paragraph 4 of Schedule 3 to this Agreement; and

(c) at least one of the Co-financing Arrangements between the Borrower and DFID and the Borrower and CIDA, for the financing of Part B of the Program, has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder have been fulfilled, except the effectiveness of the Development Credit Agreement.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Governor, or any Deputy Governor of the State Bank of Vietnam is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

State Bank of Vietnam
49 Ly Thai To
Hanoi
Socialist Republic of Vietnam

Cable address:	Telex:	Facsimile:
VIETBANK Hanoi	412248 NHTWVT	(84-4) 825 0612

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(1-202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIETNAM

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

I. General

1. The table below sets forth the Category of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to such Category and the percentage of expenditures for items so to be financed in the Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Eligible Expenditures under the Education NTP for Fiscal Years 2005 through 2008	33,000,000	Such amount of Eligible Expenditures as shall be agreed between the Borrower and the Association for any Fiscal Year
TOTAL	33,000,000	

2. For the purposes of this Schedule,

(a) the term "Eligible Expenditures" means expenditures for goods, works and training, including recurrent expenditures, but excluding salaries and salary supplements for teachers or for civil servants, incurred by the NTP-eligible Provinces for the Selected Sub-components of the Education NTP, which are in excess of a threshold level for said Expenditures in a Fiscal Year (the "Threshold Level of Expenditure"); *provided*, however, that in respect of Fiscal Year 2005, the amount of "Eligible Expenditures" to be financed from the proceeds of the Credit means an amount equivalent to $2,500,000 of expenditures for goods, works and training, including recurrent expenditures, but excluding salaries and salary supplements for teachers or for civil servants, incurred by the Pilot Provinces for the Selected Sub-components of the Education NTP; and

(b) the term "Threshold Level of Expenditure" means: (i) for Fiscal Year 2006, unless otherwise agreed by the Association an amount resulting from an increase of about 10% in the amount of the central state budget allocated for Fiscal Year 2005 for purposes of the Education NTP; and (ii) for each of Fiscal Years 2007 and 2008, an amount established by the Association in consultation with the Borrower and communicated to the Borrower by no later than September 15 of the preceding year.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures incurred in Fiscal Year 2005 prior to the date of issuance of the Inter-ministerial Instruction for Education NTP for 2006-2010 applicable to the Pilot Provinces, in accordance with the provisions of Section 6.01 (a);

(b) payments made for expenditures incurred in Fiscal Years 2005 through 2008 which have not been incurred in accordance with the terms, conditions and eligibility criteria specified in the applicable Inter-Ministerial Instruction;

(c) payments made for goods, works or training which have not been procured in accordance with the provisions of Section 3.02 of this Agreement; and

(d) payments made for expenditures for goods, works or training procured under a contract which the Association or any national or international financing institution or agency, other than the TBS Partners under their respective Co-financing Arrangements, shall have financed or agreed to finance under any other credit or grant.

II. Foreign Exchange Account

1. After the Association has received evidence satisfactory to it that the FE Account, including the Dollar sub-account, has been opened in accordance with Section 2.02 (b) of this Agreement, withdrawals from the Credit Account shall be deposited by the Association into the FE Account in accordance with the provisions of this Part II.

2. Each request for withdrawals from the Credit Account shall be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the FMR and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Selected Sub-components of the Education NTP in the Pilot Provinces for the remainder of Fiscal Year 2005 following the date of issuance of the Inter-ministerial Instruction for Education NTP 2006-2010 in accordance with Section 6.01 (a).

3. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the FE Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part II.2 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the twelve-month period following the date of such reports.

4. Payments out of the FE Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the FE Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

5. Notwithstanding the provisions of Part II.1 of this Schedule, the Association shall not be required to make further deposits into the FE Account:

(a) if the Association, at any time, is not satisfied that the reports referred to in Part II.2 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the FE Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements.

6. The Association shall not be required to make further deposits into the FE Account in accordance with the provisions of Part II.1 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the FE Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

7. (a) If the Association determines at any time that any payment out of the FE Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the FE Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the FE Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association determines at any time that any amount of Credit proceeds on deposit in the FE Account will not be required to cover payments for

Eligible Expenditures during the twelve-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the Credit proceeds on deposit in the FE Account.

(d) Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 7 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Credit Agreement.

SCHEDULE 2

Description of the Program

The objectives of the Program are to assist the Borrower in the implementation of its National Education for All Plan through targeted budgetary support for Selected sub-components of the Education National Targeted Program designed to enhance the quality of basic education, and through strengthening of the administration of the Education National Targeted Program.

The Program consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Implementation of Fundamental School Quality Level standards

Support the implementation of Fundamental School Quality Level standards in schools which have not yet reached the minimum quality level, through the provision of targeted budgetary support.

Part B: Institutional Strengthening

1. Strengthen the capacity at the central level to administer the Education National Targeted Program.

2. Strengthen the capacity at the provincial and district levels to implement the Education National Targeted Program through the strengthening of their planning, procurement and financial management capacities.

3. Carry out implementation progress assessments, including financial and procurement audits, and monitoring and impact evaluation.

* * *

The Program is expected to be completed by December 31, 2008.

SCHEDULE 3

Implementation

Management of Education NTP

1. The Borrower shall maintain throughout the period of implementation of the Program:

(a) the Management Committee for the Education NTP within MoET, with representation from, inter alia, the Departments of Planning and Finance, of Personnel, and of various education levels, with such functions, responsibilities and powers as may be necessary to oversee the implementation of the Education NTP and coordinate the activities of all relevant agencies; and

(b) the Planning and Finance Department within MoET provided with adequate resources, under the direction of experienced managers and staffed with competent personnel in sufficient numbers and with qualifications and experience acceptable to the Association; said Department to be responsible for planning, monitoring and evaluating the implementation of the Education NTP.

2. The Borrower shall cause:

(a) each NTP-eligible Province and district within such Province to maintain its respective Department of Education and Training or Bureau of Education and Training, as the case may be, staffed with competent personnel in sufficient numbers and with qualifications and experience acceptable to the Association to be responsible for developing the annual work plan under the Education NTP for said Province or district, as the case may be, including specific objectives and budgetary needs, proposed activities and expected outcomes; and

(b) each NTP-eligible Province to maintain the Provincial NTP Steering Committee with such functions, responsibilities and powers to review the annual work plan prepared by the Department of Education and Training of said Province, and, upon receipt of the State-allocated budget, in turn to allocate such budget across the districts within the Province and across the Selected sub-components of the Education NTP, in accordance with the provisions of the applicable Inter-ministerial Instruction and in a manner satisfactory to the Association.

Implementation

3. The Borrower shall, jointly through the Ministries of Education and Training and of Finance:

(a) prepare and issue, for application to a number of Pilot Provinces, an Inter-ministerial Instruction for the Education NTP 2006-2010 acceptable to the

Association, setting forth specific instructions and requirements for the implementation of the Education NTP by provinces, districts and schools, including without limitation, in respect of: (i) budget allocations and outcomes, namely the reduction of FSQL deficits in schools; (ii) eligible expenditures, including menu of options to reduce FSQL deficits by district and school; (iii) reporting processes and requirements, including formats for identifying activities separately at provincial, district and school levels, and by specific sub-components of the Education NTP; and formats and timelines for financial expenditures reporting, financial monitoring reports and annual financial statements; (iv) auditing arrangements; and (v) guidelines on the dissemination of information regarding funding allocations under the Education NTP at the beneficiary level and on the participation of communities and/or social organizations in monitoring at the local level;

(b) by no later than March 31, 2006, on the basis of the experience in the application of the Inter-Ministerial Instruction as set forth in sub-paragraph (a) above, prepare and issue an Inter-ministerial Instruction for the Education NTP 2006-2010 acceptable to the Association for application to all NTP-eligible Provinces; and

(c) thereafter implement, and cause to be implemented, said Instruction in a manner satisfactory to the Association, and shall not amend, suspend, abrogate, repeal or waive said Circular or any part thereof without the prior concurrence of the Association.

4. The Borrower shall establish accounting sub-codes for sub-components of the Education NTP, and develop Treasury reporting formats to enable the disaggregation of expenditures information by sub-components of the Education NTP and by province.

5. No later than September 15 of each year, commencing in 2005, the Borrower shall provide to the Association a work program, with estimated budget therefor, for the Education NTP for the next succeeding fiscal year, consolidating therein the data from annual work plans which have been prepared and submitted by the NTP-eligible Provinces in accordance with the requirements of the Inter-ministerial Instruction, and reviewed and approved in accordance with the procedures and guidelines set forth in said Circular.

6. The Borrower shall, through MoET, by no later than October 31, 2005, issue a guidance on procurement best practices to all NTP-eligible Provinces aimed at guiding the responsible implementing entities at the provincial, district and school levels towards applying those procurement practices consistent with government procedures and regulations which would be most conducive to economy, efficiency and transparency.

7. The Borrower shall:

(a) annually carry out a procurement audit of the Education NTP through an independent entity acceptable to the Association, under terms of reference satisfactory to the Association;

(b) by no later than June 30 of each year, commencing in 2006, provide to the Association for its review and comments, the report of such procurement audit and promptly review with the Association the recommendations presented in said report; and

(c) thereafter, carry out workshops and training sessions for the NTP-eligible Provinces to disseminate the lessons from such audit and implement the recommendations thereof, giving due consideration to the view of the Association thereon.

8. The Borrower shall, by no later than November 30 of each year, commencing in 2005:

(a) carry out under terms of reference acceptable to the Association a performance review of each district within the NTP-eligible Provinces, showing the status of such district against baseline lists of FSQL-related shortfalls; and

(b) provide to the Association for its review and comments, the report of such review together with the recommendations deriving therefrom, and thereafter, carry out such recommendations giving due consideration to the Association's view thereon..

Monitoring and Reporting

9. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association the carrying out of the Program and the achievement of the objectives thereof and of the objectives of the Education NTP;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about February 15 and August 15 of each year, commencing in February 15, 2006, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 9, on the progress achieved in the carrying out of the Program and of the Education NTP during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Program and the Education NTP, and the achievement of the objectives thereof during the period following such date; and

(c) promptly following each report referred to in sub-paragraph (b) of this paragraph 9, review with the Association such report, and, thereafter, take all measures required to ensure the efficient completion of the Program and the achievement of the objectives thereof and of the Education NTP, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 4

Procurement

Section I. General

A. All goods and works and services shall be procured in accordance with: (i) generally accepted procurement principles and good practices as set forth in Section I of the "Guidelines: Procurement under IBRD Loans and Credits", dated May 2004, and with those procedures and regulations of the Borrower which are applied in a manner consistent with the provisions of such Section; and (ii) the provisions of Section II of this Schedule.

B. The capitalized terms used below in this Schedule to describe the procurement method of particular contracts, have the meanings ascribed to them in the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004.

C. Goods and works procured in accordance with this Schedule 4 shall constitute "Eligible Expenditures" for the purposes of Schedule 1 to the Development Credit Agreement.

Section II. Particular Methods of Procurement of Goods and Works

National Competitive Bidding; Shopping; Direct Contracting. Goods and works may be procured under contracts awarded on the basis of National Competitive Bidding, Shopping or Direct Contracting. The selection of procurement method and the procedures to be followed shall be those set forth in the Borrower's Decree 88/1999/ND-CP dated September 1, 1999 as amended and supplemented by Decree 14/2000/ND-CP dated May 5, 2000 and Decree 66/2003 /ND-CP dated June 12, 2003, with the following clarifications:

(a) Subject to the provisions of sub-paragraphs (b) through (e) below, procurement of goods and works shall be procured on the basis of competitive procedures.

(b) Negotiations on prices and purchase terms shall not be allowed other than in exceptional circumstances, including the existence of unforeseen soil or site conditions in respect of contracts for works for school construction and the need for unforeseen reduction in the scope of works to be carried out.

(c) Direct Contracting may be used for the procurement of textbooks and teacher guides from Provincial Books and Equipment Companies. Direct Contracting may not be used for the procurements of works and other goods other than in exceptional circumstances, including emergency

situations (for example in the case where a natural disaster has occurred), the existence of only one supplier, and where considerations of standardization and/or technical compatibility with existing equipment arise.

(d) Other than under force account in respect of civil works, State-owned enterprises dependent on MoET shall not participate in procurement conducted by MoET.

(e) The basis for technically evaluating bids for goods and services shall be the "Pass/Fail" system. The "Merit-Point" system referred to in Sec. 29 and 30 of Decree 88 may only be applied in exceptional circumstances.