LOAN NUMBER 1979-VIE(SF)

# LOAN AGREEMENT
(Special Operations)

(Upper Secondary Education Development Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 1 DECEMBER 2003

LAS:VIE 28309

**LOAN AGREEMENT**
**(Special Operations)**

LOAN AGREEMENT dated 1 December 2003 between SOCIALIST REPUBLIC OF VIET NAM (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called the Bank).

WHEREAS

(A) the Borrower has applied to the Bank for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement; and

(B) the Bank has agreed to make a loan to the Borrower from the Bank's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

## ARTICLE I

## Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of the Bank, dated 7 December 1982, are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Special Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

(a) Section 2.01(17) is deleted and the following is substituted therefor:

> 17. The term "dollar" or "dollars" or the sign "$" means dollar or dollars in the currency of the United States of America.

(b) Section 2.01(27) is deleted and the following is substituted therefor:

> 27. The term "interest charge" means a charge made on the Loan pursuant to Section 3.02, and includes a portion to cover administrative expenses and a portion that does not.

(c) The term "service charge" wherever it appears in the Loan Regulations shall be substituted by the term "interest charge".

(d) Section 4.05 is deleted and Sections 4.06, 4.07 and 4.08 are renumbered as Sections 4.05, 4.06 and 4.07, respectively.

(e) Section 5.02 is deleted and the following is substituted therefor:

**Commitment Letters by the Bank.** Upon the Borrower's request, the Bank may issue commitment letters to pay amounts in respect of the cost of goods and services to be financed under the Loan Agreement notwithstanding any subsequent suspension or cancellation.

(f) Section 5.03 is deleted and the following is substituted therefor:

**Application for Withdrawal.** When the Borrower shall desire to withdraw any amount from the Loan Account or to request the Bank to issue commitment letters pursuant to Section 5.02, the Borrower shall deliver to the Bank an application in such form and containing such statements and agreements, as the Bank shall reasonably request. Except as the Bank and the Borrower shall otherwise agree, applications for withdrawal, with the necessary documentation as hereinafter in this Article provided, shall be made promptly in relation to expenditures for the Project.

(g) Section 8.03 is deleted and the following is substituted therefor:

**Cancellation by the Bank.** If (i) the right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty (30) days, or (ii) at any time the Bank determines, after consultation with the Borrower, that any amount of the Loan will not be required for the purposes of the Project, or (iii) at any time the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement/consultant selection or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, or (iv) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement, or (v) by the date specified in the Loan Agreement as the closing date for withdrawals an amount of the Loan shall remain unwithdrawn from the Loan Account, the Bank may by notice to the Borrower and the Guarantor, if any, terminate the right of the Borrower to make withdrawals with respect to such amount or contract. Upon the giving of such notice, the amount of the Loan or the relevant portion thereof shall be cancelled.

(h) Section 8.04 is deleted and the following is substituted therefor:

> **Amounts Subject to Commitment Letters.** No cancellation or suspension shall apply to amounts subject to any commitment letter issued by the Bank pursuant to Section 5.02 except as expressly provided in such commitment letter.

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the Loan Regulations have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "DOET" means the Provincial Department of Education and Training of the Borrower;

(b) "EMIS" means the education management information system as described in paragraph 14 of Schedule 6 to this Loan Agreement;

(c) "IASC" means the inter-agency steering committee as described in paragraph 2 of Schedule 6 to this Loan Agreement;

(d) "IEC" means the information education and communication program developed under the Project;

(e) "MOET" means the Ministry of Education and Training of the Borrower, and any successor thereto;

(f) "NPIU" means the national project implementation unit established by MOET, as described in paragraph 3 of Schedule 6 to this Loan Agreement;

(g) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MOET which is responsible for the carrying out of the Project:

(h) "Project facilities" means the buildings, equipment and vehicles provided under the Project;

(i) "PPIU" means the Provincial Project Implementation Unit established in each province of the Borrower, as described in paragraph 4 of Schedule 6 to this Loan Agreement;

(j) "TTUs" mean the teacher training universities of the Borrower;

(k) "TUSSs" means technical upper secondary schools; and

(l) "SBV" means the State Bank of Viet Nam, and any successor thereto.

## ARTICLE II

## The Loan

Section 2.01. The Bank agrees to lend to the Borrower from the Bank's Special Funds resources an amount in various currencies equivalent to forty one million six hundred fifteen thousand Special Drawing Rights (SDR41,615,000).

Section 2.02. (a) The Borrower shall pay to the Bank an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 May and 15 November in each year.

Section 2.04. (a) Subject to the provisions of paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

(b) If the Bank shall determine, after due consideration by its Board of Directors, that (i) the Borrower's gross national product per capita (per capita GNP) has exceeded the Bank's per capita GNP operational cutoff in respect of the Bank's Special Funds resources for five consecutive years and (ii) the Borrower has achieved the capacity to borrow from the Bank's ordinary capital resources, the Bank may, by notice to the Borrower, modify the terms of repayment of the Loan by increasing by 100 percent the amount of each maturity due thereafter until the principal amount of the Loan shall have been fully repaid. However, at the request of the Borrower, the Bank may, in lieu of so increasing any such maturity amounts, charge interest, at an annual rate to be agreed between the Borrower and the Bank, on the principal amount of the Loan withdrawn and outstanding from time to time in such a manner and to such extent as to yield the same grant element as would be obtained under the above-stated increase of maturity amounts.

(c) If, at any time after a modification of the lending terms pursuant to the provisions of paragraph (b) above, the Bank shall, after due consideration by its Board of Directors, determine that the Borrower's economic condition has deteriorated significantly, the Bank may, at the request of the Borrower, restore the original lending terms with respect to the remaining amount of the Loan withdrawn and outstanding.

## ARTICLE III

## Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The goods and services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such goods and services and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank.

Section 3.03. Except as the Bank may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 and Schedule 5 to this Loan Agreement. The Bank may refuse to finance a contract where goods or services have not been procured under procedures substantially in accordance with those agreed between the Borrower and the Bank or where the terms and conditions of the contract are not satisfactory to the Bank.

Section 3.04. Except as the Bank may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. Withdrawals from the Loan Account in respect of goods and services shall be made only on account of expenditures relating to

(a) goods which are produced in and supplied from and services which are supplied from such member countries of the Bank as shall have been specified by the Bank from time to time as eligible sources for procurement, and

(b) goods and services which meet such other eligibility requirements as shall have been specified by the Bank from time to time.

Section 3.06. The closing date for withdrawals from the Loan Account for the purposes of Section 8.03 of the Loan Regulations shall be 31 December 2009 or such other date as may from time to time be agreed between the Borrower and the Bank.

## ARTICLE IV

## Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and educational practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 6 to this Loan Agreement.

Section 4.02. The Borrower shall make available, promptly as needed, the funds, facilities, services, land and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project Facilities.

Section 4.03. (a) In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors, acceptable to the Borrower and the Bank, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and the Bank.

(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and the Bank. The Borrower shall furnish, or cause to be furnished, to the Bank, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

Section 4.04. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. (a) The Borrower shall make arrangements satisfactory to the Bank for insurance of the Project Facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 4.06. (a) The Borrower shall maintain, or cause to be maintained, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and

financial condition of the agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof.

(b) The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent external auditors whose qualifications, experience and terms of reference are acceptable to the Bank; (iii) furnish to the Bank, as soon as available but in any event not later than nine (9) months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the covenants of this Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to the Bank such other information concerning such accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

(c) The Borrower shall enable the Bank, upon the Bank's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the Borrower's auditors, and shall authorize and require any representative of such auditors to participate in any such discussions requested by the Bank, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.

Section 4.07. (a) The Borrower shall furnish, or cause to be furnished, to the Bank all such reports and information as the Bank shall reasonably request concerning (i) the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and services and other items of expenditure financed out of the proceeds of the Loan; (iii) the Project; (iv) the administration, operations and financial condition of the agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof; (v) financial and economic conditions in the territory of the Borrower and the international balance-of-payments position of the Borrower; and (vi) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, the Borrower shall furnish, or cause to be furnished, to the Bank quarterly reports on the carrying out of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as the Bank shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following quarter.

(c) Promptly after physical completion of the Project, but in any event not later than three (3) months thereafter or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, in such form and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by the Borrower of its obligations under this Loan Agreement and the accomplishment of the purposes of the Loan.

Section 4.08. The Borrower shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.

Section 4.09. The Borrower shall ensure that the Project facilities are operated, maintained and repaired in accordance with sound administrative, financial, engineering, environmental, educational and maintenance and operational practices.

Section 4.10. (a) It is the mutual intention of the Borrower and the Bank that no other external debt owed a creditor other than the Bank shall have any priority over the Loan by way of a lien on the assets of the Borrower. To that end, the Borrower undertakes (i) that, except as the Bank may otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest charge and any other charge on, the Loan; and (ii) that the Borrower, in creating or permitting the creation of any such lien, will make express provision to that effect.

(b) The provisions of paragraph (a) of this Section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) The term "assets of the Borrower" as used in paragraph (a) of this Section includes assets of any administrative subdivision or any agency of the Borrower and assets of any agency of any such administrative subdivision, including the SBV and any other institution performing the functions of a central bank for the Borrower.

## ARTICLE V

## Effectiveness

Section 5.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

(a) the members of the IASC shall have been appointed;

(b) Project Finance Specialist, Project Civil Works specialist, and Project Procurement Specialist of the NPIU shall have been appointed; and

(c) eleven pilot provinces shall have been selected and designated for try-out of new upper secondary curriculum and textbooks.

Section 5.02. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

## ARTICLE VI

## Miscellaneous

Section 6.01. The Governor of the State Bank of Viet Nam is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

State Bank of Viet Nam
47-49 Ly Thai To
Hanoi, Viet Nam

Cable Address:

VIETBANK

Facsimile Number:

(84-4) 8250-612
(84-4) 8258-385

For the Bank

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Cable Address:

ASIANBANK
MANILA

Facsimile Numbers:

(632) 636-2444
(632) 636-2305.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of the Bank, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIET NAM

By _____
LE DUC THUY
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____
ALESSANDRO A. PIO
Officer-in-Charge
Viet Nam Resident Mission

## SCHEDULE 1

## Description of the Project

1. The broad objective of the Project is to contribute to poverty reduction in Viet Nam through development and improvement of upper secondary education. The specific objectives of the Project are to: (i) improve quality and efficiency of upper secondary education; (ii) promote access, equity, and participation in upper secondary education; and (iii) strengthen institutional capacity from MOET to local level of administration including DOETs, bureaus of education and training at the district level and schools. The Project comprises three components, as follows:

Component A: Supporting Conditions for Quality Improvement Upper Secondary Education

Provision of consulting services, internal and external training courses, computers, science laboratory equipment, libraries, multi-media laboratory, teaching materials and teaching aids, equipment and vehicles. These inputs will be provided for the purposes of the following three sub-components:

(i) New Curriculum, Textbooks and Teaching Methodologies

- support for the piloting of the new curriculum, textbooks, teachers' guides, and workbooks pilot project to target approximately 66,000 students during the pilot try-out and revision stage in 55 upper secondary schools in the 11 provinces selected pursuant to Section 5.01(b) of this Loan Agreement;

- provide training to about 2,700 teachers and 55 school principals on the new student-centered teaching methods;

- up-grade of about four demonstration schools for observation and practice of the new student-centered teaching methods;

- provide multi-media laboratory with the latest production equipment to assist MOET in the production of audio, video and other learning support materials;

- develop model curriculum and learning materials, provide management support, and assess the relevance of the TUSS model for economic and social objectives. About four TUSSs, two focusing on agriculture and two on industry or services, shall be included in the pilot try-out of a TUSS model;

- provide overseas short-term training for about 16 curriculum development and 16 instructional design specialists from relevant Government institutions. In addition, two groups of about eight trainers will be sent to two different countries.

Trainers will be from the subject areas of physics, chemistry, biology, history/geography, mathematics, information technology, Vietnamese language, and two other specialties;

- provide nationwide training to about 100 master trainers and 1,000 core trainers and 10,000 teachers on new instructional methods and new student assessment approaches relevant to an effective new curriculum delivery;

- provide in-service training to the 20 disadvantaged provinces selected under Component B, to update the skills of a total of 810 teachers to better teach in subject areas to which they are assigned but not fully trained;

- provide retraining of about 3,660 teachers on the new teaching methods; and

- provide training to about 128 teacher trainers for the new curriculum and teaching/learning materials for grades 10, 11 and 12.

(ii) Provision of Instructional Materials and Equipment

- provide instructional materials, teachers' guides and workbooks to all upper secondary schools that serve the poor populations in selected provinces, to be agreed between the Borrower and the Bank; a total of 120,000 sets of learning materials will be provided to these schools. Initially, this will consist of learning support materials such as teaching aids, posters, laboratory supplies, computers and library materials;

- support of 20 ethnic minority boarding schools in 20 disadvantaged provinces through the provision of equipment;

- supply of additional equipment and teaching materials to 61 model schools (one model school in each province), including 2 schools which meets international standard, to the extent required for the diversified and streamed curriculum;

- provide equipment to about four TUSSs, which will support courses relevant for local industry's general requirements and for additional on-the-job training unique to specific industries;

- support to about four demonstration schools, which are attached to TTUs for demonstration purposes in teaching methods and provide additional equipment to and replace outdated equipment;

- support the extension of 11 existing technical and vocational centers in 11 try-out provinces. The existing vocational education centers shall be transformed into Centers for Comprehensive Career Orientation. These Centers will be equipped for skill training in locally specific activities, such as agriculture, fishery, horticulture, forestry, engineering, and technology.

(iii) Development of Quality Assessment Systems and Enhanced Education Leadership

- provide assistance for the development, try-out, and dissemination of materials and programs for training school managers in education leadership, supervision and school management in order to effectively implement the new, diversified curriculum;

- provide training to all public upper secondary school principals in school management and education leadership techniques to support student-centered, active learning approaches; and

- develop new student assessment systems, where school managers and teachers will be trained on new assessment techniques. Appropriate education evaluation and quality assessment systems shall be disseminated through teacher and principal training programs.

Component B: Improving Access, Equity, and Participation in Upper Secondary Education in Disadvantaged Areas

Provision of consulting services, furniture, equipment, science and computer laboratories, construction and replacements of school buildings and IEC programs and materials, including mass media and prints, for 20 disadvantaged provinces to be selected under this Component. These inputs will be provided for the purposes of the following three sub-components:

(i) School Facilities Development

- construct and/or replace about 2,000 school rooms including approximately 1,484 classrooms, 130 libraries, 226 science laboratories, and 160 computer laboratories. Construction and/or replacement of school facilities, including furniture, equipment and sanitary facilities, in the districts with poorest communes will be scheduled in each province on a priority basis.

(ii) Study Support Programs with Vocational Orientation

- provide and develop special study support programs, including tutorial and vocational orientation for the very poor, female and ethnic minority students. The support will be provided by about 1,000 qualified teachers and by volunteers to 5,000 students per year to help them keep up with their studies and remain in school.

(iii) Development of IEC Programs

- provide and develop IEC programs and materials including print (newsletters, posters, handouts) and mass media (radio and television programming) and other approaches such as discussion groups, meetings, and teacher awareness training to encourage families and girls, especially ethnic minority girls, to enter and remain in upper secondary schools;

- provide awareness training to about 20 core volunteer trainers selected from teachers, community, and nongovernment organizations and 3,600 educators; and

- provide consulting services for the development of IEC programs, focusing on learning needs of ethnic minority students and vulnerable girls from poor families.

Component C: Strengthening Management of Upper Secondary Education

Provision of consulting services, equipment, furniture and materials and internal and external training. These inputs will be provided for the purposes of the following three sub-components:

a. Strengthening Decentralized Upper Secondary School Management

- provide pilot initiatives in two provinces - one more advanced economically and one less advanced - dealing with approaches to decentralized management. The pilot initiatives will involve (i) financing of schools, (ii) improving community-school relations, (iii) administrative roles and responsibilities in a decentralized environment, (iv) management of schools in difficult situations, and (v) socializing (cost sharing in) upper secondary education in rural and remote areas; and

- provide decentralization management training to approximately 1,400 education administrators, school principals and members of community groups and parents associations. Training in 20 disadvantaged provinces involved in Component B will start from the third year of project implementation.

b. Regulatory Options for Managing Non-Public Upper Secondary Schools With Quality

- examine the options for regulating and monitoring non-public upper secondary schools, including techniques and training for better management of the three types of non-public schools (semi-government, people-funded, and private schools); and

- develop appropriate regulatory measures, concentrating on school outputs rather than on overly restrictive barriers that might inadvertently discourage non-public schools.

c. Application of New Information Technology in Upper Secondary School Management

- develop a new student-based EMIS tracking and analysis system to help identify and support vulnerable children (both in and out of school) and assess their progress through the education system;

- apply the student-based EMIS as new information technology to better manage upper secondary education in conducting student's assessment, training managers, and providing software for subject teachers in TUSSs;

- provide training for 126 EMIS specialists; and

- provide EMIS equipment to 61 DOETs and MOET.

2. The Project is expected to be completed by 30 June 2009.

## SCHEDULE 2

### Amortization Schedule
### (VIE: Upper Secondary Education Development Project)

| Date Payment Due | | | Payment of Principal (expressed in SDR)* |
|---|---|---|---|
| 15 | May | 2011 | 866,979 |
| 15 | November | 2011 | 866,979 |
| 15 | May | 2012 | 866,979 |
| 15 | November | 2012 | 866,979 |
| 15 | May | 2013 | 866,979 |
| 15 | November | 2013 | 866,979 |
| 15 | May | 2014 | 866,979 |
| 15 | November | 2014 | 866,979 |
| 15 | May | 2015 | 866,979 |
| 15 | November | 2015 | 866,979 |
| 15 | May | 2016 | 866,979 |
| 15 | November | 2016 | 866,979 |
| 15 | May | 2017 | 866,979 |
| 15 | November | 2017 | 866,979 |
| 15 | May | 2018 | 866,979 |
| 15 | November | 2018 | 866,979 |
| 15 | May | 2019 | 866,979 |
| 15 | November | 2019 | 866,979 |
| 15 | May | 2020 | 866,979 |
| 15 | November | 2020 | 866,979 |
| 15 | May | 2021 | 866,979 |
| 15 | November | 2021 | 866,979 |
| 15 | May | 2022 | 866,979 |
| 15 | November | 2022 | 866,979 |
| 15 | May | 2023 | 866,979 |
| 15 | November | 2023 | 866,979 |
| 15 | May | 2024 | 866,979 |
| 15 | November | 2024 | 866,979 |

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* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment for each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

Schedule 2

| Date Payment Due | | | Payment of Principal (expressed in SDR)* |
|---|---|---|---|
| 15 | May | 2025 | 866,979 |
| 15 | November | 2025 | 866,979 |
| 15 | May | 2026 | 866,979 |
| 15 | November | 2026 | 866,979 |
| 15 | May | 2027 | 866,979 |
| 15 | November | 2027 | 866,979 |
| 15 | May | 2028 | 866,979 |
| 15 | November | 2028 | 866,979 |
| 15 | May | 2029 | 866,979 |
| 15 | November | 2029 | 866,979 |
| 15 | May | 2030 | 866,979 |
| 15 | November | 2030 | 866,979 |
| 15 | May | 2031 | 866,979 |
| 15 | November | 2031 | 866,979 |
| 15 | May | 2032 | 866,979 |
| 15 | November | 2032 | 866,979 |
| 15 | May | 2033 | 866,979 |
| 15 | November | 2033 | 866,979 |
| 15 | May | 2034 | 866,979 |
| 15 | November | 2034 | 866,987 |
| | | TOTAL | SDR 41,615,000 |

* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment for each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

## SCHEDULE 3

## Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of goods, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Taxes

2. No withdrawals from the Loan Account shall be made in respect of any local taxes.

Percentages of Bank Financing

3. Except as the Bank may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

4. Notwithstanding paragraph 5 of this Schedule, any contract awarded to a local supplier after effective international competitive bidding or international shopping pursuant to the relevant provisions of Schedule 4 to this Loan Agreement shall be financed out of the proceeds of the Loan on the following basis:

(a) where the goods procured from a local supplier are manufactured locally, 100 percent of the ex-factory price of the goods supplied (exclusive of any taxes); and

(b) where the goods procured from a local supplier have been entirely imported, 100 percent of the foreign-currency component of the contract price.

Local Expenditure

5. (a) Loan proceeds up to the amount equivalent to SDR18,979,000 may be withdrawn from the Loan Account in foreign currency for the purposes of financing local expenditure.

(b) Except as provided in this paragraph or as the Bank may otherwise agree, no withdrawals from the Loan Account shall be made in respect of any local expenditure on the Project.

Schedule 3

Interest Charge

6. The amount allocated to Category 7 is for financing interest charge on the Loan during the implementation period of the Project. The Bank shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge.

Reallocation

7. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table and subject to paragraph 5 of this Schedule,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, the Bank may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of the Bank, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, the Bank may, by notice to the Borrower, reallocate such excess amount to any other Category.

Imprest Account; Statement of Expenditures

8. (a) Except as the Bank may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at a commercial bank designated by the State Bank of Viet Nam and acceptable to the Bank. The imprest account shall be established, managed, replenished and liquidated in accordance with the Bank's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and the Bank. The amount to be deposited into the imprest account shall not exceed the equivalent of $2,000,000.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures to liquidate advances provided into the imprest account, in accordance with the Bank's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and the Bank. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of $100,000.

Condition of Withdrawals from Loan Account

9. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until the following conditions have been met:

Schedule 3

(a) DOETs shall have appointed the members of the PPIUs at least in the 20 provinces designated under Component B of the Project; and

(b) DOET, through MOET, shall have submitted to the Bank, a letter from each of the 20 provinces confirming their commitment to participate in the Project and for the provision of budget to maintain the Project facilities.

Attachment to Schedule 3

**TABLE**

| ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS<br>(Upper Secondary Education Development Project) | | | | | |
|---|---|---|---|---|---|
| **CATEGORY** | | | | **PERCENTAGE OF BANK FINANCING** | |
| **Number** | **Item** | **Amount Allocated SDR** | | **Percentage** | **Basis for Withdrawal from the Loan Account** |
| | | **Category** | **Subcategory** | | |
| 1 | Civil Works | 11,485,000 | | 76<br>(40% for foreign and 36% for local) | percent of total expenditure |
| 2 | Equipment and Furniture | 13,942,000 | | 100<br>100 | percent of foreign expenditure<br>percent of local expenditure* |
| 3 | Staff Development and Training | 5,886,000 | | | |
| 3A | Overseas Training | | 919,000 | 100 | percent of foreign expenditure |
| 3B | In-Country Training | | 4,967,000 | 63 | percent of local expenditure |
| 4 | Consulting Services | 1,080,000 | | 100<br>100 | percent of foreign expenditure<br>percent of local expenditure* |
| 4A | International Consultants | | 847,000 | 100 | percent of foreign expenditure |
| 4B | Domestic Consultants | | 233,000 | 100 | percent of local expenditure* |
| 5 | Textbooks and Materials | 1,945,000 | | 100<br>100 | percent of foreign expenditure<br>percent of local expenditure* |
| 6 | Pilot Initiatives / Special Program | 1,952,000 | | 83 | percent of total expenditure |
| 7 | Interest Charge | 1,799,000 | | 100 | percent of amounts due |
| 8 | Unallocated | 3,526,000 | | | |
| | Total | 41,615,000 | | | |

*Exclusive of local taxes

## SCHEDULE 4

### Procurement

1. Except as the Bank may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of goods and services to be financed out of the proceeds of the Loan. In this Schedule and the Attachment hereto, the term "goods" includes equipment and materials; the term "services" does not include consulting services.

2. Procurement of goods and services shall be subject to the provisions of the "Guidelines for Procurement under Asian Development Bank Loans" dated February 1999 (hereinafter called the Guidelines for Procurement), as amended from time to time, which have been furnished to the Borrower.

3. Procurement of goods and services shall be made without any restriction against, or preference for, any particular supplier or contractor or any particular class of suppliers or contractors, except as otherwise provided in paragraph 6 below.

4. (a) Each supply contract for equipment or materials estimated to cost the equivalent of more than $500,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement.

(b) For contracts to be awarded on the basis of international competitive bidding, there shall be submitted to the Bank, as soon as possible, and in any event not later than 90 days before the issuance of the first invitation to bid for the Project, a General Procurement Notice (which the Bank will arrange to publish separately) in such form and detail and containing such information as the Bank shall reasonably request. The Bank shall be provided the necessary information to update such General Procurement Notice annually as long as any goods remain to be procured on the basis of international competitive bidding.

(c) For contracts to be awarded on the basis of international competitive bidding, procurement actions shall be subject to review by the Bank in accordance with the procedures set forth in Chapter IV of the Guidelines for Procurement. Each draft invitation to bid, to be submitted to the Bank for approval under such procedures, shall reach the Bank at least 42 days before it is issued and shall contain such information as the Bank shall reasonably request to enable the Bank to arrange for the separate publication of such invitation.

5. (a) Each supply contract for vehicles, equipment or materials, except as provided in paragraph 7(a) below, estimated to cost the equivalent of $500,000 or less (other than minor items) shall be awarded on the basis of international shopping as described in Chapter III of the Guidelines for Procurement.

(b) Each draft invitation to bid and related bid document need not be submitted to the Bank for approval before they are issued.

(c) Notwithstanding paragraph 3.03(b) of the Guidelines for Procurement, any award of contract shall be subject to prior Bank approval.

6. In comparing bids under international competitive bidding, a margin of preference may be provided, at the option of the Borrower and in accordance with the provisions of the Attachment to this Schedule, for goods manufactured in the territory of the Borrower, provided that the bidder offering such goods shall have established to the satisfaction of the Borrower and the Bank that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods.

7. (a) Each civil works contracts for construction and replacement of school, classrooms, facilities and each supply contract for instructional materials estimated to cost the equivalent of $500,000 or less may, be awarded on the basis of local competitive bidding among contractors in accordance with the standard procurement procedures of the Borrower and acceptable to the Bank. Selection and engagement of contractors shall be subject to the approval of the Bank. As soon as the bids received have been evaluated, the proposal for award of contract shall be submitted to the Bank for approval. For this purpose, the Bank shall be furnished with three copies of (i) an account of the public opening of bids; (ii) a summary and evaluation of the bids; (iii) the proposal for award; and (iv) a draft contract or a draft letter of acceptance. Promptly after each contract is awarded, the Bank shall be furnished with three copies of the contract as executed.

(b) Minor items, estimated to cost less than the equivalent of $100,000 per contract may be purchased directly.

8. Supply contracts for teachers' guides may be awarded to the Education Publishing House on the basis of direct selection. Promptly after each contract is awarded, the Bank shall be furnished with three copies of the contract as executed.

9. (a) The Borrower shall ensure that all Bank-financed goods and services procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all Bank-financed contracts for the procurement of goods and services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

Preference for Domestically Manufactured Goods

1. In the procurement of goods through international competitive bidding, goods manufactured in the territory of the Borrower may be granted a margin of preference in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Borrower and the Bank that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

(a) For application of domestic preference, all responsive bids shall first be classified into the following three categories:

Category I -- bids offering goods manufactured in the territory of the Borrower which meet the minimum domestic value added requirement;

Category II -- bids offering other goods manufactured in the territory of the Borrower; and

Category III -- bids offering imported goods.

(b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods.

(c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I or Category II is found to be the lowest, it shall be selected for the award of contract.

(d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category III, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category III by adding either

(i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such Category III bid; or

(ii) 15 percent of the CIF bid price of such goods if the customs duties and import taxes referred to above exceed 15 percent of the CIF bid price.

If, after such further comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category III shall be selected for the award.

2. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference, including the minimum domestic value added.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

## SCHEDULE 5

## Consultants

1. The services of consultants shall be utilized in the carrying out of the Project, particularly with regard to:

(a) curriculum and textbook development;
(b) teaching methods;
(c) instructional/educational materials;
(d) education leadership and supervision;
(e) evaluation, student assessment and quality assurance;
(f) study support programs;
(g) EMIS development specialist;
(h) NPIU advisor;
(i) Midterm review;
(j) IEC;
(k) Social development, gender and ethnic minority; and
(l) Monitoring and evaluation.

The terms of reference of the consultants shall be as determined by agreement between the Bank and the Borrower.

2. The selection, engagement and services of the consultants shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers" dated April 2002 (hereinafter called the Guidelines on the Use of Consultants), as amended from time to time, which have been furnished to the Borrower and MOET.

3. The consultants shall be selected and engaged as a firm by the Borrower using the quality-and-cost-based selection (QCBS) method in accordance with the following procedures.

(a) Invitation for technical and financial proposals. The invitation to submit technical and financial proposals (hereinafter called the Request for Proposals or RFP) and all related documents shall be approved by the Bank before they are issued. For this purpose, three copies of the draft RFP, the names of consultants to be short-listed, the proposed criteria for evaluation of both proposals, a draft consultancy contract, and other related documents shall be submitted to the Bank. A period of at least 60 days shall be allowed for submission of both proposals. A copy of the final RFP as issued, together with all related documents, shall be furnished to the Bank for information promptly after issuance. The validity period for the technical and financial proposals as provided in the RFP shall usually not exceed three months from the date specified for submission of the technical and financial proposals. The approval of the Bank shall be obtained for any request to extend such validity period. Except as the Bank may otherwise agree, the validity period, including any extensions, shall not exceed a maximum total period of six months. If the contract is not signed within the validity period in accordance with the Guidelines on the Use of Consultants, the selection shall be invalid and the selection and engagement process as provided in this paragraph shall be followed again.

(b) Evaluation and scoring of technical proposals. Immediately after the technical proposals have been evaluated and scored, approval of the Bank shall be obtained to the evaluation and scoring of the technical proposals. For this purpose, the Bank shall be furnished with three copies of the technical proposals.

(c) Public opening of financial proposals. The financial proposals of the firms whose technical proposals meet the minimum qualifying technical score shall be opened publicly after adequate notice is given to such firms or their representatives to attend the opening of the financial proposals.

(d) Evaluation and scoring of financial proposals and ranking of technical and financial proposals. After the financial proposals have been evaluated and scored, the ranking of the technical and financial proposals shall be made. Before negotiations are started with the first-ranked consultants, approval of the Bank shall be obtained to the evaluation and scoring of the financial proposals and the ranking of the technical and financial proposals. For this purpose, the Bank shall be provided with three copies of (i) the evaluation and scoring of the financial proposals and (ii) the ranking of the technical and financial proposals.

(e) Execution of contract. After the conclusion of negotiations but before the signing of the contract, the Bank shall be furnished with the contract as negotiated for approval. Promptly after the contract is signed, the Bank shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to the Bank for prior approval.

4. The Borrower shall ensure that all contracts with consultants financed under the Loan contain appropriate representations, warranties and, if appropriate indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial properly or intellectual property right or claim or any third party.

## SCHEDULE 6

## Execution of Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

Project Management

1. The MOET shall be the executing agency for the Project and shall have the overall responsibility for Project coordination and implementation.

Inter-Agency Steering Committee

2. An IASC, consisting of representatives of the MOET including the Department of Secondary Education, and Department of Planning and Finance, Teachers Department, and National Institute for Educational Science, as well as the Ministry of Planning and Investment, Ministry of Finance, State Bank of Viet Nam and Office of Government, shall be chaired by a Vice Minister of MOET. IASC shall be responsible for providing overall guidance to the Project, monitor project activities and outputs, and assist coordination and liaison with other government agencies.

National Project Implementation Unit

3. The NPIU shall oversee day-to-day implementation of Project activities, and shall consist of manager, deputy manager and staff appointed by MOET. The NPIU Manager shall be a member of IASC, and shall report directly to IASC. NPIU shall be supported by (i) six specialists for (a) administration and finance, (b) monitoring and evaluation, (c) civil works, (d) procurement, (e) textbook development, and (f) staff development; (ii) other members comprising of senior staff of concerned MOET departments and institutes, specifically assigned to implement Project activities at the central level; (iii) two international consultants, consisting of one management advisor and one mid-term review specialist, and two domestic consultants, consisting of a project management specialist and a monitoring and evaluation specialist, and (iv) administrative staff consisting of secretaries, translators, a finance officer, and other support staff, as required. Equipment and operating resources for the NPIU shall be provided under the Project. The NPIU shall have overall responsibility for planning, budgeting, monitoring, reporting, and in undertaking various studies, and shall coordinate the work of the PPIUs. Curriculum, textbook and in-service training, and other sub-components shall be supported through the Government's own scheme for implementation of the diversified curriculum, and shall be managed and implemented by the NPIU. The NPIU shall also be responsible for coordinating the work of consultants.

Provincial Project Implementation Unit

4. The PPIUs, one in each of the selected Project provinces, located in existing DOETs, shall coordinate, plan, implement, monitor, and supervise, and report to the NPIU on project activities at the provincial level. Each PPIU shall consist of a provincial Project Manager and basic administrative staff from existing DOET personnel, with support being provided by various specialist staff from provincial government departments as required. PPIUs shall undertake general project management and implementation activities, and shall

be responsible for managing and implementing in-service teacher training, coordinating school construction/replacement program, and other capacity building activities. PPIUs shall report to the NPIU on progress and results of activities under their management and implementation.

Counterpart Funds

5. Without prejudice to Section 4.02 of the Loan Agreement, the Borrower shall ensure that all necessary counterpart funds for project implementation are provided in a timely manner and, to such end, the Borrower shall make timely submissions of annual budgetary appropriation requests and take all other measures necessary or appropriate for prompt disbursement of appropriate funds during each year of the Project implementation.

Baseline Studies and Surveys

6. Within three months of the Effective Date, the Borrower, through MOET, shall conduct initial baseline studies and surveys to establish appropriate key indicators for monitoring and evaluating the performance of Project implementation. Further, the Borrower, through MOET, shall undertake periodic surveys, in the third and sixth year of Project implementation, to monitor relevant indicators and to institute revision or improvement in implementation schemes where necessary.

Model Upper Secondary Schools

7. Within six months of the Effective Date, the Borrower, through MOET, shall designate one model upper secondary school for each of the 61 provinces and shall submit to the Bank a list containing the names and location of the designated model upper secondary schools.

Overseas Training

8. Within six months of the Effective Date, the Borrower, through MOET, shall establish and submit criteria acceptable to the Bank for the selection of candidates for overseas training.

School Construction and Replacement Program

9. Within six months of the Effective Date, the Borrower, through the MOET, shall identify the first year of school construction and replacement program as set out under Component B of the Project.

10. The Borrower, through MOET, shall ensure that new schools to be constructed are precisely located by school mapping in areas requiring access for lower secondary graduates from poor, ethnic minority and disadvantaged areas, and that the school mapping is completed at least one year prior to construction of new schools. Further, the Borrower, through MOET, shall submit to the Bank the details of school construction and replacement program at least one year prior to the commencement of the program.

Resettlement

11. The Borrower and the MOET, shall ensure that construction of new schools shall be carried out on vacant public land or commune reserve land. In the event no vacant public land is available and community or household land might be needed, a detailed community decision-making process for site selection as specified in the Project design shall be strictly followed. The procedure involved; First, the identification of possible land by the commune through a process of household level consultation including a process of grievance redress. Second, the district people's committee shall confirm that:

(i) the land selected has no housing or enterprises, no encroachers or squatters;
(ii) the contribution of land by any one household is not more than 5% of the household's total landholding;
(iii) the contributors are not poor;
(iv) the commune will guarantee to replace any lost assets at replacement cost and replace any lost income/livelihoods, and compensation to be paid shall be in accordance with the Bank's *Policy on Involuntary Resettlement*; and
(v) the people affected will provide verbal or written agreement to the arrangement.

Further, the Borrower, through MOET, shall ensure that the PPIUs check each case before award of civil works contracts that these procedures are followed and provide a written report to the Bank together with contract documentation for endorsement prior to the award of the civil works contracts.

Textbook Lending Scheme

12. The Borrower shall ensure the continuation of the existing textbook lending scheme to ensure that improved textbooks for the new curriculum are made accessible to poor and disadvantaged students in all priority provinces.

Pilot Initiatives

13. Within three months of the Effective Date, the Borrower, though the MOET, shall submit to the Bank the names of the participating provinces in the pilot initiatives as required under Component C of the Project.

Student Based Education Management Information System

14. The Borrower shall establish, by the end of 2005, a student-based education management information system that will enable the tracking of upper secondary graduates in both higher education and the work environment and generate feedback for improving the implementation of diversified curricula.

Schedule 6

Gender and Ethnic Minorities

15. The Borrower, through MOET, shall ensure priority be given to the gender and ethnic minority development through the implementation of the Gender and Ethnic Minorities Action Plan, prepared in accordance with the Bank's guidelines. The Borrower, through MOET, shall further ensure that (a) in selecting the participants for all training activities, priority will be given to women so as to achieve participation of women in each training activity at a level at least proportionate to their representation in the group of candidates from among whom the selection is made; and (b) in order to increase the quality and access of upper secondary education received by ethnic minorities, the ethnic minorities will have equal opportunities to participate in training activities. The Project's impact on ethnic minorities shall be observed during Project monitoring and evaluation.

Environment

16. The Borrower and MOET shall ensure that the site selection, design, construction, replacement work and operation of school facilities shall be implemented in line with the Bank's environmental guidelines.