CONTRIBUTION ARRANGEMENT

BETWEEN

THE GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM

AND

THE GOVERNMENT OF CANADA

CANADA'S CONTRIBUTION TOWARDS THE FUNDING OF THE "TARGETED BUDGET SUPPORT FOR EDUCATION-FOR-ALL IMPLEMENTATION PROGRAM" TO THE MINISTRY OF FINANCE OF VIETNAM

Contribution Arrangement made on this ____day of March 2006.

BETWEEN: The GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM ("Vietnam") as represented by the Minister of Finance acting through the Ministry of Finance ("Ministry);

AND: The GOVERNMENT OF CANADA ("Canada") as represented by the Minister for International Cooperation acting through the Canadian International Development Agency ("CIDA").

WHEREAS Canada and Vietnam, along with a number of governments of donor countries (collectively "TBS Partners"), wish to facilitate the implementation of the Targeted Budget Support for Education-For-All Implementation Program ("Program").

AND WHEREAS the Program consists of Component 1 which strives to support the implementation of Fundamental School Quality Levels at the primary education sub-sector level by channeling TBS Partners' development assistance into the Vietnam's Education National Targeted Program and of Component 2 which aims to provide technical assistance and capacity building to strengthen the administration, implementation and evaluation of the Education National Targeted Program.

AND WHEREAS Canada wishes to make a contribution to Vietnam for the implementation of Component 1 and Component 2 of the Program.

CIDA and the Ministry have reached the following understanding:

Paragraph 1 Nature of the Arrangement

1.1 This Arrangement is to set out the terms concerning the transfer and management of the contribution from Canada to Vietnam for the implementation of the Program as described in Annex A (Joint MOU), Annex B (World Bank Project Appraisal Document) and Annex C (Component 2).

1.2 This Arrangement constitutes a subsidiary arrangement made pursuant to the General Agreement on Development Cooperation between Canada and Vietnam dated the 21st of June, 1994 and is intended to set out the commitments of Canada and Vietnam in relation to the Program, particularly Component 1 and Component 2. It does not constitute an international treaty.

1.3 The Joint MOU, as described in Annex A will serve as a set of guidelines for the application of this Arrangement. The Joint MOU does not constitute an international treaty between Canada and Vietnam.

1.4 In the event of any inconsistency or conflict between this Arrangement and the Joint MOU, this Arrangement will prevail.

Paragraph 2 Contribution

2.1 CIDA will make a contribution ("Contribution") for the purpose of supporting the implementation of the Program, particularly Component 1 and Component 2, in an amount not to exceed fourteen million six hundred thousand Canadian dollars (CDN $*14,600,000*.00) ("Contribution").

2.2 The Contribution will be split between Component 1 and Component 2 in accordance with the budget estimates set out in the Joint MOU attachment 2.

Paragraph 3 Role of the Ministry

3.1 The Ministry will utilize the Contribution and interest earned exclusively to implement the Program, particularly Component 1 and Component 2.

3.2 The Ministry will allocate Canada's contribution to the Ministry of Education and Training in accordance with plans approved and agreed between the Ministry and CIDA to implement the Program, particularly Component 1 and Component 2.

3.3 The Ministry of Education and Training will administer the Contribution in accordance with the laws, regulations, and rules applicable to the Ministry of Education and Training, as well as with the terms of this Arrangement and of the Joint MOU as modified from time to time.

3.4 The Ministry may enter into such arrangements with other donors and international organizations as are necessary to ensure the successful implementation of the Program. The Ministry will inform the TBS Partners of any and all contributions made to the Program.

3.5 Except as otherwise determined by CIDA, the Ministry will return through CIDA, to the Receiver General of Canada, any undisbursed or unaccounted for portion of the Contribution on the date of expiration or termination of this Arrangement.

Paragraph 4 Terms of Payment

4.1 In order to achieve the objectives set out in the Program, CIDA will make an initial payment of up to two million two hundred and fifty thousand Canadian dollars (CDN $2,250,000.00), broken down as CDN $2,000,000 for Component 1 and CDN $250,000 for Component 2, on the basis of the Ministry's cash requirements when a formal request for the release of funds for the initial payment is received from the Ministry.

4.2 Without limiting the generality of section VII of the Joint MOU, subsequent payments will be made annually, when the following events have occurred: (i) the annual review meeting has been held; and (ii) a formal request for the release of funds is received from the Ministry.

4.3 CIDA will deposit funds into the **Canadian dollar denominated Foreign Exchange sub-account of the Ministry** that is specific to the Budget Support. Bank account details are as follows:

Bank Name: **Operation Center of the State Bank of Vietnam**

Postal Address: **47-49 Ly Thai To Str. Hanoi, Vietnam**

Account Name: **TBS Cac chuong trinh muc tieu giao duc =CAD**

Account Number: **4690.19.04**

Name of Account Holder: Mr. Nguyễn Thành Đô
Director General
External Finance Department

Paragraph 5 Monitoring and Evaluation

5.1 Without limiting the generality of section X of the Joint MOU, progress in implementation of the Program will be monitored by the Ministry and the Signatories of the Joint MOU (the TBS Partners) through joint semi-annual reviews of the Program on the basis of:

(i) the annual work plans and budget allocations for Component 1 and Component 2;

(ii) financial monitoring reports;

(iii) annual financial statements and financial audit reports of the Education National Targeted Plan (Component 1) and Component 2;

(iv) the annual procurement audit report.

Paragraph 6 Environmental Assessment

6.1 This Arrangement may involve the carrying out of sub-projects which may constitute "projects" under the *Canadian Environmental Assessment Act* ("CEAA"). Except where the sub-projects are exempt from the application of the *CEAA*, the Ministry of Education and Training will ensure that an assessment of the environmental effects of any sub-project is carried out as early as practicable in the planning stages of the sub-project. The environmental assessment will be carried out by Vietnam in accordance with the applicable law for Vietnam, *the Law on Environmental Protection* and any subsequent amendments and associated decrees.

Paragraph 7 Reports

7.1 The following set of implementation progress reports to be produced by the Ministry of Education and Training together with the Ministry and provided to the TBS Partners will form the basis of disbursement to the Foreign Exchange Account by the TBS Partners annually:

(i) each year, by no later than two (2) weeks before the annual review meeting to be held no later than September 15 of each year, a report on the budget allocated to the Education National Targeted Program disaggregated by sub-components for the following Fiscal Year;

(ii) by no later than February 15 of each year, a report certified by the State Bank of Vietnam on transfers to and from the Foreign Exchange Account for each

Fiscal Year and on the equivalent amounts in Vietnam Dong credited to the Ministry's accounts reserved for the Education National Targeted Program budget expenditures, including the date and name/number of the government's bank account into which the local currency amounts have been deposited;

(iii) by no later than February 15 and August 15 of each year, financial monitoring reports for the preceding calendar semesters, indicating, both for the period covered and cumulatively for the current Fiscal Year: (a) the sources and uses of funds for each selected sub-component of the Education National Targeted Program (Component 1), showing the actual and planned uses of funds, disaggregated by province; (b) physical progress in the implementation of each selected sub-component, showing the actual and planned implementation, disaggregated by province and by district;

(iv) by no later than August 15 of each year, an annual costed workplan for Component 2 of the Program for the next Fiscal Year beginning on January 1st acceptable to TBS Partners, specifying expected outcome results aimed at strengthening the administration, implementation and evaluation of the Education National Targeted Program, particularly Component 1 of the Program;

(v) by no later than February 15 and August 15 of each year, on the basis of an annual costed workplan for Component 2 of the Program acceptable to TBS Partners, a report: (a) on the sources and uses of funds for Component 2 of the Program, explaining variances between the actual and planned uses of funds, (b) describing the progress in the implementation of said Component 2 toward outcome results specified in the annual costed workplan, and explaining the variances between the planned and actual implementation;

(vi) by no later than June 30 of each year, the annual financial statements of the Education National Targeted Program (Component 1) and of the Component 2, for the preceding Fiscal Year, together with the report of the audit thereof by independent auditors, in accordance with the provisions of the Joint MOU;

(vii) by no later than November 30 of each year, an annual performance report showing the status for each district against baseline lists of the Fundamental Standard Quality Level related shortfalls; and

(viii) by no later than February 15 and August 15 of each year, on the basis of performance indicators acceptable to the TBS Partners and attached hereto in the Joint MOU, Attachment 4, a progress report on the implementation of Component 1 and Component 2.

Paragraph 8 Auditing Procedures

8.1 The Contribution will be subject to the auditing procedures laid down in the Joint MOU.

8.2 In addition, CIDA may conduct audits at any point in time, at its own cost, after a timely consultation with the other TBS Partners.

Paragraph 9 Notice and Communication

9.1 Any notice under this Arrangement will be in writing and delivered in person or sent by registered mail or facsimile at the address of either CIDA or the Ministry mentioned in this Arrangement.

9.2 Any communication other than a notice under this Arrangement will be in writing and delivered in person or sent by mail, registered mail, facsimile, telex or e-mail at the address of either CIDA or the Ministry mentioned in this Arrangement.

9.3 Any notice or communication will be deemed to be received or effective on the day of delivery, if hand-delivered; seven workdays following posting if sent by mail; when acknowledgment of receipt is signed, if sent by registered mail; and one workday following transmission, if sent by facsimile or e-mail.

9.4 Any notice or communication to CIDA will be addressed to:

Lynne Racine, Head of Aid

Canadian Embassy

31 Hùng Vương street, Hà nội, Việt nam

Fax: 84-4-734 5059

9.5 Any notice or communication to the Ministry will be addressed to:

Mr. Nguyễn Thành Đô

Director General

External Finance Department

Ministry of Finance

8 Phan Huy Chú street, Hà nội

Tel: 04-826-2788

Fax: 04-826-2266

9.6 Address of either CIDA or the Ministry may be changed by notice.

Paragraph 10 Compliance

10.1 CIDA may withhold payment of all or part of the Contribution, or may request reimbursement of any or all payments made pursuant to this Arrangement should the Ministry fail to utilize the Contribution exclusively for the purposes of the Program or fail to respect this Arrangement.

Paragraph 11 Duration

11.1 Canada may at any time terminate this Arrangement in whole or in part, subject to the stipulations of non-compliance and suspension as outlined in Section XII of the Joint MOU in Annex A and the stipulations of modification, donor accession and withdrawal as outlined in Section XIV of the Joint MOU in Annex A, or suspend it in whole or in part by giving notice. Vietnam will have no claim against Canada

other than the reimbursement of costs actually incurred by the Ministry until the termination or suspension takes place, less the sums already paid in this regard.

11.2 This Arrangement will come into effect upon the date of the last signature and will remain in effect until March 31, 2011.

Paragraph 12 General Provisions

12.1 This Arrangement together with Annexes A, B and C, which form integral parts hereof, constitute the entire understanding between Canada and Vietnam.

12.2 No offer, gift or payment, consideration or benefit of any kind, which constitutes an illegal or corrupt practice, has or will be made to anyone, either directly or indirectly, as an inducement or reward for the award or signature of this Arrangement. Any such practice will be grounds for terminating this Arrangement or taking any other corrective action as required.

12.3 Any payment to be made under this Arrangement is subject to there being an appropriation by the Parliament of Canada for the fiscal year in which the payment is to be made. If CIDA's appropriation is changed by the Parliament of Canada, CIDA may reduce the Contribution by notice, or terminate this Arrangement. TBS Partners will be notified in the event of a change in CIDA's contribution.

12.4 This Arrangement may be modified by an amendment in writing between the Government of Canada and the Government of the Socialist Republic of Vietnam based on the agreement on the proposed modification made by CIDA and the Ministry. CIDA and the Ministry will give full consideration to any proposal to amend.

12.5 This Arrangement will not be assigned by the Socialist Republic of Vietnam without the prior written consent of CIDA.

12.6 CIDA will not be held liable for any loans, leases, capital leases or any other contractual commitments entered into by the Ministry with any third party for the implementation of the Program.

12.7 No member of the House of Commons of Canada will be admitted to any share or part of this Arrangement or to any benefit arising there from.

12.8 No current or former public office holder or public servant of the Government of Canada who is not in compliance with the Conflict of Interest and Post-Employment Code for Public Office Holders or the Values and Ethics Code for the Public Service will derive a direct benefit from this Arrangement.

12.9 Nothing contained in this Arrangement nor any acts of their Signatories, will constitute or be deemed to constitute these Signatories as partners or joint venturers in any way or for any purpose.

Signed in two copies, at Hanoi, this 09 day of March, 2006.

On behalf of the GOVERNMENT OF THE SOCIALIST REPUBLIC OF VIETNAM

Mr. Nguyễn Thành Đô, Director General
External Finance Department
Ministry of Finance

Date: March 09, 2006

On behalf of the GOVERNMENT OF CANADA

Lyane Racine, Head of Aid
Embassy of Canada, Hanoi, Vietnam

Date: March 02, 2006

Intervenor

Ministry of Education and Training
Deputy Director
Planning and Finance Department
Date: 09 March 2006.
Mr. Nguyen Van Ngu

Annex A

Joint MOU

Annex B

World Bank Project Appraisal Document

ANNEX C

Component 2 (Institutional Strengthening for NTP Management, Implementation and Monitoring & Evaluation)