LOAN NUMBER 2652/2653-VIE (SF)

LOAN AGREEMENT
(Special Operations)

(Skills Enhancement Project)

between

SOCIALIST REPUBLIC OF VIET NAM

and

ASIAN DEVELOPMENT BANK

DATED 5 OCTOBER 2010

LOAN AGREEMENT
(Special Operations)

LOAN AGREEMENT dated 5 October 2010 between SOCIALIST REPUBLIC OF VIET NAM (the "Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for two loans for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) Outputs 1 and 2 of the Project will be carried out by Ministry of Labor, Invalids and Social Affairs ("MOLISA"), and for this purpose the Borrower will make available to MOLISA the proceeds of the Loan A provided for herein upon terms and conditions set forth herein;

(C) LCF under Output 3 of the Project will be carried out by Viet Nam Development Bank ("VDB"), and for this purpose the Borrower will make available to VDB the proceeds of the Loan B provided for herein upon terms and conditions set forth herein; and

(D) ADB has agreed to make two loans to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and VDB;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (the "Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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

(a) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

(b) "Consulting Services" means the services to be financed out of the proceeds of the Loan A as described in paragraph 6 of Schedule 1 to this Loan Agreement, but excluding any services provided in relation to Goods and Works;

(c) "GDVT" means the General Department of Vocational Training of MOLISA or any successor thereto;

(d) "Goods" means equipment and materials to be financed out of the proceeds of the Loan; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(e) "LCF" means the Line of Credit Facility as described in paragraph 5(i) of Schedule 1 to this Loan Agreement;

(f) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (January 2007, as amended from time to time);

(g) "Managing Authorities" means the Borrower's ministries or Provincial People's Committees that own any of the participating Project VCs;

(h) "MOF" means the Borrower's Ministry of Finance or any successor thereto;

(i) "MOLISA" means the Borrower's Ministry of Labor, Invalids and Social Affairs or any successor thereto;

(j) "MPI" means the Borrower's Ministry of Planning and Investment or any successor thereto;

(k) "Onlending Agreements" mean any or all of the agreements to be signed between VDB and the Project PVTIs for a Subloan, as described in Section 3.01(b) of this Loan Agreement;

(l) "PAM" means the project administration manual for the Project dated 15 June 2010 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(m) "Procurement Guidelines" means ADB's Procurement Guidelines (2010, as amended from time to time);

(n) "Procurement Plan" means the procurement plan for the Project dated 15 June 2010 and agreed between the Borrower and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;

(o) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means MOLISA or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(p) "Project Occupations" mean any and/or all of the 15 specific occupations, selected to be used for training programs, under the Project;

(q) "Project PVTIs" mean any and/or all of the Borrower's private vocational training institutions selected or to be selected for receiving Subloans from VDB under the LCF;

(r) "Project VCs" mean any and/or all of the Borrower's 15 vocational colleges, selected to deliver training programs in the Project Occupations, under the Project;

(s) "Qualified Project" means a specific project to be carried out by a Project PVTI utilizing the proceeds of a Subloan;

(t) "Subloan" means a loan made, or proposed to be made, by VDB out of the proceeds of Loan B to a Project PVTI for a Qualified Project;

(u) "Subsidiary Loan Agreement" means the agreement between the Borrower and VDB referred to in Section 3.01 (b) of this Loan Agreement;

(v) "VET" means vocational education training; and

(w) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources two loans: (i) one in an amount in various currencies equivalent to thirty four million four hundred twenty nine thousand Special Drawing Rights (SDR34,429,000) ("Loan A"); and (ii) the other in an amount in various currencies equivalent to thirteen million seven hundred seventy two thousand Special Drawing Rights (SDR13,772,000) ("Loan B" and, together with Loan A, the "Loans").

Section 2.02. (a) In respect of Loan A withdrawn from the Loan Account ("Loan Account A") and outstanding from time to time, the Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter.

(b) In respect of Loan B withdrawn from the Loan Account ("Loan Account B" and, together with Loan Account A, "Loan Accounts") and outstanding from time to time, the Borrower shall pay to ADB an interest charge at the rate of 2.22% per annum during the grace period and for each interest period thereafter.

(c) The term "grace period" as used in paragraphs (a) and (b) of this Section means the period prior to the first Principal Payment Date in respect of each of the Loans in accordance with the amortization schedule set forth in Schedule 2A to this Loan Agreement for Loan A and Schedule 2B to this Loan Agreement for Loan B.

Section 2.03. The interest charge and any other charge on the Loans shall be payable semiannually on 15 January and 15 July in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loans withdrawn from the Loan Accounts in accordance with the amortization schedule set forth in Schedule 2A to this Loan Agreement for Loan A and Schedule 2B to this Loan Agreement for Loan B.

Section 2.05. The currency of repayment of the principal of the Loans and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall make available the amount of Loan A to MOLISA to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

(b) The Borrower shall relend the amount of Loan B, together with the service charges levied under the Borrower's Regulations on re-lending of the Government's Foreign Loan and Aid Capital, to VDB under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB. Except as ADB may otherwise agree, VDB shall bear the foreign exchange risk. The Borrower shall cause VDB to onlend the proceeds of Loan B to the Project PVTIs under Onlending Agreements, upon terms and conditions acceptable to ADB, including the provisions set out in this Loan Agreement and the Project Agreement.

(c) The Borrower shall cause MOLISA and VDB to apply the proceeds of the Loans to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The proceeds of the Loans shall be allocated and withdrawn 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 ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure or cause to be procured items of expenditure in accordance with the applicable provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Accounts in respect of Goods, Works, and Consulting Services shall be made only on account of expenditures relating to:

(a) Goods which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and

(b) Goods, Works, and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 29 February 2016 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. 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 5 to this Loan Agreement and the Schedule to the Project Agreement.

Section 4.02. (a) 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 auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 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 proceeds of the Loans and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest accounts/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB'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 auditors appointed by the Borrower pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, 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 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works financed out of the proceeds of the Loans, and any relevant records and documents.

Section 4.04. (a) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of Loan B.

(b) No rights or obligations under the Subsidiary Loan Agreement shall be assigned, amended, or waived without the prior concurrence of ADB.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Accounts for the purposes of Section 8.01(m) of the Loan Regulations: either the Borrower or VDB shall have failed to perform any of its obligations under the Subsidiary Loan Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. 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 VII

Miscellaneous

Section 7.01. The Governor of State Bank of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. 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

Facsimile Numbers:

+844 3825-0612
+844 3825-8385.

For ADB

Asian Development Bank
6 ADB Avenue, Mandaluyong City
1550 Manila, Philippines

Facsimile Numbers:

+632 636-2444
+632 636-2331.

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 ADB, as of the day and year first above written.

SOCIALIST REPUBLIC OF VIET NAM

By _____
NGUYEN VAN GIAU
Authorized Representative

ASIAN DEVELOPMENT BANK

By _____
AYUMI KONISHI
Country Director
Viet Nam Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is the establishment of higher level skills training in Project Occupations by (i) developing a network of vocational colleges to produce highly skilled technicians and workers in Project Occupations; (ii) planning of vocational college programs in partnership with the private sector and enterprises to meet key skills shortages; and (iii) promoting greater industry involvement through new organizational structures in the management of established VET.

2. The Project comprises 3 outputs:

Output 1: Quality and Management of Training Improved

3. Provision for system-wide reforms in quality assurance, development and delivery of training programs, and improved sector management by:

(i) supporting quality accreditation, skills standards development, skills testing and certification systems, and development of curricula and training materials with industry involvement;
(ii) supporting the enhancement of the teaching quality in Project VCs by strengthening teacher development system;
(iii) developing a social marketing plan to increase enrollments, especially among women;
(iv) developing and managing VET quality assurance programs, the vocational training information system, and strategic planning and resource allocation; and
(v) strengthening the skills of central and provincial staff to improve their capacity to manage, develop, and adapt VET programs.

Output 2: Vocational Colleges Upgraded to Deliver Priority Occupational Programs

4. Provision for upgrading the Project VCs to produce highly-skilled technicians and workers for key industries by:

(i) developing and implementing a demand driven occupational training program;
(ii) upgrading the equipment and facilities in the Project VCs;
(iii) establishing a test centre at the Project VCs for assessing the competence of candidates in their relevant occupation;
(iv) supporting the accreditation of the training program for Project Occupations; and
(v) developing and implementing a management training program to train college directors and other college management staff in strategic planning, leadership and financial management.

Output 3: Partnerships with the Private Sector Strengthened

5. Provision for strengthening partnerships with the private sector by:

(i) providing LCF for extension of Subloans to Project PVTIs via VDB; and
(ii) promoting and expanding enterprise-based training programs, strengthen school-industry partnerships, and improve the sustainability of Project PVTIs with an enhanced entrepreneurship approach.

6. Consulting Services shall be provided to: (i) facilitate Project management and implementation; and (ii) strengthen the institutional and operational capacity of the executing agency.

7. The Project is expected to be completed by 31 August 2015.

SCHEDULE 2A

Amortization Schedule

(Skills Enhancement Project)

Date	Amount *
15-Jan-2019	717,271
15-Jul-2019	717,271
15-Jan-2020	717,271
15-Jul-2020	717,271
15-Jan-2021	717,271
15-Jul-2021	717,271
15-Jan-2022	717,271
15-Jul-2022	717,271
15-Jan-2023	717,271
15-Jul-2023	717,271
15-Jan-2024	717,271
15-Jul-2024	717,271
15-Jan-2025	717,271
15-Jul-2025	717,271
15-Jan-2026	717,271
15-Jul-2026	717,271
15-Jan-2027	717,271
15-Jul-2027	717,271
15-Jan-2028	717,271
15-Jul-2028	717,271
15-Jan-2029	717,271
15-Jul-2029	717,271
15-Jan-2030	717,271
15-Jul-2030	717,271
15-Jan-2031	717,271
15-Jul-2031	717,271
15-Jan-2032	717,271
15-Jul-2032	717,271
15-Jan-2033	717,271
15-Jul-2033	717,271
15-Jan-2034	717,271
15-Jul-2034	717,271
15-Jan-2035	717,271
15-Jul-2035	717,271
15-Jan-2036	717,271
15-Jul-2036	717,271
15-Jan-2037	717,271
15-Jul-2037	717,271
15-Jan-2038	717,271
15-Jul-2038	717,271

Schedule 2A

Date	Amount *
15-Jan-2039	717,271
15-Jul-2039	717,271
15-Jan-2040	717,271
15-Jul-2040	717,271
15-Jan-2041	717,271
15-Jul-2041	717,271
15-Jan-2042	717,271
15-Jul-2042	717,263
Total	**34,429,000**

* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 2B

Amortization Schedule

(Skills Enhancement Project)

Date	Amount *
15-Jan-2019	286,917
15-Jul-2019	286,917
15-Jan-2020	286,917
15-Jul-2020	286,917
15-Jan-2021	286,917
15-Jul-2021	286,917
15-Jan-2022	286,917
15-Jul-2022	286,917
15-Jan-2023	286,917
15-Jul-2023	286,917
15-Jan-2024	286,917
15-Jul-2024	286,917
15-Jan-2025	286,917
15-Jul-2025	286,917
15-Jan-2026	286,917
15-Jul-2026	286,917
15-Jan-2027	286,917
15-Jul-2027	286,917
15-Jan-2028	286,917
15-Jul-2028	286,917
15-Jan-2029	286,917
15-Jul-2029	286,917
15-Jan-2030	286,917
15-Jul-2030	286,917
15-Jan-2031	286,917
15-Jul-2031	286,917
15-Jan-2032	286,917
15-Jul-2032	286,917
15-Jan-2033	286,917
15-Jul-2033	286,917
15-Jan-2034	286,917
15-Jul-2034	286,917
15-Jan-2035	286,917
15-Jul-2035	286,917
15-Jan-2036	286,917
15-Jul-2036	286,917
15-Jan-2037	286,917
15-Jul-2037	286,917
15-Jan-2038	286,917
15-Jul-2038	286,917

Schedule 2B

Date	Amount *
15-Jan-2039	286,917
15-Jul-2039	286,917
15-Jan-2040	286,917
15-Jul-2040	286,917
15-Jan-2041	286,917
15-Jul-2041	286,917
15-Jan-2042	286,917
15-Jul-2042	286,901
Total	**13,772,000**

* The arrangements for payment 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 Tables attached to this Schedule set forth the Categories of Goods, Works, Consulting Services and other items of expenditure to be financed out of the proceeds of the Loans and the allocation of amounts of the Loans to each such Category (hereinafter called the Tables). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Tables.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories listed in the Tables shall be financed out of the proceeds of the Loans on the basis of the percentages set forth in the Tables.

Interest Charge

3. The amounts allocated to Category 7 of Table A and Category 2 of Table B are for financing the interest charges on Loan A and Loan B, respectively, during the implementation period of the Project.

Reallocation

4. Notwithstanding the allocation of Loans proceeds and the withdrawal percentages set forth in the Tables,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loans which have been allocated to another Category but, in the opinion of ADB, 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 Loans then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the proceeds of the Loans for financing Goods, Works, Consulting Services and other items shall be disbursed in accordance with the Loan Disbursement Handbook.

Schedule 3

Imprest Accounts; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, 2 imprest accounts at commercial bank(s) acceptable to ADB. The first imprest account ("Imprest Account A") shall be used for financing Outputs 1 and 2 activities under Loan A and MOLISA shall be authorized to operate this account. The second imprest account ("Imprest Account B") shall be used for financing the provision of LCF under Loan B and VDB shall be authorized to operate this account.

(b) The amount to be deposited into Imprest Account A and Imprest Account B shall not exceed the lower of (i) the estimated expenditure to be financed through the respective Imprest Account for the next 6 months of Project implementation; or (ii) the equivalent of 10% of the respective Loan amount.

(c) Imprest Account A and Imprest Account B shall be established, managed, replenished and liquidated in accordance with the Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The currency of the Imprest Account A and Imprest Account B shall be Dollar.

(d) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into Imprest Account A and Imprest Account B in accordance with Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed $50,000.

Conditions of Withdrawals from Loan Account

7. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from Loan Account B for Output 3 activities under Loan B until (i) the Subsidiary Loan Agreement, in form and substance satisfactory to ADB, shall have been executed by the Borrower and VDB; and (ii) the first Onlending Agreement shall have been executed by VDB and a Project PVTI and submitted to ADB for review.

Attachment to Schedule 3

TABLE - A
(For Loan A)

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Skills Enhancement Project)			
CATEGORY			ADB FINANCING
Number	Item	Amount Allocated (SDR) Category	Percentage and Basis for Withdrawal from the Loan Account
1	Equipment and Vehicles	17,958,000	100 percent of total expenditure claimed*
2	Materials	999,000	100 percent of total expenditure claimed*
3	Training and Workshops	5,701,000	100 percent of total expenditure claimed*
4	Consulting Services	2,121,000	100 percent of total expenditure claimed*
5	Studies, Pilot Programs and Social Marketing	1,308,000	100 percent of total expenditure claimed*
6	Project Management	2,066,000	81.7 percent of total expenditure claimed
7	Interest Charge	923,000	100 percent of amount due
8	Unallocated	3,353,000	
	Total	34,429,000	

* Exclusive of taxes and duties imposed within the territory of the Borrower.

TABLE - B
(For Loan B)

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Skills Enhancement Project)			
CATEGORY			ADB FINANCING
Number	Item	Amount Allocated (SDR) Category	Percentage and Basis for Withdrawal from the Loan Account
1	Onlending to PVTIs	13,131,000	100 percent of total expenditure claimed*
2	Interest Charge	641,000	100 percent of amount due
	Total	13,772,000	

* Exclusive of taxes and duties imposed within the territory of the Borrower.

SCHEDULE 4

Procurement of Goods, Works, and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.

2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding
Shopping

4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Domestic Preference

5. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.

National Competitive Bidding

6. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after written approval of such change by the Borrower and ADB.

Procurement under LCF

7. The Borrower shall cause VDB to ensure that PVTIs procure Goods and Works in accordance with procurement procedures acceptable to ADB. To be acceptable, such procurement procedures shall be (a) in accordance with established private sector or commercial practices; (b) appropriate under the circumstances, including reasonable prices

being paid and procurement from eligible countries; and (c) comply with the provisions of ADB's *Anticorruption Policy* (1998, as amended to date).

Selection of Consulting Services

8. Except as ADB may otherwise agree, and except as set forth in paragraph 9 below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

9. The Borrower shall apply the Consultants' Qualification Selection method for selecting social science firms or survey institutions to conduct baseline, midterm and financial impact studies, in accordance with, among other things, the procedures set forth in the Procurement Plan.

10. The Borrower shall recruit the individual consultants for (i) providing preparatory training and supporting start up activities; and (ii) supporting development and piloting of a vocational training information system in accordance with procedures acceptable to ADB for recruiting individual consultants.

Industrial or Intellectual Property Rights

11. (a) The Borrower shall ensure that all Goods and Works 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 contracts for the procurement of Goods and Works 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.

12. The Borrower shall ensure that all ADB-financed contracts with consultants 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 property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

13. All contracts procured under international competitive bidding procedures, the first 2 contracts for Goods procured under the national competitive bidding procedures, the first contract for Goods procured under the shopping procedures, and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Implementation Arrangements

1. The Borrower and the Project Executing Agency shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

Counterpart Financing

2. The Borrower shall ensure that (i) the counterpart funds for Project implementation are provided in a timely manner; (ii) MOLISA and Managing Authorities of the Project VCs make timely submissions of annual budgetary appropriation requests to MOF and/or MPI and take all other measures necessary for prompt disbursement of appropriate funds; and (iii) MOF, MPI, MOLISA, and Managing Authorities ensure prompt disbursement of appropriated funds during each year of Project implementation.

Flow of Funds

3. The Borrower shall ensure the smooth flow of funds from central level to the provincial level in accordance with the flow of funds mechanism agreed for the Project between the Borrower and ADB.

Selection Criteria for Project VCs

4. The Borrower shall ensure that all Project VCs and PVTIs are selected in accordance with the selection criteria agreed between ADB and the Borrower. Project VCs and PVTIs must (i) offer training in high priority, high level occupations that meet the demands of the labor market in key industrial and service sectors; (ii) be located in the economic zones and growth areas designated by the Borrower's national government or provincial/regional units; (iii) must have strong track record on the employment of graduates, and close relations with industry; (iv) must be a vocational institution delivering college level programs; (v) already have significant investment in equipment, facilities and manpower; (vi) have at least 500 full time equivalent students, adequate campus area, and well qualified teachers and managers; and (vii) must be part of GDVT's Plan for selection of best vocational colleges for future upgrading and development.

Database

5. The Borrower shall, and shall cause MOLISA to, ensure that (i) by 31 December 2012, a database for registering accredited vocational training institutions is established; (ii) by 31 December 2013, a database for registering accredited programs is established; and (iii) the information regarding these databases is made public.

Accreditation Standards

6. The Borrower shall, and shall cause MOLISA to, ensure that by 30 June 2012, institutional accreditation standards and procedures are reviewed and strengthened and made available for use by GDVT.

Skills Standards

7. The Borrower shall, and shall cause MOLISA to, ensure that (i) within 18 months of the Effective Date, MOLISA approves the skills standards for each of the Project Occupations; and (ii) by 31 December 2012, learning materials and assessment tools for each of Project Occupations and training programs are developed.

Professional Standards

8. The Borrower shall, and shall cause MOLISA to, ensure that professional standards for vocational teachers developed under the Project, are included in the vocational qualifications framework adopted by MOLISA.

Specialist Teachers

9. The Borrower shall, and shall cause MOLISA to, ensure that specialist teachers are provided for each occupational program developed under the Project.

Gender and Development

10. MOLISA shall ensure that (i) the Project Gender Analysis and Action Plan dated 12 February 2010 agreed by the Borrower and ADB is implemented and the results of these actions are monitored and reported to ADB annually until the completion of the Project through collection and compilation of sex-disaggregated data, where relevant; and (ii) the Project is implemented in accordance with the Borrower's Law on Gender Equality (2006), and ADB's *Policy on Gender and Development* (1998).

Ethnic Minorities

11. MOLISA shall ensure that (i) Project design and implementation includes measures to increase access to VET for ethnic minorities through the selection of vocational institutions in areas with a high proportion of ethnic minority groups, including Central Highlands and North-east Region; (ii) the needs of the ethnic minorities are appropriately met in vocational training; and (iii) all activities are consistent with the Borrower's Law on Vocational Training (2006), and ADB's *Policy on Indigenous Peoples* (1998).

Governance and Anticorruption Measures

12. The Borrower shall, and shall cause MOLISA to, ensure that (i) capacity within GDVT and training institutions is enhanced to understand and comply with ADB and government procedures as outlined in the PAM; and (ii) the existence of ADB's Office of Anticorruption and Integrity, as the initial point of contact for allegations of fraud, corruption, and abuse in ADB-financed projects is widely publicized in training institutions and MOLISA.

13. MOLISA shall ensure that within 9 months of the Effective Date, a Project website is developed to disclose Project information, including, without limitation, procurement contracts, bidding procedures, list of goods and services procured, list of participating bidders, name of the winning bidder, amount of contract awarded, and grievance redress procedures.

14. MOLISA shall ensure that within 9 months of the Effective Date, a complaints and action task force is established within GDVT's Project management unit to (i) review and document eligible complaints of Project stakeholders; (ii) proactively address grievances; (iii) provide the complainants with notice of the chosen mechanism/action; and (iv) prepare periodic reports to summarize the final outcomes of the grievances and chosen actions and make these reports available to ADB upon request. Eligible complaints include those related to the Project, any of the service providers, or any person responsible for carrying out the Project including complaints on misuse of funds and other irregularities.