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CREDIT NUMBER 3752 VN

Development Credit Agreement

(Primary Education for Disadvantaged Children Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 14, 2003

CREDIT NUMBER 3752 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 14, 2003, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Borrower expects to receive assistance in the financing of the Project (a) from Australia, through the Australian Agency for International Development (AusAID), in an aggregate principal amount of one million eight hundred thirty-one thousand five hundred Australian Dollars (A$1,831,500); (b) from Canada, through the Canadian International Development Agency (CIDA), in an aggregate principal amount of up to fourteen million three hundred fifty-five thousand Canadian Dollars (C$14,355,000); (c) from the Kingdom of Norway, through the Norwegian Agency for Development Cooperation (NORAD), in an aggregate principal amount of up to one hundred thirteen million eight hundred thousand Norwegian Kroner (NOK113,800,000); and (d) from the United Kingdom of Great Britain and Northern Ireland, through the Department for International Development (DFID), in an aggregate principal amount of up to twenty-four million seven hundred thousand Pounds Sterling (£24,700,000); all to be provided to the Borrower in one jointly financed grant (the Multi-donor Trust Fund Grant), on the terms and conditions set forth in the agreement to be entered into between the Borrower and the Association as administrator of those grant funds received from AusAID, CIDA, NORAD and DFID (the Multi-donor Trust Fund Grant Agreement); and

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement.

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

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

(b) "Campus Support Fund Grant" means a grant made by the Borrower to a Project District under Part A.4 of the Project for the benefit of an eligible school including its satellite sites, within said District, and to be administered by said school and its parents' associations for the purpose of improving the activities of such school and its satellite sites and supporting the participation of more disadvantaged children in such school and satellite sites, in accordance with the provisions of paragraphs 7 and 9 of Schedule 4 to this Agreement.

(c) "Category" means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.

(d) "District" means an administrative sub-division of a Province.

(e) "District Management Unit" and the acronym "DMU" means the unit to be established and maintained by each Project District in accordance with the provisions of paragraph 2(c) of Schedule 4 to this Agreement.

(f) "DoET" means a Department of Education and Training at the provincial level.

(g) "Financial Monitoring Report" and the acronym "FMR" mean each report prepared in accordance with the provisions of Section 4.02 of this Agreement.

(h) "FSQL" means fundamental school quality level which defines the minimum institutional capacity, instructional materials and teacher support, physical infrastructure and school-community linkages necessary to maintain a healthy and productive learning environment.

(i) "FSQL Grants" means grants made by the Borrower to Project Districts under Part A.2 of the Project to assist said Districts in the implementation of their

respective district-wide FSQL action plans, in accordance with the provisions of paragraphs 7 and 9 of Schedule 4 to this Agreement.

(j) "FSQL Grants Operational Manual" means a manual satisfactory to the Association to be adopted by the Borrower to establish the guidelines and procedures for the implementation of Parts A.2 and A.4 of the Project and the administration of FSQL Grants and Campus Support Fund Grants, in accordance with the provisions of paragraph 7(a) of Schedule 4 to this Agreement.

(k) "Indigenous Peoples Action Plan" and the acronym "IPAP" mean the action plan dated July, 2002, adopted by the Borrower through the Prime Minister's Decision No.244/QD-TTg, dated March 5, 2003 and Decision No. 1303/QD-BGD & DT-TH of the Vice Minister of Education and Training, dated March 24, 2003, and referred to in paragraph 6 of Schedule 4 to this Agreement, as said Plan may be amended from time to time with the prior agreement of the Association.

(l) "Innovation Grants" means grants provided by the Borrower under Part B.2 of the Project to eligible entities, including government agencies and non-governmental organizations, to finance innovative approaches in the delivery of educational services for at-risk children, in accordance with the provisions of paragraph 10 of Schedule 4 to this Agreement.

(m) "Innovation Grants Operational Manual" means a manual satisfactory to the Association to be adopted by the Borrower to establish guidelines and procedures for the implementation of Part B.2 of the Project and the administration of Innovation Grants, in accordance with the provisions of paragraph 10(a) of Schedule 4 to this Agreement.

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

(o) "Operational Manuals" means, collectively, the FSQL Grants Operational Manual and the Innovation Grants Operational Manual; and "Operation Manual" means either of said Manuals.

(p) "Project Coordination Unit" and the acronym "PCU" mean the unit to be established and maintained by the Borrower in accordance with the provisions of paragraph 2(a) of Schedule 4 to this Agreement.

(q) "Project Provinces" means those Provinces participating in the Project, and listed in the Annex to Schedule 2 to this Agreement, as such list may be amended from time to time with the prior concurrence of the Association.

(r) "Project Districts" means the 189 districts within the Project Provinces with the highest number of disadvantaged children who do not have access to primary

education or who are at risk of receiving an inadequate primary education, which have been selected in accordance with criteria acceptable to the Association, as the list of such districts may be modified from time to time with the prior concurrence of the Association.

(s) "Provincial Project Coordination Unit" and the acronym "PPCU" mean the unit to be established and maintained by each Project Province in accordance with the provisions of paragraph 2(b) of Schedule 4 to this Agreement.

(t) "Special Account" means the account referred to in Section 2.02(b) of this Agreement.

(u) "Steering Committee" means the inter-ministerial committee established and maintained by the Borrower in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one hundred and one million four hundred thousand Special Drawing Rights (SDR101,400,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

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

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

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each April 15 and October 15 commencing October 15, 2013 and ending April 15, 2043. Each installment to and including the installment payable on April 15, 2023 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

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

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

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more

after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

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

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

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

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project, through its Ministry of Education and Training, with due diligence and efficiency and in conformity with appropriate administrative, financial and education practices and sound social and environmental standards, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

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

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders,

invoices, bills, receipts and other documents) evidencing such expenditures;

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

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 13 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit and under the Multi-donor Trust Fund Grant, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 60 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 60 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that:

(a) Subject to paragraph (b) of this Section 5.01, (i) the right of the Borrower to withdraw the proceeds of the Multi-donor Trust Fund Grant, or any other grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Multi-donor Trust Fund Grant Agreement, or any agreement providing for such other grant or loan; or (ii) any such loan shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Association that: (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional event is specified, namely the event specified in paragraph (a) (ii) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section.

ARTICLE VI

Effective Date; Termination

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

(a) the Multi-donor Trust Fund Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder have been fulfilled, except the effectiveness of the Development Credit Agreement;

(b) the Borrower has established the Project Coordination Unit and appointed thereto a Project director, a finance officer, an accountant, an administrative officer and a procurement officer, in accordance with the provisions of paragraph 2(a) of Schedule 4 to this Agreement;

(c) the Borrower has appointed accounting staff acceptable to the Association and under terms of reference satisfactory to the Association, for all the PPCUs and DMUs;

(d) the Borrower has: (i) adopted and put into effect a financial management manual acceptable to the Association; and (ii) provided training to the accounting staff of the PCU and the accounting staff selected for all PPCUs and DMUs, on the application of said financial management manual and of the financial management system software; all in accordance with the provisions of paragraph 5 of Schedule 4 to this Agreement; and

(e) the Borrower has adopted an FSQL Grants Operational Manual satisfactory to the Association, in accordance with the provisions of paragraph 7(a) of Schedule 4 to this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Indigenous Peoples Action Plan has been duly authorized by the Borrower's Prime Minister and its Vice Minister of Education and Training, and is legally binding on the Borrower in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

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

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

For the Borrower:

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

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

For the Association:

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

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

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

SOCIALIST REPUBLIC OF VIETNAM

By

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Upgrading school infrastructure under Part A.3 of the Project:		
(a) Works	84,220,000	78%
(b) Consultants' services for architectural and engineering design and construction supervision	1,460,000	100% for services of individual consultants domiciled outside of Vietnam, and 93% for all other consultants' services
(c) School furniture	2,710,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(2) Instructional materials	7,900,000	100% of foreign expenditures, 100% of local expenditures (ex factory cost) and 90% of local expenditures for other items procured locally
(3) Unallocated	5,110,000	
TOTAL	101,400,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

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

(a) in respect of payments made for expenditures prior to the date of this Agreement; and

(b) prior to the engagement by the PCU of a procurement advisor with qualifications, international experience and under terms of reference satisfactory to the Association, in accordance with the provisions of paragraph 4 of Schedule 4 to this Agreement.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) works or goods (including instructional materials and textbooks) under contracts costing less than $200,000 equivalent each; and (b) consultants' services under contracts with firms costing less than

$100,000 equivalent each; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to improve the access to primary school and the quality of education for educationally disadvantaged children.

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

Part A: Fundamental School Quality Level

Carrying out a program to enable primary schools in approximately 189 selected districts in the Project Provinces to achieve a fundamental school quality level, said program consisting of:

1. (a) Developing the institutional capacity of the Project Districts to plan and manage educational services and to support their primary schools and satellites to reach fundamental quality standards, including strengthening their school data collection systems as a guide to planning, and their monitoring and evaluation systems; and (b) supporting the development of district-wide annual action plans for schools within said Districts to reach fundamental quality levels.

2. Provision of grants to the Project Districts to support the implementation of their district-wide fundamental school quality level action plans, including for the procurement of teacher guides, materials and training modules; provision of professional development workshops for teachers; procurement of basic instructional materials; establishment of language development programs for children of ethnic minorities; and employment of teaching assistants.

3. Upgrading the infrastructure in approximately 14,902 existing school sites within the Project Districts.

4. Provision of grants to the Project Districts for the benefit of selected satellite campus schools to promote community participation in and support for universal primary education and for the achievement of fundamental school quality levels at said schools through the mobilization of the parents of school children.

Part B: Education Initiatives for Highly Vulnerable Children

1. Carrying out a program to promote inclusive education for disabled children, including developing national guidelines for primary schools to adopt an inclusive educational policy; evaluating the needs and impediments of disabled children with a view to formulating appropriate strategies to provide them with inclusive educational services; developing teacher guides and modules and providing training to assist teachers

in bringing disabled children into the education mainstream; and promoting public awareness and community support for the enrollment of disabled children in local primary schools.

2. Carrying out a program to develop an enabling environment for the education of other groups of vulnerable children such as street children, working children, children of migrant families or children in very isolated communities, including (a) providing grants to eligible institutions and agencies to support innovative approaches in addressing the educational needs of such children, and (b) developing recommendations and guidelines to improve educational services for such children.

Part C: Institutional Development and Project Implementation Support

1. Formulating, disseminating and refining fundamental school quality level standards and implementation guidelines.

2. Carrying out a program to strengthen the capacity of the Ministry of Education and Training and the provincial Departments of Education and Training, including strengthening their capacity to plan and monitor educational quality; undertake studies to promote sector-wide effectiveness and efficiency; support teacher development activities and language development programs for ethnic minorities children; procure and distribute educational goods and materials for disadvantaged children; monitor and supervise school construction and upgrading; and promote community participation in education for disadvantaged children.

3. Strengthening the capacity of the central, provincial and district agencies of the Borrower to implement the Project, and to manage, coordinate and monitor all Project activities, including audit, and, in respect of the District Bureaus of Education and Training, strengthening the capacity to undertake FSQL audits, develop district-wide FSQL plans and monitor their implementation, organize training programs, undertake small-scale procurement and, in coordination with technical teams from the PCU, field test educational materials and initiatives.

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

Annex to Schedule 2

List of Project Provinces

1. An Giang
2. Bac Kan
3. Bac Lieu
4. Binh Dinh
5. Binh Phuoc
6. Binh Thuan
7. Ca Mau
8. Can Tho
9. Cao Bang
10. Dak Lak
11. Dong Nai
12. Dong Thap
13. Gia Lai
14. Ha Giang
15. Kien Giang
16. Khanh Hoa
17. Kon Tum
18. Lai Chau
19. Lam Dong
20. Lang Son
21. Lao Cai
22. Long An
23. Nghe An
24. Ninh Thuan
25. Phu Yen
26. Quang Binh
27. Quang Nam
28. Quang Ninh
29. Quang Ngai
30. Quang Tri
31. Tay Ninh
32. Thanh Hoa
33. Thua Thien - Hue
34. Tra Vinh
35. Tuyen Quang
36. Soc Trang
37. Son La
38. Yen Bai

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods (including instructional materials other than textbooks for the lending-for-free program) and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provision shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) (i) Works under Part A.3 of the Project estimated to cost less than $1,000,000 equivalent per contract, up to an aggregate amount not to exceed $140,040,000 equivalent; (ii) classroom furniture under Part A.3 of the Project estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount not to exceed $3,110,000; (iii) instructional materials other than textbooks for the lending-for-free program, estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount not to exceed $2,000,000 equivalent, and (iv) other goods estimated to cost less than $100,000 equivalent, up to an aggregate amount not to exceed $1,080,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) The procedures to be followed for National Competitive Bidding under this Paragraph 1, Part C, Section I, shall be those set forth in Decree No. 88/1999/ND-CP dated September 1, 1999, of the Government of the Socialist Republic of Vietnam, as

amended and supplemented by Decree No. 14/2000/ND-CP dated May 5, 2000 (Decree No. 88/1999/ND-CP and Decree No. 14/2000/ND-CP, together "the Regulations"), with the clarifications set forth in the Annex to this Schedule 3 required to comply with the provisions of the Guidelines.

2. International or National Shopping

(a) Classroom furniture under Part A.3 of the Project estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $520,000 equivalent; (b) instructional materials other than textbooks for the lending-for-free program, estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $500,000 equivalent; and (c) other goods estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $720,000 equivalent, may be procured under contracts awarded on the basis of international shopping procedures, or national shopping procedures in the event that such goods are readily available from more than one source within the territory of the Borrower at competitive prices, all in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Textbooks for the lending-for-free program under Part A of the Project, costing $8,200,000 equivalent or less in the aggregate amount, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement from UN Agencies

Off-the-shelf standard items such as office equipment, vehicles, and information and educational equipment, may be procured from UNICEF or the Inter-Agency Procurement Services Office (IAPSO) in accordance with the provisions of paragraph 3.9 of the Guidelines.

5. Procurement of Small Works

Works under Part A.3 of the Project estimated to cost less than $70,000 equivalent per contract, up to an aggregate amount not to exceed $15,560,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

6. Procurement of goods and works under FSQL Grants and Innovation Grants

(a) (i) Goods costing less than $12,500 equivalent per contract, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraph 3.5 and 3.6 of the Guidelines; and (ii) off-the-shelf items may be procured from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

(b) Works may be procured: (i) under community participation procedures acceptable to the Association in accordance with paragraph 3.15 of the Guidelines, including with in-kind contribution from the local community or paid local labor; or (ii) under lump-sum, fixed price contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation giving a detailed description of the works, required completion date and a basic form of agreement acceptable to the Association; the award shall be made to the contractor who offers the lowest price quotation for the required work and who has the experience and resources to complete the contract successfully.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract for works or goods estimated to cost the equivalent of $200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part D, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 t hereto and the following provisions of this Section II.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedure for the Selection of Consultants

1. Least-cost Selection

Services for the audit of Project accounts up to an aggregate amount not to exceed $182,000 equivalent may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications

(a) Services for the prototype construction, selection and adaptation services, estimated to cost up to an aggregate amount of $20,000 equivalent; and (b) services for (i) the preparation of classroom student and teacher guides, teaching and learning materials and training modules, (ii) the national survey of disabled children and high risk groups, and (iii) the establishment of the dimension of disability in the EMIS profiles, estimated to cost up to an aggregate amount of $150,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services of public universities, teachers training colleges and planning and research institutes, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

(a) Services of individual consultants for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, including tasks under the FSQL Grants or the Innovative Grants, shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines; and

(b) Services of professional staff of public universities, teachers training colleges and planning and research institutes may be selected on a sole-source basis in accordance with the provisions of paragraphs 5.3 and 5.4 of the Consultant Guidelines, subject to prior approval of the Association.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of $100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) (i) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more, the report on the comparison of the qualifications and experience of candidates, terms of reference and terms of employment of the consultants; and (ii) with respect to each contract for the employment of individual consultants to be selected on a sole source basis, the qualifications, experience, terms of reference and terms of employment of the consultants, shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

Annex to Schedule 3

NATIONAL COMPETITIVE BIDDING

I. **Eligibility**

1. The definition of "National Competitive Bidding" in Article 3, Section 2 of the Regulations is hereby revised to read "National Competitive Bidding" is a procurement process where it is envisaged that foreign entities would not be interested in participating. However foreign bidders are allowed to participate under National Competitive Bidding procedures without association with domestic firms.

2. Article 10 of the Regulations relate to International Competitive Bidding procedures and, pursuant to Section 3.02 of the Development Credit Agreement, are superseded by the provisions of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank on January 1995 and revised in January and August 1996, September 1997 and January 1999. Therefore provisions in the Regulations relating to International Competitive Bidding shall not apply.

3. Paragraph 2 of Article 10, as amended, shall not apply.

4. The provisions of Article 23 of the Regulations are hereby clarified to mean that all pre-qualified bidders will be invited to bid.

II. **Bidding Documents**

1. The following sub-paragraph shall be added to paragraph 3 of Article 24:

"If bidders are invited to bid on the basis of post-qualification, then the bidding documents shall specify the post-qualification criteria, i.e. the minimum level of experience in similar contracts, technical capability and financial resources to effectively carry out the contract as offered in the bid."

2. The following sub-paragraph shall be added to paragraph 8 of Article 24:

"Bidding documents will also specify the relevant factors in addition to price to be considered in bid evaluation and the manner in which they will be applied for the purpose of determining the lowest evaluated bid. For goods and equipment, other factors which may be taken into consideration include, among others, costs of inland transport and insurance to the specified site, payment schedule, delivery time, operating costs, efficiency and compatibility of the equipment, availability of service and spare parts, and related training, safety, and environmental benefits. The factors other than price to be used for determining the lowest evaluated bid will, to the extent practicable, be expressed in monetary terms."

III. **Advertising**

1. The second sentence of the first paragraph of the Article 4 of the Regulations is hereby modified to read that *"Procuring entity shall advertise Invitation for Bids for participation at least 10 days before issuing bidding documents in a newspaper of national circulation. Advertising should indicate that foreign bidders are eligible."* The first and third sentences of this paragraph remain valid.

IV. **Time for Bid Preparation**

1. The first paragraph of the Article 12 is hereby modified to read that *"time allowed for bid preparation shall be at least 30 days for National Competitive Bidding from the availability of the bidding documents."*

V. **Bid Opening**

1. The first paragraph of the Article 13 is hereby modified to read that *"Bids shall be opened immediately or promptly after the deadline for submission of bids, as specified in the Invitation for Bids."*

2. The following sub-paragraph shall be added to the first paragraph of the Article 13:

"All bids shall be opened at the same time. Bids received after the time stipulated in the Invitation for Bids as well as those not opened and read out at the bid opening including any discounts, shall not be considered."

VI. **Bid Evaluation**

1. In lieu of the provisions of Articles 13, 29, 30, 31, 40, 41 and 55 of the Regulations, bid evaluation shall be carried out in accordance with the following provisions:

"(a) The purpose of bid evaluation is to determine the cost to the Borrower of each bid in a manner that permits a comparison on the basis of their evaluated cost.

(b) If bidders have been invited to bid on the basis of having been pre-qualified, then the bid with the lowest evaluated cost shall be selected for award.

(c) If bidders have been invited to bid on the basis of post-qualification, then the Borrower shall determine whether the bidder whose bid has been determined to offer the lowest evaluated cost has the capability and resources to effectively carry out the contract as offered in the bid. The minimum criteria to be met shall be set forth in the bidding documents, and if the bidder does not meet them, the bid shall be rejected. In such case the Borrower shall make a similar determination for the next lowest evaluated

bidder. Bidders' technical and financial capacity shall be judged separately from the evaluation of bids and shall be conducted exclusively under a pass/fail basis. Experience, technical and financial capacity of the bidder to execute the contract shall not be considered for purposes of comparison of bids.

(d) The Borrower shall ascertain whether the bids: (i) have been properly signed; (ii) are accompanied by the required securities as specified in the bidding documents; (iii) are substantially responsive to the bidding documents; and (iv) are otherwise generally in order. If a bid is not substantially responsive, that is, it contains material deviations from or reservations to the terms, conditions, and specifications in the bidding documents, it shall not be considered further. The bidder shall not be permitted to correct or withdraw material deviations or reservations once bids have been opened.

(e) In the comparison of bids among bidders, no domestic or regional preferences to bidders shall apply and bids shall be compared on delivered price inclusive of any prevailing duties.

(f) The bid price and any discounts read out at the bid opening shall be adjusted to correct any arithmetical errors.

(g) Under works contracts, Contractors are responsible for all duties, taxes, and other levies, and bidders shall take these factors into account in preparing their bids. The evaluation and comparison of bids shall be on this basis. Bid evaluation for works shall be strictly in monetary terms. If time is a critical factor, the value of early completion to the Borrower may be taken into account according to criteria presented in the bidding documents, only if the conditions of contract provide for commensurate penalties for noncompliance.

(h) Award of the contract shall be to the lowest evaluated responsive bidder. Price negotiation with bidders shall not be undertaken before award except as provided for below.

(i) Bids may not be rejected for the sole purpose of obtaining lower prices. All bids shall not be rejected and new bids invited on the same specifications solely for the purposes of obtaining lower prices, except in cases where the lowest evaluated bid exceeds the cost estimates by a substantial amount. In such cases the Borrower may, as an alternative to re-bidding, negotiate with the lowest evaluated bidder to try to obtain a satisfactory contract, and failing a satisfactory response, with the next lowest evaluated bidder. Rejection of all bids may be permissible when bids are not substantially responsive or there is lack of effective competition.

(j) A bid evaluation report shall be prepared by the Borrower's department or agency requesting the bids setting out a record of all bids submitted, the reasons for disqualification of any bids, the criteria, weighting and evaluation of all responsive bids,

the recommended award, and, if the recommended award is to other than the lowest price bidder, the reasons therefore."

VII. **Award of Contract**

1. Article 31 and Article 42 are hereby modified to read as follow:

"Eligible bidder having bid substantially responsive to the bidding documents and determined as lowest evaluated shall be recommended for award provided that the bidder has been determined to be qualified in accordance with pre-qualification or post-qualification criteria."

VIII **Bid Security**

1. Article 28 3(c) shall not apply.

2. The following sub-paragraph shall be added to paragraph 2 of Article 28: "*Bid Security shall be valid 30 days longer than bid validity.*"

IX **Procurement of Smaller Contracts**

Chapter V is not applicable.

X. **Right to Inspect and Audit**

Each contract financed with the proceeds of the Credit shall provide that the suppliers and contractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association.

SCHEDULE 4

Implementation Program

Project Management

1. The Borrower shall maintain the inter-ministerial steering committee with representation from relevant ministries and central agencies, responsible for ensuring that Project activities are coordinated with other national initiatives in respect of universal education and of educationally disadvantaged children.

2. The Borrower shall:

(a) establish and, thereafter throughout the period of Project implementation, maintain a Project Coordinating Unit within the Primary Education Department of its Ministry of Education and Training, to be responsible for overall direction, management, coordination, monitoring and evaluation of Project activities; said Unit to be under the direction of experienced managers, provided with sufficient resources, and staffed with competent personnel in adequate numbers, including without limitation, a Project director assisted by a Project advisor, a finance officer, an accountant, an administrative officer and a procurement officer assisted by a procurement advisor, five institutional strengthening teams in the areas of planning, instructional improvement, materials procurement, construction management, and community participation and vulnerable children, and three task forces on FSQL, vulnerable children and disabled children; all under terms of reference acceptable to the Association;

(b) cause each Project Province to establish and, thereafter throughout the period of Project implementation, maintain a Provincial Project Coordination Unit within the provincial Department of Education and Training, to be responsible for the management of Project activities within said Province, including supervising the program of school infrastructure upgrading; undertaking large-scale procurement of textbooks and other instructional materials; supporting training programs in planning, teacher professional development and community participation; monitoring and evaluating the implementation of district-level fundamental school quality level action plans and quality improvement at the district level; and facilitating liaison between the Project Districts and the central Project Coordinating Unit; said PPCU to be under the direction of experienced managers, provided with sufficient resources, and staffed with competent personnel in adequate numbers, including a provincial procurement coordinator and an accountant, all under terms of reference acceptable to the Association; and

(c) cause each Project District to establish and, thereafter throughout the period of Project implementation, maintain a District Management Unit within the District Bureau of Education and Training, to manage the implementation of Project activities within said District, including undertaking audits of schools to evaluate their status in respect of the fundamental school quality level; developing a district-wide

fundamental school quality level action plan; organizing training programs for teacher professional development; undertaking small-scale procurement; mobilizing parents' associations at satellite campuses; and supervising the implementation of the district FSQL activities in schools; said DMU to be under the direction of qualified managers, provided with sufficient resources, and staffed with competent personnel in adequate numbers, including a community development specialist, a planning coordinator and an accountant, all under terms of reference acceptable to the Association.

3. The Borrower shall cause the PCU, by no later than December 1, 2003, to engage the services of a Project advisor with qualifications, international experience and under terms of reference satisfactory to the Association, to assist the Project director in (a) the establishment and operation of the five institutional strengthening teams and the three task forces within the PCU, and (b) the coordination between the PCU on the one hand and, on the other hand, the PPCUs and the DMUs.

4. The Borrower shall cause the PCU to engage the services of a procurement advisor with qualifications, international experience and under terms of reference satisfactory to the Association, to assist the procurement officer of the PCU to provide guidance and training to PPCUs in the procurement of goods and services for the Project activities within their respective Provinces.

5. The Borrower shall:

(a) prepare and adopt a financial management manual satisfactory to the Association, to serve as reference and training manual to project staff at all levels who are responsible for the financial management aspects of the Project or any part thereof; said manual shall set forth, inter alia, the organizational structure and responsibilities in regard to financial management, fund flow arrangements, staffing and training requirements, financial accounting systems, internal control mechanisms, financial reporting requirements and procedures, auditing arrangements, and samples and forms; and

(b) provide training in the application of: (i) the financial management manual, and (ii) a financial management system software acceptable to the Association, to the accounting staff of the PCU and of all PPCUs and DMUs, in a manner satisfactory to the Association.

Project Implementation

6. The Borrower shall:

(a) carry out, and shall cause to be carried out, the Indigenous Peoples Action Plan in a manner satisfactory to the Association, to ensure that the language strategy, resource allocation and formulation of fundamental school quality level action plans in the primary schools in the Project Provinces adequately address the needs, cultural practices and preferences of ethnic minority groups and their children; and

(b) shall not amend, waive or modify the provisions of said Plan without the prior concurrence of the Association.

7. For purposes of Parts A.2 and A.4 of the Project, the Borrower shall provide grants, under terms and conditions acceptable to the Association, to Project Districts to support the implementation of their respective district-wide FSQL action plans and, through the Campus Support Fund grants, to mobilize parents' associations at eligible schools in support of universal primary education goals. To this end, the Borrower shall:

(a) prepare and adopt an FSQL Grants Operational Manual satisfactory to the Association, setting forth: (i) the consultative process necessary for the formulation of the district-wide FSQL action plans; (ii) the eligibility criteria of schools within a Project District for said FSQL Grants; (iii) within the FSQL Grant program, the purpose and structure of the program for Campus Support Fund Grants; the eligibility criteria of satellite campuses within a Project District for said Campus Support Fund Grants; and the administrative responsibility of parents' associations at the relevant satellite campuses in regard to such Campus Support Fund Grants; (iv) the application and review procedures for said FSQL Grants and Campus Support Fund Grants; (v) procurement procedures under such Grants consistent with the provisions of Schedule 3 to this Agreement; (vi) form of FSQL contracts between each provincial Department of Education and Training and the respective district Bureaus of Education and Training in respect of the FSQL Grants for such Districts; (vii) the flow of funds under said Grants; and (viii) the monitoring and evaluation process to measure the impacts of said Grants;

(b) implement, and cause the Project Provinces, to implement Parts A.2 and A.4 of the Project in accordance with the provisions of said FSQL Grants Operational Manual; and

(c) not amend or revise the provisions of said Manual without the prior concurrence of the Association.

8. The Borrower shall not provide financing to any Project Province until said Project Province has established its respective Provincial Project Coordination Unit in accordance with the provisions of paragraph 2(b) of this Schedule.

9. The Borrower shall not provide financing to any Project District under the FSQL Grant program, including any Campus Support Fund Grants, unless:

(a) said Project District has established its respective District Management Unit in accordance with the provisions of paragraph 2 (c) of this Schedule;

(b) said Project District has prepared a district-wide FSQL action plan satisfactory to the relevant Project Province, the Borrower and the Association;

(c) the respective Provincial Department of Education and Training and District Bureau of Education and Training have entered into an FSQL contract satisfactory to the Association for the implementation of said Project District's district-wide FSQL action plan; such FSQL contract to provide that the Project District undertakes, inter alia: (i) to carry out, and cause to be carried out, its FSQL action plan with due diligence and efficiency and in conformity with appropriate administrative, financial and education practices, and sound social and environment standards; (ii) to use the proceeds of the FSQL Grants only for the purpose of implementing at the eligible schools the FSQL action plan as approved by the Provincial Department of Education and Training, the Borrower and the Association; (iii) to procure goods, works and services to be financed from the proceeds of such FSQL Grants in accordance with the FSQL Grants Operational Manual and the provisions of Schedule 3 to this Agreement; and (iv) to make the proceeds of any Campus Support Fund Grant available to a satellite campus only after the execution of a memorandum of understanding between said Project District's Bureau of Education and Training and the relevant school regarding the participation of the school's parents' association in the administration of such Grant and the application of its proceeds for the purpose of improving the activities of such satellite campus and supporting the participation of more disadvantaged children; and

(d) the relevant Provincial Department of Education and Training undertakes: (i) to exercise its rights under such FSQL contract in such manner as to accomplish the purposes of the Credit and to protect the interests of the Project Province, the Borrower and the Association; and (ii) except as the Association may otherwise agree, not to amend, waive or abrogate such FSQL contract or any provision thereof.

10. For purposes of Part B.2 of the Project, the Borrower shall provide grants to eligible entities, including government agencies and non-governmental organizations, to support the implementation of innovative concepts for improving the delivery of educational services to children who are at risk educationally. To this end, the Borrower shall:

(a) prepare and, by no later than December 31, 2003, adopt an Innovation Grants Operational Manual satisfactory to the Association, setting forth: (i) the eligibility criteria for Innovation Grants; and (ii) the guidelines and procedures for the administration of said Grants; and

(b) implement Part B.2 of the Project and administer the Innovation Grants in accordance with the provisions of said Manual, and shall not amend the provisions of said Manual without the prior concurrence of the Association.

11. The Borrower shall:

(a) maintain its policy of exempting children attending the beneficiary schools under the Project from all school fees and charges, and monitor the implementation of said policy by the Project Provinces and Project Districts; and

(b) undertake a study on approaches designed to eliminate the financial burden of education for poor families, and by no later than December 31, 2005 provide the results of such study to the Association for its review and comments.

12. By no later than November 30 of each year, commencing in 2004, the Borrower shall provide to the Association for its review and comments, an annual work program, incorporating the annual work programs submitted by the Project Districts as part of their respective FSQL action plans, including budget therefor, for the subsequent calendar year, and thereafter, implement said work program in a manner satisfactory to the Association.

Monitoring and Reporting

13. The Borrower shall:

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

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about May 31 and November 30 of each year, commencing on May 31, 2004, a semi-annual report, integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 13, on the progress achieved in the carrying out of the Project during the preceding semesters ending March 31 and, in the case of the report to be furnished on November 30 during the preceding twelve months starting October 1 and ending September 30, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following the date of each such report;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association on or about November 30, 2006 a mid-term report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 13, on the progress achieved in the carrying out of the Project during the period preceding the date of said report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(d) Promptly, but not later than 30 days after the date of the report, review with the Association, each such report referred to in sub-paragraphs (b) and (c) of this paragraph 13 and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equal to $7,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to $4,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR36,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association

shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.