

CONFORMED COPY

CREDIT NUMBER 3126 VN

Development Credit Agreement

(Higher Education Project)

between

SOCIALIST REPUBLIC OF VIETNAM

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 8, 1998

CREDIT NUMBER 3126 VN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 8, 1998, between SOCIALIST REPUBLIC OF VIETNAM (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS 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; 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 December 2, 1997), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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 wherever used in this Agreement have the following meanings:

(a) "Dong" means the currency of the Borrower.

(b) "Grant Special Account" means the account established for the purpose of Part B of the Project and referred to in Section 2.02(b) of this Agreement.

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

(d) "Operational Manual" means the manual approved by the Borrower pursuant to paragraph 2(a) of Schedule 4 to this Agreement, for the administration of Quality Improvement Grants to QIG Grantees under Part B of the Project.

(e) "Project Coordination Unit" and the acronym "PCU" mean the unit established by MOET pursuant to paragraph 1(b) of Schedule 4 to this Agreement.

(f) "Project Special Account" means the account established for the purpose of Parts A and C of the Project and referred to in Section 2.02(b) of this Agreement.

(g) "Proposal Assessment Unit" means the unit established by MOET pursuant to paragraph 1(c) of Schedule 4 to this Agreement.

(h) "The acronyms "QIG-A", "QIG-B" and "QIG-C" mean a grant made or proposed to be made by the Borrower to a QIG Grantee out of the proceeds of the Credit, pursuant to paragraph 2(b) of Schedule 4 to this Agreement and to the provisions of Schedule 6 to this Agreement to assist in financing a portion of the cost of a Sub-project.

(i) "Quality Improvement Grants" means collectively the QIG-A, QIG-B and QIG-C and "Quality Improvement Grant" means any one of them.

(j) "QIG Grantee" means a university or similar higher education institution, established and operating in the territory of the Borrower, that meets the criteria for the award of a QIG-A, or QIG-B or QIG-C to undertake a Sub-project.

(k) "Special Accounts" means, collectively, the Grant Special Account and the Project Special Account.

(l) "Sub-project" means a specific research, education or technical support project to improve the quality of undergraduate and graduate higher education and the relevance of the study programs offered, to be carried out by a QIG Grantee, financed in part out of the proceeds of a Quality Improvement Grant under Part B of the Project.

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 sixty two million one hundred thousand Special Drawing Rights (SDR 62,100,000).

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 and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars: (i) a special deposit account for the purpose of Parts A and C of the Project (the Project Special Account) and (ii) a special deposit account for the purpose of Part B of the Project (the Grant Special Account); each in a commercial bank acceptable to the Association 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 Accounts shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2005 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 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 January 15 and July 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 January 15 and July 15 commencing January 15, 2009, and ending July 15, 2038. Each installment to and including the installment payable on July 15, 2018, 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 MOET with due diligence and efficiency and in conformity with appropriate administrative, financial, higher education, management and technical practices, 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 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 9.07 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 for the future operation of the Project, including sources of funding for amounts required to cover recurrent costs; 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 Accounts 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.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 Project Coordination Unit shall have been established and its Manager, Finance Officer and Purchasing Officer shall have been appointed in accordance with paragraph 1(b) of Schedule 4 to this Agreement;

(b) the letter of invitation for the consultants to assist the Project Coordination Unit in Project management and implementation, finance, and procurement, in accordance with paragraph 3 of Schedule 4 to this Agreement, shall have been issued; and

(c) the Operational Manual, satisfactory to the Association, shall have been approved by MOET pursuant to paragraph 2(a) of Schedule 4 to this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Governor or any of the Deputy Governors 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 6.02. 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:

VIETBANK
Hanoi

Telex:

412248 NHTWVT

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI) or
64145 (MCI)

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 /s/ Le Duc Thuy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Andrew Steer

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) Goods	4,100,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 90% of local expenditures for other items procured locally
(2) Grants:		
(a) QIG -A	10,100,000	100% of the Grant amount
(b) QIG -B	9,000,000	90% of the Grant amount
(c) QIG -C	22,300,000	80% of the Grant amount
(3) Consultants' Services	2,400,000	100%
(4) Fellowships and Study tours	700,000	100%
(5) Project implementation and operating costs	3,000,000	100%
(6) Unallocated	10,500,000	
TOTAL	62,100,000	

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;

(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; and

(c) the term "Project implementation and operating costs" means data collection costs, travel expenses, office consumables, communication expenses of MOET in connection with the implementation of the Project and excludes all salaries and allowances of the Borrower's staff and rental of office space.

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

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

(b) payments for expenditures under Category 2 for a QIG Grant until the Borrower shall furnish to the Association evidence satisfactory to the Association that the Manager of the Proposal Assessment Unit of MOET's Higher Education Quality Assessment Center has been appointed in accordance with paragraph 1(c) of Schedule 4 to this Agreement;

(c) payments for expenditures under Category 2 (a) for a QIG-A Grant unless: (i) the contract for a QIG-A Grant shall have been entered into pursuant to paragraph 5 of Schedule 6 to this Agreement; and (ii) the QIG-A Grant shall have been approved

by the Association pursuant to paragraph 4(a) of Schedule 6 to this Agreement; and

(d) payments for expenditures under Category 2 (c) for a QIG-C Grant unless: (i) the contract for a QIG-C Grant shall have been entered into pursuant to paragraph 5 of Schedule 6 to this Agreement; and (ii) the QIG-C Grant shall have been approved by the Association pursuant to paragraph 4(b) of Schedule 6 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) all goods under contracts costing less than \$100,000 equivalent each; (b) services provided by consulting firms under contracts costing less than \$100,000 equivalent each; (c) services provided by individual consultants under contracts costing less than \$50,000 equivalent each; (d) QIG-B Grants; (e) QIG-C Grants of less than \$1,500,000 each; and (f) fellowships and study tours and Project implementation and operating costs; all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to: (a) increase coherence, flexibility and responsiveness of the higher education sub-sector to the changing demands of society and the market economy; (b) improve efficiency and resource utilization in the higher education sub-sector; and (c) improve the quality of curriculum, teaching, learning and research in higher education institutions.

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:

1. Development of centralized functions for improved governance, oversight, planning, management and administration of the higher education system through, inter alia, staff training, provision of administrative tools, software and related equipment, computerization and technical assistance.
2. Development of higher education institutions' planning, management and monitoring functions through, inter alia, staff training, provision of related equipment and technical assistance.
3. Development of higher education institutions' administrative management through, inter alia, staff training, provision of computerized administrative software tools and technical assistance.

PART B:

Financing, through provision of Quality Improvement Grants to selected higher education institutions, of sub-projects to be carried out by such institutions, consisting of specific research, education or technical support projects to improve the quality of undergraduate and graduate higher education and the relevance of the study programs offered.

PART C:

Strengthening MOET's capacity for project management and implementation including provision of equipment, staff training and technical assistance.

* * *

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Procurement

Section I. Procurement of Goods

Part A: General

1. Goods shall be procured in accordance with (a) 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 and in September 1997, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines), and (b) the provisions of the following Parts of this Section I. 2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods 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 provisions 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

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$3,400,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International or National Shopping

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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 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 estimated to cost the equivalent of \$100,000 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, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of

the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

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, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Single Source Selection

Advisory services for preparation of QIGs application under Part B of the Project, estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$150,000 equivalent, 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.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, 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.

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.

SCHEDULE 4

Implementation Program

1. The Borrower shall, through MOET, establish and thereafter maintain at all times during the implementation of the Project:

(a) by January 31, 1999, a Project Steering Committee chaired by a representative of MOET and with representatives, inter alia, of the Borrower's Office of Government, State Bank of Vietnam, Ministry of Planning and Investment, Ministry of Finance, Ministry of Science, Technology and Environment and Rectors of national and regional public universities selected by MOET, assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for the overall coordination and oversight of Project implementation;

(b) a Project Coordination Unit, headed by a qualified and experienced Manager, satisfactory to the Association, with such functions, responsibilities and resources, satisfactory to the Association, and with competent staff in adequate numbers, including a qualified and experienced Financial Officer and Purchasing Officer, as shall be required for the day-to-day implementation of the Project, including the preparation of Project reports, the maintenance of consolidated Project accounts, the implementation of procurement activities under International Competitive Bidding and National Competitive Bidding procedures, and the provision of guidance to the higher education institutions implementing Sub-projects; and

(c) a Proposal Assessment Unit, headed by a Manager with qualifications and experience satisfactory to the Association, with such functions, responsibilities and resources, satisfactory to the Association, and with competent staff in adequate numbers, as shall be required for assessing the eligibility and conformity of, ranking the applications for, and making recommendations on, the award of Quality Improvement Grants to higher education institutions, all in accordance with the provisions of Schedule 6 to this Agreement and the Operational Manual.

2. For purposes of carrying out Part B of the Project, the Borrower shall, through MOET:

(a) adopt an operational manual, satisfactory to the Association, which shall include implementation responsibilities, procedures, guidelines and criteria for the selection of QIG Grantees and the awarding of Quality Improvement Grants (the Operational Manual); and

(b) thereafter implement such Part of the Project in accordance with such Manual and with the selection criteria, procedures and terms and conditions set forth in Schedule 6 to this Agreement, in a manner satisfactory to the Association. The Borrower further undertakes not to amend, abrogate or waive the Operational Manual or any provision therein without the prior concurrence of the Association.

3. To assist the PCU in carrying out its responsibilities relating to Project management and implementation, finance and procurement, the Borrower shall, through MOET, retain the services of consultants in accordance with the provisions of Section II, Part B of Schedule 3 to this Agreement.

4. The Borrower shall, through MOET, by October 31 of each year, commencing October 31, 1999, furnish to the Association for its concurrence a proposed annual work program, including a training plan and budget for Project activities to be implemented in the following calendar year, and by December 1 of each year, commencing December 1, 1999, review with the Association progress on the implementation of the Project.

5. The Borrower shall, through MOET, by July 31 of each year, commencing July 31, 1999, carry out annual monitoring and evaluation of the performance of all higher education institutions in Vietnam, including financial and academic operations of the same, in accordance with criteria satisfactory to the Association. The results of such monitoring and evaluation shall be furnished to the Association and to each of

the higher education institutions surveyed.

6. The Borrower shall, through MOET:

(a) by November 30 of each year, commencing November 30, 1999, carry out on a sample basis, under terms of reference acceptable to the Association, technical audits of the Quality Improvement Grants under Part B of the Project;

(b) furnish to the Association, for its review and comments, the results of such technical audits by not later than January 31 of each year, the first of such report shall be furnished by January 31, 2000; and

(c) by July 31 of each year, commencing July 31, 2000, furnish to the Association under terms of reference acceptable to the Association, a comprehensive report on all Quality Improvement Grant operations, including grant applications, rankings thereof, recommendations for awards, actual awards and implementation of previous QIGs.

7. The Borrower shall, concurrently with the report mentioned in paragraph 8(c) of this Schedule, furnish to the Association, for its review and comment, a draft of its national policy for the higher education subsector, including provisions on (i) pricing policy in higher education; (ii) changes in institutions' autonomy and accountability; and (iii) quality assurance and performance monitoring of higher education institutions, and thereafter adopt such policy in accordance with a time-table satisfactory to the Association.

8. The Borrower shall:

(a) by March 31, 1999, establish and maintain operational procedures, satisfactory to the Association, to adequately 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) not later than January 31, April 30, July 31 and October 31 of each year, commencing April 30, 1999, furnish to the Association quarterly reports on the implementation of the Project, during the preceding calendar quarter, satisfactory to the Association;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about October 31, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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. The report should also identify the source of funding and amounts required to cover recurrent costs after the Project completion date; and

(d) review with the Association, by December 1, 2001, or such later date as the Association shall request, the report referred to in paragraph (c) of this Section, 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 in respect of: (i) the Project Special Account, Categories 1, 3, 4 and 5 set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and (ii) the Grant Special Account, Category 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 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 in respect of: (i) the Project Special Account, an amount equivalent to \$1,500,000; and (ii) the Grant Special Account, an amount equivalent to \$3,500,000, to be withdrawn from the Credit Account and deposited into the respective 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 in respect of: (A) the Project Special Account, equivalent to \$1,000,000; and (B) the Grant Special Account, equivalent to \$2,500,000, 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 for: (1) Categories 1, 3, 4 and 5 shall be equal to or exceed the equivalent of SDR3,000,000 and (2) Category 2 shall be equal to or exceed the equivalent of SDR4,000,000.

2. Payments out of the respective 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 respective Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the respective 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 respective 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 respective Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the respective Special Account, the Borrower shall furnish to the Association requests for deposits into the respective 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 respective 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 respective 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 respective 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 any 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 Accounts;

(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 for the respective Special Account, 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 for the respective Special Account 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 respective 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 any 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 respective 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 any 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 any 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 Accounts.

(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.

SCHEDULE 6

Quality Improvement Grants

1. Each Quality Improvement Grant under Part B of the Project shall be made by the Borrower, through MOET:

(a) to a QIG Grantee which meets the criteria set forth in the Operational Manual in respect of the organization, management, staffing and other resources required for the efficient carrying out of the Sub-project; and

(b) to finance no more than 95% of the cost of a Sub-project that meets the technical, cost-effective, and educational standards and criteria set forth in the Operational Manual, and for which the QIG Grantee has a satisfactory plan for the carrying out of such Sub-project.

2. Subject to paragraph 1 above:

(a) the first Quality Improvement Grant to a QIG Grantee shall be in Dong or Dollars in an amount not greater than \$500,000 equivalent (a QIG-A Grant);

(b) the second Quality Improvement Grant to a QIG Grantee shall be to a QIG-A recipient in Dong or Dollars in an amount not greater than \$750,000 equivalent (a QIG-B Grant); and

(c) each subsequent Quality Improvement Grant to a QIG Grantee shall be to a QIG-B recipient in Dong or Dollars (a QIG-C Grant) and the aggregate amount of all Quality Improvement Grants to a single QIG Grantee institution shall be in an amount not greater than the \$800 equivalent per full time equivalent student enrolled in such institution.

3. The Borrower shall cause the QIG Grantees to: (a) carry out the Sub-projects with due diligence and efficiency and in conformity with appropriate administrative, financial, higher education, management and technical practices; and (b) provide, promptly as needed, the funds, facilities, services and other resources required for the Sub-project.

4. The Borrower shall furnish to the Association, in each case in accordance with the provisions of paragraph 5 below, for its prior approval:

(a) each contract for the award of a QIG-A Grant; and

(b) the contract for the award of the first QIG-C Grant to each QIG Grantee and the contract for the award of each subsequent QIG-C Grant in amount greater than \$1,500,000 equivalent.

5. Quality Improvement Grants shall be made in accordance with the provisions of the Operational Manual and on terms whereby the Borrower shall obtain, by written contract with each of the QIG Grantees or by other appropriate legal means, rights adequate to protect the interests of the Borrower and the Association, including the right to:

(a) require the QIG Grantee to carry out the Sub-project with due diligence and efficiency and in accordance with sound educational, technical, financial and managerial standards and practices, to maintain adequate records and accounts and to provide, promptly as needed, the funds, facilities, services and other resources required for the Sub-project;

(b) require that: (i) the goods and consultants' services to be financed out of the proceeds of the Credit shall be procured in accordance with commercial practices, provided, however, that (A) contracts for goods estimated to cost more than \$100,000 equivalent shall be procured in accordance with the provisions of Section I, Part B of Schedule 3 to this Agreement, and (B) contracts for the employment of consulting firms estimated to cost more than \$100,000 equivalent and contracts for the employment of individual consultants estimated to cost more than \$50,000 equivalent shall be procured in accordance with the provisions of Section II, Part B of Schedule 3 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the Sub-project;

(c) require the QIG Grantee to maintain policies and procedures adequate to enable it to monitor and evaluate, on an ongoing basis and in accordance with indicators satisfactory to the Association, the carrying out of the Sub-project and the achievement of the objectives thereof;

(d) inspect, by itself or jointly with representatives of the Association, if the Association shall so request, such goods and the sites, works, and construction included in the Sub-project, the operation thereof, and any relevant records and documents;

(e) require that the QIG Grantee shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the QIG Grantee to replace or repair such goods;

(f) obtain all such information as the Borrower or the Association shall reasonably request relating to the foregoing and to the administration, operations and

financial condition of the QIG Grantee, and to the benefits to be derived from the Sub-project; and

(g) suspend or terminate the right of the QIG Grantee to the use of the proceeds of the Quality Improvement Grant or Grants upon failure by such QIG Grantee to perform its obligations under any of its contracts with the Borrower for the award of a Quality Improvement Grant.

