

**CONFORMED COPY**

**Grant Number TF 051873**

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# **MULTI-DONOR TRUST FUND GRANT AGREEMENT**

**(Primary Education for Disadvantaged Children Project)**

**between**

**SOCIALIST REPUBLIC OF VIETNAM**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**As Administrator of Grant Funds**

**Provided by the Governments of Australia, Canada, the Kingdom of Norway  
and the United Kingdom of Great Britain and Northern Ireland**

**Dated July 14, 2003**

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## MULTI-DONOR TRUST FUND GRANT AGREEMENT

AGREEMENT, dated July 14, 2003 between SOCIALIST REPUBLIC OF VIETNAM (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) acting as Administrator (the Administrator) of grant funds provided by Australia, Canada, the Kingdom of Norway and the United Kingdom of Great Britain and Northern Ireland.

WHEREAS (A) pursuant to an agreement dated July 14, 2003, between the Recipient and the Association (the Development Credit Agreement), for the financing of the Primary Education for Disadvantaged Children Project (the Project as described in Schedule 2 to the Development Credit Agreement), the Association agreed to provide to the Recipient a credit in the amount of SDR101,400,000 (the Credit) on the terms and conditions set forth in the Development Credit Agreement, and the Recipient declared its commitment to the objectives of the Project and agreed to carry out the Project in accordance with the terms of the Development Credit Agreement;

WHEREAS (B) (a) Australia through the Australian Agency for International Development (AusAID), (b) Canada through the Canadian International Development Agency (CIDA), (c) the Kingdom of Norway through the Norwegian Agency for Development Cooperation (NORAD), and (d) the United Kingdom of Great Britain and Northern Ireland through the Department for International Development (DFID) (each of AusAID, CIDA, NORAD and DFID, a Donor; and collectively, the Donors); each having satisfied itself of the feasibility and priority of the Project, have all committed to provide assistance in the financing of the Project pursuant to letters to the Recipient dated respectively June 5, 2002, December 9, 2002, December 3, 2002 and December 2, 2002;

(C) pursuant to: (a) an arrangement dated June 12, 1996 (as amended) between the Association and Australia, as further amended by a letter of amendment dated July 14, 2003 in respect of the amount of A\$1,485,000 to be contributed by AusAID; (b) an arrangement dated July 8, 2003 between the Association and Canada, in respect of an amount of up to C\$14,355,000 to be contributed by CIDA; (c) an arrangement dated July 14, 2003 between the Association and the Kingdom of Norway, in respect of an amount of up to NOK113,800,000 to be contributed by NORAD; and (d) an arrangement dated July 14, 2003 between the Association and the United Kingdom of Great Britain and Northern Ireland in respect of an amount of up to £24,700,000 to be contributed by DFID (each such arrangement, a Donor Arrangement; and collectively, the Donor Arrangements); the Association has agreed to administer on behalf of each of AusAID, CIDA, NORAD and DFID their respective contributions, jointly through a Multi-donor trust fund to be used to finance in part the costs of carrying out the Project under the terms and conditions of this Agreement; and

WHEREAS the Association has agreed, on the basis of the foregoing, to extend the Multi-donor Trust Fund Grant to the Recipient 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. (a) The following provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 1, 1985, as amended through October 6, 1999, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
  - (ii) Sections 2.01 (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (12), (13) and (14), 2.02 and 2.03;
  - (iii) Section 3.01;
  - (iv) Sections 4.01 and 4.05;
  - (v) Article V;
  - (vi) Sections 6.01, 6.02 (a), (b), (c), (d), (e), (g), (h), (i), (j), (k) and (l), 6.03, 6.04 and 6.06;
  - (vii) Section 8.01 (b);
  - (viii) Sections 9.01, 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08;
  - (ix) Article X;
  - (x) Article XI; and
  - (xi) Sections 12.01 (b), 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) the term "Association," wherever used in the General Conditions, other than in Sections 2.01 (6) and 6.02 (e) thereof, and the last use of such term in Section 5.01 thereof, means the Association acting as Administrator of the Multi-donor Trust Fund pursuant to the Donor Arrangements referred to in

Recital (C) of this Agreement, except that in Section 6.02, the term "Association" shall also include the Association acting in its own capacity;

- (ii) the term "Borrower" wherever used in the General Conditions, means the Recipient;
- (iii) the term "Development Credit Agreement," wherever used in the General Conditions, means this Agreement;
- (iv) the term "Credit," wherever used in the General Conditions, means the Multi-donor Trust Fund Grant;
- (v) the term "Credit Account," wherever used in the General Conditions, means the Multi-donor Trust Fund Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Multi-donor Trust Fund Grant is credited; and
- (vi) Section 4.01 shall be modified to read:

"Withdrawals from the Multi-donor Trust Fund Grant Account shall be made in Dollars; provided, however, that if the expenditures to be financed out of the proceeds of the Multi-donor Trust Fund Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions, in the Recitals to this Agreement and in the Development Credit Agreement have the respective meanings therein set forth, and the term "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

## **ARTICLE II**

### **The Multi-donor Trust Fund Grant**

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Multi-donor Trust Fund Grant in an amount of fifty-one million five hundred thousand Dollars (\$51,500,000), as such amount may be increased up to an amount of Dollars equivalent to the aggregate amounts committed by the Donors as indicated in Clause C of the Preamble to this Agreement, upon receipt and conversion by the Administrator, at the rate applicable on the date of such conversion, of the total contributions from all Donors and the addition of the income accrued to such contributions from time to time.

Section 2.02. (a) The amount of the Multi-donor Trust Fund Grant may be withdrawn from the Multi-donor Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator, for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of carrying out the Project and to be financed out of the Multi-donor Trust Fund Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank, on terms and conditions satisfactory to the Administrator, 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 2 to this Agreement.

(c) The Administrator shall not be obliged to provide funds under the Multi-donor Trust Fund Grant to the Recipient except to the extent the Administrator shall have received funds from the Donors for this purpose.

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

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Recipient shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and educational 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 Recipient and the Administrator shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to the Development Credit Agreement.

Section 3.02. Except as the Administrator shall otherwise agree, procurement of goods and services required for the Project and to be financed out of the Multi-donor Trust Fund Grant shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 3.03. (a) The Recipient 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 Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient 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 Administrator;
- (ii) furnish to the Administrator 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 Administrator shall have reasonably requested; and
- (iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Multi-donor Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient 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 Administrator has received the audit for the fiscal year in which the last withdrawal from the Multi-donor Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Administrator'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 IV**

### **Effectiveness; Termination**

Section 4.01. This Agreement shall become effective upon its execution by the parties hereto or the Effective Date of the Development Credit Agreement, whichever is later.

Section 4.02. This Agreement shall continue in effect until disbursement under this Agreement has been completed and the parties to this Agreement have fulfilled all their obligations hereunder, provided, however, that if the Development Credit Agreement terminates prior to the termination of this Agreement, this Agreement shall terminate automatically and shall cease to have any further force or effect.

## ARTICLE V

### Representation

Section 5.01. The Governor or any Deputy Governor of the State Bank of Vietnam is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

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

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

For the Administrator:

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

|                             |                                |                  |
|-----------------------------|--------------------------------|------------------|
| Cable address:              | Telex:                         | Facsimile:       |
| INDEVAS<br>Washington, D.C. | 64145 (MCI)<br>or 248423 (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 /s/ Le Duc Thuy

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator of the Multi-donor Trust Fund Grant

By /s/ Jemal-ud-din Kassum

Authorized Representative

## SCHEDULE 1

### Withdrawal of the Multi-donor Trust Fund Grant

1. The table below sets forth the Categories of items to be financed out of the Multi-donor Trust Fund Grant, the allocation of the amount of the Multi-donor Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

| <u>Category</u>   | <u>Amount of the<br/>Multi-donor Trust Fund Grant<br/>Allocated<br/>(Expressed in Dollars)</u> | <u>% of<br/>Expenditures<br/>to be Financed</u>   |
|---|--|---|
| (1) Goods   | 2,500,000  | 100% of foreign expenditures,<br>100% of local expenditures<br>(ex-factory cost) and 90% of<br>local expenditures for other<br>items procured locally |
| (2) Grants:   |  | 100% of amount of Grants<br>disbursed   |
| (a) FSQL Grants,<br>excluding Campus<br>Support Fund Grants | 26,600,000   |   |
| (b) Campus Support Fund<br>Grants                           | 8,400,000  |   |
| (c) Innovation Grants                                       | 1,200,000  |   |
| (3) Consultants' Services                                   | 7,400,000  | 100% for services of<br>individual consultants<br>domiciled outside of Vietnam,<br>and 93% for all other<br>consultants' services                     |
| (4) Training  | 2,060,000  | 100%  |

| <u>Category</u>                 | <u>Amount of the<br/>Multi-donor Trust Fund Grant<br/>Allocated<br/>(Expressed in Dollars)</u> | <u>% of<br/>Expenditures<br/>to be Financed</u> |
|---------------------------------|--|---|
| (5) Incremental Operating Costs | 840,000  | 50%   |
| (6) Unallocated                 | 2,500,000  |   |
| TOTAL:                          | 51,500,000<br>=====  |   |

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 Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

(b) the term “local expenditures” means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient; and

(c) the term “incremental operating costs” means the reasonable costs of incremental expenditures incurred by the Recipient in the implementation of the Project (which expenditures would not have been incurred absent the Project), including the costs of travel and subsistence allowances for the management, supervision, monitoring and evaluation of the Project; costs of operation and maintenance of office equipment and facilities, and of vehicles; costs of utilities; media campaign and communication; meeting rooms’ rental; small office consumables; and bank charges on the Special Account; but excluding salaries.

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, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$500,000 may be made in respect of Categories (1), (3), (4) and (5) on account of payments made for expenditures before that date but after May 15, 2003, subject to the provisions of sub-paragraph (b) of this paragraph 3; and

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

4. The Administrator may require withdrawals from the Multi-donor Trust Fund Grant Account to be made on the basis of statements of expenditure, for expenditures for: (a) goods under contracts costing less than \$200,000 equivalent each; (b) Grants in an amount of less than \$50,000 equivalent each; (c) services provided by consulting firms under contracts costing less than \$100,000 equivalent each; (d) services provided by individual consultants under contracts costing less than \$50,000 equivalent each; (e) training; and (f) incremental operating costs; all under such terms and conditions as the Administrator shall specify by notice to the Recipient.

## **SCHEDULE 2**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1), (2), (3), (4) and (5) 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 Multi-donor Trust Fund Grant 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 \$2,800,000 to be withdrawn from the Multi-donor Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Administrator shall otherwise agree, the Authorized Allocation shall be limited to an amount equal to \$1,400,000 until the aggregate amount of withdrawals from the Multi-donor Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Administrator pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$30,000,000.
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 Administrator 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 Recipient shall furnish to the Administrator 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 Administrator shall, on behalf of the Recipient, withdraw from the Multi-donor Trust Fund Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
  - (b)
    - (i) For replenishment of the Special Account, the Recipient shall furnish to the Administrator requests for deposits into the Special Account at such intervals as the Administrator shall specify.
    - (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Administrator 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

Administrator shall, on behalf of the Recipient, withdraw from the Multi-donor Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient 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 Administrator from the Multi-donor Trust Fund Grant 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 Recipient out of the Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Recipient directly from the Multi-donor Trust Fund Grant 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 Recipient shall have failed to furnish to the Administrator, within the period of time specified in Section 3.03 (b) (i) of this Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Administrator shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Multi-donor Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Multi-donor Trust Fund Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Administrator 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 Multi-donor Trust Fund Grant Account of the remaining unwithdrawn amount of the Multi-donor Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator 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 Administrator 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 Administrator, the Recipient shall, promptly upon notice from the Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Administrator 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 Recipient shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount.

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

(d) Refunds to the Administrator made pursuant to paragraph 6 (a), (b) and (c) of this Schedule shall be credited to the Multi-donor Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.