



Report and Recommendation of the President to the Board of Directors

Project Number: 46066
October 2014

Proposed Loan Socialist Republic of Viet Nam: Second Lower Secondary Education for the Most Disadvantaged Areas Project

Distribution of this document is restricted until it has been approved by the Board of Directors. Following such approval, ADB will disclose the document to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 27 October 2014)

Currency unit	–	dong (D)
D1.00	=	\$0.000047
\$1.00	=	D21,255

ABBREVIATIONS

ADB	–	Asian Development Bank
CEC	–	continuing education center
EIRR	–	economic internal rate of return
GAP	–	gender action plan
LSE	–	lower secondary education
LSS	–	lower secondary school
INSETT	–	in-service teacher training
MOET	–	Ministry of Education and Training
NER	–	net enrollment rate
O&M	–	operation and maintenance
PAM	–	project administration manual
PMU	–	project management unit

NOTES

- (i) The fiscal year (FY) of the Government of Viet Nam and its agencies ends on 31 December. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2014 ends on 31 December 2014.
- (ii) The school year (SY) in Viet Nam officially starts in September and ends on 31 May. “SY” before a calendar year denotes the year in which the school year starts, e.g., SY2014/15 ends on 31 May 2015.
- (iii) In this report, "\$" refers to US dollars.

Vice-President	S. Groff, Operations 2
Director General	J. Nugent, Southeast Asia Department (SERD)
Director	A. Inagaki, Human and Social Development Division, SERD
Team leader	E. K. Izawa, Senior Education Specialist, SERD
Team members	M. Bolado, Operations Assistant, SERD A. de Guzman-Bacasmás, Project Analyst, SERD L.A. Marin-Manalo, Operations Assistant, SERD T. G. Nguyen, Social Development Officer (Gender), Viet Nam Resident Mission, SERD T. N. Nguyen, Operations Assistant, Viet Nam Resident Mission, SERD J. T. Nicolas, Safeguard Specialist (Resettlement), Viet Nam Resident Mission, SERD A. Qari, Senior Procurement Specialist, Operations Services and Financial Management Department P. Rhee, Counsel, Office of the General Counsel
Peer reviewer	S. Jagannathan, Senior Education Specialist, Regional and Sustainable Development Department

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

CONTENTS

	Page
PROJECT AT A GLANCE	1
I. THE PROPOSAL	1
II. THE PROJECT	1
A. Rationale	1
B. Impact and Outcome	4
C. Outputs	4
D. Investment and Financing Plans	5
E. Implementation Arrangements	6
III. DUE DILIGENCE	7
A. Technical	7
B. Economic and Financial	7
C. Governance	8
D. Poverty and Social	8
E. Safeguards	9
F. Risks and Mitigating Measures	10
IV. ASSURANCES	10
V. RECOMMENDATION	10
APPENDIXES	
1. Design and Monitoring Framework	11
2. List of Linked Documents	14

PROJECT AT A GLANCE

1. Basic Data			Project Number: 46066-002	
Project Name	Second Lower Secondary Education for the Most Disadvantaged Areas Project	Department /Division	SERD/SEHS	
Country Borrower	Viet Nam, Socialist Republic of State Bank of Viet Nam	Executing Agency	Ministry of Education and Training	
2. Sector		Subsector(s)		ADB Financing (\$ million)
✓ Education	Secondary			80.00
			Total	80.00
3. Strategic Agenda		Subcomponents		Climate Change Information
Inclusive economic growth (IEG)	Pillar 2: Access to economic opportunities, including jobs, made more inclusive			Climate Change impact on the Project Low
4. Drivers of Change		Components		Gender Equity and Mainstreaming
Governance and capacity development (GCD)	Institutional development			Gender equity (GEN) ✓
5. Poverty Targeting				Location Impact
Project directly targets poverty	Yes			Rural High
Geographic targeting (TI-G)	Yes			Urban Low
6. Risk Categorization:		Low		
7. Safeguard Categorization		Environment: C Involuntary Resettlement: B Indigenous Peoples: B		
8. Financing				
Modality and Sources		Amount (\$ million)		
ADB		80.00		
Sovereign Project loan: Asian Development Fund		80.00		
Cofinancing		0.00		
None		0.00		
Counterpart		13.00		
Government		13.00		
Total		93.00		
9. Effective Development Cooperation				
Use of country procurement systems		Yes		
Use of country public financial management systems		Yes		

I. THE PROPOSAL

1. I submit for your approval the following report and recommendation on a proposed loan to the Socialist Republic of Viet Nam for the Second Lower Secondary Education for the Most Disadvantaged Areas Project.¹

2. The project is a continuation of the first Lower Secondary Education for the Most Disadvantaged Regions Project, which has been successfully implemented and will be completed by the end of 2014.² The second project will help the Government of Viet Nam assist the poor and near-poor through the enhancement of lower secondary education (LSE), which contributes to an expansion of opportunities. As more than 50% of the poor population in Viet Nam belongs to ethnic minority groups, the project will target the following three areas which have large ethnic minority populations: northern midland and mountainous areas, central highlands, and Mekong River Delta.³ In addition, the project will target the north central and central coastal areas, which are frequently affected by typhoons.

II. THE PROJECT

A. Rationale

3. **Socioeconomic context.** Viet Nam's economy has grown robustly since the early 2000s, an expansion that has been associated with significant achievements in the Millennium Development Goals. Consistently strong economic growth, together with limited population increase, raised per capita income from \$390 in 2000 to \$1,596 in 2012. A survey commissioned by the Ministry of Labour, Invalids and Social Affairs in 2013 found that poverty incidence in Viet Nam dropped from 20% in 2000 to less than 8% in 2013.⁴ However, the decline in poverty has not been uniform across the different regions of the country, and the incidence of poverty varies significantly across regions and among ethnic groups. Remote areas, including Northern mountains, central highlands, and Mekong River Delta; and coastal areas faced threats of natural disasters, are considered particularly poor and vulnerable.

4. **Ethnic minorities and education in Viet Nam.** Viet Nam has 54 ethnic groups, including the majority Kinh (Vietnamese); ethnic minorities account for 13% of the total population. The ethnic minority groups mainly inhabit mountainous, coastal, and remote areas, which have a complex topography, difficult transportation and communication, and harsh climates. Most ethnic minorities still depend mainly on agriculture for their livelihood. Paid jobs in rural areas are still limited by a number of factors, such as low level of education, less mobility and productive lands, limited Vietnamese language capacity, less market access, and cultural barriers. The World Bank's Viet Nam Poverty Assessment, 2012 reported that, as of 2010, about 66.3% of ethnic minorities still lived below the poverty line and 37.4% lived below the extreme poverty line, on average. In comparison, 12.9% of the Kinh majority population was poor and 2.9% lived below the extreme poverty line in 2010.⁵

¹ The design and monitoring framework is in Appendix 1.

² Asian Development Bank (ADB). 2007. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Lower Secondary Education for the Most Disadvantaged Regions Project*. Manila (Loan 2384-VIE, approved on 10 December).

³ Government of Viet Nam, General Statistics Office. 2013. *Viet Nam Household Living Standard Survey*. Ha Noi.

⁴ Government of Viet Nam, Ministry of Labour, Invalids and Social Affairs. 2013. *Decision 749/QD-LDTBXH*. Ha Noi (13 May).

⁵ World Bank. 2013. *2012 Viet Nam Poverty Assessment: Well Begun, Not Yet Done—Viet Nam's Remarkable Progress on Poverty Reduction and the Emerging Challenges*. Washington, DC. In this report "extreme poverty" are households with an average per person income of D400,000 or lower per month and "poverty" as between D401,000 and D650,00 per person per month.

5. Viet Nam has expanded access to schooling and improved the quality of education. As indicated in the Education Development Strategic Plan, 2011–2020, one of the priority subsectors in Viet Nam is LSE, which is considered a basic need for good quality life and labor competitiveness.⁶ The government's Socio-Economic Development Strategy, 2011–2020 also requests that the Constitution affirms the rights of minorities to education by providing support for their children to obtain education relevant to their needs.⁷ However, gaps remain in access to and completion of good quality LSE among different regions and gender. While the national net enrollment rate (NER) in LSE already reached at 98% in school year (SY) 2011/2012, the NER in LSE was only 77.1% in northern midland and mountainous area, 77.7% in central highland, and 73.3% in the Mekong river delta.

6. **Achievements of the first project.** The first project primarily aimed to improve access to and retention in LSE in the 103 most disadvantaged districts of the poorest 17 provinces. The achievements of the first project from SY2008/09 to SY2011/12 are (i) an increase in the NER in the project schools from 73.9% to 75.4%, (ii) a decrease in the dropout rate from 3.81% to 2.71%, (iii) an improvement in the completion rate from 96.17% to 96.96%, and (iv) an increase in the promotion rate from 92.28% to 93.62%.⁸

7. **Remaining and new challenges.** While the first project is expected to be rated *successful* in achieving its project outcome, several issues remain and new challenges have emerged: (i) the access of ethnic minorities to LSE is still limited because of the lack of classrooms and semi-boardings facilities, as well as the lack of awareness among parents of the need for education, particularly for girls; (ii) the LSE curriculum is irrelevant to the local needs of ethnic groups, and the low quality of teaching and learning results in less motivation for ethnic minority students to complete LSE; and (iii) small lower secondary schools (LSSs) in remote areas have scarce financial and human resources, which makes it difficult to provide (a) capacity development opportunities for teachers and school principals, and (b) education facilities such as libraries and science laboratories.

8. **Limited access and retention.** Although the national NER for LSE has improved significantly, it is still below the government's target, partly because of the lower rates in disadvantaged areas. The NER for the target LSSs in the first project was 75.4% while the national average was 81.4% in 2012 (footnote 3). Girls accounted for only 45.3% of the enrolled ethnic group students in the project areas in SY2012/13, indicating a gender gap. Dropout rates among LSE students in disadvantaged areas are still high. In the disadvantaged provinces served by the first project, the dropout rate in SY2010/11 of ethnic minority students was 4.5%, compared with the overall rate of 2.7% in these areas. Commuting difficulties, demand on children to support their families, and early marriages all undermine the ability of children in ethnic minority areas to attend schools. In many disadvantaged areas, the percentage of temporary schools is still higher than the national norm. Boarding facilities for students, kitchens, and sanitation facilities in remote areas either do not exist or do not meet standards.

9. **Poor quality and relevance of teaching and learning.** While the performance of 15-year old students in Viet Nam is high relative to many developing and developed countries,⁹ the

⁶ Government of Viet Nam. 2012. Prime Minister's Decision No.711/QD-TTa on Education Development Strategic Plan, 2011–2020. Ha Noi.

⁷ Government of Viet Nam. 2011. *Socio-Economic Development Strategy, 2011–2020*. Ha Noi.

⁸ ADB. 2013. *Technical Assistance for the Second Lower Secondary Education for the Most Disadvantaged Areas Project (LSEMDAP II) Midterm Report*. Manila.

⁹ Organisation for Economic Co-operation and Development (OECD). 2013. *Programme for International Student Assessment 2012 Results: What Students Know and Can Do—Student Performance in Mathematics, Reading and Science (Vol. I)*. Paris.: OECD Publishing.

achievement of disadvantaged students, particularly ethnic minorities, is much lower.¹⁰ In SY2008/09, only 38.5% of grade 9 ethnic minority students achieved the acceptable standard in mathematics, compared with 62.2% for the majority Kinh student population. In physics, only 44.4% of ethnic minority students achieved the acceptable standard, compared with 60.6% for Kinh students. Only 31.0% of grade 9 students in the central highlands area achieved the standard in mathematics. The Ministry of Education and Training (MOET) is undertaking several reforms to perform well internationally, while better addressing the needs of disadvantaged students. The reforms include improving the quality of teaching methods, upgrading the curriculum, and carrying out initiative designed to improve participation and achievement among targeted student populations. MOET will adopt a new curriculum after 2015 in accordance with anticipated economic and social needs. This new curriculum framework will provide flexibility for regions of the country to develop programs that are relevant and suitable to their conditions.

10. Limited financial and human resources in remote schools. School managers and teachers in remote areas have fewer opportunities to exchange and share professional experience. They also lack opportunities to receive regular in-service training or to engage in self-development activities to improve their skills, particularly in science and math education, language training, and extracurricular activities offered at school libraries, which can function as resource centers for ethnic minority teachers and students. Several remote areas are facing a shortage of LSE teachers, partly because of this lack of opportunity to improve their knowledge and professional qualifications. School-based planning and management capacity also tend to be weak in disadvantaged areas. Moreover, the government's regular budgets and human resources to support improvements in the quality of LSE are insufficient in disadvantaged areas.

11. Government development plan and ADB's country partnership strategy. The government's Socio-Economic Development Plan, 2011–2015 focuses on the needs for restructuring and reforming education. The government's Secondary Education Sector Master Plan, 2011–2015 to 2020 provides more details about how education will be reformed. Some initiatives supported by the project related to the Socio-Economic Development Plan include decentralizing the system, improving teaching methods, revising the curriculum to make it more relevant and practical, and improving the poor physical condition of school infrastructure. In addition to these initiatives, the Secondary Education Sector Master Plan supports education in disadvantaged areas, prioritizes services for ethnic minority children, provides semi-boarding facilities, supports environmental education, expands vocational consulting, and develops minority courses in LSSs. The country partnership strategy of the Asian Development Bank (ADB) for Viet Nam, 2012–2015¹¹ supports the government's initiatives, specifically with regard to ensuring inclusive growth by helping integrate the poor and other vulnerable groups and segments of society in the development process and by enhancing environmental sustainability through well-planned and timely responses to environment and climate change challenges.

12. Lessons from the first project. In the design and implementation arrangements of the second project, lessons from the first project have been taken into consideration. These include the following: (i) target identification in districts and schools, instead of at the province level, can reduce intra-provincial poverty; (ii) the definition of disadvantaged area needs to be expanded from three ethnic minority regions with high income-poverty rates to include the typhoon-affected areas, which are equally poor and vulnerable;¹² (iii) the system to cascade teacher

¹⁰ Ministry of Education and Training (MOET). 2009. *Results for Grade 9 National Achievement Monitoring Program*. Ha Noi.

¹¹ ADB. 2012. *Country Partnership Strategy: Viet Nam, 2012–2015*. Manila.

¹² Under ADB's project preparatory TA for the project, an intensive socioeconomic and educational survey was conducted for the selection of the target provinces, as outlined in the Selection Procedure and Criteria for Beneficiary Provinces, Districts, and Schools (accessible from the list of linked documents in Appendix 2).

training through core trainers, which was adopted under the first project, often diluted the impact of the new teaching method, and local LSS teachers want to receive training directly; and (iv) the school feeding and scholarship program implemented in the first project has been successful, and the government adopted this as a national policy and continues to implement it with their own annual budget. Lessons from other ADB projects and other donor partners¹³ were also considered during the design of this project.¹⁴

13. **Innovative features of the project.** The project includes some pilot initiatives and concepts which are new to Viet Nam or ADB-funded education projects in the country. Five new initiatives include: (i) new regional competency-based textbooks will be developed to better meet the needs of ethnic students; (ii) existing continuing education centers (CECs) will be restructured from non-formal education centers to serve as new platforms for in-service teacher training (INSETT); (iii) a new system of school clusters will be established to exchange of expertise and experiences among teachers and managers; (iv) model libraries will provide venues for extracurricular academic support and recreation for ethnic minority students as a positive alternative to drug and alcohol use, and to help reduce teenage pregnancy; and (v) typhoon-resilient facilities and disaster management education will be provided to help reduce (a) school dropouts because of the loss of school buildings, and (b) the cost of maintenance or reconstruction of damaged LSSs borne annually by the poor local governments.

B. Impact and Outcome

14. The impact will be reduced disparities in socioeconomic development between regions and ethnic groups. The outcome will be more equitable access and retention of ethnic minorities, girls, and disadvantaged children in LSSs in the northern midland and mountainous areas, central highlands, Mekong River Delta, and north central and central coastal areas, which are frequently affected by typhoons.

C. Outputs

15. **Output 1: Increased access to lower secondary education and lower secondary education equivalency program.** This output will directly help MOET achieve the target NER by increasing the NER by 5 percentage points in the beneficiary districts by building necessary facilities. The survey under the first project showed that the shortage of education facilities in the north and central regions is the major reason for low access, while families' low awareness of LSE and commuting difficulties are key factors that limit opportunities for children to attend school in the Mekong River Delta. School facilities that are resilient to climate change impacts will be provided, particularly in the typhoon-affected coastal areas. About 660 classrooms will be built and furnished. To attract qualified teachers, about 250 teacher housing units will be developed. To reduce dropouts from schools caused by long commutes from home by children, about 350 new semi-boarding facilities and about 37 kitchens will be constructed. About 29 toilets for LSSs and 57 toilets for semi-boarding facilities will also be provided. A behavior change communication campaign to encourage parents to enroll and keep their children, especially girls, in school will be supported. The provision of toilet facilities will benefit about 432,000 students through improved sanitary conditions in LSSs, thereby reducing the incidence of waterborne gastrointestinal diseases among students.¹⁵

¹³ Development Coordination (accessible from the list of linked documents in Appendix 2).

¹⁴ Lessons Identified in Independent Evaluation Department Studies and Project Completion Reports for the Design of the Second Lower Secondary Education for the Most Disadvantaged Area Project (accessible from the list of linked documents in Appendix 2).

¹⁵ Because information on the incidence of diarrheal diseases in the project provinces is lacking, an incidence rate of 0.345% was applied in the economic analysis.

16. **Output 2: Decentralization of teaching and learning tools developed.** This output aims to improve the quality and relevance of LSE to meet the needs, as well as the social and cultural backgrounds, of ethnic minority students. This will lead to higher enrollment and student retention, an increased promotion rate, lower dropout rate, and increased abilities of LSE students to make informed decisions regarding their further studies and career choices after completing LSE. The project will develop new regional competency-based textbooks in LSE subjects to address the needs in disadvantaged areas. To meet the professional development needs of teachers, 86 district CECs will be designated to serve as platforms for providing INSETT for LSE teachers.¹⁶ The project will produce instructional materials on the preservation and promotion of ethnic minority cultures and values. To help mitigate the adverse physical and financial effects of natural disasters, instructional materials and INSETT on disaster management education will be provided. Vocational counseling services will be supported to make students aware of alternative career paths, both within and outside their local area.

17. **Output 3: New school clusters established.** This output will help improve the quality of LSE in poor isolated LSSs by networking them using information and communication technology within school clusters. This will allow them to share the limited human, financial, and educational resources available in ethnic minority areas. This output includes the provision of school block grants for better cluster management, improvement of science education, and development of model libraries within the school clusters. A system of about 344 school clusters and teachers' networks will be established within and among the schools to encourage cooperation and exchange of expertise and experiences among teachers. To strengthen school-based planning and management capacity and to reinforce cooperation among the schools in the clusters, the project will pilot block grants by providing funds to about 100 clusters.

18. **Output 4: Project implementation and monitoring and evaluation capacity enhanced.** This output will support capacity development in project management and monitoring and evaluation to enable education managers in provinces, districts, and schools, as well as staff of the central project management unit (PMU) and provincial PMUs in departments of education and training in target provinces, to successfully implement the project within the available financial resources and time frame.

D. Investment and Financing Plans

19. The project is estimated to cost \$93.0 million (Table 1). Key investments of the project include: (i) civil works (45.1%); (ii) equipment and furniture (13.7%); (iii) staff development (11.5%); (iv) textbooks and instructional materials (6.1%); and (v) consulting services (5.5%).

Table 1: Project Investment Plan (\$ million)

Item	Amount ^a
A. Base Cost^b	
1. Increased access to LSE and LSE equivalency program	36.2
2. Decentralization of teaching and learning tools developed	16.5
3. New school clusters established	20.6
4. Project implementation and monitoring and evaluation capacity enhanced	7.2
Subtotal (A)	80.5
B. Contingencies^c	8.5
C. Financing Charges During Implementation^d	4.0
Total (A+B+C)	93.0

¹⁶ Selection Procedure and Criteria for Beneficiary Provinces, Districts, and Schools (accessible from the list of linked documents in Appendix 2).

LSE = lower secondary education.

- ^a Includes taxes and duties of \$5.2 million to be financed by the government and \$1.7 million to be financed by the Asian Development Bank (ADB) loan. All government counterpart funds, including taxes and duties, will be in the form of cash contribution by the government. The amount of taxes and duties to be financed under the project has been determined based on the principles that (i) the amount is within the reasonable threshold identified during the country partnership strategy preparation process, (ii) the amount does not represent an excessive share of the project, (iii) the taxes and duties apply only to ADB-financed expenditures, and (iv) the financing of taxes and duties is material and relevant to the success of the project.
- ^b In early 2014 prices.
- ^c Physical contingencies are computed at 7% of total cost of civil works and 5% of cost of equipment and furniture, textbooks and instructional materials, and in-country training. Price contingencies are based on the domestic and international cost escalation rates estimated for Viet Nam. The domestic cost escalation rates are 6.6% for 2015 and 6.0% for each year from 2016 to 2020. The international cost escalation rates are 1.1% for 2015 and 1.4% for each year from 2016 to 2020.
- ^d Includes interest during implementation of the ADB loan computed at 2% per year to be capitalized in the loan amount.

Source: Asian Development Bank estimates.

20. The government has requested a loan in various currencies equivalent to SDR52,688,000 from ADB's Special Funds resources to help finance the project.¹⁷ The loan will have a 25-year term, including a grace period of 5 years, an interest rate of 2.0% per annum during the grace period and 2.0% per annum thereafter, and such other terms and conditions as set forth in the draft loan agreement. The financing plan is in Table 2. Physical contingencies comprise 7.0% of the total cost for civil works and 5.0% for the cost of equipment and furniture, textbooks and instructional materials, and in-country training.¹⁸

Table 2: Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Asian Development Bank	80.00	86.0
Government	13.00	14.0
Total	93.00	100.0

Source: Asian Development Bank estimates.

E. Implementation Arrangements

21. As the executing agency, MOET will be responsible for project management, oversight supervision, monitoring, and ensuring cooperation among other government agencies and agencies under MOET during project implementation, and providing guidance to the central PMU. The central PMU will be the implementing agency to be established in MOET to oversee day-to-day project implementation.¹⁹ The central PMU will comprise a capable and experienced full-time project director, deputy director (if any), and key technical staff acceptable to ADB. The provincial PMUs have been or will be established within each department of education and training in all 28 project provinces. They will be responsible for implementing activities in their provinces. The implementation arrangements are summarized in Table 3 and described in detail in the project administration manual (PAM).²⁰

¹⁷ In line with ADB 2012. Cost Sharing and Eligibility of Expenditures for ADB Financing. *Operations Manual*. OM H3/OP. Manila (para. 10), the ADB loan will finance recurrent costs and interest charges during construction.

¹⁸ The ADB loan may also finance transportation and insurance costs.

¹⁹ All procurement of goods and civil works will be in accordance with ADB's Procurement Guidelines (2013, as amended from time to time). Goods and civil works procured using national competitive bidding will follow national legislation and procedures subject to modifications to ensure consistency with ADB's Procurement Guidelines. All consultants will be recruited in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).

²⁰ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

Table 3: Implementation Arrangements

Aspects	Arrangements		
Implementation period	1 April 2015–31 March 2021		
Estimated completion date	31 March 2021 (estimated loan closing date: 30 September 2021)		
Management			
(i) Oversight body	MOET will be responsible for project management, oversight supervision, monitoring, and ensuring cooperation among other government agencies and agencies under MOET during project implementation. MOET will provide guidance to the central PMU, which will oversee day-to-day implementation of the project.		
(ii) Executing agency	MOET		
(iii) Key implementing agencies	Central PMU (indicatively 1 project director, 1 deputy director, several unit heads, and unit staff) for nationwide activities and 28 provincial PMUs for provincial-level activities.		
(iv) Implementation unit	The central PMU will be located in Ha Noi, Viet Nam and have about 31 staff. Each of the provincial PMUs will be located in the provincial departments of education and training and will have about 8–10 staff.		
Procurement	ICB	15 contracts	\$16.47 million
	NCB	208 contracts	\$45.28 million
	Shopping	4 contracts	\$0.15 million
Consulting services	QCBS	1 package including 50 international person-months and 142 national person-months	\$2.08 million
	ICS	28 person-months (6 international and 22 national consultants)	\$0.23 million
	FBS	3 international and 5 national contracts	\$2.26 million
	LCS	2 national contracts (annual audits)	\$0.42 million
Retroactive financing and/or advance contracting	Retroactive financing may be applied for up to 5% of the ADB loan amount with respect to procurement of individual consultants for project implementation support and resettlement up to 12 month before loan signing.		
Disbursement	The loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2012, as amended from time to time) and detailed arrangements agreed upon between the government and ADB.		

ADB = Asian Development Bank, FBS = fixed budget selection, ICB = international competitive bidding, ICS = individual consultant selection, LCS = least-cost selection, MOET = Ministry of Education and Training, NCB = national competitive bidding, PMU = project management unit, QCBS = quality- and cost-based selection.
Source: Asian Development Bank.

III. DUE DILIGENCE

A. Technical

22. The school facilities to be constructed by the project will be designed in conformity with national standards. In addition, existing prototype designs for classrooms, sanitation facilities,²¹ and teacher housing will be used.²² The room size for semi-boarding facilities for the first project will be used. The proposed equipment will consist of teaching aids, such as computers and audiovisual equipment that do not require sophisticated skills in terms of operation and maintenance (O&M).

B. Economic and Financial

23. **Economic.** The project will assist the government in creating strategic and long-term changes to develop the country's human resources. Through project interventions, total LSE student enrollment in the project area will increase from 1,973,129 to 2,040,080 students, yielding an overall NER of 90%. The project is expected to improve the (i) future income-generating capacity of LSE graduates, (ii) management of LSE schools, (iii) sanitation and hygiene in LSSs, and (iv) climate resilience in typhoon-affected coastal areas. The project's economic internal rate

²¹ Issued by MOET in Decision No. 1486/QĐ-BGDĐT dated 31/3/2008.

²² Issued by the Ministry of Construction in Decision No. 07/2008/QĐ-BXD dated 31/3/2008.

of return (EIRR) was estimated at 19.9%, well above the economic opportunity cost of investment of 12%, indicating that the project is economically viable.²³ The project is also considered to be resource-efficient based on its benefit–cost ratio of 1.2, which is greater than 1. The sensitivity analysis indicated that the EIRR is sensitive to changes in costs and enrollment, as the sensitivity indicator values for these change variables are significantly greater than 1. Switching values confirmed the sensitivity of EIRR to changes in cost and enrollment variables.

24. **Financial.** Financial analysis²⁴ confirmed that the government has adequate financial resources and will be able to fulfill all its financial obligations under the project. Total project costs are significantly less than 1% of total annual LSE expenditure. Further analysis showed that the government, as the borrower, is capable of covering both annual O&M costs and debt service requirements beyond the project implementation period. As a proportion of total government annual expenditure, annual O&M costs and debt service will account for at most 0.018% in 2020, when amortization payments on the ADB loan are expected to begin. This is projected to decrease to 0.009% in 2025. Total annual O&M costs and debt service are likewise significantly below 0.1% as a portion of total government annual education expenditure and annual LSE expenditure.

C. Governance

25. **Financial management and procurement capacity assessment.** The financial management assessment confirmed that MOET and key implementing agencies have sufficient capacity for project implementation. The project will involve MOET's departments of secondary education; planning and finance; and education facilities, equipment, and children's toys. Through their involvement in all previous successfully implemented ADB-funded secondary education projects, these departments are experienced in ADB procedures.²⁵ ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government. The specific policy requirements and supplementary measures are described in the PAM. The procurement capacity of the central PMU and the 28 provincial PMUs was assessed and the findings are in Appendix 3 of the PAM. A combination of tailored training, construction quality audits, and prior review will be used to strengthen capacity for four provincial PMUs with limited capabilities. Procurement data from the first project was analyzed to assess the performance of 12 provincial PMUs that will procure works contracts under the project.²⁶ The risk assessment and risk management plan outlines how to mitigate such risks through targeted advertising of opportunities, business outreach events, effective bidder complaint handling, and selective prior review for five other provincial PMUs where collusion risks are pronounced.

D. Poverty and Social²⁷

26. The project will help increase the NER in the target areas and the percentage of ethnic minority students in the satisfactory rating of the national achievement monitoring for grade 9 (final year of LSE), which is currently lower than that of the Kinh students. The project will

²³ Economic Analysis (accessible from the list of linked documents in Appendix 2); Detailed Economic Analysis (accessible from the list of linked documents in Appendix 2).

²⁴ Financial Analysis (accessible from the list of linked documents in Appendix 2).

²⁵ ADB. 2008. *Completion Report: Lower Secondary Education Development Project in Viet Nam*. Manila (Loan 1537-VIE); ADB. 2009. *Completion Report: Teacher Training Project in Viet Nam*. Manila (Loan 1718-VIE); ADB. 2013. *Completion Report: Upper Secondary Education Development Project in Viet Nam*. Manila (Loan 197-VIE); and ADB. 2013. *Completion Report: Second Lower Secondary Education Development Project in Viet Nam*. Manila (Loan 2115-VIE).

²⁶ Results of the analysis in Appendix 3 of the PAM indicate limited competition during the tender process and elevated risk of collusion.

²⁷ Summary Poverty Reduction and Social Strategy (accessible from the list of linked documents in Appendix 2).

reduce poverty rates in the targeted areas, which currently range from 15.7% in coastal districts to 33.5% in the northern mountains—higher than the national poverty rate of 11.1%.²⁸ The project, aiming to narrow gender gaps in accessing LSE, is categorized as a gender equity theme. A gender analysis and gender action plan (GAP) has been prepared.²⁹ The GAP aims to narrow gender disparities and among ethnic minority girls. The GAP will ensure that (i) 50% of the semi-boarding spaces are allocated to female students; (ii) 50% of the teacher housing are allocated to female teachers; (iii) 100% of female and male teachers in project schools are trained on the new curriculum in key subject areas; (iv) new instructional materials and textbooks are gender-sensitive; (v) 100% of female education managers are trained on managing the school clusters; (vi) the school performance monitoring systems will report sex-disaggregated data on access, reduction of dropouts, and completion of LSE in project areas; and (vii) progress updates on the GAP are reported on a biannual basis to ADB.

E. Safeguards³⁰

27. **Involuntary resettlement.** The project is classified as B for involuntary resettlement. Civil works will be done inside the compounds of existing LSSs, and land acquisition is unlikely. If some facilities require land, it will be minimal because of the nature of the civil works. Facilities that will involve significant land acquisition or resettlement impacts will not be considered for the project. Initial screening of the 200 shortlisted LSSs for the construction of additional facilities did not identify any land acquisition or resettlement impacts. This will be confirmed when the shortlist of LSSs and facilities to be constructed has been finalized and approved. A resettlement and ethnic minority development framework was prepared to guide field-based screening of each of the proposed facilities and LSSs. Measures to address potential land acquisition and resettlement impacts, as well as adverse impacts on ethnic minorities, have been identified and included in the framework.

28. **Indigenous people (ethnic minority groups).** The project is classified as B for indigenous people safeguards. The proportion of ethnic minority population is one of the criteria used for selecting the districts to be included in the project. Measures to benefit ethnic minorities in the project areas include (i) constructing additional educational facilities in ethnic minority areas; (ii) encouraging ethnic minority parents to enroll their children in LSSs; (iii) developing regional textbooks suitable to the needs of ethnic minority students; (iv) producing instructional materials on promotion of ethnic minority cultures; (v) providing vocational counseling and guidance suitable for ethnic minority areas; and (vi) establishing teacher networks in ethnic minority areas. Adverse impacts on ethnic minorities are not anticipated. Minor impacts, if any, will be limited to loss of land in the unlikely event that a facility will have to be constructed beyond the existing LSS compounds. The resettlement and ethnic minority development framework describes the project elements that benefit ethnic minorities and will guide the screening of any site-specific adverse impacts of facilities on ethnic minorities.

29. **Environment.** The project is classified as environment category C. The construction of additional school facilities will have limited adverse impacts in the form of noise, dust, vegetation removal and clearance, localized erosion and sedimentation, and waste disposal.

²⁸ Government of Viet Nam. 2013. *2012 Statistics Yearbook of Viet Nam*. Ha Noi (Gender Action Plan).

²⁹ Gender Action Plan (accessible from the list of linked documents in Appendix 2).

³⁰ Resettlement Framework and Indigenous Peoples Planning Framework (accessible from the list of linked documents in Appendix 2).

F. Risks and Mitigating Measures

30. The overall benefits and impacts are expected to outweigh the costs and risks involved. Major risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and risk management plan.³¹ The project is considered low risk.

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigating Measures
Capacity for financial management, procurement, and monitoring inadequate; limited capacity of education managers and teachers to implement innovative project activities	MOET has assigned experienced and qualified staff to the central PMU and will instruct departments of education and training to appoint regular staff to provincial to ensure efficient implementation. The central PMU will provide training on procurement, financial management, and ADB disbursement procedures. The central PMU will reach out to bidders and establish systems for publication of procurement materials on the project website. ADB will recruit a consultant to conduct construction quality audits.
Collusion in civil works procurement	To generate bidder interest, opportunities will be advertised in appropriate provincial media outlets, and business outreach events will be organized. An effective bidder complaint handling system will be maintained and ADB will selectively review packages prior to procurement.
Delay in the introduction of the new curriculum	The central PMU will recruit textbook developers without delay to ensure enough lead time. MOET and the central PMU will closely monitor this activity.
Difficulty in assessing whether the outputs translate into the desired outcomes	MOET and staff of the central PMU gained experience in conducting large-scale surveys of beneficiaries of past and ongoing ADB-funded education projects. Project monitoring and evaluation specialists will be engaged.

ADB = Asian Development Bank, MOET = Ministry of Education and Training, PMU = project management unit.
Source: Asian Development Bank.

IV. ASSURANCES

31. The government and MOET have assured ADB that implementation of the project shall conform to all applicable ADB policies, including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as described in detail in the PAM and loan documents.

32. The government and MOET have agreed with ADB on certain covenants for the project, which are set forth in the loan agreement. The government has also agreed that, as a condition of loan effectiveness, the government must confirm that all provincial PMUs have been established, are appropriately staffed, and are fully operational.

V. RECOMMENDATION

33. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve the loan in various currencies equivalent to SDR52,688,000 to the Socialist Republic of Viet Nam for the Second Lower Secondary Education for the Most Disadvantaged Areas Project, from ADB's Special Funds resources, with an interest charge at the rate of 2.0% per annum during the grace period and 2.0% per annum thereafter; a term of 25 years, including a grace period of 5 years; and such other terms and conditions as are substantially in accordance with those set forth in the draft loan agreement presented to the Board.

Takehiko Nakao
President

30 October 2014

³¹ Risk Assessment and Risk Management Plan (accessible from the list of linked documents in Appendix 2).

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>Impact Reduced disparities in socioeconomic development between regions and ethnic groups</p>	<p>By SY2023, the gap in the NER between the national average and that in the four disadvantaged project areas decreased to less than 10% (SY2011/12 baseline: national average NER of 98.0%; NER in the four areas of 84.6%), and they are benefitting from new or improved facilities with data disaggregated by gender (SY2013/14 baseline: 0).</p> <p>By SY2023, the results for the grade 9 NAM program show a statistically significant improvement in the percentage of students achieving standards for each area and subject tested (SY2012/13 baseline: 44.7%) after the students have been educated and trained under improved quality assurance system data disaggregated by gender (SY2013/14: 0) by teachers trained (SY2013/14: 0).</p>	<p>Annual statistical yearbook of Viet Nam (Government Statistics Office)</p> <p>Results from grade 9 NAM (Data Center of Education Quality Assurance, MOET)</p>	<p>Assumption Equitable social service delivery continues to be the government's priority policy</p> <p>Risk Economic growth is not sustained and support for disadvantaged areas diminishes</p>
<p>Outcome More equitable access and retention of ethnic minorities, girls, and disadvantaged children in LSSs in northern midland and mountainous areas, central highlands, Mekong River Delta, and north central and central coastal areas, which are frequently affected by typhoons</p>	<p>By SY2020 (for all indicators): NER increased by 5 percentage point for each area (SY2012/13 baseline: northern midland and mountainous areas 77.1%, central highlands 77.7%, Mekong River Delta 73.3%, and north central and central coastal areas 84.7%) for male and female (SY2012/13 baseline: female NER northern midland and mountainous areas 81.8%, central highlands area 80.8%, Mekong River Delta 72.9%, and north central and central coastal areas 93.5%).</p> <p>NER for ethnic minority students in the target provinces increased by 8 percentage points (SY2012/13 baseline: 48%).</p> <p>Gender gaps among enrolled ethnic minority students in the target provinces decreased to 4.0% (SY2012/13 baseline: 9.4% with male 54.7% and female 45.3%).</p> <p>Dropout rate in target areas lowered to less than 1.0% in the target areas (for male and female students) (SY2012/13 baseline: total 1.8% and female 1.6%).</p> <p>At least 29,700 more students accommodated (14,850 female and 14,850 male), and 3,780 accommodated in semi-boarded facilities (1,890 female and 1,890 male).</p> <p>33,000 teacher and managers trained (16,500 female and 16,500 male).</p> <p>At least 640,000 students educated under the improved quality assurance system (320,000 female and 320,000 male).</p>	<p>Viet Nam household living standard survey</p> <p>Project progress reports</p> <p>Project progress reports</p> <p>Survey by central PMU</p> <p>Survey by central PMU</p> <p>Survey by central PMU</p> <p>Survey by central PMU</p>	<p>Assumptions MOET continues to allocate sufficient budget to LSE subsector, especially in the disadvantaged areas</p> <p>The government continues to implement the national policy of providing school feeding and scholarships during the project period</p>
<p>Outputs 1. Increased access to LSE and LSE equivalency program</p>	<p>By SY2020 (for all indicators) in the target areas: About 660 classrooms constructed to provide full-day schooling (SY2014/15 baseline: 0).</p> <p>About 350 semi-boarded facilities constructed in the northern midland and mountainous areas and central highlands (SY2014/15 baseline: 0 as per 2014 construction standards and construction guidelines with separate sanitation facilities for male and female) with</p>	<p>Project progress reports</p> <p>Project progress reports</p> <p>Survey by</p>	<p>Assumption Central PMU and provincial PMUs have enough technical and coordination capabilities</p>

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	<p>50% of boarding facilities allocated to female students. About 250 teachers housing units constructed, 50% of which are for female teachers (SY2013/14 baseline: 45%).</p> <p>At least 20% more of community leaders, parents, and students report an awareness of the importance of education particularly for girls (SY2014/15 baseline: 0).</p>	<p>central PMU</p> <p>Project progress report</p>	<p>Risks</p> <p>MOET will not issue the guiding principle for development of decentralized curriculum and textbooks on time</p>
2. Decentralization of teaching and learning tools	<p>By SY2020 (for all indicators) in the target areas: New gender-sensitive textbooks and instructional materials developed for key subjects (SY2014/15 baseline: 0).</p> <p>80% of teachers indicate that the new textbooks and materials are more relevant to their students (SY2014–15 baseline: 0).</p> <p>About 24,000 LSS teachers in three disadvantaged areas, both male and female, receive training on the new textbooks (SY2014–15 baseline: 0).</p> <p>Curriculum on life skills and preservation of ethnic minority culture and values upgraded and at least 2,000 LSS teachers receive the training (SY2014/15 baseline: 0), of which 50% of the participants are female.</p> <p>Disaster management education provided to at least 1,500 teachers in LSSs in typhoon-affected areas, of which 50% are female (SY2014/15 baseline: 0).</p> <p>Training on vocational counseling and guidance for ethnic minority students provided to about 2,500 LSS teachers (SY2014/15 baseline: 0), of which 50% are female.</p> <p>Results for the grade 9 NAM program show a statistically significant improvement in the percentage of the students achieving satisfactory standards in the core subjects in the target areas (SY2012/13 baseline: 44.7%).</p> <p>At least 75% of LSS teachers in the target areas receive the in-service teacher training on active teaching and learning (SY2013/14 baseline: 56%) to narrow the gap with the national average participation rate (SY2013/14 baseline: 82%).</p>	<p>Review on Viet Nam's ESDP 2011–2020</p> <p>Survey conducted by central PMU</p> <p>MOET's education management information system</p> <p>Project progress reports</p> <p>Project progress reports</p> <p>Project progress reports</p> <p>Survey conducted by central PMU</p> <p>Survey conducted by central PMU</p>	<p>High turnover of central and provincial PMUs and provincial PMU staff</p> <p>Price escalation for civil works contracts because of high inflation</p>
3. New school clusters established	<p>By SY2020 (for all indicators) in the target areas: At least 344 new school clusters established and equipped in the target areas (SY2014/15 baseline: 0).</p> <p>At least 60% of teachers (62% of which are female) in beneficiary schools indicate that they have participated in professional development provided through the cluster system. Of these, 75% report a satisfactory experience (SY2014/15 baseline: 0).</p> <p>About 70 new libraries constructed and equipped for selected schools (in all four areas) that do not have libraries (SY2014/15 baseline: 0).</p>	<p>Project progress reports</p> <p>Survey conducted by central PMU</p> <p>Project progress report</p>	

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
<p>4. Project implementation and monitoring and evaluation capacity enhanced</p>	<p>By SY2020 (for all indicators): Central PMU and provincial PMUs established and implementation and monitoring framework developed.</p> <p>Central PMU, provincial PMUs, and target provincial departments of education and training and LSS principals trained, and 100% female education managers in the project schools trained on managing school clusters.</p> <p>Quarterly progress reports and annual audit reports submitted on time.</p> <p>Three key workshops organized with 20% of participants female.</p> <p>All central PMU and provincial PMU staff trained on gender issues and implementation of the orientation on the project gender action plan and provide gender action plan progress updates on a biannual basis.</p>	<p>Project progress reports</p> <p>Project progress reports</p> <p>Project progress reports and annual audit reports</p> <p>Project's progress report</p> <p>Project's progress report</p>	
<p>Activities with Milestones</p> <p>1. Increased access to LSE and LSE equivalency programs</p> <p>1.1 Construct about 660 LSS classrooms by 2020.</p> <p>1.2 Construct about 350 semi-boarding facilities by 2020.</p> <p>1.3 Construct about 250 teachers housing units by 2010.</p> <p>1.4 Report at least 20% more of community leaders, parents, and students on awareness of the importance of education, particularly for girls, by 2020.</p> <p>2. Decentralization of teaching and learning tools developed</p> <p>2.1 Develop textbooks and materials under the new framework by 2020.</p> <p>2.2 Provide equipment to about 80 district continuing education centers by 2016.</p> <p>2.3 Provide teachers in the target districts training on new textbooks by 2020.</p> <p>2.4 Train more than 2,000 LSE teachers on preservation and promotion of ethnic minority cultures and values by 2018.</p> <p>2.5 Provide more than 1,500 teachers disaster management training by 2018.</p> <p>2.6 Train more than 2,500 LSS teachers on vocational counseling by 2018.</p> <p>3. New school clustering established</p> <p>3.1 Establish more than 344 school clusters by 2017.</p> <p>3.2 Establish more than 344 teachers' networks by 2017.</p> <p>3.3 Train more than 1,000 education managers on school clusters by 2018.</p> <p>3.4 Construct and provide science teaching equipment to about 100 science laboratories by 2020.</p> <p>3.5 Construct and equip more than 50 libraries by 2020.</p> <p>3.6 Provide reference books to about 1,000 libraries by 2020.</p> <p>3.7 Train more than 1,000 librarians by 2019.</p> <p>3.8 Provide about 100 block grants by 2020.</p> <p>4. Project implementation and monitoring and evaluation capacity enhanced</p> <p>4.1 Establish central PMU and provincial PMUs by 2015.</p> <p>4.2 Provide equipment for central PMU and provincial PMUs by 2016.</p> <p>4.3 Recruit consultants by 2016.</p> <p>4.4 Provide training on project management by 2017.</p> <p>4.5 Provide overseas training for about 40 education managers by 2016.</p> <p>4.6 Conduct key workshops (inception, midterm, and final).</p>		<p>Inputs</p> <p>ADB: \$80.0 million</p> <p>Government: \$13.0 million</p>	

ADB = Asian Development Bank, ESDP = Education Strategic Development Plan, LSE = lower secondary education, LSS = lower secondary school, MOET = Ministry of Education and Training, NAM = national achievement monitoring, NER = net enrollment rate, PMU = project management unit, SY = school year.
Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=46066-002-3>

1. Loan Agreement
2. Sector Assessment (Summary): Education
3. Project Administration Manual
4. Contribution to the ADB Results Framework
5. Development Coordination
6. Financial Analysis
7. Economic Analysis
8. Country Economic Indicators
9. Summary Poverty Reduction and Social Strategy
10. Gender Action Plan
11. Risk Assessment and Risk Management Plan
12. Combined Resettlement Framework and Indigenous Peoples Planning Framework
13. List of Ineligible Items

Supplementary Documents

14. Selection Procedure and Criteria for Beneficiary Provinces, Districts, and Schools
15. List of Beneficiary Provinces, Districts, and Schools
16. Poverty and Social Analysis
17. Detailed Economic Analysis
18. Lessons Identified in Independent Evaluation Department Studies and Project Completion Reports for the Design of the Second Lower Secondary Education for the Most Disadvantaged Areas Project