



Report and Recommendation of the President to the Board of Directors

Project Number: 47140-002
November 2016

Proposed Loans Socialist Republic of Viet Nam: Second Secondary Education Sector Development Program

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 after excluding information that is subject to exceptions to disclosure set forth in the policy.

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 16 November 2016)

Currency unit	–	dong (D)
D1.00	=	\$0.000044
\$1.00	=	D22,364.00

ABBREVIATIONS

ADB	–	Asian Development Bank
CPMU	–	central program management unit
LSE	–	lower secondary education
MOET	–	Ministry of Education and Training
NAM	–	national achievement monitoring
NER	–	net enrollment rate
OECD	–	Organisation for Economic Co-operation and Development
PBL	–	policy-based loan
PISA	–	Programme on International Student Assessment
SESDP	–	Secondary Education Sector Development Program
SESDP II	–	Second Secondary Education Sector Development Program
SDP	–	sector development program
STEM	–	science, technology, engineering, and mathematics
SDR	–	special drawing right
TALIS	–	Teaching and Learning International Survey

NOTES

- (i) The fiscal year (FY) of the Government of Viet Nam and its agencies ends on 31 December.
- (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., SY2015/16 ends on 31 May 2016.
- (iii) In this report, "\$" refers to US dollars.

Vice-President	S. Groff, Operations 2
Director General	J. Nugent, Southeast Asia Department (SERD)
Directors	A. Inagaki, Human and Social Development Division, SERD E. Sidgwick, Viet Nam Resident Mission, SERD
Team leaders	E. Izawa, Senior Education Specialist, SERD W. Kubitzki, Principal Social Sector Specialist, SERD
Team members	I. Ahsan, Senior Counsel, Office of the General Counsel J. N. Marty, Operations Assistant, SERD Nguyen N. Thuy, Operations Assistant, SERD Nguyen T. H. Lan, Associate Project Analyst, SERD R. Roque-Villaroman, Project Analyst, SERD
Peer reviewer	S. Jagannathan, Senior Education Specialist, South Asia 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
PROGRAM AT A GLANCE	
I. THE PROPOSAL	1
II. THE PROGRAM	1
A. Rationale	1
B. Impact and Outcome	5
C. Outputs	5
D. Development Financing Needs	6
E. Implementation Arrangements	7
III. DUE DILIGENCE	8
A. Economic and Financial	8
B. Governance	9
C. Poverty and Social	9
D. Safeguards	9
E. Risks and Mitigating Measures	9
IV. ASSURANCES	10
V. RECOMMENDATION	10
APPENDIXES	
1. Design and Monitoring Framework	11
2. List of Linked Documents	14
3. Development Policy Letter	15
4. Policy Matrix	19

PROGRAM AT A GLANCE

1. Basic Data		Project Number: 47140-002	
Project Name	Second Secondary Education Sector Development Program	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		ADB Financing (\$ million)	
✓ Education	Education sector development		100.00
		Total	100.00
3. Strategic Agenda		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		Gender Equity and Mainstreaming	
Governance and capacity development (GCD)	Institutional development	Gender equity (GEN)	✓
5. Poverty and SDG Targeting		Location Impact	
Project directly targets poverty and SDGs	No	Rural	Medium
		Urban	Medium
6. Risk Categorization:		Low	
7. Safeguard Categorization		Environment: C Involuntary Resettlement: C Indigenous Peoples: C	
8. Financing			
Modality and Sources		Amount (\$ million)	
ADB		100.00	
Sovereign Program loan: Asian Development Fund		50.00	
Sovereign SDP - Project loan: Asian Development Fund		50.00	
Cofinancing		0.00	
None		0.00	
Counterpart		7.00	
Government		7.00	
Total		107.00	
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 (i) a proposed policy based loan, and (ii) a proposed project loan, both to the Socialist Republic of Viet Nam for the Second Secondary Education Sector Development Program (SESDP II).

2. The SESDP II builds upon the education reforms supported by the Secondary Education Sector Development Program (SESDP).¹ It introduces new features to improve the quality and relevance of secondary education, increase equitable access for disadvantaged adolescents, and strengthen education governance.² These features include (i) pedagogically innovative school models; (ii) upgrading teacher standards; (iii) strengthening science, technology, engineering and mathematics (STEM) education; (iv) providing locally tailored vocational guidance; (v) targeted support to emerging disadvantaged groups; and (vi) strengthening local decision-making. The program's design and monitoring framework is in Appendix 1.

II. THE PROGRAM

A. Rationale

3. **Development problems.** Viet Nam has evolved from one of the world's poorest countries 25 years ago to a lower middle-income country with a per capita income of \$2,109 in 2015. Between 1990 and 2007, Viet Nam's average annual gross domestic product growth was over 7%, while from 2010 to 2015 it averaged 5.9%.³ The initial heavy reliance on export-led growth, anchored by investment in basic education, yielded the necessary skills to take advantage of cheap labor to begin its transition to prosperity.

4. Viet Nam now faces a new development challenge—low competitiveness and productivity. Viet Nam's global competitiveness index has remained low: ranging from 64 in 2006–2007 to 56 in 2015–2016.⁴ Levels of labor productivity in Viet Nam are low in comparison to other countries in the region. Productivity in Singapore in 2013 was nearly 15 times that of Viet Nam. Viet Nam's productivity was only one-fifth that of Malaysia and two-fifths that of Thailand.⁵ The World Bank's Knowledge Economy Index ranked Viet Nam 104th out of 144 countries on preparedness to compete in the knowledge economy.⁶ To sustain growth and increase competitiveness and productivity, the country needs to transition from low-skilled, labor-intensive activities to those generating higher value. It requires highly skilled workers to realize the full benefits associated with rapidly growing investment.⁷ The government forecasts a need for a large increase in the number of trained persons entering the workforce. However, the public school system in its present form is unable to meet the country's projected needs for skilled labor, and thus requires a major reform. The government particularly emphasizes the

¹ Asian Development Bank (ADB). 2009. *Report and Recommendation of the President to the Board of Directors: Proposed Loan to the Socialist Republic of Viet Nam for the Secondary Education Sector Development Program*. Manila (Loans 2582 and 2583-VIE, approved on 25 November). The project was completed on 20 April 2016.

² The ADB provided project preparatory technical assistance for the Second Secondary Education Sector Development Program.

³ General Statistics Office (GSO) of Vietnam. <http://www.gso.gov.vn/default.aspx?tabid=622&ItemID=14774> (accessed 7 October 2016).

⁴ The World Economic Forum. 2015. *Global Competitiveness Report 2015–2016*. Geneva.

⁵ International Labour Organization. 2014. *2013 Labor Force Survey*. Geneva.

⁶ World Bank. Knowledge Economy Index. <http://data.worldbank.org/data-catalog/KEI> (accessed 24 November 2014).

⁷ GSO data showed that between 1988 and 2010, the number of foreign investment projects in Viet Nam rose from 37 to 1,237, and foreign registered capital reached nearly \$20 billion in 2010, up from only \$735 million in 1990.

need for reforming secondary education (comprising lower secondary education grades 6 to 9 and upper secondary education for grades 10 to 12), which faces the twin challenges of producing graduates who can immediately enter the labor market and preparing those who continue on a higher level of education.

5. **Binding constraints.** Three major constraints impede the secondary education system's ability to produce a sufficient number of highly skilled graduates: (i) high academic achievement but low labor market relevance, (ii) inequitable access of disadvantaged groups to secondary schooling, and (iii) weak secondary education management and governance.

6. **High academic achievement but low labor market relevance.** While Vietnamese students demonstrated high academic performance in the 2012 Programme of International Student Assessment (PISA), the current system of secondary education does not equip students with the competencies needed by the labor market.⁸ The instructional method in Viet Nam is still didactic and discourages creativity. The country recognizes the value of student-centered teaching methods, but only selected schools have introduced it. The government promotes science and technology as a key strategy for industrialization, but only 22% of university students majored in natural sciences in the SY2014/15, far fewer than students studying humanities and social sciences (about 37%).⁹ A World Bank study on Vietnamese youths' preparation for the market economy found that general education in Viet Nam has contributed little to the development of cognitive skills that are critical for the workplace.¹⁰

7. **Inequitable access to secondary education.** In 2015, about 10% of the lower secondary aged youth did not attend lower secondary school or equivalency programs provided through continuing education centers. Out-of-school youths are mainly girls, ethnic minorities, migrants from rural agricultural areas to urban or peri-urban poor areas, and those with disabilities. While the enrollment rate for girls and ethnic minorities has improved, the youth from domestic migrant families and disabled youth who have completed primary education are marginalized.¹¹ A United Nations Children's Fund (UNICEF) survey shows that 65% of migrant youth do not attend school.¹² Migrant youth have limited access to the financial and academic support required to return to school. Youth with disabilities have good access to primary school, but very few continue to secondary education due to a lack of instructional materials and professionally trained special education teachers. Parents lack the understanding that many disabled youth can improve their employability if they complete secondary education.

8. **Weak educational governance and management.** Local autonomy for management decisions has been a long-standing feature in Viet Nam. This has resulted in significant differences in performance across local governments, where there are critical gaps in access to and quality of education services. Planning and management capacity of local government staff

⁸ Organisation for Economic Co-operation and Development (OECD). 2013. *PISA 2012 Results: What Students Know and Can Do*. Paris.

⁹ UNESCO. http://data.uis.unesco.org/Index.aspx?DataSetCode=EDULIT_DS&popupcustomise=true&lang=en

¹⁰ World Bank. 2014. *Skilling Up Vietnam—Preparing the Workforce for a Modern Market Economy*. Washington, DC; Workplace skills include the following: non-cognitive and complex problem-solving skills; thinking creatively; ability to respond flexibly to emerging challenges; ability to work in groups collaboratively; and ability to communicate technical material orally and in written form.

¹¹ In 2012, the net enrollment rate (NER) in lower secondary education (LSE) for Kinh was 84.8% compared to 71.7% for ethnic minorities and at the upper secondary education level the rate was 65.3% for Kinh and 37.7% for ethnic minorities. For LSE, the NER for boys was 82.7% and for girls it was 85.2%, while at upper secondary education the NER for boys was 58.8% and for girls it was 66.5%.

¹² S. Cameron. 2012. *Education, Urban Poverty and Migration: Evidence from Bangladesh and Vietnam*. http://www.unicef-irc.org/publications/pdf/iwp_2012_15.pdf (accessed 15 March 2016).

and schools are weak. The government and development partners conduct joint public expenditure reviews only for the central government—no information is available on education budget allocation and spending at the district and school levels. The national achievement monitoring (NAM) system for secondary education collects student learning outcomes data only for three core subjects and one science subject every 3 years.¹³ NAM results are analyzed only by province. Vietnamese teachers' working conditions have never been assessed relative to international standards. Macro data on learning outcomes and the limited information on teachers does not help school principals to address the individual needs of their schools. Less than 20% of schools have been accredited due to lack of trained external evaluators. The Ministry of Education and Training (MOET) provides management training to school principals, but the training has not helped strengthen the schools' accountability mechanism.

9. **Government sector strategy and reform agenda.** The government's Education Development Strategy, 2011–2020 lays out the direction for education development.¹⁴ In line with the long-term education strategy, Resolution No. 29 and Resolution No. 44 consolidate key education policy reforms for the medium term.¹⁵ These reforms are: (i) upgraded curriculum to meet learner and labor market needs, (ii) improved competencies in science and technology, (iii) new teaching methods to encourage learners' creativity, (iv) decentralized development of textbooks and learning materials, (v) professional teacher development, (vi) better understanding about career options and cognitive skills required in the workplace, (vii) enhanced autonomy of schools, (viii) enhanced support for disadvantaged groups, and (ix) upgraded school infrastructure. The Socio-economic Development Strategy, 2011–2020, sees education as a key driver for poverty reduction and expansion of access to social services, including vocational training and health care. Reflecting the importance given to education and its reform agenda, the government has increased annual spending on education and training by about 130% from 2009 to 2013. In 2013, 15.9% of the government's total annual expenditure was allocated to education and training.

10. **ADB experience and lessons.** The Asian Development Bank (ADB) is one of Viet Nam's leading development partners in secondary education, with eight loans to the country since 1996. Of five completed projects, four were evaluated as *successful* and one as *highly successful*.¹⁶ These loans have helped Viet Nam enhance both the quality of and access to secondary education. The net enrollment rate (NER) for lower secondary education (LSE) rose from about 70% in 2000 to 90% in SY2014/15. Teacher training has been upgraded and more than 80% of schools have met the school standards. Three key lessons from past projects are reflected in the design of the SESDP II: (i) secondary education should promote students' employability, (ii) numerous international pedagogical practices piloted under past projects have been consolidated in the national reform strategies and future development assistance is expected to align with the strategy and help fill resource gaps, and (iii) education reforms are more sustained when schools are held accountable. ADB's engagement in secondary education

¹³ NAM tests mathematics, literature (reading), and English, and one of the sciences (biology, chemistry, or physics).

¹⁴ Government of Viet Nam. 2012. Prime Minister's Decision No. 711/QĐ-TTg 711/QĐ-TTg - Decision Approving the Education Development Strategy 2011–2020, Ha Noi.

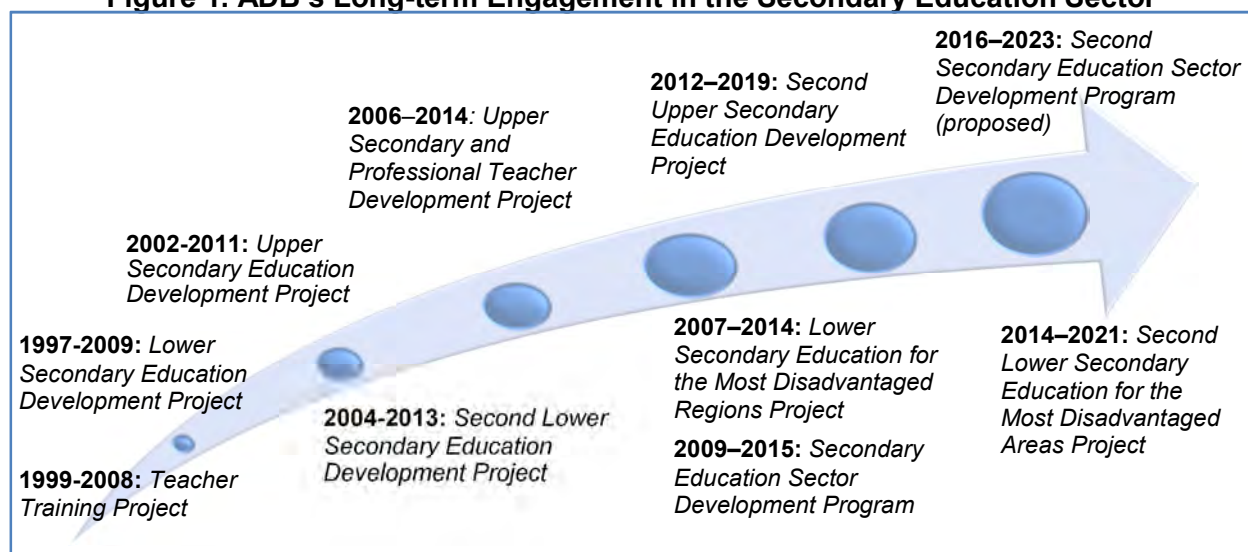
¹⁵ Central Committee of the Communist Party of Viet Nam. 2013. Resolution No. 29-NQ/TW 8 on *Comprehensive Innovations of Education and Training*. Ha Noi; Government of Viet Nam. 2014. Prime Minister's Resolution No. 44/NQ-CP on *Radical Changes in Education and Training*. Ha Noi.

¹⁶ ADB. 2007. *Completion Report: Lower Secondary Education Development Project in Viet Nam*. Manila; ADB. 2013. *Completion Report: Upper Secondary Education Development Project in Viet Nam*. Manila; ADB. 2013. *Completion Report: Second Lower Secondary Education Development Project in Viet Nam*. Manila; ADB. 2015. *Completion Report: Upper Secondary and Professional Teacher Development Project in Viet Nam*. Manila; and ADB. 2016. *Completion Report: Lower Secondary Education for the Most Disadvantaged Regions Project in Viet Nam*. Manila.

is reflected in the country partnership strategy 2016-2020 for Viet Nam, which prioritizes secondary education in its overall program.¹⁷

11. **Achievements of the previous Secondary Education Sector Development Program, 2009-2015.** The previous program helped the government achieve 10 secondary education reforms in 2009–2015. Major achievements included (i) the development of teacher standards and teacher assessment, (ii) improved access of ethnic minority youth to secondary education through improvement of the LSE equivalency program, and (iii) strengthened learning outcome assessment by introducing international measurement through Vietnamese students' first participation in PISA in 2012 and the national assessment through NAM.

Figure 1. ADB's Long-term Engagement in the Secondary Education Sector



12. **ADB's value-added to program design and implementation.** ADB has given direct support to selected reforms that underpin SESDP II through a structured policy dialogue based on ADB's long engagement in secondary education (Figure 1). Among eight policy reforms under SESDP II, four reforms build on and scale up reforms accomplished under the SESDP, 2009-2015, and another 4 reforms are identified through implementation of other ADB-funded secondary education projects. Targeted support will be provided under SESDP II to help underserved groups access secondary education. The LSE equivalency program supported by SESDP, 2009-2015, certifies disadvantaged youth as lower secondary school graduates, which will help improve their employability. SESDP II supports Viet Nam's continued participation in the PISA 2018 and 2021 and first-time participation in the 2018 Teaching and Learning International Survey (TALIS) of the Organisation for Economic Co-operation and Development (OECD). SESDP II will also seek synergy with ADB's support for the Improving Public Expenditure Quality Program, which will help improve the productivity of public financial resource allocation.

13. **Development coordination.** Most of the education sector development partners focus on primary education. ADB and the World Bank are the major contributors to the ongoing secondary education reforms. Among the education reforms of Resolution No. 29 and No. 44, the World Bank supports curriculum and textbook revision, and teacher training, while ADB

¹⁷ ADB. 2016. *Country Partnership Strategy: Viet Nam, 2016–2020*. Manila.

supports the remaining reforms. SESDP II will complement the World Bank-supported projects and strengthen development coordination.

14. **Sector development program.** Lessons from SESDP, 2009-2015, show that a combination of a policy-based loan (PBL) and a project loan is an effective instrument for achieving long term development impact in the Viet Nam education sector. Therefore, a sector development program (SDP) is proposed for SESDP II. The PBL component serves two purposes. First, the PBL leverages reforms in the sector and lays the foundation for effective implementation of the project loan. Second, the PBL reforms have created budget obligations and therefore the government intends to use the loan proceeds to supplement MOET's budget. The PBL comprises one single-tranche loan covered by a medium-term results framework that reflects a long-term engagement between ADB and the government on secondary education reforms. This will assist the government in creating strategic changes to develop the country's secondary education to sustain the achievements of SESDP. The project loan supplements the sector reforms to achieve development impact. For example under the PBL, the government has approved a new vocational orientation program. The project loan will help develop a tailor-made vocational guidance model that is relevant to local labor market needs.

15. **Economic impact of the program.** The three combined outputs of the program combined are expected to lead to (i) an increase in the number of young people completing secondary school resulting from improved access to upper secondary education, (ii) a reduction in the marginal unit cost of education due to efficiencies made through governance reforms, and (iii) increased lifetime earnings of those initially disadvantaged as a result of completing secondary school (para. 24).

B. Impact and Outcome

16. The program's impact will be workforce competitiveness, social equity, and lifelong learning opportunities for all secondary school graduates improved. The outcome will be learning outcomes and competitiveness of secondary school graduates enhanced. The SDP comprises a single tranche PBL with 20 policy actions completed between July 2014 and June 2016 and a project investment loan.

C. Outputs

17. **Output 1: Quality and relevance of secondary education improved.** The PBL has supported the government's reform of the secondary schools to be pedagogically more innovative and labor market-responsive. The government has launched model resource secondary schools, which introduce student-centered teaching methods and upgraded instructional materials. Teacher standards developed under SESDP have been revised to capture teacher competencies to implement the new curriculum. STEM education in specialized schools has been upgraded through improved teacher training and materials. The vocational orientation program at secondary schools has been strengthened. It will provide students with up-to-date knowledge about available jobs and qualifications. Cognitive skills that are required to successfully enter the labor market will be enhanced through upgraded vocational guidance. The project loan will support (i) materials and in-country staff training, (ii) a revised teacher assessment system, (iii) an upgraded STEM program using active learning methods, (iv) equipment for the model resource schools, and (v) development of vocational orientation programs, which target local labor market needs and include private sector outreach programs.

18. **Output 2: Equity of access to secondary education enhanced.** The PBL has supported school financing reforms to meet the government's long-term policy targets of 95% LSE (NER). The government has issued new direction on school fee reduction, exemption, and support. Youth from poor migrant families are one of the major beneficiaries of the revised school fee system. Several policy measures to increase access to secondary schools for youth with disabilities have been taken. MOET has upgraded continuing education centers to better meet the special needs of disabled youth. This has incentivized parents of disabled children to send them to secondary schools. The project loan will support (i) a survey on the education situation of domestic migrant youth to develop an action plan to address critical impediments for these youths, (ii) instructional materials targeting migrant youth, (iii) training for education managers and school principals to develop strategies to expand education for disadvantaged youth, (iv) information sharing among local governments in regions where the domestic migrant issue is most acute, (v) professional development for teachers focused on youth with special needs, and (vi) provision of adaptive learning materials for disabled students.

19. **Output 3: Educational governance and management strengthened.** The PBL has supported government policy to enhance the efficiency of decentralized education management through an improved financial allocation model and strengthened local decision-making. MOET has adopted a three-phase approach: (i) evaluate progress in decentralization and redefine the role and function of local education authorities; (ii) review annual financial plans to improve the effectiveness of resource utilization; and (iii) develop a mechanism to promote autonomy of public institutions, including schools, and delegate more decision-making authority. The OECD policy recommendations based on the PISA 2015 have been adopted in the new curriculum, textbooks, and teaching methods. The project loan will finance both PISA and TALIS participation.¹⁸ It will support the implementation and scaling up of the NAM in schools involved in the new mechanism for school-based decision-making. Other support will include (i) public expenditure review at district and school levels, (ii) the accreditation of secondary schools, (iii) fees for PISA and TALIS registration, (iv) equipment for the TALIS office, and (v) school accreditor training.

D. Development Financing Needs

20. **Overall program financing.** The program is estimated to cost \$107 million. ADB will provide a PBL of SDR35,709,000.00 and a project loan of SDR35,709,000.00. Both are from the Asian Development Fund. The government will provide counterpart funding of \$7 million from its central budget. Table 1 shows the program financing plan.

Table 1: Program Financing Plan

Source	Amount (\$million)	Share of Total (%)
Asian Development Bank		
Asian Development Fund (policy-based loan)	50.0	46.7
Asian Development Fund (project loan)	50.0	46.7
Government	7.0	6.5
Total	107.0	100.0

Note: Percentages may not total 100% because of rounding.

Source: Asian Development Bank estimates.

21. **Program financing plan.** The government has requested a PBL in various currencies equivalent to SDR35,709,000.00 from ADB's Special Funds resources to help finance the program. The loan will have a 25-year term, including a grace period of 5 years, an interest rate

¹⁸ The government might participate in other international and national assessments if more relevant learning assessment systems are proposed.

of 2.0% per annum during the grace period and thereafter, and such other terms and conditions set forth in the draft program loan agreement. The PBL will be disbursed upon loan effectiveness in a single tranche. In 2016, the government will borrow \$20.2 billion to cover a budget deficit of 5.0% of gross domestic product with a \$4.9 billion to be mobilized from official development assistance to fill the financing gap. The proceeds of the PBL will help implement the reform actions facilitated by the project loan nationwide and reflect the strength of the government reform program as highlighted by the implementation costs. The PBL proceed will supplement the MOET's budget to cover their reform programs.

22. **Project investment plan.** The government has requested a project loan in various currencies equivalent to SDR35,709,000.00 from ADB's Special Funds resources to help finance the project. 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 thereafter, and such other terms and conditions set forth in the draft project loan agreement. The project loan will cover the base costs of the project activities including staff training, equipment provision, research, and consulting services, physical and price contingencies, and interest and other charges during implementation. The project investment plan is shown in Table 2.

Table 2: Project Investment Plan (\$ million)

Item	Amount ^a
A. Investment Cost^b	
1. Quality and relevance of secondary education improved	33.3
2. Equity of access to secondary education enhanced	3.6
3. Educational governance and management strengthened	6.5
4. Project management activities	5.8
Subtotal Base Cost (A)	49.2
B. Contingencies^c	4.5
C. Financing Charges During Implementation^d	3.3
Total (A+B+C)	57.0

^a Investment costs include taxes and duties amounting to about \$5.04 million. About \$4.71 million will be financed by the central government while about \$0.33 million will be financed by ADB.

^b In 2016 prices. Bank charges will be financed from Operational Costs category to be financed by the government

^c Physical contingency is set at 5% of the total base cost. Price contingencies are based on escalation rates for domestic and international costs estimated for Viet Nam. Annual escalation rate for domestic costs is estimated at 5.0% for each year from 2017–2022 while annual escalation rate for international costs is estimated at 1.4% for 2017 and 1.5% for each year from 2018–2022.

Source: Asian Development Bank estimates.

E. Implementation Arrangements

23. The implementation arrangements are summarized in Table 3 and advanced actions are detailed in the project administration manual.¹⁹

Table 3: Implementation Arrangements

Aspects	Arrangements	
	Policy-based Loan	Project Loan
Implementation period	July 2014–June 2016	April 2017–March 2023
Estimated completion date	30 June 2016 (loan closing: 30 June 2018)	31 March 2023 (loan closing: 30 September 2023)
Management		
(i) Oversight body	A program steering committee will provide (i) guidance in program implementation; (ii) guidance in the identification of proposed investment activities; (iii) coordination with relevant agencies; (iv) monitoring program achievements; and (v) timely approval of reports, plans, and annual budget estimates.	
(ii) Executing agency	MOET will be responsible for project management and monitoring, and ensuring	

¹⁹ Project Administration Manual (accessible from the list of linked documents in Appendix 2).

Aspects	Arrangements		
	cooperation among other government agencies and departments under MOET. MOET will establish and provide guidance to the CPMU.		
(iii) Implementing agency	The CPMU will oversee implementation with 36 staff (1 project director, 1 deputy director, several unit heads, and unit staff [key technical staff acceptable to ADB]) with offices in Ha Noi, Viet Nam.		
Project loan procurement ^a	ICB	3 contracts	\$24.43 million
	NCB	8 contracts	\$5.55 million
	Shopping	3 contracts	\$0.14 million
Project loan consulting services	QCBS	1 package including 65 international person-months and 145 national person-months	\$2.64 million
	ICS	33 person-months (3 international and 3 national consultants)	\$0.34 million
	LCS	3 national contracts (annual audits)	\$0.30 million
Retroactive financing and/or advance contracting	No retroactive financing has been requested. Advance contracting will be used for selected consulting services.		
Disbursement	The loan proceeds will be disbursed in accordance with ADB's <i>Loan Disbursement Handbook</i> (2015, as amended from time to time) and detailed arrangements agreed upon between the government and ADB. The \$50 million PBL will be disbursed in one tranche.		

ADB = Asian Development Bank, CPMU = central program management unit, ICB = international competitive bidding, ICS = individual consultant selection, LCS = least-cost selection, MOET = Ministry of Education and Training, NCB = national competitive bidding, PBL = policy-based loan, QCBS = quality- and cost-based selection.

^a All procurement of goods will be in accordance with ADB's Procurement Guidelines (2015, as amended from time to time). Goods procured using national competitive bidding will follow national legislation and procedures 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).

Source: Asian Development Bank.

III. DUE DILIGENCE

A. Economic and Financial

24. **Economic.** The program (policy based and investment project components) will have positive economy-wide impacts. The program impact assessment estimates the potential quantifiable net benefits of the program at \$33.0 million, net present value (NPV) at 12%, under conservative discounting assumptions, which well exceed the program's costs.²⁰ The benefits comprise additional lifetime earnings of disadvantaged groups arising from completing secondary education. The program assumes net enrolment rate (NER) of lower secondary education students will increase from 90% to 95% and upper secondary education will increase by 20 percentage points. The reforms will result in investment economic benefits, NPV at 12%, of \$2.245 billion and will entail economic costs, NPV at 12%, of \$1.978 billion arising from new capital and recurrent expenditures arising from the reforms. The program's economic internal rate of return is estimated at 14.7%. The sensitivity analysis indicated the economic internal rate of return is sensitive to changes in costs and enrollment.

25. **Financial.** The fiscal impact analysis confirmed that the government has adequate financial resources and will be able to fulfill all its financial obligations under the program as total program costs are observed to be significantly less than 0.1% of total annual government expenditure. The financial sustainability analysis showed that the government, as the borrower, has a strong capacity to cover both annual operation and maintenance costs and debt service requirements beyond the program implementation period as these are likewise significantly below 0.1% as a portion of total government annual expenditure.

²⁰ Program Impact Assessment (accessible from the list of linked documents in Appendix 2).

B. Governance

26. **Financial management assessment and procurement capacity assessment.** The financial management assessment rates the financial management capacity of MOET as *satisfactory* and concludes that the overall pre-mitigation financial management risk is *low*. MOET's departments of secondary education and planning and finance have been involved in numerous successfully implemented ADB-funded projects.²¹ ADB's Anticorruption Policy (1998, as amended to date) was explained to and discussed with the government and MOET. The specific policy requirements and supplementary measures are described in the project administration manual. The procurement capacity of the MOET and the central program management unit (CPMU) was assessed.²² The pre-mitigation procurement management risk is deemed moderate. The risk assessment and risk management plan will mitigate risks through (i) advance action for early recruitment of consulting services to build capacity in procurement and good governance, (ii) recruitment of qualified CPMU staff, (iii) development of a financial management manual, and (iv) CPMU staff training. Procurements were streamlined to promote competition and reduce governance risks associated with large numbers of small packages.

C. Poverty and Social

27. The program's second output particularly addresses domestic migrants and youth with disabilities. The program is expected to increase enrollment by about 278,500 lower secondary students and about 949,000 upper secondary students, plus another 2,000 youths with a disability. The program has a gender equity theme and includes a gender analysis and gender action plan (GAP).²³ The GAP will ensure that (i) equal numbers of women and men attend major workshops that are gender-responsive, (ii) program materials are gender- ethnicity- and disability-sensitive, (iii) major surveys disaggregate data by sex and by ethnicity, (iv) training to promote STEM encourages more female students to study these subjects, (v) the action plan to improve education access of domestic migrant youth includes gender- and ethnicity-responsive indicators, (vi) NAM development will include strategies to avoid gender and ethnicity bias, and (vii) GAP progress updates will be reported to ADB semiannually.

D. Safeguards

28. The program does not include any civil works. The program is categorized C for involuntary resettlement, indigenous peoples, and the environment as both project loan and PBL will not have any potential impact on involuntary resettlement, indigenous peoples, and environment.

E. Risks and Mitigating Measures

29. The overall benefits and impact are expected to outweigh the risks involved. Major risks and mitigating measures are summarized in Table 4 and described in detail in the risk assessment and management plan.²⁴

²¹ 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).

²² The Project Procurement Risk Assessment Report is contained in the Project Administration Manual (accessible from the list of linked documents in Appendix 2).

²³ Gender Action Plan (accessible from the list of linked documents in Appendix 2).

²⁴ Risk Assessment and Management Plan (accessible from the list of linked documents in Appendix 2).

Table 4: Summary of Risks and Mitigating Measures

Risks	Mitigating Measures
Lack of commitment to increase autonomy prevent effective implementation of decentralization of secondary education	ADB will closely monitor program implementation, including increased autonomy. The planned public expenditure review will gauge the local commitment to increase autonomy. Training to strengthen capacity in decentralized planning, budgeting, and management will be provided.
Poor quality of bidding documents may slow the procurement process	MOET will assign from its ranks a competent, full-time, English-speaking CPMU with experience in implementation of ADB-funded projects. All procurement templates are translated into Vietnamese and translation is verified by ADB resident mission staff.
The CPMU may experience difficulties in initial management managing of project funds.	A detailed, user-friendly financial management manual will be prepared, and training conducted for relevant CPMU staff before the loan becomes effective. CPMU will recruit a qualified procurement officer with ADB or World Bank experience.
Slow disbursements may delay project implementation	CPMU to prepare realistic payment documents and to actively monitor the progress of procurement actions. Build capacity on financial management for CPMU, MOET, and central state treasury staff.
There may be disputes when two contracts conflict	Translation of procurement documents including bidding documents and contracts will be verified by ADB.

ADB = Asian Development Bank, CPMU = central program management unit, MOET = Ministry of Education and Training

Source: Asian Development Bank.

IV. ASSURANCES

30. The government and MOET have assured ADB that implementation of the program shall conform to all applicable ADB policies including those concerning anticorruption measures, safeguards, gender, procurement, consulting services, and disbursement as detailed in the project administration manual and loan documents. The government and MOET have agreed with ADB on certain covenants for the program, which are set forth in the loan agreements.

V. RECOMMENDATION

31. I am satisfied that the proposed loans would comply with the Articles of Agreement of the Asian Development Bank (ADB) and recommend that the Board approve (i) the policy-based loan in various currencies equivalent to SDR35,709,000.00 to the Socialist Republic of Viet Nam for the Second Secondary Education Sector Development Program, from ADB's Special Funds resources, with an interest charge at the rate of 2.0% per annum during the grace period and thereafter; for 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 program loan agreement presented to the Board, and (ii) the project loan in various currencies equivalent to SDR35,709,000.00 to the Socialist Republic of Viet Nam for the Second Secondary Education Sector Development Program, from ADB's Special Funds resources, with an interest charge at the rate of 2.0% per annum during the grace period and thereafter; for 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 project loan agreement presented to the Board.

Takehiko Nakao
President

17 November 2016

DESIGN AND MONITORING FRAMEWORK

Impact the Program is Aligned with workforce competitiveness, social equity, and lifelong learning opportunity for all secondary school graduates improved (Viet Nam's Education Development Strategy, 2011–2020) ^a			
Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
<p>Outcome</p> <p>Learning outcomes and competitiveness of secondary school graduates enhanced.</p>	<p>By 2024</p> <p>a. The results of PISA 2018 and 2021 were improved (results disaggregated by sex and further by ethnicity) (Baseline: mean average score mathematics 511, reading 508, science 528 in 2012)</p> <p>b. The proportion of unemployed male and female youth aged 15–24 decreased by 10% for females and 7% for males (Baseline: Unemployed 51.9% and female 57.0% in Q3 2014)</p> <p>c. The percentage of university students studying science and technology increased by 5% for males and 8% for females (Baseline: 22.4% of all students in 2014)</p>	<p>a. OECD PISA result reports (every 3 years)</p> <p>b. Ministry of Planning and Investment, General Statistics Office Report on Quarterly Labor Force Survey</p> <p>c. UNESCO, Institute for Statistics, annual report</p>	<p>Lack of commitment to increase autonomy may delay implementation of policy reform activities</p>
<p>Outputs</p> <p>1. Quality and relevance of secondary education improved</p>	<p>Program by 2016</p> <p>1a. Model resource secondary schools developed (Baseline: 2014 no policy)</p> <p>1b. Professional teacher standards revised (Baseline: 2014 old standards)</p> <p>1c. STEM established (Baseline: 2014 no policy)</p> <p>1d. School-based vocational knowledge and cognitive skills program introduced (Baseline: 2014 no program)</p> <p>Project by 2023</p> <p>1a. Nationwide model resource secondary schools and STEM implemented in approximately 440 schools (Baseline: 0 in SY2016).</p> <p>1b. There were 18,000 more secondary teachers using the upgraded teaching method and 12,000 more USE teachers teaching STEM using gender-sensitive teaching methods and encouraging more females to study STEM in colleges (Baseline: model resource schools=45,000; STEM=0 in SY2016)</p> <p>1c. Students in model resource secondary schools and STEM schools meeting acceptable standards on NAM increased by 5%. (results disaggregated by sex and further by ethnicity) (Baseline: mathematics grade 9 58.1% in SY2009 and grade 11 54.9% in SY2012)</p>	<p>Program</p> <p>Government Policy</p> <p>1a. Official Letter No. 4668 BGDĐT-GDTrH</p> <p>1b. Joint Circular No. 23/2015/TTLT-BGDĐT-BNV</p> <p>1c. Official Letter No. 4509/BGDĐT-GDTrH</p> <p>1d. Official Letter No. 4509/BGDĐT-GDTr</p> <p>Project</p> <p>1a. MOET quarterly Program progress reports</p> <p>1b. MOET annual evaluation reports from the phased introduction of model resource schools and STEM (disaggregated by sex)</p> <p>1c. Center of Education Quality Assurance, MOET annual evaluation of student competencies of the new curriculum as measured by grade 9 and 11 NAM results in model resource and STEM</p>	<p>CPMU may experience difficulties in the initial management of project funds</p>

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	<p>1d. Revised nationwide system of assessment (results disaggregated by sex and further by ethnicity) were used to evaluate 90% of the secondary teachers and principals (Baseline: 0 in SY2016)</p> <p>1e. 65,000 secondary students receive market-related vocational and career orientation, of which at least 50% of beneficiary students are female (Baseline: 0 in SY2016)</p> <p>1f. TALIS data on teaching and learning conditions was available to policy makers (Baseline SY2016: Not applicable)</p>	<p>schools and control group schools.</p> <p>1d. MOET's Department of Teachers and Managers, annual reports from new automated system</p> <p>1e. MOET annual progress reports disaggregated by sex and ethnicity</p> <p>1f. OECD TALIS report available in 2020</p>	
2. Equity of access to secondary education enhanced	<p>Program by 2016</p> <p>2a. Access for domestic disadvantaged migrant youth to lower secondary education increased by at least 15% for females and 10% for males (Baseline 2014: 65% do not attend)</p> <p>2b. Access of children with disabilities increased (Baseline 2014: 85% not attending)</p> <p>Project by 2023</p> <p>2a. Data was available on the educational conditions of disadvantaged youth who are domestic migrants. (Baseline: Not applicable in 2016)</p> <p>2b. Increase in the number of youth with a disability attending LSE or equivalent (15% female and 20% male), data disaggregated by sex and further by ethnicity (Baseline: 13,572 in SY2014)</p>	<p>Program</p> <p>Government Policy</p> <p>2a. Decree No. 20/2014/ND-CP</p> <p>2b. Circular No. 01/2015/TT-BLDTBXH</p> <p>Project</p> <p>2a. MOET 2019 report on disadvantaged domestic migrants (disaggregated by sex and ethnicity)</p> <p>2b. Annual MOET education statistics yearbook</p>	Fiscal constraints may limit public investment in education and shift toward greater socialization of school costs, which may limit access for poorer families
3. Educational governance and management strengthened	<p>Program by 2016</p> <p>3a. Decentralization of secondary schooling through site-based decision-making promoted (Baseline: 2014 policy in Decrees No. 29 and No. 44 express general support but not specific)</p> <p>3b. The accountability mechanism in secondary schools strengthened (Baseline: 2014 data from PISA 2012 and NAM available but no trend data and not for schools)</p> <p>Project by 2023</p> <p>3a. Public expenditure and budgeting review of secondary education subsector conducted (Baseline: Not applicable in 2016)</p> <p>3b. 80% of teachers in selected beneficiary schools participating in the pre-post survey of Output 3 activities indicated that the site-</p>	<p>Program</p> <p>Government Policy</p> <p>3a. Joint Circular No. 71/2014/TTLT-BTC-BN</p> <p>3b. Official Letter No. 370/KHTC-ODA</p> <p>Project</p> <p>3a. MOET public expenditure report issued in 2019</p> <p>3b. MOET pre-post survey of provincial and school staffs disaggregated by sex and level</p>	

Results Chain	Performance Indicators with Targets and Baselines	Data Sources and Reporting Mechanisms	Risks
	<p>based decision-making is promoted (Baseline: 0% in 2016)</p> <p>3c. 80% of model resource schools, districts, and provinces have developed the assessment report on site-based decision-making using data disaggregated by sex and further by ethnicity (Baseline: 0% in 2016)</p> <p>3d. National report for Viet Nam from PISA 2018 and 2021 released within 2 years of the official administration and results disaggregated by gender and further by ethnicity (Baseline: Not available in 2016)</p> <p>3e. Data from grade 9 and 11 NAM was available for model resource and STEM schools, districts, and provinces within 3 months of official administration and results disaggregated by gender and further by ethnicity (Baseline: Not applicable in 2016)</p>	<p>of decision-making authority plus interviews with provincial female and male staff issued in 2021</p> <p>3c. MOET annual accountability reports for the model resource schools, districts, and provinces</p> <p>3d. MOET national report on PISA 2018 and 2021</p> <p>3e. Annual Center of Education Quality Assurance, MOET, school, district, province NAM reports for grade 9 and 11</p>	
<p>Key Activities with Milestones</p> <p>Output 1. Quality and relevance of secondary education improved</p> <p>1.1 Start phased implementation of model resource secondary schools and STEM education by Q3 2018.</p> <p>1.2 Start staff development to meet the requirements of the professional standard by Q3 2018.</p> <p>1.3 Implement materials and novel teaching methods for vocational awareness in selected schools by Q3 2019.</p> <p>Output 2. Equity of access to secondary education enhanced</p> <p>2.1 Plan and conduct a survey on the educational conditions of migrant youths by Q1 2019.</p> <p>2.2 Digitalize materials and develop videos of lesson samples on education for youths with special needs by Q2 2019.</p> <p>Output 3: Educational governance and management strengthened</p> <p>3.1 Conduct the public expenditure and budgeting review of the central and selected local governments by Q4 2018.</p> <p>3.2 Prepare the PISA 2018 and TALIS 2018 through training and provision of necessary facilities.</p> <p>3.3 Participate in PISA 2018 and TALIS 2018 by Q2 2018.</p> <p>3.4 Plan and implement NAM based on the results of PISA 2018.</p>			
<p>Project Management Activities</p> <p>Establish CPMU by Q1 2017.</p> <p>Collect the baseline data for all indicators in 2017 within 6 months after the loan effectiveness.</p> <p>Recruit project start-up consultants within 3 months of loan effectiveness.</p> <p>Organize inception workshop (within 2 months of consultant deployment), midterm workshop (2019), and final review workshop (2023).</p>			
<p>Inputs</p> <p>ADB \$100 million (two loans from Asian Development Fund)</p> <p>Government: \$7 million</p>			
<p>Assumptions for Partner Financing</p> <p>Not applicable.</p>			

ADB = Asian Development Bank; CPMU = central program management unit; IT= information technology; LSE = lower secondary education; MOET = Ministry of Education and Training; NAM = national achievement monitoring; OECD = Organisation for Economic Co-operation and Development; PISA = Programme for International Student Assessment; STEM = science, technology, engineering, and mathematics; SY = school year; TALIS = Teaching and Learning International Survey; UNESCO = United Nations Educational, Scientific, and Cultural Organization; USE = upper secondary education.

^a Eleventh Congress of Viet Nam Communist Party. 2010. *Education Development Strategy, 2011–2020*. Ha Noi. Source: Asian Development Bank.

LIST OF LINKED DOCUMENTS

<http://www.adb.org/Documents/RRPs/?id=47140-002-3>

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

Supplementary Documents

15. Program Impact Assessment
16. Detailed Secondary Education Sector Analysis
17. Poverty and Social Analysis
18. Detailed Financial Analysis
19. Detailed Economic Analysis

DEVELOPMENT POLICY LETTER

25 August 2016
Mr. Takehiko Nakao
President,
Asian Development Bank
6 ADB Avenue, Mandaluyong City
Philippines

Subject: Development Policy Letter from the Socialist Republic of Viet Nam for the Second Secondary Education Sector Development Program (SESDP II)

Your Excellency,

This letter highlights the continued commitment of the Socialist Republic of Viet Nam to the ongoing reform of the secondary education sector. I would like to thank the Asian Development Bank (ADB) for its sustained support, through significant financial resources and technical support, to government's effort to improve the quality and relevance of secondary education, increase the equity of access for disadvantaged adolescents, and strengthen school management capacity. ADB has been a major development partner of the Government in the education sector since 1997. As agreed with Government and other development partners operating in Viet Nam, ADB focuses its support mainly on secondary education. The seven completed and two ongoing ADB secondary education projects have sought to help Viet Nam achieve high and sustainable growth by improving the quality of secondary education programs, thereby improving the knowledge and skills of future employees. We recognize the need to continue policy development and activities to comprehensively and fundamentally renovate secondary education so graduates can better contribute to the country's industrialization and modernization, while ensuring social equity and life-long learning. The focus on secondary education sector development will enable key systems to be enhanced, which will significantly improve the competencies acquired by our graduates so that they will be able to take their place as highly skilled workers in our economy.

The government places a high priority on education. With the assistance of ADB the government has been able to make impressive progress in the education sector. The general quality of education has improved; quality standards of teachers have been developed; teachers have been trained and upgraded; student-centered teaching has been introduced; school accreditation has been established; and learning opportunities for girls, ethnic children, children in poor families, disabled children, and children in difficult circumstances have been expanded. The results from the Programme of International Student Assessment (PISA) 2012 show that the students of Viet Nam are very competitive internationally. However, we are now facing new challenges in our development.

As you are aware, Viet Nam has evolved from one of the world's poorest countries 25 years ago to a lower middle-income country with a per capita income of \$2,109 in 2015. Between 1990 and 2007, Viet Nam's average annual gross domestic product growth was over 7%, while from 2010 to 2015 it averaged 5.9%. The initial heavy reliance on export-led growth, anchored by investment in basic education, yielded the necessary skills to take advantage of cheap labor to begin its transition to prosperity. Viet Nam, however, now faces a new development challenge – low economic competitiveness and labor productivity. Viet Nam's global competitiveness index has remained low – from 64 in 2006/07 to 56 in 2015/16. Levels of labor productivity in Viet Nam are low in comparison to other countries in the region. Productivity

in Singapore in 2013 was nearly 15 times the level of Viet Nam. Compared to Malaysia and Thailand, Viet Nam's productivity was only one-fifth and two-fifths, respectively. A shortage of highly skilled workers hampers competitiveness and has become a key impediment to the country's capacity to realize the full benefits associated with rapidly growing investment. Further, the World Bank's Knowledge Economy Index ranked Viet Nam 104th out of 144 countries on preparedness to compete in the knowledge economy. The government forecasts a need for a large increase in the number of trained persons entering the workforce but recognizes that the current system of public schools in present form is not able to meet the country's projected needs for skilled labor.

To address this necessity for enhanced development of our human resources, the government has undertaken to fundamentally and comprehensively renovate the secondary education system. The government's *Education Development Strategy 2011-2020* noted the quality and effectiveness of the education sector are low relative to development requirements, and the knowledge and skills of undergraduates are not meeting job market requirements. Since 2010, the government has developed a strategic policy framework to guide how education reforms fit into the government's plan for industrialization by 2020. The government has developed an action plan and begun a number of initiatives to bring this about.

The government has continued to accord a high priority to the education and training sector as indicated by its own resource allocations. Total annual expenditure of the government on education and training increased from \$3.97 billion in 2009 to \$9.11 billion in 2013, an increase of about 129.5% over the period. The government has targeting to spend 20% of its total budget on education and training and its actual expenditure for education and training in 2013 reached 20.6 % of the total budget. This level is comparable to Viet Nam's middle-income neighbors and the East Asia and Pacific regional average. Public expenditure on education at 5.7% of GDP compares well with some of East Asia's wealthiest nations. The government has been able to increase its recurrent expenditures but has had difficulty in maintaining commitment for capital expenditures. In 2013, the amount that was available for capital improvement decreased from \$2.64 billion to \$2.12 billion.

The government has been undertaking policy reforms to address the following key binding constraints within the secondary education sector: (i) low quality of secondary education and relevance to the workplace; (ii) inequality of access of disadvantaged groups to secondary education; and (iii) weaknesses in sector management and governance of secondary education.

Poor quality and relevance. As the economy becomes more modernized and industrialized the challenge for secondary education is to produce graduates and school leavers who are technically skilled with the capacity to critically analyze and solve problems based on scientific knowledge and logic. The current secondary education curriculum does not equip students with the knowledge and skills needed for future careers, has little relevance, and the quality of secondary education is one of the key constraints for the development of a skilled labor force. The instructional method in Viet Nam is still didactic and discourages creativity. The country recognizes the value of student-centered teaching methods, but only selected schools have introduced it. The government promotes science and technology as a key strategy for industrialization, but only 22% of university students majored in natural sciences in the 2014/2015 school year which is far fewer than students studying humanities and social sciences (about 37%).

One of the strategies that government is using to bring about fundamental and comprehensive reforms is to further refine and develop model resource secondary schools. The

model is intended to fundamentally change teacher behaviors so students will acquire the desired competencies of the new curriculum. The government through the Ministry of Education and Training (MOET) has implemented policy measures to develop models for secondary schools affecting school administration, teaching, learning, and community involvement. A second strategy the government has adopted is to improve the quality of teachers and school managers through the revision of professional standards and the revamping of the process (evaluation tools, monitoring system, professional development planning, and reporting) for teacher and principal assessment. The third initiative involves the government adopting policy measures to improve the number of students with competencies in science and technology by implementing a model for science, technology, engineering and mathematics. The new models of specialized secondary schools will focus on an integrated curriculum that highlights the practical application of science, mathematics, and technology. The final policy reform to address this constraint is the introduction of a tailor-made school-based vocational knowledge and cognitive skills program to help students understand potential career options and help them make decisions about educational options to pursue in the future.

Inequality of Quality and Access to Educational Opportunities. The government has continued efforts to increase access and retain in-school students from vulnerable groups including the ethnic minorities, rural poor, domestic migrants, physically disabled, and females. Rapid urbanization and the influx of immigrants from rural areas in recent years has challenged the socio-economic development in urban areas. The government has introduced means to increase access for domestic disadvantaged migrant youth to lower secondary education to increase the number of youths enrolled. Also the educational opportunity for disabled youth is still very limited. The government has introduced a program to encourage children with disabilities who have completed primary education to continue to enroll in LSE.

Weaknesses in Sector Management and Governance. While the government is responsible for determining national policies and programs, local autonomy for management decisions has been a long-standing feature of Viet Nam's political landscape. This has resulted in significant differences in outcomes and performance across local governments, where there are critical gaps in access and quality of service. To address this issue, the government intends to improve the effectiveness and efficiency of education management by increasing decentralization through an improved financial allocation model and by increasing school-based decision-making where principals and teachers exercise their professional judgment about resource allocations and instructional practices. The government has adopted measures to improve the effectiveness and efficiency of education management through an evaluation of the mobilization and utilization of financial resources that identifies results as well as weaknesses in financial management. The second part of efforts to improve governance involves accountability. Viet Nam's educational system needs an accountability framework involving the annual collection, analysis, planning and reporting on a number of different elements nationally and for each province and school. The country has recently made a significant start on developing outcome measures of student performance at the national level by developing the National Achievement Monitoring at grade 9 and 11 and internationally by participating in Programme of International Student Assessment. The government has introduced policy to revise the assessment system of learning and teaching outcomes, and accreditation of educational institutions' quality by applying international practices into Viet Nam's education system.

To support these reforms, Government has requested ADB for a policy-based loan (PBL) of \$50 million and a project loan of \$50 million for SESDP II. The loan size is based on Viet Nam's financial needs, the development impact of the policy reform package, and

development spending arising from the implementation of various reforms. In 2016, the government plans to borrow Vietnamese Dong (D) 452 trillion (\$20.2 billion) to cover a budget deficit of 5.0% of GDP with an estimated D110 trillion (\$4.9 billion), to be mobilized from official development assistance (ODA) to fill the financing gap. The proceeds of the policy-based loan will help implement the reform actions nationwide.

We look forward to continuing development of our education sector. Viet Nam is at a critical juncture. We need to sustain our development progress so that we could move to a higher income status and continue to reduce poverty. We recognize that middle-income emerging market economies, such as ours, are most vulnerable to financial crises and instability. Hence, continuing secondary education sector reform will be essential to Viet Nam's evolution into a more productive, innovative, and mature market-based economy.

We appreciate ADB's commitment to working with us over the medium term to further improve the quality and relevance of secondary education, increase the equity of access for disadvantaged adolescents, and strengthen school management capacity. We request ADB's favorable consideration of our proposed one hundred-million-dollar sector development program. We also wish to provide our assurance that Government will follow up on these reforms.

Let me thank you for ADB's continuing support to Viet Nam's education sector. We hope that the Second Secondary Education Sector Development Program will be favorably considered by the ADB Board at an early date.

Sincerely yours,



Dr. Nguyen Vinh Hien
Vice Minister
Ministry of Education and Training

POLICY MATRIX

Outputs	SESDP II Accomplishments from July 2014 to June 2016	Medium-term direction and expected results 2014 to 2023
Output 1. Quality and relevance of secondary education improved		
1.1: The quality of secondary learning improved through the development of model resource secondary schools.	<p>The Government of Viet Nam (through the Ministry of Education and Training) develops the model resource secondary schools, which serve as the platform for implementing the student-centered teaching methods and active learning. Accomplishments included:</p> <ol style="list-style-type: none"> 1. MOET has initiated the preparation and nationwide implementation of Viet Nam model resource secondary schools. The concept, selection criteria, and the initial budget request for model resource secondary schools have been developed. 2. MOET has issued guidance on the student assessment based on the model resource secondary schools, which is multi-aspect evaluation of the quality of learning through competency based assessments in the classroom and on evaluations. 	<ul style="list-style-type: none"> • Teachers are able to successfully use the model resource school methodology in a gender responsive manner.¹ • Students in model resource secondary schools have higher achievement on the National Achievement Monitoring (NAM) than schools not on model resource secondary schools (sex-disaggregated data collected) • Support to the model resource secondary schools sustained.
1.2: The sustainable provision of high quality secondary teachers ensured.	<p>The government improves the quality of secondary school teachers by revising professional teacher standards and strengthening the process of teacher quality monitoring and development. Accomplishments included:</p> <ol style="list-style-type: none"> 3. MOET has developed and approved revised professional standards for secondary teachers which are gender responsive. 4. MOET has developed a training program on the usage of the revised professional standards for provincial/district education offices (provincial Department of Education and Training [DOET] and district Bureau of Education and Training [BOET]) and school management. 5. MOET has developed the new pre-service teacher training (PRESETT), in-service teacher training (INSETT) to meet requirements under the revised professional standards. 	<ul style="list-style-type: none"> • Teacher assessments are conducted based on the revised nationwide system of assessment which is applied in a gender responsive manner. • The assessments of teachers are judged to be valid and reliable by the Department of Teachers and Education Managers.
1.3: The quality of science and	The government improves the quality of Science, Technology, Engineering and Mathematics (STEM) education by establishing the new	<ul style="list-style-type: none"> • The government has ramped up nationwide implementation of the

¹ Examples of a gender responsive approach are: (i) equal numbers of females/males attend training, (ii) equal numbers of females/males are appointed as lead trainers, (iii) training is held at times and places that suit males and females, (iv) separate latrines for females and males are provided at all training venues, (v) language and images in all training materials are gender neutral and free of stereotyping, and (vi) females as well as males have opportunities to respond in question and answer sessions.

Outputs	SESDP II Accomplishments from July 2014 to June 2016	Medium-term direction and expected results 2014 to 2023
technology education in secondary schools enhanced.	STEM school model at upper secondary education level, where STEM teaching methods are developed, implemented, and gradually expanded nationwide. Accomplishments included: 6. MOET has developed the guidelines for the implementation of an integrated education model for Science, Technology, Engineering and Mathematics (STEM) for USE. 7. MOET has developed the selection criteria and an initial list of candidate STEM schools.	STEM school model. <ul style="list-style-type: none"> • Teachers are able to successfully use the new STEM teaching method in a gender responsive manner. • Students in STEM model schools have higher achievement on NAM than non-STEM model schools. • Gender gaps in STEM enrollments are narrowed.
1.4: Vocational awareness and career planning for secondary students enhanced.	The government has introduced a tailor-made, school-based vocational knowledge and cognitive skills program to help secondary school students understand potential career options available in provincial labor markets and help them make decisions about courses or programs to enroll in for USE and postsecondary. Accomplishments included: 8. MOET has developed guidance on the new Vocational Knowledge and Cognitive Skills Development Program. 9. MOET has developed the draft list of the pilot schools for the new Vocational Knowledge and Cognitive Skills Development Program.	<ul style="list-style-type: none"> • Students have access to market-related vocational and career orientation, which will contribute to the improvement of the youth employment rate (50% participation by females). • Vocational and career guidance is provided to go beyond social and gender stereotypes.
Output 2. Equity of access to secondary education enhanced		
2.1: The access of disadvantaged domestic migrants to lower secondary education enhanced.	The government increases access for domestic disadvantaged migrant youths to lower secondary education through financial, academic, and mentoring supports and improved access to schooling. Accomplishments included: 10. MOET has issued the direction on national universalization and illiteracy eradication. 11. MOET has developed a new regulation on school fee collection and management mechanism for public schools and issued a regulation on school fee reduction, exemption, and support from SY2015/2016 to SY2020/21.	<ul style="list-style-type: none"> • A nationwide survey of the demand and supply barriers to enrolling and staying in schools for disadvantaged domestic migrant youths is conducted and an action plan is developed (sex-disaggregated data is collected to glean issues/ barriers for males and females). • The government will undertake further support programs for disadvantaged domestic migrant youths to obtain an education (with specific strategies for females and males needs and interests).

Outputs	SESDP II Accomplishments from July 2014 to June 2016	Medium-term direction and expected results 2014 to 2023
2.2: Equity of access to lower secondary education for youth with disability improved.	<p>The government increases the access for children with disabilities who have completed primary education to the lower secondary education system and improves their employability skills by strengthening the education of students with special needs, including through better training of special education teachers and upgraded instructional materials. Accomplishments included:</p> <p>12. MOET has developed a new guiding note to promote more equitable access for youth with disabilities.</p> <p>13. MOET has developed and approved the initiative to reinforce and develop a network of education support institutions for disabled students.</p>	<ul style="list-style-type: none"> • The government makes materials for hearing and visually impaired youth available nationally. • More youth with a disability receive an education (sex-disaggregated data or target for females). • The government undertakes further programs to encourage youth with a disability to obtain an education (specific programs on males and females based on needs and interests).
Output 3. Educational governance and management strengthened		
3.1: Capacity in mobilization of financial resources for secondary education to meet requirement of decentralized education management strengthened	<p>The government promotes the decentralization of secondary schooling through site-based decision-making and increases autonomy for budget allocation. Accomplishments included:</p> <p>14. MOET has initiated the process of decentralization of public education and training institutions and assigned the functions, tasks, and structures of local education offices including DOET.</p> <p>15. MOET has developed the regulation on the mobilization and utilization of financial resources that are managed by local governments.</p> <p>16. The government has developed the new policy to promote the autonomy of public institutions including schools.</p>	<ul style="list-style-type: none"> • School principals are assessed by the revised professional standards for education managers. • Public expenditures and budget reviews for secondary education subsector conducted. • School management receives planning and management training to implement more effective education resource allocation within the school.
3.2: Accountability of secondary education quality strengthened	<p>The government strengthens the accountability mechanism in secondary schools through the implementation of school accreditation and assessment of school-based learning outcomes by applying international standards. Accomplishments included:</p> <p>17. MOET has registered and started preparation for the participation in TALIS 2018.</p> <p>18. MOET has developed guidance on strengthening educational institutions through external assessments of student learning and on the implementation of examination and education quality</p>	<ul style="list-style-type: none"> • More personnel can conduct the accreditation of secondary schools and more schools are externally evaluated. • The results of the PISA 2018/2021, NAM, and TALIS2018 are provided to school managers to help facilitate school-based decisions to improve both the quality of schools and teaching and learning.

Outputs	SESDP II Accomplishments from July 2014 to June 2016	Medium-term direction and expected results 2014 to 2023
	<p>accreditation for SY2015/2016.</p> <p>19. MOET has issued guidance on improving the quality of secondary schools through secondary school accreditation, including the establishment of individual education quality inspection centers and building regulations to organize the accreditation of educational institutions.</p> <p>20. MOET has issued guidelines on the implementation of accreditation activities to improve the education quality of pre-school, general education, and CEC institutions.</p>	<ul style="list-style-type: none"> • The data from PISA 2018, PISA 2021, and TALIS is provided to leaders in MOET in a form that will facilitate decision making on policy reforms. • The data from grade 9 and 11 NAM is provided to MOET, DOETs, BOETs, and schools in a form that will facilitate adjustments to the teaching and learning at the school level.

Note: In Vietnam, the official policies and regulations promulgated by the government and the ministries are classified as follow: (i) “Decrees”/ “Resolutions” promulgated by the government; (ii) “Circulars”/ “Joint Circulars” contain the highest level of policies that can be promulgated by line ministers; (iii) “Decisions” promulgated by the Prime Minister or the ministers for occasional events; and (iv) “Official Letters” issued by the government or ministry.

BOET = Bureau of Education and Training; CEC = Continuing Education Centers; DOET = Department of Education and Training; DPF = Department of Planning and Finance; LSE = lower secondary education; LLS = lower secondary schools; MOET = Ministry of Education and Training; NAM = National Achievement Monitoring; PISA = Programme of International Student Assessment; STEM = science, technology, engineering, and mathematics; SY = school year; TALIS = Teaching and Learning International Survey; USE = upper secondary education; USS = upper secondary schools.