

CONFORMED COPY

CREDIT NUMBER 2828 MLI

Development Credit Agreement

(Vocational Education and Training Consolidation Project)

between

REPUBLIC OF MALI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 26, 1996

CREDIT NO 2828 MLI

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 26, between REPUBLIC OF MALI (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) the Association has received a letter, dated February 12, 1996 (the Policy Letter) from the Borrower describing a program of actions, objectives, and policies designed to strengthen the Borrower's vocational education and training system (the Program), and declaring the Borrower's commitment to the execution of the Program; and

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications set forth below (the

General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

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

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

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

(a) "Beneficiary" means an individual, or a group of individuals, to whom, or for whose benefit, a grant is made, or proposed to be made, under Part A.1 of the Project;

(b) "CFAF" means the currency of the Borrower;

(c) "VTSF" or "Vocational Training Support Fund" means the fund to be established pursuant to Section 7.01 (c) of this Agreement;

(d) "Financing Agreement" means an agreement to be entered into between VTSF and a Beneficiary, or Sponsor (as hereinafter defined), for the purposes of carrying out a Subproject;

(e) "Grant" means a grant made or proposed to be made by VTSF to finance a Subproject;

(f) "Sponsor" means a private or public entity such as a training institute, a community organization or a non-governmental organization responsible for the implementation of a Subproject for, or on behalf of, a Beneficiary;

(g) "VTSF Operational Manual" means the manual to be adopted pursuant to Section 7.01(c) of this Agreement;

(h) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated January 26, 1996 and January 29, 1996 between the Borrower and the Association;

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

(j) "Subproject" means a specific skills upgrading project financed, or proposed to be financed, under Part A.1 of the Project;

(k) "Subsidiary Grant Agreement" means the agreement between the Borrower and VTSF referred to in Section 3.01 (c) of this Agreement, as the same shall be amended from time to time;

(l) "MESSRS" means the Borrower's Ministry of Secondary and Higher Education, and Scientific Research;

(m) "ONMOE" means the Borrower's Office National de la Main d'Oeuvre et de l'Emploi;

(n) "DNETP" means the Borrower's Direction Nationale de l'Enseignement Technique et Professionnel;

(o) "Project Implementation Plan" means the plan to be adopted pursuant to Section 7.01 (b) of this Agreement describing procedures and timetables for the coordination and implementation of the Project;

(p) "VET" means Vocational Education and Training; Employeurs instituted under Ordonnance No. 1/PG-RM on February 7, 1961; and

(o) "CCC/FPI-OEF" means the Borrower's Cellule de Coordination des Composantes Formation Professionnelle Initiale/Observatoire de l'Emploi et de la Formation.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to nine million Special Drawing Rights (SDR 9,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

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

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be December 31, 2001, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

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

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

Section 2.05. The Borrower shall pay to the Association a service

charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

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

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing July 15, 2006 and ending January 15, 2036. Each installment to and including the installment payable on January 15, 2016 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years, and (ii) the Association shall consider the Borrower creditworthy for Association lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

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

Section 2.08. The currency of the French Republic is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end:

- (i) shall cause VTSF to carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, technical and environmental practices, shall take, or cause to be taken, all action, including the provision of funds, facilities, services and other resources necessary, or appropriate, to enable VTSF to carry out Part A of the Project, and shall not take, or permit to be taken, any action which would prevent, or interfere with, the carrying out of Part A of the Project by VTSF; and
- (ii) shall carry out Parts B and C of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for Parts B and C of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall cause VTSF to carry out Part A of the

Project, and shall carry out Parts B and C, all in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) The Borrower shall make the proceeds of the Credit allocated from time to time to Categories (2), (3) (a), (4) (a), and (5) of the table in paragraph 1 of Schedule 1 to this Agreement for Part A of the Project available to VTSF, on a grant basis, under a Subsidiary Grant Agreement to be entered into between the Borrower and VTSF, under terms and conditions which shall have been approved by the Association.

(d) The Borrower shall exercise its rights under the Subsidiary Grant Agreement in such a manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit and, except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any provision thereof.

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

Section 3.03. For the purposes of Section 9.07 of the General Conditions, and without limitation thereto, the Borrower shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain, in respect of Parts B and C of the Project, and cause VTSF to maintain, in respect of Part A of the Project, records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of Parts B and C of the Project, and Part A of the Project, respectively.

(b) The Borrower shall, and shall cause VTSF, to:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six (6) months after the end of each such year, a certified copy of the report of such audit and management letter, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

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

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

reflecting such expenditures;

- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Accounts was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records;
and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Other Covenants

Section 5.01. The Borrower shall cause VTSF:

(a) to take out and maintain with responsible insurers, or to make other provisions satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice;

(b) to carry on its operations and conduct its affairs in accordance with sound administrative and financial practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers; and

(c) at all times to operate and to maintain its facilities, equipment and other property, and from to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with sound technical and financial practices.

ARTICLE VI

Remedies of the Association

Section 6.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out;

(b) The Borrower's instrument establishing VTSF shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of VTSF to perform any of its obligations under the Subsidiary Grant Agreement;

(c) As a result of events which have occurred after the date of this Agreement, a situation shall have arisen which shall make it improbable that VTSF will be able to carry out Part A of the Project; and

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of VTSF or the suspension of its operations.

Section 6.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified, namely that any event specified in paragraphs (b) and (d) of Section 7.01 of this Agreement shall occur.

ARTICLE VII

Effective Date; Termination

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the Subsidiary Grant Agreement has been duly executed by the Borrower and VTSF;
- (b) the Borrower has adopted the Project Implementation Plan;
- (c) VTSF has been duly established with an organization, terms of reference, and staffing acceptable to the Association, and the VTSF Operational Manual has been adopted;
- (d) the Borrower has furnished to the Association evidence, satisfactory to the Association, that staff referred to in paragraph 8 of Schedule 4 to this Agreement have been transferred to the ETO;
- (e) the auditors referred to in Section 4.01 (b) (i) of this Agreement have been selected under terms and conditions acceptable to the Association;
- (f) the Borrower has furnished to the Association evidence that accounting systems for the implementation of the Project, satisfactory to the Association, has been established;
- (g) the Borrower has submitted to the Association evidence satisfactory to the Association showing that ONMOE had made the necessary allocation in its 1996 budget in the amount of the CFAF 95 million to be transferred to ETO under paragraph 10 of Schedule 4 to this Agreement;
- (h) the Borrower has adopted a work program under the Project, including performance indicators, acceptable to the Association, for the first twelve months period after the Effective Date;
- (i) the texts referred to in paragraph 6 of Schedule 4 have been adopted;
- (j) the staff referred to in paragraph 4 of Schedule 4 have been recruited in accordance with the provisions of Section II of Schedule 3 to this Agreement; and
- (k) the Borrower has furnished to the Association evidence satisfactory to the Association that the VTSF has been provided with sufficient office space for its operations.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely that the Subsidiary Grant Agreement has been duly authorized or ratified by the Borrower and VTSF and is legally binding upon the Borrower and VTSF in accordance with its terms.

Section 7.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representatives of the Borrower; Addresses

Section 8.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministere des Finances
et du Commerce
Bamako
Mali

Telex:
2559

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF MALI

By /s/ Cheick Oumar Diarra
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Edward V.K. Jaycox
Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in in SDR Equivalent)	% of Expenditures to be Financed
(1) Works	700,000	85% of local expenditures
(2) Goods, Consultants' Services and Training for Subprojects under	2,400,000	100% of foreign expenditures and 45% of local

	Part A of the Project		expenditures
(3)	Equipment, Vehicles, Furniture and Materials		100% of foreign expenditures and 85% of local expenditures
	(a) under Part A of the Project	150,000	
	(b) under Parts B and C of the Project	1,600,000	
(4)	Technical Assistance, Training and Consultants' Services		100%
	(a) under Part A of the Project	1,600,000	
	(b) under Parts B and C of the Project	1,300,000	
(5)	Operating Costs under Part A of the Project	100,000	85%
(6)	Project Preparation Advance	250,000	100%
(6)	Unallocated	900,000	Amount due pursuant to Section 2.02 (c) of this Agreement
	TOTAL	<u>9,000,000</u> =====	

2. For the purposes of this Schedule:

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

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; provided, however, that if the currency of the Borrower is also that of another country from the territory of which the goods and services are supplied, expenditures in such currency for such goods or services shall be deemed to be "foreign expenditures"; and

(c) the term "operating costs" means incremental Project related costs on account of vehicle and equipment operations and maintenance, communications (phone, fax, mail), office supplies acquisition, office rent and utilities payment, and local staff salaries and allowances (excluding civil servants).

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) payments for expenditures under Category (1), until the Borrower has furnished to the Association evidence satisfactory to the Association that all necessary authorizations for works to be carried out under Parts A.4, B (b), and C (a) of the Project have been obtained; and (c) payments for expenditures under Category (2), until the Association has received evidence, satisfactory to the Association, that all necessary legislative and regulatory texts, acceptable to the Association, relating to the financing by employers of VTSF activities have been adopted.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures: (a) for works under contracts not exceeding \$250,000 equivalent; (b) for

goods, under contracts not exceeding \$100,000 equivalent; and (c) for services: (i) for firms under contracts not exceeding \$100,000, and (ii) for individuals under contracts not exceeding \$50,000 equivalent, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve the quality and capacity of the Borrower's vocational education and training services by increasing their responsiveness to private sector employers needs.

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

Part A: Vocational Training Support Fund

1. Promotion, appraisal, supervision, and evaluation of skills-upgrading projects, submitted by individuals and private sector organizations; and provision of Grants to finance such projects.
2. Development of skills-upgrading capacity of the private sector through training of trainers and acquisition of equipment and materials.
3. Development of a national apprenticeship certification system, including implementation of apprenticeship training programs, through provision of technical assistance and training, carrying out of workshops, and publishing and promotion of standards for the assessment of workers' skills.
4. Carrying out of civil works to rehabilitate the offices of VTSP.

Part B: Pre-service VET

Improving of quality, supply, and efficiency of the Borrower's pre-service VET services through:

(a) acquisition of equipment, didactic materials, training and technical assistance to: (i) improve quality of instruction, and (ii) strengthen operational and managerial capacities of DNETP and schools' directors and training supervisors; and

(b) carrying out of civil works to upgrade selected training facilities.

Part C: Employment and Training Observatory

Establishment and operation of an employment and training observatory to strengthen the Borrower's capacity to monitor, analyze, and disseminate labor market information, including: (a) rehabilitation of buildings and facilities; (b) provision of training and technical advisory services, and acquisition of equipment and periodicals publications, reference materials, and furniture; and (c) carrying out of labor market and training surveys.

* * *

The Project is expected to be completed by December 31, 2001.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and Works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD

Loans and IDA Credits" published by the Association in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods

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

Part C: Other Procurement Procedures

1. National Competitive Bidding

Equipment and furniture estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$220,000 equivalent, and works estimated to cost less than \$250,000, up to an aggregate amount not to exceed \$1,500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping, or Procurement from UN Agencies

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent may be procured either: (a) under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines, or (b) from IAPSO in accordance with the provisions of paragraph 3.9 of the Guidelines.

3. National Shopping

Goods estimated to cost less than \$40,000 equivalent per contract, up to an aggregate amount not to exceed \$200,000 equivalent may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

With respect to each contract for works estimated to cost the equivalent of \$250,000 or more, and each contract for goods estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank on Borrowers and by the World Bank as Executing Agency" published by the Association in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Association, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Association, other standard forms acceptable to the Association shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each, or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each.

However, said exceptions to prior Association review shall not apply to: (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

A. Overall Project Implementation

1. The Borrower shall cause VTSF to implement Part A of the Project, and shall implement Parts B and C of the Project, through CCC/FPI-OEF of MESSRS, all in accordance with the Project Implementation Plan.

2. Except as the Association shall otherwise agree, for the purposes of Part A.1 of the Project, the Borrower shall: (i) cause VTSF to apply the criteria, policies, procedures and guidelines set out in the VTSF Operational Manual, and in the Project Implementation Plan; and (ii) not permit to be amended or abrogated, the VTSF Operational Manual, the Project Implementation Plan, or any provision thereof, in a manner which, in the opinion of the Association, may materially and adversely affect the implementation of Part A.1 of the Project.

3. The Borrower shall ensure that the positions of head of CCC/FPI-OEF, and the Manager of VTSF shall, at all times during the execution of the Project, be filled by persons having qualifications and experience satisfactory to the Association.

4. Without limitation upon the provisions of Section 5.01 (b) of this Agreement: (a) the staff of CCC/FPI-OEF shall at all times include a procurement specialist, and financial specialist acceptable to the Association; and (b) the staff of VTSF shall at all times include a procurement specialist, a financial specialist, three vocational training specialists, and a communication specialist, all with qualifications and experience satisfactory to the Association.

5. The Borrower shall: (a) by the beginning of the 1995/1996 academic year: (i) not enroll new students in its Brevet de Technicien-level training programs in customs, finance and workers' rights, and (ii)

reduce the enrollment in its training streams in geometry and industrial chemistry to fifty percent of its current level;

(b) at all times during the implementation of the Project, limit the enrollment in its VET institutions to a level compatible with the capacities of such institutions' practical training facilities, as determined on the basis, inter alia, of the number of functional work stations for each training program.

6. The Borrower shall adopt a Decret and an Arrete, acceptable to the Association, to reorganize its technical education and vocational training establishments operated by DNETP, to strengthen their management and resource generation capacities.

7. The Borrower shall employ specialized private sector operators, in accordance with Section II of Schedule 3 to this Agreement, for the preparation of technical specifications, the evaluation of bids and the supervision of all works to be carried out under the Project.

8. The Borrower shall transfer to the ETO a statisticien, a training specialist, a computer specialist, a communications specialist, a micro-economist and a macro-economist, all with qualifications and experience acceptable to the Association.

9. By the end of each quarter during the implementation of the Project, commencing December 31, 1996, the Borrower shall transfer to VTSF the revenues collected from the employers' contribution to the financing of VTSF activities referred to in paragraph 3 (b) of Schedule 1 to this Agreement.

10. By May 31 of each year, commencing May 31, 1996, cause ONMOE to: (i) transfer to ETO, for its operations, not less than CFAF 95 million out of the revenues generated by the Employment Services Tax, and (ii) furnish to the Association reports, in such details as the Association shall reasonably request, on its activities and financial situation.

11. The Borrower shall:

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

(b) furnish to the Association for its review and comments quarterly progress reports on the status of the Project, including regular beneficiary assessment and beneficiary feedback reports and Subprojects completion reports;

(c) not later than November 1 of each year, commencing on November 1, 1997, undertake, in conjunction with the Association and VTSF, a joint annual review on all matters relating to the progress of the Project and, in particular, the progress achieved by the Borrower and VTSF during the current fiscal year, having regard to the monitoring indicators referred to in subparagraph (a) of this paragraph;

(d) not later than one month prior to each annual review, furnish to the Association: (i) for its approval, a proposed annual work program, including a proposed budget and financing plan, for the forthcoming fiscal year, and (ii) for its review, a report in such detail as the Association shall reasonably request, on the progress of the Project during the current year;

(e) following each annual review, act promptly and diligently in order to take, or assist VTSF in taking, any corrective action deemed necessary to remedy any shortcoming identified in the implementation of the Project, or to implement, or assist VTSF in implementing, such measures as may have been agreed upon between the parties in furtherance of the objectives of the Project; and

(f) promptly after the Effective Date, take all measures

necessary on its part to organize, in conjunction with the Association and VTSF, a workshop for the launching of the Project implementation which shall cover, inter alia, disbursement and procurement procedures and detailed timetables for the implementation of the Project.

12. Midterm Review

(a) Not later than December 31, 1998, the Borrower shall carry out jointly with the Association and VTSF a midterm review of the progress made in carrying out the Project under terms of reference agreed with the Association.

(b) The Borrower shall, at least four weeks prior to the Midterm Review, furnish to the Association a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

(c) The Borrower shall, not later than four weeks after the Midterm Review, prepare an action program, acceptable to the Association, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

B. Part A of the Project

13. Eligibility Criteria for Subprojects

Without limitation upon the provisions of paragraph 2 above, no Subproject shall be eligible for financing out of the proceeds of the Credit unless VTSF has determined that the Subproject satisfies eligibility criteria acceptable to the Association, including those specified in the VTSF Operational Manual.

14. Terms and Conditions of Grants made for Subprojects

Subprojects shall be carried out pursuant to Financing Agreements, to be concluded between VTSF and the Sponsor or the Beneficiary, as the case may be, under terms and conditions satisfactory to the Association, which, inter alia, shall include the following:

(a) the obligation to carry out the Subproject in accordance with the VTSF Operational Manual, with due diligence and efficiency and in accordance with sound pedagogical, financial and managerial standards and to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures in respect of the Subproject;

(b) the requirement that: (i) the goods, and services to be financed out of the proceeds of the Grant shall be procured in accordance with the procedures set forth in Schedule 3 to this Agreement; and (ii) such goods, and services shall be used exclusively in the carrying out of the Subproject;

(c) the right of VTSF to inspect, by itself, or jointly with the Association, if the Association shall so request, the goods included in the Subproject, the operations thereof and any relevant records and documents;

(d) the right of VTSF to obtain all information as VTSF or the Association shall reasonably request regarding the administration, operations and financial conditions of the Subproject; and

(e) the right of VTSF to suspend or terminate the right of the Sponsor to use the proceeds of the Credit for the Subproject upon failure by the Sponsor, or the Beneficiary, to perform any of its obligations under its Financing Agreement.

15. The Borrower shall cause VTSF to submit to the Association, for its review or approval, as the case may be:

(a) not later than September 30 of each year commencing September 30, 1996, a proposed annual work program, including a

proposed budget and financing plan, for the forthcoming fiscal year; and

(b) quarterly and annual progress reports on the status of Part A of the Project, including regular beneficiary assessment and beneficiary feedback reports and Subprojects completion reports.

SCHEDULE 5

Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) (a), (2), (3) (a), (4) (a), and (5) with respect to Special Account A, and Categories (1) (b), (3) (b), and (4) (b), with respect to Special Account B, set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to CFAF 375,000,000 in respect of the Special Account for Part A of the Project (Special Account A) and an amount equivalent to CFAF 375,000,000 in respect of the Special Account for Parts B, and C thereof (Special Account B), to be withdrawn from the Credit Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to CFAF 200,000,000 in respect of Special Account A and an amount equivalent to CFAF 200,000,000 in respect of Special Account B, until: (i) the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) (a), (2), (3) (a), (4) (a), and (5) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Part A of the Project shall be equal to or exceed the equivalent of SDR 1,500,000, and (ii) in respect of Special Account B, the aggregate amount of withdrawals from the Credit Account allocated to Categories (1) (b), (3) (b), and (4) (b) plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions for Parts B and C of the Project shall be equal to or exceed the equivalent of SDR 1,500,000.

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

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

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

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

(ii) Prior to, or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to

paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the respective Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the respective Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

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

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

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

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

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

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

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

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

