

CONFORMED COPY

LOAN NUMBER 4091 MOR

Loan Agreement

(Third Private Sector Development Project)  
(In-Service Training)

between

KINGDOM OF MOROCCO

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated September 27, 1996

LOAN NUMBER 4091 MOR

LOAN AGREEMENT

AGREEMENT, dated September 27, 1996, between the KINGDOM OF MOROCCO (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan 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 Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (the General Conditions) constitute an integral part of this Agreement.

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 any Enterprise (as hereinafter defined) to which the Borrower, through COD (as hereinafter defined) and a GIAC (as hereinafter defined), or CCCSF (as hereinafter defined) or a CRCSF (as hereinafter defined), acting as the Borrower's agents, proposes to make, or has made, a Sub-project Financing (as hereinafter defined);

(b) "COD" means Comit d'Orientation de la Demande, the Demand Orientation Committee, established within MVT (as hereinafter defined) pursuant to the Decision No. 466/96 of the Minister of Vocational Training dated June 14, 1996, responsible for the utilization of the resources under the FIAC (as hereinafter defined), and whose membership consists of representatives of MVT (as hereinafter defined), MOFEI (as hereinafter defined), MOCIA (as hereinafter defined) and the private sector, as well as the Presidents of the existing GIACs (as hereinafter defined);

(c) "CSF" means the Borrower's system of Contrats Spciaux de Formation managed by CCCSF (as hereinafter defined), the purpose of which is to conclude contracts aimed, particularly, at reimbursing Enterprises (as hereinafter defined) for their in-service training costs, and established pursuant to the Borrower's Decree No. 2.73.633.22 dated May 22, 1974, regarding the creation of the professional training tax and the conditions for the conclusion of CSF, as the same may be amended from time to time;

(d) "CSF Procedures Manual" means the Borrower's manual dated May 17, 1996, agreed upon with the Bank, setting forth the modalities for the reimbursement of the CSF and the terms, conditions and procedures pursuant to which the Borrower shall carry out Part B of the Project, as the same may be amended from time to time in agreement with the Bank;

(e) "CCCSF" means Comit Central des Contrats Spciaux de Formation, the Central Committee of CSF established pursuant to OFPPT's (as hereinafter defined) Board decision dated January 4, 1996, and whose membership consists of representatives of MVT (as hereinafter defined), MOFEI (as hereinafter defined), MOCIA (as hereinafter defined), and representatives of employers and labour;

(f) "CRCSF" means a Comit Rgional des Contrats Spciaux de Formation, a Regional Committee of CSF referred to in Section 1.4 of the CSF Procedures Manual;

(g) "Dirham" means the lawful currency of the Borrower;

(h) "Dollar Loan Tranche" means the amount specified in Section 2.01 (a) of this Agreement;

(i) "Enterprise" means a physical or juridical person subject to the professional training tax established pursuant to the provisions of the Borrower's Decree No. 2.73.633.22 dated May 22, 1974, regarding the creation of the professional training tax and the conditions for the conclusion of CSF, as the same may be amended from time to time;

(j) "FIAC" means Fonds Interprofessionel d'Aide au Conseil, the Borrower's Interprofessional Scheme for Assistance and Counseling, and refers to the mechanism aimed at financing the measures advising Enterprises on identification and demand of Enterprises' competency needs, to be carried out by the COD and a GIAC under Part A.1 of the Project in accordance with the provisions of the FIAC Procedures Manual (as hereinafter defined);

(k) "FIAC Procedures Manual" means the Decision No. 466/96 of the Minister of Vocational Training dated June 14, 1996, agreed upon with the Bank, which sets out the terms, conditions and procedures pursuant to which the Borrower shall carry out Part A.1 of the Project, as the same may be amended from time to time in agreement with the Bank;

(l) "Fiscal Year" means the twelve month period starting July 1 and ending June 30 of the following calendar year;

(m) "French Franc" and "FRF" means each the lawful currency of the Republic of France;

(n) "French Franc Loan Tranche" means the amount specified in Section 2.01 (b) of this Agreement;

(o) "GIAC" means Groupement Interprofessionnel d'Aide au Conseil, an Interprofessional Assistance and Counseling Association established or to be established for the purposes of Part A of the Project in accordance with the provisions of the Borrower's Law (Dahir) No. 1378 dated November 15, 1958 and Article 4 of the FIAC Procedures Manual, and which has been approved by the Bank to be included under the Project;

(p) "Loan Tranche" means either the Dollar Loan Tranche or the French Franc Loan Tranche;

(q) "MOCIA" means the Borrower's Ministry responsible for Commerce and Industry;

(r) "MOFEI" means the Borrower's Ministry responsible for Finance;

(s) "MVT" means the Borrower's Ministry responsible for Vocational Training;

(t) "OFPPPT" means Office de la Formation Professionnelle et de la Promotion du Travail, the Borrower's Office of Vocational Training and Employment Promotion, a public institution established under the Borrower's Law (Dahir) No. 1-72-183 dated May 21, 1974, as the same may be amended from time to time;

(u) "Special Accounts" means the accounts referred to in Section 2.02 (b) of this Agreement;

(v) "Sub-project" means a specific activity consisting of: (i) the carrying out of a competency needs assessment under Part A.1 of the Project; or (ii) the carrying out of in-service training or the development of training plans under Part B of the Project;

(w) "Sub-project Financing" means a grant made, or proposed to be made, by the Borrower, through COD and a GIAC, acting as the Borrower's agents, for purposes of Part A.1 of the Project, or through CCCSF, acting as the Borrower's agent, for purposes of Part B of the Project, to a Beneficiary to carry out a Sub-project; and

(x) "Center of Excellence" means a training center referred to under Part C of the Project and Section D of Schedule 5 to this Agreement.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement:

(a) an amount equal to eleven million five hundred thousand Dollars (\$11,500,000); and

(b) an amount equal to sixty million three hundred thousand French Francs (FRF60,300,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower, directly or through COD and a GIAC, or CCCSF, as the case may be, on account of withdrawals made by a Beneficiary under a Sub-project Financing to meet the reasonable cost of services required for the Sub-project in respect of which the withdrawal of the Loan Account is requested; and (ii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts A.2, C and

D of the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of Parts A and D, and Parts B and C of the Project, respectively, open and maintain in Dirhams a separate special deposit account in its General Treasury on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, each respective Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

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

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of a Loan Tranche not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of: (i) the Dollar Loan Tranche withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread; and (ii) the French Franc Loan Tranche withdrawn and outstanding from time to time, at a rate for each Interest Period equal to PIBOR Base Rate plus PIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) "LIBOR Total Spread" means, for each Interest Period: (A) one half of one percent ( $1/2$  of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.
- (v) "PIBOR Base Rate" means, for each Interest Period, the Paris interbank offered rate for six-month deposits in French Francs for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (vi) "PIBOR Total Spread" means, for each Interest Period: (A) one half of one percent ( $1/2$  of 1%);

(B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the Paris interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of the LIBOR Base Rate, the LIBOR Total Spread, the PIBOR Base Rate and the PIBOR Total Spread for Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.06. Interest and other charges shall be payable May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of each Loan Tranche in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, technical and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank 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 Bank, a plan for the future operation of the Project; and

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

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be

maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

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

(c) For all expenditures with respect to which withdrawals from the Loan 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 Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that the FIAC Procedures Manual or the CSF Procedures Manual shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations of COD or a GIAC, or of CCCSF or a CRCSF, respectively, or its ability to carry out Part A.1 or Part B of the Project, respectively.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in Section 5.01 of this Agreement shall occur.

#### ARTICLE VI

Termination

Section 6.01. 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 VII

Representatives of the Borrower; Addresses

Section 7.01. The Minister of Finance and External Investments of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and External Investments  
Avenue Mohammed V  
Rabat  
Kingdom of Morocco

Cable address:                      Telex:  
MINISTERE FINANCES              36715 M

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:                      Telex:  
INTBAFRAD                          248423 (MCI) or  
Washington, D.C.                  64145 (MCI)

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

KINGDOM OF MOROCCO

By /s/ Mohamed Kabbaj

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Kemal Dervis

Regional Vice President  
Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of each

Loan Tranche to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	Amount of the Loan Allocated (Expressed in French francs)	% of Expenditures to be Financed
(1) Goods under Part C of the Project	1,950,000	10,200,000	100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(2) Consultants' services and training			
(a) under Part A.2 of the Project	50,000	300,000	100%
(b) under Part C of the Project	1,500,000	8,000,000	100%
(c) under Part D of the Project	250,000	1,400,000	100%
(3) Sub-project Financings:			
(a) under Part A.1 of the Project	1,500,000	8,000,000	70% of the total amount of each Sub-project
(b) under Part B (i) of the Project	2,500,000	13,000,000	35% of the total amount of each Sub-project paid in Fiscal Years 1996, 1997 and 1998
(c) under Part B (ii) of the Project	1,500,000	8,000,000	70% of the total amount of each Sub-project paid in Fiscal Years 1996, 1997 and 1998
(d) under Part B (iii) of the Project	750,000	4,000,000	80% of the total amount of each Sub-project paid in Fiscal Years 1996, 1997 and 1998
(4) Unallocated	1,500,000	7,400,000	
TOTAL	11,500,000 =====	60,300,000 =====	

2. For the purposes of this Schedule:

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



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

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$1,000,000, may be made on account of payments made for expenditures before that date but after July 1, 1996.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure under such terms and conditions as the Bank shall specify by notice to the Borrower for: (i) payments made under Sub-project Financings under Parts A.1 and B of the Project; (ii) expenditures under Part C of the Project for contracts for goods costing less than the equivalent of \$350,000 each; and (iii) expenditures under Parts A.2, C and D of the Project for contracts costing less than the equivalent of \$100,000 each for services of consulting firms and the equivalent of \$50,000 each for services of individual consultants.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower in upgrading the skills of the work force with a view to enhancing Enterprises' competitiveness.

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

#### Part A: Stimulating Demand for Training

1. Provision of Sub-project Financings under the FIAC for the carrying out of specific Sub-projects to assist Enterprises in the assessment of their competency needs.

2. Assistance, through the provision of goods and expert services, in developing the institutional capacity of GIACs to assist Enterprises in the identification of their competency needs.

#### Part B: Development and Carrying out of In-Service Training

Provision of Sub-project Financings for the carrying out of specific Sub-projects to assist Enterprises in: (i) the carrying out of in-service training activities; (ii) the development of training plans for Enterprises which do not benefit from a competency needs assessment; and (iii) the development of training plans on the basis of competency needs assessments.

#### Part C: Centers of Excellence

Development, through the provision of goods, training and expert services, of the in-service training capacity of about thirty-six (36) of OFPPT's existing training centers with a view to gradually transforming them into Centers of Excellence.

#### Part D: Institutional Strengthening

Strengthening of the policy formulation capacity of MVT through the development of a suitable long-term strategy for the development of the Borrower's vocational training system, the preparation of a draft law to govern in-service training, and the carrying out of surveys to measure the impact of training on Enterprises' competitiveness.

The Project is expected to be completed by June 30, 2001.

SCHEDULE 3

Amortization Schedule

Dollar Loan Tranche

Date Payment Due	Payment of Principal of the Dollar Loan Tranche (Expressed in Dollars)*
May 15, 2002	245,000
November 15, 2002	255,000
May 15, 2003	260,000
November 15, 2003	270,000
May 15, 2004	275,000
November 15, 2004	285,000
May 15, 2005	295,000
November 15, 2005	300,000
May 15, 2006	310,000
November 15, 2006	320,000
May 15, 2007	330,000
November 15, 2007	335,000
May 15, 2008	345,000
November 15, 2008	355,000
May 15, 2009	365,000
November 15, 2009	375,000
May 15, 2010	390,000
November 15, 2010	400,000
May 15, 2011	410,000
November 15, 2011	425,000
May 15, 2012	435,000
November 15, 2012	445,000
May 15, 2013	460,000
November 15, 2013	475,000
May 15, 2014	485,000
November 15, 2014	500,000
May 15, 2015	515,000
November 15, 2015	530,000
May 15, 2016	545,000
November 15, 2016	565,000

French Franc Loan Tranche  
Payment of Principal  
of the French Franc  
Loan Tranche  
(Expressed in  
French Franc)\*

Date Payment Due	
May 15, 2002	1,395,000
November 15, 2002	1,430,000
May 15, 2003	1,465,000
November 15, 2003	1,500,000
May 15, 2004	1,535,000
November 15, 2004	1,570,000
May 15, 2005	1,610,000
November 15, 2005	1,650,000
May 15, 2006	1,685,000
November 15, 2006	1,730,000
May 15, 2007	1,770,000
November 15, 2007	1,810,000
May 15, 2008	1,855,000
November 15, 2008	1,900,000
May 15, 2009	1,945,000
November 15, 2009	1,990,000
May 15, 2010	2,040,000
November 15, 2010	2,090,000
May 15, 2011	2,140,000
November 15, 2011	2,190,000
May 15, 2012	2,245,000

November 15, 2012	2,295,000
May 15, 2013	2,350,000
November 15, 2013	2,410,000
May 15, 2014	2,465,000
November 15, 2014	2,525,000
May 15, 2015	2,585,000
November 15, 2015	2,645,000
May 15, 2016	2,710,000
November 15, 2016	2,770,000

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\* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

\* The figures in this column represent the amount in French Francs to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

#### SCHEDULE 4

##### Procurement and Consultants' Services

##### Section I. Procurement of Goods

##### Part A: General

Goods 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 Bank in January 1995 and revised in January 1996 (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 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 \$350,000 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.

##### (c) Notification and Advertising

The invitation to bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

##### Part C: Other Procurement Procedures

##### 1. National Competitive Bidding

Goods estimated to cost less than \$350,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

##### 2. National Shopping

Goods estimated to cost less than \$200,000 equivalent per contract,

up to an aggregate amount not to exceed \$500,000 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 Bank of Procurement Decisions

1. Prior Review

With respect to each contract for goods estimated to cost the equivalent of \$350,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

2. Post Review

With respect to each contract not governed by paragraph 1 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 required for Parts A.2, C and D of the Project shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank 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 Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (i) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (ii) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (i) the terms of reference for such contracts; (ii) single-source selection of consulting firms; (iii) assignments of a critical nature, as reasonably determined by the Bank; (iv) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (v) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Implementation Program

A. Project Implementation

The Borrower shall vest MVT with the overall responsibility for implementation of the Project. To that end, MVT shall carry out Part A.1 of the Project through COD and a GIAC, Part B of the Project through CTC, Part C of the Project through OFPPT, and shall directly carry out Parts A.2 and D of the Project.

B. Part A.1 of the Project

The Borrower, through MVT, shall maintain arrangements satisfactory to the Bank pursuant to which a GIAC shall approve Sub-projects on the basis of criteria determined by COD and submit requests for Sub-project Financing to the approval of the President of COD acting as secondary payor of expenditures (sous-ordonnateur des dépenses), and otherwise COD and a GIAC shall carry out their activities under Part A.1 of the Project in accordance with the objectives, criteria, requirements and other details set out in the FIAC Procedures Manual, including the requirement that services to

be financed out of the proceeds of a Sub-project Financing shall be procured at a reasonable price, account being taken of their quality and competence of the parties rendering them.

C. Part B of the Project

The Borrower, through MVT, shall cause CCCSF to maintain arrangements satisfactory to the Bank pursuant to which CCCSF or CRCSF shall approve Sub-projects, make Sub-project Financings and otherwise carry out their activities under Part B of the Project in accordance with the objectives, criteria, requirements and other details set out in the CSF Procedures Manual, including the requirement that services to be financed out of the proceeds of a Sub-project Financing shall be procured at a reasonable price, account being taken of their quality and competence of the parties rendering them.

D. Part C of the Project

With a view to cause OFPPT to carry out Part C of the Project, the Borrower shall provide OFPPT's training centers selected under the Project with the training incentives and statutory conditions, technical assistance, training and equipment required to enable them to be appropriately transformed into Centers of Excellence featuring, on the basis of the criteria agreed with the Bank, a high level of trainee insertion, close links to Enterprises, enhanced enrollment at evening courses, and the ability to generate income and manage its day-to-day business affairs, and thereby achieve the objectives of the Project.

E. Part D of the Project

(a) The Borrower shall take all measures necessary on its part to prepare, on the basis of a process and guidelines agreed upon with the Bank, and cause its Cabinet (Conseil du gouvernement) to approve, not later than September 30, 1998, the draft law referred to under Part D of the Project. For that purpose, the Borrower shall: (i) recruit the consultants necessary to assist it in the drafting of the said draft not later than January 31, 1997; and (ii) submit to the Bank for its review, and exchange views with the Bank on, the said draft and its explanatory and preparatory work not later than September 30, 1997.

(b) The Borrower shall, not later than December 31, 1997, prepare, on the basis of a process and guidelines agreed upon with the Bank, and furnish to the Bank, for its review and comments, the strategy referred to under Part D of the Project, including an action plan therefor, and shall, following an exchange of views with the Bank with respect to said strategy, commence implementation thereof taking into account the Bank's comments thereon. To this end, the Borrower shall ensure that: (i) a Comit d'Elaboration de la Strategie is appointed not later October 31, 1996 with responsibility for the formulation of the strategy; (ii) a draft report on the strategy is submitted by the MVT to the Bank for its review and comments not later than July 31, 1997; and (iii) the action plan therefor is submitted to the Bank for its review and discussed with the Bank not later than June 30, 1998.

F. Mid-Term Review

The Borrower shall:

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

(b) prepare, under terms of reference to be agreed between the Borrower and the Bank, and furnish to the Bank, on or about July 31, 1999, a report, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report, including, inter

alia, the progress in the elaboration of the draft law under Part D of the Project and the extent to which it appropriately reflects the Project's objectives, and the progress in the elaboration and implementation of the strategy under Part D of the Project and its related action plan, and their consistency with the Project purposes, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by November 30, 1999, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required on its part to ensure the efficient completion of the Project and the achievement of the objectives thereof, as shall have been agreed between the Borrower and the Bank.

#### G. Progress Reports

Without prejudice to the provisions of Section 9.07 of the General Conditions, the Borrower shall, not later than April 30 and October 31 of each year until completion of the Project, commencing April 30, 1997, prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, including the necessary budgetary allocations, describing the progress achieved in the implementation of the Project.

### SCHEDULE 6

#### Special Accounts

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 Loan 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: (i) \$800,000 in respect of the Special Account for Parts A and D of the Project; and (ii) \$1,500,000 in respect of the Special Account for Parts B and C of the Project, such amounts to be withdrawn from the Loan Account and deposited into the Special Accounts pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$400,000, in respect of the Special Account for Parts A and D of the Project, and \$500,000, in respect of the Special Account for Parts B and C of the Project, until: (i) in respect of the Special Account for Parts A and D of the Project, the aggregate amount of withdrawals from the Loan Account allocated to Categories (2) (a), (2) (c) and (3) (a) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal or exceed the equivalent of \$3,000,000; and (ii) in respect of the Special Account for Parts B and C of the Project, the aggregate amount of withdrawals from the Loan Account allocated to Categories (1), (2) (b), 3 (b), 3 (c) and 3 (d) plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$3,000,000.

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

3. After the Bank has received evidence satisfactory to it that the respective Special Accounts has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the

Special Account shall be made as follows:

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank from the Loan 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 Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the respective Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan 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 Bank, 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 Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Accounts;

(c) if, at any time, the Bank 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 Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories for the respective Special Account for Parts A and D of the Project and Parts C and D of the Project, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to Parts A and D of the Project and Parts B and C of the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank shall have determined at any time that any payment out of either 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 Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the respective Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into either 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 Bank shall have determined at any time that any amount outstanding in either Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

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

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

