

CONFORMED COPY

LOAN NUMBER 3338 POL

(Employment Promotion and Services Project)

between

REPUBLIC OF POLAND

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated July 3, 1991

LOAN NUMBER 3338 POL

LOAN AGREEMENT

AGREEMENT, dated July 3, 1991, between REPUBLIC OF POLAND (the Borrower) and 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;

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" of the Bank, 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) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

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

(a) "MOLSP" means the Borrower's Ministry of Labor and Social Policy, or any successor thereof;

(b) "Project Operations Manual" means the Project Operations Manual of the Borrower dated May 3, 1991, as the same may be amended from time to time with the agreement of the Bank;

(c) "Sub-loan" means a loan made or proposed to be made under Part E (2) (c) of the Project out of the proceeds of the Loan; and

(d) "Special Account" means the account referred to in Section 2.02 (b) of 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, various currencies that shall have an aggregate value equivalent to the amount of one hundred million dollars (\$100,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 expenditures made (or, if the Bank shall so agree, to be made) 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.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in the National Bank of Poland on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the 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, 1996 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 the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower

shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on June 1 and December 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan 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, financial, economic and employment development 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.

#### 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 Account 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 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 or payment out of the Special 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

Termination

Section 5.01. 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 VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Labor and Social Policy of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Labor and Social Policy  
ul. NOWOGRODZKA 1/3  
00-513 Warszawa  
Republic of Poland

Telex:

814710 PL

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  
Washington, D.C.

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 POLAND

By /s/ Kazimierz Dziewanowski  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Willi A. Wapenhans  
Regional Vice President  
Europe, 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 the Loan 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 Dollar Equivalent)	% of Expenditures to be Financed
(1) Goods for Parts A through E (1) and (2) (a), (b) and (c) of the Project	76,500,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(2) Consultants' services and training for Parts A through E (1) and (2) (a), (b) and (c) of the Project	13,500,000	100% of local expenditures for services of consultants domiciled within the territory of the Borrower and for training therein and 100% of foreign expenditures for services of other consultants and for training outside the territory of the Borrower
(3) Sub-loans under Part E (2) (d) of the Project	1,000,000	80%
(4) Unallocated	9,000,000	
TOTAL	100,000,000 =====	

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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$10,000,000, may be made in respect of Categories (1) and (2) on account of payments made for expenditures before that date but after January 31, 1991.

## Description of the Project

The objectives of the project are to assist in the carrying out of programs to promote employment, investment and economic growth through improved labor force development.

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: Management Infrastructure

Carrying out of programs to improve the administration and coverage of employment and social welfare programs including:

(1) the development and introduction of an employment management information system to facilitate better targeting and evaluation of employment programs and annual planning and financing of such programs at the local level;

(2) the development and implementation of a strategy to automate regional and local labor and social welfare offices, including a related plan to support automation and sharing of information among labor and social welfare offices at the local, regional and national levels; and

(3) the development and implementation of a strategy to refine the existing labor market information system, including improving enterprise and household surveys and information analysis for use by institutions and individuals.

### Part B: Income Support

Carrying out of programs to improve the efficiency of income support programs, including:

(1) the development and implementation of policy and operational guidelines for means testing to improve consistency and fairness in the delivery of social welfare benefits on the basis of uniform criteria to be applied by social welfare offices in determining the level of benefits and services to individual claimants;

(2) a program to train management and staff in the development and delivery of social services;

(3) a program to design and equip new model social welfare offices and upgrade the facilities of existing social welfare offices; and

(4) the development of an unemployment benefits system to be administered and financed independently of employment programs and coordinated with other income support programs.

### Part C: Employment Services

Carrying out of programs to expand and improve available employment services programs, including:

(1) the development, testing and implementation of industrial adjustment services to provide for early and intensive assistance to enterprises and workers within communities experiencing mass layoffs to alleviate the adverse impact of such layoffs and facilitate the reemployment of displaced workers;

(2) the development and implementation of procedures and techniques for improving occupational counseling, including: (a) carrying out of proper assessment of clients' aptitudes and interests, (b) establishment of national information bases on occupational and related educational and training opportunities, (c) design of career information systems to integrate the assessment

procedures with occupational and educational data and to facilitate use of this by individual clients, and (d) carrying out of job search and job development programs;

(3) a program to upgrade the facilities of labor offices to improve service delivery; and

(4) a program to provide short and long-term training for job counsellors.

Part D: Adult Training

Carrying out of programs to expand and improve training of unemployed adults, including:

(1) the development of national guidelines and procedures, including: (a) guidelines and performance criteria to be used by local labor offices in awarding contracts to local training institutions to improve the quality and cost effectiveness of training provided through such institutions; and (b) model programs and procedures to be used by local training institutions for marketing and implementing customized training programs in support of new and existing enterprises; and

(2) the design and carrying out of a strategy to assist local training institutions to develop, upgrade and implement basic education, vocational and technical, mobile, junior and middle management and foreign language training programs to the unemployed to facilitate their reentry into the labor force.

Part E: Micro-Enterprise Development

The carrying out of programs to promote micro-enterprise development by the unemployed, including;

(1) the development and implementation of strategies to strengthen local institutional capabilities to promote micro-enterprise development, including (a) design of a single process to be applied by the staff of local labor offices in (i) conducting initial screening of applicants for referral to local small business assistance organization for entrepreneurial training and to local enterprise development funds for loans, and (ii) developing a model contract for utilization by local labor offices in contracting with such local organizations and funds for administration of such training and to local enterprises development funds for loans; (b) development and delivery, through small enterprises assistance organizations, of training to enhance the ability of local agencies to promote micro-enterprise development; and (c) the establishment of a central database for the monitoring and evaluation of the activities of MOLSP's programs for the financing of micro-enterprise development; and

(2) the development and implementation of strategies to strengthen local institutions providing assistance to the unemployed in the development of micro-enterprises, including the strengthening of (a) about 10 small business assistance centers, (b) about 10 micro-enterprise incubator facilities to provide affordable space, technical and other assistance on a shared basis to micro-enterprises; (c) about 12 local enterprise development funds; and

(d) the financing, through the provision of loans, including Sub-loans, by local enterprise development funds to the unemployed to establish micro-enterprises.

\* \* \*

The project is expected to be completed by June 30, 1996.

SCHEDULE 3

Amortization Schedule

Payment of Principal



Date Payment Due	(expressed in dollars)*
On each June 1 and December 1	
beginning December 1, 1996 through December 1, 2007	4,165,000
On June 1, 2008	4,205,000

\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

#### Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

##### Section I. Procurement of Goods

##### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

##### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Borrower's territory may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

##### Part C: Other Procurement Procedures

1. Goods for Parts A through E (1) and (2) (a), (b) and (c) of the Project:

(a) estimated to cost the equivalent of \$200,000 or less per contract, up to an aggregate amount equivalent to \$5,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank;

(b) estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines in accordance with procedures acceptable to the Bank; and

(c) which the Bank agrees are of proprietary nature, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Bank.

2. Goods for Part E (2) (d) of the Project shall be purchased in accordance with normal commercial practices at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability thereof and availability of maintenance facilities and spare parts therefor.

#### Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Bank has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

#### Section II. Employment of Consultants

Consultants' services shall be procured under contracts awarded to consultants: (A) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (B) who shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis 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.

#### SCHEDULE 5

#### Implementation Program

The provisions of this Schedule shall apply for the purposes

of Section 3.01 (b) of this Agreement.

A. Overall Project Implementation

(1) Overall responsibility for the carrying out of the Project shall be assigned by the Borrower to MOLSP, and for this purpose and for the purpose of facilitating the efficient carrying out by MOLSP of its other programs and activities the Borrower shall ensure that:

(a) MOLSP will carry out the Project in accordance with the requirements and other details set forth or referred to in the Project Operations Manual; (b) MOLSP will be provided at all times with such staff and other resources as are adequate, in the opinion of the Borrower and the Bank, to enable MOLSP properly to carry out its responsibility under the Project; and (c) MOLSP shall develop and implement, by December 31, 1991, in consultation with the committee referred to in paragraph 4 (b) of Part B of this Schedule, a framework, including job-titles, for a new national occupational classification system, satisfactory to the Borrower and the Bank, for use in all MOLSP programs.

(2) The Borrower shall continue to maintain, within MOLSP, a Project Coordination Unit, with staff and other resources and terms of reference satisfactory to the Borrower and the Bank, to coordinate and supervise the carrying out of the Project and the procurement of the goods and services thereunder.

(3) In order to: (a) assist the Borrower in the carrying out of the Project, the Borrower shall employ consultants with qualifications and experience, and, in accordance with the terms of reference set forth in the Project Operations Manual, in accordance with a time schedule satisfactory to the Bank; and (b) ensure that qualified management and staff in adequate numbers, including for the units referred to in paragraph B (1), D (1), E and F (1) of this Schedule, are made available, by December 31, 1991, and thereafter maintained as required for the carrying out of the Project and thereafter for sustaining the objectives thereof.

(4) The Borrower shall carry out management and staff training, including fellowship training, under the Project in accordance with terms of reference, and pursuant to a time schedule, satisfactory to the Borrower and the Bank.

(5) In order to facilitate the carrying out of the Project in accordance with the provisions of Section 3.01 (a) of this Agreement and the requirements of the Project Operations Manual, the Borrower shall prepare and furnish to the Bank, by November 30 of each year, a report, in form and substance satisfactory to the Bank, on the progress achieved in the carrying out of the Project during the twelve-month period preceding the date of such report and the resources required and the measures recommended to ensure the proper carrying out of the Project during the twelve-month period after the date of such report. The Borrower shall afford the Bank a reasonable opportunity to review with the Borrower the conclusions and recommendations of each such report, and, thereafter, take all such measures, including allocation of resources, as, in the opinion of the Bank, shall be required to ensure the proper carrying out of the Project during such period.

B. Part A of the Project

(1) The Borrower shall continue to maintain, within MOLSP, a management information system and automation unit, with terms of reference satisfactory to the Borrower and the Bank, to supervise the development and implementation of the strategy under Part A (2) of the Project.

(2) In order to achieve the objectives of Part A (1) of the Project, the Borrower shall ensure that a draft law, containing suitable amendments to the existing legal framework for employment programs and designed to improve cost-effectiveness, targeting and financing of such programs provided at the local level, based on the policy and operational guidelines to be developed under said Part A

(1), and satisfactory to MOLSP and the Bank, shall be finalized and submitted, by December 31, 1992, to the Borrower's Parliament (Sejm) for enactment.

(3) The Borrower shall ensure that MOLSP shall prepare, in consultation with the other departments and agencies of the Borrower involved in the automation of operations, and furnish to the Bank for its review and comments, by June 30, 1992, MOLSP's proposed plan under Part A (2) of the Project, and, thereafter, finalize and carry out the same, taking into consideration the Bank's comments thereon.

(4) The Borrower shall continue to maintain arrangements, satisfactory to the Bank, between MOLSP and the Borrower's Central Statistics Office (GUS) pursuant to which GUS shall undertake responsibility for the development and implementation of the system under Part A (3) of the Project, with the assistance and overall policy guidance of MOLSP through the committee referred to in subparagraph (b) hereof. For this purpose, the Borrower shall ensure that: (a) GUS shall continue to appoint a qualified staff member with terms of reference satisfactory to the Bank to coordinate its activities thereunder; and (b) an occupational information coordinating committee, chaired by a representative of MOLSP and with representatives of other departments and agencies of the Borrower and of institutions, enterprises and other entities involved in job counseling, shall continue to be maintained, under terms of reference satisfactory to the Bank, to provide overall policy guidance to GUS in the carrying out of said Part A (3).

C. Part B of the Project

The Borrower shall ensure that: (1) the social welfare offices to be established or upgraded under Part B (3) of the Project shall be selected by MOLSP on the basis of criteria acceptable to the Bank; and (2) draft legislation providing for the benefits and financing of unemployment, social welfare and related income support systems, based on the system to be designed under Part B (4) of the Project and satisfactory to MOLSP and the Bank, shall be finalized and submitted, by December 31, 1992, to the Borrower's Parliament (Sejm) for enactment.

D. Part C of the Project

The Borrower shall continue to maintain: (1) an Employment Services Unit within MOLSP, with terms of reference satisfactory to the Borrower and the Bank, to be responsible for the administration and execution of Part C of the Project; and (2) a task force for the development of career information for occupational counselors, under terms of reference satisfactory to the Borrower and the Bank, within the committee referred to in paragraph 4 (b) of Part B of this Schedule, with representatives of employers, employees, higher education institutions, training institutions and labor market statisticians, to assist MOLSP in the carrying out of the improvement of occupational counseling under Part C (2) of the Project.

E. Part D of the Project

Part D of the Project will be carried out by MOLSP through the Training Unit within MOLSP's Department of Employment and for this purpose the Borrower shall ensure that said Unit shall apply criteria, satisfactory to the Borrower and the Bank, in the selection of the localities to benefit under said Part D and the local training institutions to carry out the training of unemployed workers within said localities.

F. Part E of the Project

(1) In order to facilitate the carrying out of Part E of the Project, the Borrower shall continue to maintain a Micro-Enterprise Unit within MOLSP's Department of Employment, with terms of reference satisfactory to the Borrower and the Bank, to be responsible for the administration and execution of Part E of the

Project.

(2) The Borrower shall ensure that said Unit shall apply, and ensure the application by participating labor offices of, criteria, satisfactory to the Borrower and the Bank, in the selection of local agencies to participate in the carrying out of Part E of the Project.

(3) The Borrower shall maintain measures to ensure that funds are made available to participating enterprise development funds under subpart (2) (d) of said Part E and that, thereafter, such funds shall make Sub-loans thereunder in accordance with the procedures and terms and conditions set forth in the Project Operations Manual.

#### SCHEDULE 6

##### Special Account

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 \$5,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits 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 in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the 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 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 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 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 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; or

(b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank 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 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 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 the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the 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 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 the 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 the 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 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.

