

CONFORMED COPY

CREDIT NUMBER 2793 YEM

Development Credit Agreement

(Vocational Training Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 17, 1996

CREDIT NUMBER 2793 YEM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 17, 1996, between the REPUBLIC OF YEMEN (the Borrower) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS: (A) 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;

(B) the Association has received a letter, dated March 22, 1995, describing a program of actions, objectives and policies for the development of the Borrower's vocational training sector (hereinafter referred to as the "Program");

(C) the Borrower intends to contract from bilateral and multilateral aid development organizations (Cofinanciers) loans or grants (the Cofinancing) in an aggregate amount equivalent to twenty-six million dollars (\$26,000,000) to assist in financing the Project on terms and conditions to be set forth in agreements (the Cofinancing Agreements) to be entered into between the Borrower and Cofinanciers; 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 thereto 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) "GAVTT" means the General Authority for Vocational and Technical Training, an autonomous public entity established and operating under the Borrower's Decree-Law No. 64 issued on May 24, 1995, or any successor thereto;
- (b) "MSSL" means the Borrower's Ministry of Social Security, Social Affairs and Labor;
- (c) "MOE" means the Borrower's Ministry of Education;
- (d) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated April 21, 1995 and June 11, 1995 between the Borrower and the Association;
- (e) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- (f) "SDF" means the Skills Development Fund for Financing of Technical and Vocational Training established pursuant to the Borrower's Decree-Law No. 15 issued on May 24, 1995;
- (g) "Category" means any category of items to be financed out of the proceeds of the Credit, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and
- (h) "fiscal year" means the twelve (12) month period corresponding to any of the Borrower's fiscal years, which period commences on January 1 and ends on December 31 in each calendar year.

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 fifteen million seven hundred thousand Special Drawing Rights (SDR 15,700,000).

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, works 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 the Project, open and maintain in United States Dollars a special deposit account in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the 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 cancelled.

Section 2.03. The Closing Date shall be June 30, 2003 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 cancelled; 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 March 1 and September 1 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 semi-annual installments payable on each March 1 and September 1 commencing on March 1, 2006 and ending on September 1, 2035.

Each installment to and including the installment payable on September 1, 2015 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 Bank shall consider the Borrower creditworthy for Bank 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 United States of America 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, shall carry out Parts A (1) and A (3) of the Project through MSSL, shall carry out Parts A (2), B and D of the Project through the GAVTT, and shall carry out Part C of the Project through MOE, all with due diligence and efficiency and in conformity with appropriate educational, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Parts 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 carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

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 thereon, 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 for the future operation of the Project;
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 or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices: (i) 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; and (ii) the operations, resources and expenditures of the SDF.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account and the SDF 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 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 (1) 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 Account 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

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) that the Cofinancing Agreements shall have failed to become effective by December 31, 1997, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

(b) (i) Subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds of any of the loans or grants included in the Cofinancing shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Cofinancing Agreement providing therefor, or

(B) any of the loans, included in the Cofinancing, shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(d) Decree-Law No. 15 issued on May 24, 1995 shall have been amended, suspended, abrogated, repealed or waived as to affect materially and adversely the operations of the SDF.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional events are specified:

(a) that the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section; and

(b) that the event specified in paragraph (d) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Termination

Section 6.01. The date one hundred twenty (120) 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 Planning and Development 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 Planning and Development
P. O. Box 175
Sana'a
Republic of Yemen

| | |
|-------------------|-----------------|
| Cable address: | Telex: |
| CENPLAN Sana'a | 2266 CENPLAN YE |

For the Association:

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

| | |
|-----------------------------|--|
| Cable address: | Telex: |
| INDEVAS 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 YEMEN

By/s/ Mohsin A. Alaini

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By/s/ Anil Sood

Acting Regional Vice President
Middle East and North 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 SDR Equivalent) | % of Expenditures to be Financed |
|----------|--|---|
|----------|--|---|

| | | | |
|-----|---|-------------------|---|
| (1) | Civil Works | 7,150,000 | 80% |
| (2) | Equipment, maintenance, vehicles, furniture, and educational materials | 6,050,000 | 100% of foreign expenditures 100% of local ex- penditures (ex- factory cost) and 90% of local ex- penditures for other items procured locally |
| (3) | Consultants services, training, workshops, seminars and fellowships | 650,000 | 100% of foreign expenditures and 80% of local expenditures |
| (4) | Refunding of Project Preparation Advance | 650,000 | Amounts due pursuant to Section 2.02 (c) of this Agreement |
| (5) | Unallocated | 1,200,000 | |
| | TOTAL | <u>15,700,000</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; 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.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for each contract for: (i) works estimated to cost less than the equivalent of \$600,000; (ii) goods estimated to cost less than the equivalent of \$75,000; (iii) the employment of consulting firms estimated to cost less than the equivalent of \$100,000; and (iv) the employment of individual consultants estimated to cost less than the equivalent of \$50,000, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to: (i) strengthen policy-making, management and financing of the vocational training system by providing a major role to the private sector; (ii) improve the quality and relevance of vocational training programs through the enhancement of existing programs and the selective expansion of new programs; and (iii) improve the relevance of adult education and training programs for women and reorient such programs through the participation of communities.

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: Management and Financing

1. Provision of a governance structure for vocational training through establishment of: (i) a National Council for Vocational Training for policy formulation; (ii) Local Councils for Vocational Training to provide local governance to vocational training centers; and (iii) Local Training Program Advisory Committees to ensure program relevance.

2. Strengthening, through the provision of technical assistance, of the system within GAVTT for planning, policy implementation and organization development in the vocational training sector and establishment of a management information system for vocational training.

3. Strengthening and operation of the SDF through the provision of technical assistance.

Part B: Quality Improvement

1. Strengthening institutional capacity for curriculum development, including trainee assessment and instructional material development, through the provision of technical assistance and educational materials.

2. Provision of in-service training to instructors in vocational training, including pedagogic training, technical skill development, and industrial training.

3. Development of a system for continuing education for employees of business and industry, including development of managers through continuing education programs in vocational training centers, the establishment of management information systems, and establishment of a high-technology center.

4. Strengthening selected vocational training centers, through improvement of instructional resources, rehabilitation of facilities, equipment, furniture and educational materials.

5. Strengthening programs for rehabilitation of the physically handicapped through improving and expanding the provision of vocational training.

Part C: Adult Education and Training for Females

1. Development of the institutional capacity of adult education and training centers, including: (i) development of new curriculum; (ii) training of facilitators in participatory approaches; (iii) training of instructors in community-identified income generating skills; (iv) management training for selected adult education and training centers; and (v) seminars and workshops for staff of selected adult education and training centers.

2. Strengthening selected adult education and training centers, including improvement of instructional resources, rehabilitation of facilities, equipment, vehicles, furniture and educational materials.

3. Provision of technical assistance to adult education and training centers and rural banks in order to promote, in an organized manner, the production and sale of marketable products of adult education and training centers.

Part D: Pilot Centers for Future Vocational Training

Establishment, on a pilot basis, of selected labor market-oriented vocational training centers so as to lead the Borrower's vocational training system towards effective cooperative programs with the private sector.

The Project is expected to be completed by December 31, 2002.

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 Bank 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 and works 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 works shall be grouped in bid packages estimated to cost more than the equivalent of \$2,000,000 and contracts for goods shall be grouped in bid packages estimated to cost more than the equivalent of \$200,000.

(b) Preference for domestically manufactured goods and domestic contractors

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 and works to be carried out by domestic contractors.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works estimated to cost \$2,000,000 equivalent or less per contract and \$6,100,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. International Shopping

Goods estimated to cost \$200,000 equivalent or less per contract and \$4,300,000 equivalent or less in the aggregate, may be procured 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.

3. National Shopping

Goods estimated to cost \$50,000 equivalent or less per contract and \$300,000 equivalent or less in the aggregate, 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. 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 \$600,000 or more, and with respect to each contract for goods estimated to cost the equivalent of \$75,000 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 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 Association. Where no relevant standard contract documents have been issued by the Bank, 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: (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 Association 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 Association; (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 4

Implementation Program

1. (a) The Borrower shall maintain the National Council for Vocational Training for the purpose of providing a policy framework for vocational training centers with membership and terms of reference satisfactory to the Association, including majority representation from employers contributing to the SDF.

(b) The Borrower shall maintain Local Councils for Vocational Training for the purpose of providing organizational, administrative staffing and instructional oversight to respective vocational training centers with membership and terms of reference satisfactory to the Association, including majority representation from employers contributing to the SDF.

(c) The Borrower shall maintain Local Training Program Advisory Committees for each program specialization area with membership and terms of reference satisfactory to the Association.

(d) For the purpose of ensuring the proper supervision of the execution of Parts A (2) and B of the Project, the Borrower shall maintain the Project Implementation Unit within GAVTT with organization, staffing and terms of reference satisfactory to the Association.

2. (a) SDF contributions to vocational training centers shall be in accordance with guidelines, criteria and procedures agreed between the Borrower and the Association, including the requirement that vocational training centers comply with policies formulated by the National Council for Vocational Training.

(b) The Borrower shall present to the Association for approval not later than one (1) month prior to the scheduled start of implementation proposals for support to training centers for the physically handicapped estimated to cost the equivalent of \$50,000 or more.

3. (a) For the purpose of ensuring the proper supervision of the execution of Part C of the Project, the Borrower shall establish a Technical Committee with representation from concerned Ministries, as well as non-governmental organizations.

(b) The Borrower shall cause the Technical Committee to select adult education and training centers for support under the Project in accordance with guidelines, criteria and procedures agreed between the Borrower and the Association, including the requirement that proposals for support specify: (i) how recurrent costs for facilities and equipment maintenance would be financed; (ii) how contributions from communities would be obtained; (iii) how income would be generated from training activities; and (iv) how contributions and earnings would be utilized.

(c) The Borrower shall present to the Association for approval not later than one (1) month prior to the scheduled start of implementation proposals for support to adult education and training centers estimated to cost the equivalent of \$20,000 or more.

4. (a) The Borrower shall cause the MOE to select an individual with qualifications and experience satisfactory to the Association to fill the position of Coordinator for Adult Education and Training and shall appoint the individual selected to that position not later than June 1, 1996.

(b) The Borrower shall appoint a non-governmental organization with experience satisfactory to the Association to manage the technical assistance for Part C of the Project.

5. For the purpose of ensuring the proper execution of Part D of the Project, the Borrower shall submit for the Association review and approval pilot vocational training centers selected in accordance with criteria satisfactory to the Association.

6. In order to foster the successful implementation of the Project, the Borrower shall ensure that any consultants required for the Project and not financed out of the proceeds of the Credit shall have qualifications and experience, and be employed under terms of reference, satisfactory to the Association.

7. In order to strengthen the financial base of vocational training centers and adult education and training centers,

income generated by student fees and other income generating activities would be retained by respective centers pursuant to policy guidelines satisfactory to the Association.

8. Before November 1 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Association, review whether the budgets in respect of the current fiscal year and the next following fiscal year include allocations sufficient to meet the requirements for: (i) salaries and maintenance of buildings and equipment for vocational training centers and adult education and training centers; and (ii) implementation of the Project, and shall furnish to the Association a copy of such review upon its completion. In light of the findings of said review, the Borrower shall promptly take all actions required to ensure the achievement of the objectives of the Project, taking into consideration the recommendations of the Association.

9. Without limitation upon the provisions of Section 9.06 of the General Conditions:

(a) by December 31, 1996 the Borrower, through GAVTT, shall prepare and furnish to the Association a report containing baseline data with respect to indicators agreed between the Association and the Borrower.

(b) by March 31 of each year, the Borrower shall prepare and furnish to the Association a report of the SDF contributions made to vocational training centers for the preceding year in such detail as the Association shall reasonably request.

(c) by May 31, 1999, the Borrower shall prepare and furnish to the Association for its review and comments, a report on the progress achieved in carrying out the Project, in such detail as the Association shall reasonably request; and

(d) (i) the Borrower and the Association shall, not later than June 30, 1999, hold a mid-term exchange of views on the progress achieved in the carrying out of the Project, including an assessment of the existing demand for vocational training centers to be established under Part D of the Project; and

(ii) thereafter, the Borrower shall prepare a joint work program with the Association and take all measures necessary to ensure the efficient completion of the Project and the achievement of the objectives thereof, taking into consideration the results and conclusions of the report referred to in paragraph (c) hereof and the Association's views on the matter.

SCHEDULE 5

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 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 \$1,000,000 to be withdrawn from the Credit Account and deposited in the Special Account 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 \$500,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$1,500,000.

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 Association 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 Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(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 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 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 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 the 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 Account;

(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, less the 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 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 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 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 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 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 Association 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 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 Account.

(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.