

CONFORMED COPY

LOAN NUMBER 4036 TUN

Loan Agreement

(Second Training and Employment Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 2, 1996

LOAN NUMBER 4036 TUN

LOAN AGREEMENT

AGREEMENT, dated July 2, 1996, between the REPUBLIC OF TUNISIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

"Except as the Bank 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 Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(c) 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 and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "ANPE" means the Borrower's Agence Nationale pour la Protection de l'Environnement, established and operating pursuant to the Borrower's Law No. 88-91 dated August 2, 1988, and its implementation Decree No. 88-1784, dated October 18, 1988, as the same may be amended from time to time;

(b) "ATE" means the Agence Tunisienne de l'Emploi, an industrial and commercial public institution (tablissement public caractre industriel et commercial) established and operating pursuant to the Basic Law (as hereinafter defined);

(c) "ATFP" means the Agence Tunisienne de la Formation Professionnelle, an industrial and commercial public institution (tablissement public caractre industriel et commercial) established and operating pursuant to the Basic Legislation (as hereinafter defined);

(d) "Basic Law" means the Borrower's Law No. 93-11 dated February 17, 1993, and its implementation Decree No. 93-1354 dated June 14, 1993;

(e) "Basic Legislation" means the Borrower's Law No. 93-11 dated February 17, 1993, and its implementation Decree No. 93-1353 dated June 14, 1993;

(f) "Category" means a category of items to be financed out of the proceeds of the Loan, as set forth in the table in paragraph 1 of Schedule 1 to this Agreement; and the term "Categories" means more than one Category collectively;

(g) "Central Bank" means the Central Bank of Tunisia (Banque Centrale de Tunisie) established and operating pursuant to the Borrower's Law No. 58-90 dated September 19, 1958, as the same may be amended from time to time;

(h) "CENAFFIF" means the Centre National de Formation des Formateurs et d'Ingnerie de Formation, a public institution (tablissement public) established and operating pursuant to the Borrower's Law No. 93-12 dated February 17, 1993, and its implementation Decree No. 93-1492 dated July 12, 1993, or any successor thereto;

(i) "CNFCPP" means the Centre National de Formation Continue et de Promotion Professionnelle, a public institution (tablissement public) established and operating pursuant to the Borrower's Law No. 93-12 dated February 17, 1993, and its implementation Decree No. 93-1493 dated July 12, 1993, or any successor thereto;

(j) "dual-training" means the training to be provided by a

Sectoral Training Center (as hereinafter defined) pursuant to the provisions of Articles 17 through 20 of the Borrower's Law No. 93-10 dated February 17, 1993;

(k) "Enterprise Agreement" means: (i) in the case of an existing Sectoral Training Center (as hereinafter defined), an enterprise agreement concluded or to be concluded pursuant to the provisions of Article 18 of the Borrower's Law No. 93-10 dated February 17, 1993, between a Sectoral Training Center (as hereinafter defined) and one (1) or more enterprises, defining the contribution to be provided by the Sectoral Training Center (as hereinafter defined), the content and schedule of the dual training program to be provided by the enterprise, and all other relevant conditions regarding the enterprise participation therein; and (ii) in the case of a new Sectoral Training Center (as hereinafter defined), an enterprise agreement concluded or to be concluded between ATFP and one (1) or more enterprises, defining the contribution to be provided by the new Sectoral Training Center (as hereinafter defined), the content and schedule of the dual training program to be provided by the enterprise, and all other relevant conditions regarding the enterprise participation therein;

(l) "Feasibility Study" means a feasibility study referred to in Section C of Schedule 5 to this Agreement to be submitted prior to the carrying out of a Sub-Project (as hereinafter defined) under Part C.2 of the Project;

(m) "FIAP" means the Borrower's Fonds d'Insertion et Adaption Professionnelle established and maintained by the Borrower pursuant to the provisions of Section 3.02 of the Loan Agreement between the Borrower and the Bank dated September 24, 1990 (Loan 3255 - Employment and Training Fund Project), and related provisions of its finance laws;

(n) "FIAP Procedures Manual" means the FIAP Procedures Manual (Manuel des Procedures du Fonds d'Insertion et Adaption Professionnelle) dated May 3, 1996, adopted by the MVTE (as hereinafter defined), setting forth the eligibility criteria and procedures for the financing thereunder of training activities aimed to update the skills of workers in activity and retrain and redeploy the labour force, as the same may be updated and revised from time to time in agreement with the Bank;

(o) "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;

(p) "Impact Indicators" means the agreed impact indicators to be utilized by ATE, ATFP and MVTE (as hereinafter defined) under the Project to measure the degree to which the Project objectives are being achieved, as the same may be updated and supplemented from time to time in accordance with the provisions of Section A.2 (a) of Schedule 5 to this Agreement;

(q) "Methodology Manual" means the Methodology Manual for the Elaboration and Implementation of Training Projects (Manuel Methodologique d'Elaboration et de Realisation de Projets de Formation) dated May 3, 1996, adopted by the MVTE, setting forth the criteria for determining the economic justification for the financing of a Sub-Project (as hereinafter defined), as the same may be updated and revised from time to time in agreement with the Bank;

(r) "MVTE" means the Borrower's Ministry of Vocational Training and Employment (Ministre de la Formation Professionnelle et de l'Emploi), established and operating pursuant to the Borrower's Decrees No. 90-875 dated May 25, 1990 and No. 90-1297 dated August 7, 1990, and the Ministerial Decision dated September 9, 1994;

(s) "PMU" means the Project Monitoring Unit (Unit de Suivi du Projet) referred to in Section A.2 of Schedule 5 to this Agreement;

(t) "PRONAFOC" means the National Program for In-Service Training (Programme National de Formation Continue) established and operated by the Borrower pursuant to the Borrower's 1995 Finance Law No. 94-127,

dated December 26, 1994;

(u) "PRONAFOC Procedures Manual" means the PRONAFOC Procedures Manual (Manuel des Procédures du Programme National de Formation Continue) dated May 3, 1996, adopted by the MVTE, setting forth the eligibility criteria and procedures for financing of in-service training thereunder, as the same may be developed and updated from time to time in agreement with the Bank;

(v) "Sectoral Training Center" means a sectoral training center (tablissement de formation professionnelle) pertaining to ATFP's training system and referred to in Section III of the Borrower's Law No. 93-10 dated February 17, 1993, which provides training on the skills required in a particular branch of economic development;

(w) "Sectoral Agreement" means a sectoral agreement: (i) concluded or to be concluded between ATFP and a sectoral industry federation (federation sectorielle) pursuant to the provisions of Article 18 of the Borrower's Law No. 93-10 dated February 17, 1993, and in accordance with the Framework Agreement regarding the Partnership for the Promotion of Dual-Training (Convention cadre pour la promotion de la formation en alternance) dated May 23, 1995, among the MVTE, the Unione Tunisienne de l'industrie, du commerce et de l'artisanat, and the Unione Gnrle Tunisienne du Travail; and (ii) setting forth the parties' undertakings to jointly develop and promote dual training programs with the enterprises operating in the sector;

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

(y) "Steering Committee" means the Steering Committee (Comit de Pilotage) referred to in Section A.1 of Schedule 5 to this Agreement, established within the MVTE for purposes of the coordination and monitoring of the Project; and

(z) "Sub-Project" means a specific development sub-project: (i) to construct or rehabilitate a Sectoral Training Center; and (ii) which, pursuant to the provisions of Section C of Schedule 5 to this Agreement, shall have been approved by the Bank to be carried out under Part C.2 of the Project.

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 sixty million dollars (\$60,000,000), 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, works and services required for 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 the Project, open and maintain in dollars a special deposit account in its Central Bank 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 June 30, 2002 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 (6) months or the second six (6) months of a calendar year.

(d) On such date as the Bank may specify by no less than six (6) 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 semi-annually on May 15 and November 15 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, through the MVTE, CENAFFIF and CNFCPP, carry out, respectively, Part A, Part D and Part E of the Project, and shall cause ATE and ATFP to carry out, respectively, Part B and Part C of the Project, all with due diligence and efficiency and in conformity with appropriate administrative, economic, engineering, environmental, financial, labour, technical and training practices, and shall provide, and cause to be provided, 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, and shall cause to be carried out, the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) Without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall take all necessary measures to ensure that adequate and timely financial arrangements are in place at all times for the successful operation of the Project, including the provision, beginning with the Fiscal Year 1997 budget and until Project completion, to the MVTE, ATE, ATFP, CENAFFIF and CNFCPP, of the necessary budgetary allocations required to maintain an adequate level of their respective annual recurrent and investment budgets.

(d) For the purposes of: (i) carrying out Part B of the Project, the Borrower shall promptly make the proceeds of the Loan allocated from time to time to Categories (2) (b), (3) (b) and (4) available to ATE on a grant basis; and (ii) carrying out Part C of the Project, the Borrower shall promptly make the proceeds of the Loan allocated from time to time to Categories (1), (2) (c) and (3) (c) available to ATFP on a grant basis.

Section 3.02. Except as the Bank 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 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 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 (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 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

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

- (a) the Basic Law shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ATE to carry out Part B of the Project.
- (b) the Basic Legislation shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of ATE to carry out Part C of the Project.

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

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) that the Borrower shall have completed one (1) Feasibility Study acceptable to the Bank for the rehabilitation of one (1) Sectoral Training Center and one (1) Feasibility Study acceptable to the Bank for the creation and establishment of one (1) new Sectoral Training Center; and

(b) that the PMU shall have been established to the satisfaction of the Bank and its Project Coordinator, procurement specialist and accountant shall have been appointed.

Section 6.02. 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 International Cooperation and Foreign Investment 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 International Cooperation
and Foreign Investment
149, Avenue de la Libert
1002 Tunis-Le Belvdre
Republic of Tunisia

Cable address:	Telex:
MCIIE	18060

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 (MCI) or 64145 (WUI)

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 TUNISIA

By /s/ Azouz Ennifar

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gianni Brizzi

Acting 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 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) Civil Works		50%
(a) For Part C.2 of the Project	10,000,000	
(b) For Part C.3 of the Project	360,000	
(2) Goods and Equipment:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(a) For Parts A, D and E of the Project	3,000,000	
(b) For Part B of the Project	1,100,000	
(c) For Part C of the Project	20,000,000	
(3) Consultants' Services and Training:		100%
(a) For Parts A, D and E.1 of the Project	7,400,000	
(b) For Part B.2 of the Project	140,000	
(c) For Part C of the Project	3,000,000	
(4) Training for Part B.1 of the Project	7,000,000	100%
(5) Training for Part E.2 of the Project	4,000,000	50%
(6) Unallocated	4,000,000	
TOTAL	60,000,000 =====	

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, works 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, works 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:

(a) payments made for expenditures prior to the date of this Agreement; and

(b) Category (1) (a), until and unless the Sub-Project in respect of which the withdrawal is requested shall have been approved by the Bank in accordance with the provisions of Section C of Schedule 5 to this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) goods and works, under contracts costing less than \$350,000 equivalent; (ii) services of consulting firms, under contracts costing less than \$100,000 equivalent; (iii) services of individual consultants, under contracts costing less than \$50,000 equivalent; and (iv) training, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Borrower's strategy to modernize training services with a view to increase the competitiveness of the Tunisian economy, in particular through enhanced training and employment services relevant to the needs of individuals and enterprises and an increase in labour productivity and mobility.

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 objective:

Part A: Labour Market Information System (LMIS)

Implementation of a LMIS suitably designed to improve the efficiency of training programs and the performance of labour markets, through the provision of the required technical assistance and equipment, including:

1. development of a labour market information system and strengthening of the relevant institutional capacity of the MVTE so as to properly monitor, in particular on the basis of tracer studies, the operation of labour markets, and increase its efficiency in the use of labour market information sources;
2. strengthening of MVTE's capacity to monitor and improve the cost-effectiveness and efficiency of training and employment programs and services, including the carrying out of impact evaluations to assess progress in the achievement of the objectives of Parts B, C and E of the Project; and
3. preparation of an information dissemination system on periodic surveys on labour market and training indicators, and production of a periodic bulletin and any other appropriate means aimed at disseminating the information required to allow individuals and firms to adopt training decisions based on appropriate market signals.

Part B: Development of Employment Services

Carrying out of a program of placement and retraining services for workers affected by economic restructuring, in particular:

1. reorientation and restructuring of the activities eligible for financing under the FIAP so as to properly address the needs to re-train laid-off workers or workers at risk of being laid-off, and provide the required placement services; and

2. modernization of the employment services provided by the ATE, including the provision of training for its staff, the strengthening of the national computerized network system, and the development of a cost control system for said services.

Part C: Efficiency and Relevance Improvement of Pre-Employment Training

Carrying out of a program aimed at the gradual transformation of institution-based training into enterprise-based dual-training, and the gradual improvement and expansion of the apprenticeship program, consisting of the:

1. elaboration and implementation of a new management system for training centers designed to render such centers more efficient and autonomous, including the provision of equipment, local and overseas training for ATFP's and training centers' staff;

2. rehabilitation of selected Sectoral Training Centers and creation and establishment of new ones, and provision of equipment for industrial training, office equipment, pedagogical materials, and library resources required therefor; and

3. strengthening of the management and monitoring program for apprentices and training services provided by ATFP, including the construction of training facilities and the provision of training and office equipment for such facilities.

Part D: Development of Training for Trainers and Elaboration of Training Programs

Strengthening of CENAFFIF's capacity to: (i) develop and update training programs in conjunction with enterprises and ATFP's sectoral centers; and (ii) organize training for trainers, including the provision of training as required therefor.

Part E: Development of In-Service Training

Development of the existing and new in-service training programs for enterprises through the:

1. strengthening of CNFCPP's management system of the vocational training tax, in particular, through the setting up of a unit specialized in the monitoring and evaluation of the effectiveness of the professional training tax system; and

2. support to the PRONAFOC through the provision of in-service training to enterprises eligible thereunder.

* * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 15 and November 15	\$2,500,000

beginning on November 15, 2001
through May 15, 2013

* 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 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 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 into bid packages estimated to cost the equivalent of \$250,000 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 for goods 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

(i) Goods estimated to cost less than \$350,000 equivalent per contract, up to an aggregate amount not to exceed \$10,000,000 equivalent; (ii) furniture; and (iii) works required for Parts C.1 and C.2 of the Project, 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 less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$1,500,000 equivalent, 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. Direct Contracting

Goods which must be purchased from the original supplier to be compatible with existing equipment or are of a proprietary nature may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Prior Review

With respect to each contract for: (i) goods awarded in accordance with the provisions of paragraph 1 of Part B of Section I of this Schedule; and (ii) works 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 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 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

Section A: Project Oversight and Institutional Arrangements

1. Steering Committee (SC)

The MVTE, through the Steering Committee, shall have overall responsibility for ensuring that the Project is carried out in accordance with the MVTE's policy framework in the sector, and, more specifically, for overseeing and coordinating Project activities and liaising with the donor community. The Steering Committee shall be presided by the Minister of the Ministry of Vocational Training and Employment, and shall include at least one (1) representative from each of ATE, ATPF, CENAFFIF and CNFCPP.

2. Project Monitoring Unit (PMU)

(a) For the purposes of ensuring the proper implementation of the Project, the Borrower shall cause the MVTE to maintain during Project execution the PMU headed by a Project Coordinator, designated directly by the Minister of the Ministry of Vocational Training and Employment, and consisting of one (1) procurement specialist, one (1) accountant, and support staff in number adequate for its efficient operation. The PMU shall assist the Steering Committee on matters relating to the overall monitoring of the Project and shall be vested with specific responsibility for: (i) preparing for submission to the Steering Committee's and the Bank's review and approval not later than July 31 in each Fiscal Year, beginning with the Fiscal Year after the Fiscal Year ending on December 31, 1996, an annual implementation program outlining Project activities proposed to be carried out under Parts A, D and E thereof during the following Fiscal Year, including the estimated necessary budgetary allocations required therefor, and an assessment of the need to update and/or modify the Impact Indicators for Parts A, D and E of the Project; (ii) causing ATE and ATPF, respectively, to prepare for submission to the Steering Committee's and the Bank's review and approval not later than July 31 in each Fiscal Year, beginning with the Fiscal Year after the Fiscal Year ending on December 31, 1996, an annual implementation program outlining Project activities proposed to be carried out, respectively, under Part B and Part C thereof during the following Fiscal Year, including the estimated necessary budgetary allocations required

therefor, and an assessment of the need to update and/or modify the Impact Indicators for Parts B and C of the Project; (iii) collecting and consolidating into an overall annual implementation program for submission to the Steering Committee's and Bank's review and approval not later than October 31 in each Fiscal Year, beginning with the Fiscal Year after the Fiscal Year ending on December 31, 1996, its annual implementation program with the annual implementation program to be prepared by each of ATE and ATFP, respectively, pursuant to the precedent provisions of this paragraph; (iv) monitoring progress in implementation of all Project activities in accordance with the Impact Indicators and the aforementioned overall annual implementation program; (v) maintaining and overseeing Project accounts and monitoring the flow of funds under the Project, including the Project accounts maintained by ATE and ATFP; and (vi) advising ATE, ATFP, CENAFFIF and CNFCPP on financial and procurement matters, and ensuring that procurement of goods, works and consultants' services is carried out in accordance with the requirements set forth in Section 3.02 of this Agreement.

(b) To ensure the proper implementation of Project activities, the PMU shall, not later than December 31, 1996, prepare and submit for the Bank's review and approval a proposed training plan for the relevant MVTE staff on procurement, accounting and disbursement procedures to be applied under the Project, and shall, thereafter, implement the said plan with due diligence so as to ensure timely and efficient results thereof.

Section B: Mid-Term Review

The Borrower, through the PMU, shall:

(a) maintain, and cause ATE and ATFP to maintain, policies and procedures adequate to enable them to monitor and evaluate on an ongoing basis, in accordance with the Impact Indicators, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, and cause ATE and ATFP to prepare, under terms of reference satisfactory to the Bank, and furnish, and cause ATE and ATFP to furnish, to the Bank, on or about October 31, 1999, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) above, on the progress achieved in the carrying out of the Project during the period preceding the date of said report 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, and cause ATE and ATFP to review, with the Bank, by December 31, 1999, or such later date as the Bank shall request, the report referred to in sub-paragraph (b) above, focusing, in particular, on the administrative status of Part A of the Project, the effectiveness of PRONAFOC and the vocational training tax rebate system administered by CNFCPP, and assessing the need to redirect the activities under the Project and shall, thereafter, take, and cause ATE and ATFP to take, all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

Section C: Eligibility of Sub-Projects under Part C.2 of the Project

Financing of Sub-Projects under Part C.2 of the Project shall only be approved for a Sub-Project: (i) which, on the basis of a Feasibility Study carried out in accordance with the criteria set forth in the Methodology Manual and acceptable to the Bank, is determined to be technically feasible and economically and financially viable and designed in accordance with appropriate safety, health and environment guidelines satisfactory to the ANPE and the Bank; and (ii) in respect of which the Bank shall have approved the relevant Sectoral Agreement and at least one (1) Enterprise Agreement.

Section D: Training under Parts B.1 and E.2 of the Project

1. For the purposes of selecting the training to be carried out under Part B.1 of the Project, the Borrower shall cause ATE to apply at all times the criteria and procedures set forth in the FIAP Procedures Manual.

2. For the purposes of selecting the training to be carried out under Part E.2 of the Project, the Borrower shall cause CNFCPP to apply at all times the criteria and procedures set forth in the PRONAFOC Procedures Manual.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3), (4) and (5) 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, works 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 \$3,000,000 to be withdrawn from the Loan Account and deposited in the Special Account 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 \$1,500,000 until the aggregate amount of withdrawals from the Loan Account 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 \$20,000,000.

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 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) 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 Account;

(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, 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.

