

CONFORMED COPY

LOAN NUMBER 3849 RO

Loan Agreement

(Employment and Social Protection Project)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 23, 1995

LOAN NUMBER 3849 RO

LOAN AGREEMENT

AGREEMENT, dated August 23, 1995, between ROMANIA (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;

(B) the Borrower intends to contract from other sources of finance (the Cofinanciers) loans and grants in an aggregate principal amount equivalent to two million eight hundred thousand dollars (\$2,800,000) to assist in financing the Project on the terms and conditions set forth in agreements (the Cofinanciers Agreements) to be entered into between the Borrower and the Cofinanciers; 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) 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) "MOLSP" means the Borrower's Ministry of Labor and Social Protection, or any successor thereof;

(b) "Project Operating Manual" means the Project Operating Manual of the Borrower dated September 23, 1994, as the same may be amended from time to time with the agreement of the Bank;

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

(d) "Borrower's Social Safety Net Strategy" means the Borrower's strategy for the development of its social safety net, including its employment and social protection programs, as set forth in the Borrower's letter to the Bank dated November 26, 1993;

(e) "Social Assistance White Paper" means the "White Paper - The Social Assistance System of Romania - Description, Assessment and Options for Reform" issued in July 1993 by MOLSP; and

(f) "Social Insurance White Paper" means "The White Paper on Social Insurances and Pensions Reform" issued in December 1993 by MOLSP.

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 fifty-five million four hundred thousand dollars (\$55,400,000), 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 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 a bank, acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. 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 September 30, 2001 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of 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 May 1 and November 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, employment development and social protection 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 and Other 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.

Section 4.02. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare, in accordance with guidelines satisfactory 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;

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

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

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, namely, that:

(a) Cofinanciers Agreements, providing for loans and grants in an aggregate amount equivalent to one million two hundred thousand dollars (\$1,200,000), shall have failed to become effective by October 31, 1995, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank 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 loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or part, pursuant to the terms thereof, or
- (B) any such loan shall have become due and payable prior to the agreed maturity thereof; and

(ii) subparagraph (i) of this Section shall not apply if the Borrower establishes to the satisfaction of the Bank 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.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

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 all conditions precedent to the effectiveness of Cofinanciers Agreements providing for loans and grants in an aggregate amount equivalent to one million six hundred thousand dollars (\$1,600,000) have been fulfilled, other than those related to the effectiveness of this Agreement; and

(b) that the Borrower has selected consultants to assist the Project Coordination Unit, referred to in paragraph 2 (a) (ii) of Schedule 5 to this Agreement, in the carrying out of its activities under the Project.

Section 6.02. The date one hundred and 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

Representative of the Borrower; Addresses

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

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

For the Borrower:

The Ministry of Finance
17, Apolodor Street
Bucharest

Romania

Telex:

11239

For the Bank:

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

Cable address: Telex:

INTBAFRAD 248423 (RCA)
Washington, D.C. 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.

ROMANIA

By /s/ Ion Gorita

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Rachel Lomax

Acting Regional Vice President
Europe and Central Asia

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, consultants' services and training other than under Part C of the Project	36,700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally for goods, and 100% for
(2) Goods, consultants' services and training under Part C (1) of the Project	3,400,000	

(3) Goods, consultants' services and training under Part C (2) of the Project	3,000,000	consultants' services and training
(4) Incremental operating costs	7,500,000	100%
(5) Unallocated	4,800,000	
TOTAL	55,400,000	=====

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;

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

(c) the term "incremental operating costs" means the costs of office and other materials and supplies utilized in the carrying out of the Project by the Borrower, departments and agencies responsible therefor.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement; (b) expenditures under Category (2) except after a law on social insurance which, in accordance with the principles set forth in the Social Insurance White Paper, provides for a viable and efficient social insurance system designed to sustain and advance the objectives of the Project shall have been enacted, and all arrangements for implementing the provisions of said law shall have been completed; and (c) expenditures under Category (3) except after a law on social assistance which, in accordance with the principles set forth in the Social Assistance White Paper, provides for a viable and efficient social assistance system designed to sustain and advance the objectives of the Project shall have been enacted, and all arrangements for implementing the provisions of said law shall have been completed.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for goods and services not exceeding \$300,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to alleviate unemployment and poverty, improve efficiency and affordability of employment and social protection services, and promote economic competitiveness and labor productivity, all in accordance with the Borrower's Social Safety Net Strategy.

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:

1. Carrying out of programs to improve management, planning, execution, monitoring and evaluation, and cost effectiveness of employment and social assistance programs, including: (a) to strengthen the capability of MOLSP to ensure efficient coordination of Project execution; (b) to upgrade the monitoring and policy analysis functions of MOLSP to facilitate suitable monitoring and evaluation of employment and social assistance programs and the cost effectiveness thereof; and (c) to expand the automation of labor and social assistance and insurance offices to support the proper administration of the programs provided under the Project.

2. The provision and utilization in the carrying out of this Part A of the Project of technical assistance, staff, staff training, computers and computer programs, equipment and materials and works to rehabilitate office facilities.

Part B:

1. Carrying out of programs to improve the administration of employment services and adult training programs, including: (a) to upgrade the organization and delivery in labor offices of regular employment services and of industrial adjustment services targeted to large-scale layoffs; (b) to strengthen career information and counseling in labor offices and schools; and (c) to improve the flexibility and responsiveness of training programs to the needs of the private sector so as to reorient the skills of employed and unemployed workers to those required in a market economy.

2. The provision and utilization in the carrying out of this Part B of the Project of technical assistance, staff, staff and adult training, enterprise training programs, general education and entrepreneurship training, computers and computer programs, equipment and materials, vehicles and works to rehabilitate labor offices and training programs facilities.

Part C:

Carrying out of programs to improve the administration of the social protection system and the financial viability thereof, including: (1) to upgrade the organization of the social insurance system to unify the various pension funds thereunder and improve its financial management, and contribution records and benefits disbursement systems; and (2) to develop and implement an integrated social assistance system of cash benefits, improve the organization of its services delivery and target its benefits to those most vulnerable to poverty, including the provision and utilization in the carrying out of this Part C of the Project of technical assistance, staff, staff training, computers and computer programs and equipment and materials.

* * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 1, 2000	1,065,000
May 1, 2001	1,105,000
November 1, 2001	1,140,000
May 1, 2002	1,185,000
November 1, 2002	1,225,000
May 1, 2003	1,270,000
November 1, 2003	1,315,000
May 1, 2004	1,360,000
November 1, 2004	1,410,000
May 1, 2005	1,460,000
November 1, 2005	1,510,000
May 1, 2006	1,565,000
November 1, 2006	1,620,000
May 1, 2007	1,675,000
November 1, 2007	1,735,000
May 1, 2008	1,795,000
November 1, 2008	1,860,000
May 1, 2009	1,925,000
November 1, 2009	1,995,000
May 1, 2010	2,065,000
November 1, 2010	2,140,000
May 1, 2011	2,215,000
November 1, 2011	2,290,000
May 1, 2012	2,375,000
November 1, 2012	2,460,000
May 1, 2013	2,545,000
November 1, 2013	2,635,000
May 1, 2014	2,730,000
November 1, 2014	2,825,000

May 1, 2015

2,905,000

* 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	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. 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 1992 (the Guidelines), and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part D.1 (a) of this Section, the Bank's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$300,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Romania 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 estimated to cost the equivalent of \$300,000 or less per contract, up to an aggregate amount equivalent to \$7,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

2. Goods estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$3,000,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Contracts for goods which the Bank agrees are of proprietary nature, the timely supply thereof is critical for efficient Project execution, or need to be compatible with other installed equipment, may be awarded after direct negotiations with suppliers, in accordance with procedures acceptable to the Bank.

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 for goods estimated to cost the equivalent of \$300,000 or more, and contracts awarded in accordance with Part C.3 of this Section, 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 withdrawals are to be made 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

1. Consultants' services shall be procured under contracts awarded to consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants 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 (the Consultant Guidelines). For complex,

time-based assignments, the Borrower shall employ such consultants under contracts using 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, the Borrower shall use other standard forms agreed with the Bank.

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

SCHEDULE 5

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 3.01 (b) of this Agreement.

1. Overall responsibility for the carrying out of the Project shall be assigned by the Borrower to MOLSP.

2. For the purpose of facilitating the efficient carrying out of the Project, the Borrower shall:

(a) maintain, with membership, staff and other resources and terms of reference satisfactory to the Bank (i) a Technical Coordinating Committee to be responsible for the general coordination and supervision of Project execution, (ii) a Project Coordination Unit to assist the Technical Coordinating Committee referred to in subparagraph (a) (i) hereof in the carrying out of its responsibilities, (iii) a National Training Board acting through County Training Boards in which the private sector will have substantial control over the determination of training courses carried out in Part B.1 (c) of the Project, (iv) a Working Team to be responsible, under the overall guidance of the National Training Board referred to in subparagraph (a) (iii) hereof, for the development and implementation of special employment services targeted to large scale layoffs under Part B.1 (a) of the Project, (v) a Career Information and Counseling Advisory Group to be responsible for the provision of policy guidance in the carrying out Part B.1 (b) of the Project, (vi) a Career Information and Counseling Working Group to be responsible, under the overall guidance of the Career Information and Counseling Advisory Group referred to in subparagraph (a) (v) hereof, for the carrying out of Part B.1 (b) of the Project, (vii) Regional Adult Training Centers to participate in providing the training under Part B.1 (c) of the Project, and (viii) a Monitoring and Evaluation Group to be responsible for the monitoring and evaluation activities under Part A.1 (b) of the Project; and

(b) maintain arrangements, satisfactory to the Bank, between MOLSP and (i) the Borrower's Ministry of Education to ensure effective cooperation in the carrying out of Part B.1 (b) of the Project, and (ii) the offices of the local mayors and the local education authorities to ensure effective cooperation in the carrying out of Part C.2 of the Project.

3. The Borrower shall: (a) ensure that, without limitation on the provisions of this Schedule (i) the Project shall be carried out in accordance with the requirements and other details set forth in Section IV of the Project Operating Manual, and (ii) all essential staff required for the carrying out of the Project and agreed between the Borrower and the Bank shall be assigned to the Project by June 30, 1995; (b) employ consultants, with qualifications and terms of reference and on the basis of time-schedules satisfactory to the Bank, in order to assist in the carrying out of the Project; and (c) ensure that the training activities under the Project shall be carried out in accordance with programs, including time-schedules for the implementation thereof and criteria for the selection of candidates thereunder, satisfactory to the Bank, including, without limitation, overseas training under Parts A.2, B.2 and C.2 of the Project shall be limited to the training of staff who subsequently will be responsible for providing local training to other staff.

4. 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 set forth in the Project Operating Manual, the Borrower shall prepare, under terms of reference satisfactory to the Bank and furnish to the Bank: (a) by March 31 of each year, a report on the progress achieved in the carrying out of the Project and the Borrower's Social Safety Net Strategy as of December 31 of the preceding year, as measured on the basis of indicators agreed with the Bank, and setting out the actions recommended for the efficient carrying out of the Project during the period following such reports; and (b) on or about June 30, 1997, a report integrating all available data on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the actions recommended for the efficient completion of the Project and the achievement of the objectives thereof. Thereafter, the Borrower shall take all measures required on its part to ensure the efficient completion of the Project and the achievement of the objectives thereof in accordance with the recommendations of the said report and the Bank's comments thereon.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) 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 \$2,500,000 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 \$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 \$5,500,000.

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 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;

(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.