

CONFORMED COPY

LOAN NUMBER 4616 RO

Loan Agreement

(Social Sector Development Project)

between

ROMANIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated July 6, 2001

LOAN NUMBER 4616 RO

LOAN AGREEMENT

AGREEMENT, dated July 6, 2001, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

(A) the Borrower intends to contract: (i) a grant (the DFID Grant) in a principal amount of \$970,000 equivalent from the United Kingdom on the terms and conditions set forth in an agreement to be entered into between the British Department for International Development (DFID) and the Borrower (the DFID Grant Agreement); (ii) a grant (the EU Grant) in a principal amount of \$4,700,000 equivalent from the European Union (EU) on the terms and conditions set forth in an agreement to be entered into between the European Union and the Borrower (the EU Grant Agreement); and (iii) a grant (the CIDA Grant) in a principal amount of \$580,000 equivalent from the Canadian International Development Agency (CIDA) on the terms and conditions set forth in an agreement to be entered into between CIDA and the Borrower (the CIDA Grant Agreement).

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

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (the General Conditions) constitute an integral part of this Agreement.

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

(a) "ANOFM" means Agentia Nationala Pentru Ocuparea Fortei de Muncă, the Borrower's National Agency for Employment established pursuant to the Law No. 145/1998 as amended through December 30, 2000, or any legal successor thereto;

(b) "CGAS" means Comisia Guvernamentală Anti-Saracie, the Governmental Anti-Poverty Commission established pursuant to the Prime Minister's Resolution No. 8, dated March 26, 2001, or any legal successor thereto;

(c) "CNPAS" means Casa Nationala De Pensii și Alte Drepturi De Asigurari Sociale, the National House of Pensions and Other Social Insurance Rights, the Borrower's agency, established pursuant to the Pension Law No. 19/2000, or any legal successor thereto;

(d) "Eligible Categories" means categories (1) through (4), set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(e) "Eligible Expenditures" means the expenditures for goods, services and Micro-credits under the Project referred to in Section 2.02 of this Agreement;

(f) "Lei" means the currency of the Borrower;

(g) "LRP" means the Labor Redeployment Program to be carried under Part C.1 of the Project;

(h) "LRP Operational Manual" means the manual, setting forth the operational and administrative procedures for carrying out the Labor Redeployment Program (LRP) under Part C.1 of the Project, dated April 18, 2001, as such manual may be amended from time to time upon the agreement with the Bank;

(i) "LRP Service Provider" means an entity eligible, in accordance with the criteria set forth in the LRP Operational Manual, to provide labor redeployment services under Part C.1 of the Project;

(j) "Micro-credit" means a credit made or proposed to be made by a Micro-credit Service Provider to a Beneficiary for the carrying out of a Micro-project under Part C.2 of the Project;

(k) "Micro-Credit Administration Agreement" means the agreement to be entered into between the Borrower, through MMSS, and a Micro-credit Service Provider pursuant to paragraph 8 of Schedule 5 to this agreement on terms and conditions consistent with the provisions of the Micro-credit Guidelines;

(l) "Micro-credit Agreement" means an agreement to be entered into between a Micro-credit Service Provider and a Beneficiary for the purposes of Part C.2 of the Project;

(m) "Micro-credit Fund" means a fund referred to in paragraph 8(c) of

Schedule 5 to this Agreement;

(n) "Micro-credit Guidelines" means the guidelines referred to in Part A.3(c) of Schedule 1 to this Agreement, setting forth the operational and administrative procedures for provision of Micro-credits under Part C.2 of the Project, as such guidelines may be amended from time to time upon the agreement with the Bank;

(o) "Micro-credit Service Provider" means an entity eligible, in accordance with the criteria set forth in the OG No. 40/2000 and the Micro-credit Guidelines, to provide Micro-credits to Beneficiaries under Part C.2 of the Project;

(p) "Micro-Project" means a specific project or investment under Part C.2 of the Project, which is proposed to be carried out by a Beneficiary utilizing a Micro-credit;

(q) "MMSS" means the Borrower's Ministry of Labor and Social Solidarity, or any legal successor thereto;

(r) "OG No. 40/2000" means the Government's Ordinance No. 40 on the Accreditation of Credit Agencies in Order to Administer the Funds for Granting Micro-credits, dated January 30, 2000;

(s) "PCU" means the Project Coordination Unit established under MMSS, or any legal successor thereto;

(t) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(u) "PSC" means the Pension Supervision Commission to be established pursuant to paragraph 4 of Schedule 5 to this Agreement;

(v) "Service Providers" means collectively Micro-credit Service Providers and LRP Service Providers; and

(w) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to fifty million Dollars (\$50,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (a) amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of withdrawals made by a Beneficiary under a Micro-credit to meet the reasonable cost of goods, works and services required for the Micro-project in respect of which the withdrawal from the Loan Account is requested; and (b) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be June 30, 2006, 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 fee in an amount equal to one percent (1%) of the amount of the Loan.

Section 2.05. 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 2.06. (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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.

(iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in U.S. dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of Interest Period), as reasonably determined by the Bank and such expressed as a percentage per annum.

(iv) "LIBOR Total Spread" means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the outstanding borrowings or portions thereof allocated by fund single currency loans or portions thereof made the Loan; as reasonably determined by the Bank and expressed as a percentage per annum. Bank's the Bank to by it that include Bank and expressed as a

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

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on April 15 and October 15 in each year.

Section 2.08. 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, and, to this end, shall carry out the Project through MMSS with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, and environmental 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 through MMSS 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. (a) The Borrower undertakes that, unless the Bank shall otherwise agree, Micro-credits will be made in accordance with the procedures and on the terms and conditions set forth or referred to in the OG No. 40/2000 and the provisions of the Micro-credit Guidelines.

(b) The Borrower shall exercise its rights in relation to any Micro-project in such manner as to: (i) protect the interests of the Bank and the Borrower; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.04. For the purposes of Section 9.07 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 before 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 through MMSS shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower through MMSS shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may 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 separate accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower through MMSS, shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower through MMSS, not later than December 31, 2002, or such later date as the Bank shall agree, to prepare quarterly Project Management Reports, acceptable to the Bank, each of which:

(i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;

(ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and

(iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower, shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

## ARTICLE V

### Remedies of the Bank

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

(a) The OG 40/2000 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement, or the ability of Micro-credit Service Providers to carry out their activities under Part C.2 of the Project.

(b) The LRP Operational Manual shall have been amended, suspended, abrogated,

repealed or waived without prior approval of the Bank.

(c) The Micro-credit Guidelines shall have been amended, suspended, abrogated, repealed or waived without prior approval of the Bank.

(d) The DFID Grant Agreement, the EU Grant Agreement and the CIDA Grant Agreement shall have failed to become effective by March 31, 2002, 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.

(e) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the DFID Grant, or the EU Grant, or the CIDA Grant made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Grant Agreement, or the EU Grant Agreement, or the CIDA Agreement, respectively. DFID Grant

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the DFID Grant Agreement, or the EU Grant Agreement, or the CIDA Grant Agreement, respectively; 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 (k) of the General Conditions, the following additional event is specified, namely, that any event specified in paragraphs (a), (b) and (c) of Section 5.01 of this Agreement shall have occurred.

#### ARTICLE VI

##### Termination

Section 6.01. The date 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 Public 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:

Ministry of Public Finance  
17, Apolodor Street  
Bucharest  
Romania

Telex:

11239

Facsimile:

401 312 6792

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:                      Facsimile:  
  
                  INTBAFRAD                      248423 (MCI) or                      (202) 477-6391  
                  Washington, D.C.                      64145 (MCI)

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

ROMANIA

By /s/ Mihai Nicolae Tanasescu

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Andrew N. Vorkink

Country Director  
South Central Europe Country Unit  
Europe and Central Asia

#### SCHEDULE 1

#### Withdrawal of the Proceeds of the Loan

#### A. General

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 Dollars)	% of Expenditures to be Financed
(1) Goods		100% of foreign
(a) for Part B (2) of the Project	1,200,000	expenditures, 100% of local expenditures
(b) for other Parts of the Project	12,000,000	(ex-factory cost) and 84% of local expenditures for other items procured locally
(2) Consultants' Services and Training (except for Part B (4) of the Project)	3,080,000	100%
(3) Labor Redeployment Services	20,000,000	100%
(4) Micro-credits	12,000,000	100%
(5) Unallocated	1,720,000	



TOTAL 50,000,000

2. For the purposes of this Schedule:

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

(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 "labor redeployment services" means services provided by the LRP Service Providers under Part C.1 of the Project, including retraining, on-the-job training, provision of temporary employment, employment counseling, and services of business development incubators.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of expenditures under Categories (1), (2), (3) and (4) set forth in the table of Part A.1 of this Schedule until the fee referred to in Section 2.04 of this Agreement has been paid;

(b) in respect of expenditures under Category 1(a) unless the Borrower through MMSS has submitted to the Bank satisfactory evidence that PSC referred to in paragraph 4 of Schedule 5 to this Agreement has been legally established; and

(c) in respect of expenditures under Category (4) unless: (i) Micro-credit Guidelines, satisfactory to the Bank, have been approved by the Borrower; and (ii) a Micro-credit Administration Agreement, satisfactory to the Bank, has been executed between MMSS on behalf of the Borrower and the Micro-credit Service Provider in respect of a particular Micro-credit Fund for which the Borrower has requested a withdrawal.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (a) Micro-credits under Part C.2 of the Project; (b) goods under contracts costing less than \$100,000 equivalent each; (c) consultants' services under contracts with consulting firms costing less than \$100,000 equivalent each; (d) consultants' services under contracts with individual consultants costing less than \$50,000 equivalent each; (e) training; and (f) labor redeployment services under contracts costing less than \$50,000 equivalent each, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

#### B. Special Account

1. The Borrower through MMSS shall open and maintain in Dollars a special deposit account in a commercial bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made in accordance with the provisions of the Annex to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank determines at any time that all further withdrawals should be

made by the Borrower directly from the Loan Account; 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 (A) the records and accounts for the Special Account, or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of statements of expenditures.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or 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. 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 determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

#### Annex to SCHEDULE 1

##### Operation of Special Account

1. For the purposes of this Annex:

The term "Authorized Allocation" means an amount equivalent to \$4,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$1,000,000 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 equal or exceed the equivalent of \$4,000,000.

2. Withdrawals of the Special Account's Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Special Account's Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. 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.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. 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 Part B.3 of Schedule 1 to this Agreement 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. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Special Account's Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Special Account's Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan 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.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are: (i) to improve the Borrower's capacity in policy development, monitoring and evaluation in the areas of poverty reduction and social protection; (ii) to support a social insurance system reform, including the development of a multi-pillar pension system; (iii) to facilitate labor market adjustment and micro-business development; and (iv) to strengthen the social assistance system.

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: Policy Development, Monitoring and Evaluation

1. Establishment of CGAS within the Prime Minister's office through: (a) technical assistance and training; (b) office furniture and equipment, hardware and software, supplies and library development; and (c) the carrying out of policy studies.
2. Provision of training, office furniture and equipment, hardware and software, supplies, library development and studies for the institutional building of the MMSS and policy development, monitoring, and evaluation capacity for social protection.
3. Provision of office furniture and equipment, hardware and software, training and audit services to the PCU.

#### Part B: Social Insurance System Reform

1. Strengthening the capacity of the CNPAS, through: (a) refurbishment of offices; (b) provision of office equipment, software and hardware; and (c) provision of technical assistance and training.
2. Establishment of the PSC, including: (a) refurbishment of facilities; (b) development of regulations, operating procedures, software and hardware systems; (c) acquisition of office equipment; and (d) staff training.
3. Provision of office and medical equipment, software and hardware and training for enhancing the capacity of the National Institute for Medical Expertise and Work

Capacity Recovery and medical expertise local offices of CNPAS.

4. Provision of technical assistance and training for the development of a National Occupational Illness and Injury Insurance Fund.

Part C: Labor Market Adjustment

1. Implementation of the Labor Redeployment Program (LRP) through: (a) provision of labor redeployment services; and (b) technical assistance for the supervision thereof.

2. Provision of Micro-credits to Beneficiaries by Micro-credit Service Providers and provision of technical assistance for the supervision thereof.

Part D: Social Assistance Strengthening

1. Assistance to social assistance offices at the central and local level, including: (a) refurbishment of their offices and provision of office equipment; (b) provision of information technology; and (c) technical assistance to elaborate the institutional framework for social assistance; and (d) implementation of pilot social assistance initiatives.

2. Development of training capacity within the MMSS, preparation of the curriculum for staff at all levels of the social assistance system and the coordination and delivery of training programs.

3. Development of the public relations capacity of the MMSS at the central and local level through training, and the preparation and dissemination of materials.

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The Project is expected to be completed by December 31, 2005.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
October 15, 2005	1,295,000
April 15, 2006	1,335,000
October 15, 2006	1,375,000
April 15, 2007	1,415,000
October 15, 2007	1,460,000
April 15, 2008	1,505,000
October 15, 2008	1,550,000
April 15, 2009	1,595,000
October 15, 2009	1,645,000
April 15, 2010	1,690,000
October 15, 2010	1,745,000
April 15, 2011	1,795,000
October 15, 2011	1,850,000
April 15, 2012	1,905,000
October 15, 2012	1,960,000
April 15, 2013	2,020,000
October 15, 2013	2,080,000
April 15, 2014	2,145,000
October 15, 2014	2,210,000
April 15, 2015	2,275,000
October 15, 2015	2,340,000
April 15, 2016	2,415,000
October 15, 2016	2,485,000
April 15, 2017	2,560,000
October 15, 2017	2,635,000
April 15, 2018	2,715,000

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

#### SCHEDULE 4

#### Procurement

#### Section I. Procurement of Goods

#### Part A: General

Goods shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

#### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

##### (a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

##### (b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

#### Part C: Other Procurement Procedures

#### 1. National Competitive Bidding

Contracts for furniture estimated to cost less than \$200,000 but more than \$50,000 per contract, up to an aggregate amount not to exceed \$810,000 equivalent, 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, other than furniture, estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$985,000 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. National Shopping

Goods estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$155,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

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

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) each contract for goods exceeding the equivalent of \$100,000 per contract; and (ii) the first three contracts for furniture procured in accordance with the provisions of Part C.1 of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to: (i) the first contract for goods procured in accordance with the provisions of Part C.2; and (ii) the first contract for goods procured in accordance with the provisions of Part C.3 to this Section, the following procedures shall apply:

(i) prior to the selection of any supplier under shopping procedures, the Borrower shall provide to the Bank a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of any contract procured under direct contracting or shopping procedures, the Borrower shall provide to the Bank a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) 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

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Services for: (a) carrying out training activities under the Project; and (b) carrying out studies under Part A.2 of the Project, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

3. Least-Cost Selection

Services for carrying out the Project audit may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

4. Labor Redeployment Services

Labor redeployment service provided by the LRP Service Providers under contracts estimated to cost less than \$50,000 equivalent may be procured: (a) in accordance with the provisions of paragraph 3.2 and 3.7 of the Consultant Guidelines, or (b) in accordance with the provisions of paragraph 3.15 of the Guidelines and procedures set forth in the LRP Operational Manual.

5. Services Related to Training

Services related to training (other than consultants' services), including, but not limited to, transportation, hotel accommodations, training materials, shall be procured on the basis of comparing price quotations obtained from at least three national suppliers.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000 the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be

furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 5

Implementation Program

1. The Borrower through MMSS shall:

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

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, by July 31 and January 31 of each year starting on January 31, 2002, a report integrating the data from PMRs, results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, 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;

(c) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about October 30, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report 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

(d) review with the Bank, by December 31, 2003, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required 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.

2. During the execution of the Project, the Borrower through MMSS shall:

(a) maintain the PCU within MMSS with such staff and resources as shall be required for the PCU to perform its duties in respect of the overall management and implementation of the Project and shall be acceptable to the Bank;

(b) establish by September 30, 2001, and thereafter maintain a Project Coordination Committee comprising the representatives of MMSS, PSC, ANOFM, CGAS, Ministry of Public Finance, Ministry of Public Administration, and the Ministry of National Defense which shall provide oversight and policy guidance for Project implementation.

3. Not later than September 30, 2001, the Borrower through MMSS shall appoint an additional procurement specialist and an additional budget officer to the PCU, both with qualifications, experience and terms of reference acceptable to the Bank.

4. Not later than December 31, 2002, the Borrower shall establish PSC with adequate regulatory and supervisory authority, and shall satisfactorily maintain said PSC during Project implementation.

5. Not later than December 31, 2001, the Borrower shall establish a technical secretariat of CGAS within the Office of the Prime Minister, with staff, resources and



functions acceptable to the Bank, and shall maintain CGAS and the technical secretariat during Project implementation.

6. The Borrower shall not amend, suspend, abrogate, repeal or waive the LRP Operational Manual or the Micro-credit Guidelines without the Bank's prior consent.

7. For the purposes of carrying out Part C.1 of the Project, the Borrower through MMSS shall:

(a) select LRP Service Providers in accordance with the eligibility criteria set forth in the LRP Operational Manual and procure their services in accordance with the provisions of Section II, Part C.4 of Schedule 4 to this Agreement;

(b) enter into a contract with each LRP Service Provider on terms and conditions satisfactory to the Bank; and

(c) cause each LRP Service Providers to carry out Part C.2 of the Project in accordance with the LRP Operational Manual and the provisions of this Schedule.

8. For the purposes of carrying out Part C.2 of the Project, the Borrower through MMSS shall:

(a) select Micro-credit Service Providers, in accordance with the eligibility criteria set forth in the OG No. 40/2000 and the provisions of the Micro-credit Guidelines;

(b) enter into Micro-credit Administration Agreements with each Micro-credit Service Provider, under terms and conditions consistent with the provisions of the OG No. 40/2000 and the Micro-credit Guidelines, and which shall have been approved by the Bank;

(c) authorize each selected Micro-credit Service Provider to establish a fund (Micro-Credit Fund) for provision of Micro-credits under Part C.2 of the Project, which fund shall be replenished through withdrawals from the Loan Account from time to time, in accordance with the terms and procedures of the Micro-Credit Guidelines and each respective Micro-credit Administration Agreement, provided that such fund shall not exceed the maximum amount of \$1,000,000 equivalent; and

(d) cause each Micro-credit Service Providers to carry out Part C.1 of the Project in accordance with the OG No. 40/2000, the Micro-credit Guidelines and the provisions of this Schedule.

9. Not later than March 31, 2002, the Borrower shall submit to the Bank a medium-term strategic plan for the development of CNPAS approved by its supervisory board and satisfactory to the Bank.

10. For the purposes of carrying out Part D.2 of the Project, the MMSS shall enter into necessary arrangements with the Ministry of Public Administration for provision of training to local government staff involved in the provision of social assistance.

