

Public Disclosure Authorized 2000

CONFORMED COPY



CREDIT NUMBER 794 YAR

# Development Credit Agreement

(Third Highway Project)

between

YEMEN ARAB REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 31, 1978

Public Disclosure Authorized



DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 31, 1978, between YEMEN ARAB REPUBLIC (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) the Borrower has requested the Association to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by extending the Credit as hereinafter provided;

(B) the Borrower intends to contract from another external source of finance (hereinafter called the Co-Financier) a loan (hereinafter called the Co-Financier Loan) in an amount equivalent to about eleven million dollars (\$11,000,000) to assist in financing the Project on the terms and conditions set forth in an agreement (hereinafter called the Co-Financier Loan Agreement) to be entered into between the Borrower and the Co-Financier; and

WHEREAS the Association has agreed, on the basis inter alia of the foregoing, to extend the Credit to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

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

(a) "Authority" means the Highway Authority established under the Borrower's Decree No. 16 of the year 1972, or any such other agency of the Borrower, having approximately the same powers

and responsibilities, as shall be designated by the Borrower to succeed the Authority;

(b) "VTC" means the Vocational Training Center of the Authority; and

(c) "TPU" means the Training Production Unit of the Authority.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to eleven million five hundred thousand dollars (\$11,500,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, for expenditures made (or, if the Association 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 Credit.

Section 2.03. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be March 31, 1983 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ( $3/4$  of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semiannually on January 1 and July 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 1 and July 1 commencing July 1, 1988, and ending January 1, 2028 each installment to and including the installment payable on January 1, 1998, to be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent (1-1/2%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

### ARTICLE III

#### Execution of the Project

Section 3.01. The Borrower shall carry out the Project through the Authority with due diligence and efficiency and in conformity with appropriate financial, administrative and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. In order to assist the Authority in its operations, the Borrower shall employ, or cause the Authority to employ, experts whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such experts will be employed in the numbers, for the periods and for the positions agreed between the Borrower and the Association.

Section 3.03. For the implementation of Part D.1 of the Project, the Borrower shall cause the Authority: (i) to establish a training division located at the Authority's headquarter; such division shall be responsible for the development of the Authority's over-all training policy, the preparation of training programs, including those under the Project, and the supervision of training operations; (ii) to employ, under procedures acceptable to the Association, specialists whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association; three of such specialists shall work as heads of said training division, VTC and TPU, respectively, and the rest as training instructors; (iii) to employ, or provide from the existing staff of the Authority, qualified local technicians to work as assistant instructors with said specialists in the implementation of the training program under Part D.1 of the Project,

in numbers adequate to ensure the effective implementation of said program; and (iv) to ensure that the maintenance personnel of the Authority is assigned periodically and at reasonable intervals to attend training programs at VTC and TPU.

Section 3.04. For the implementation of Part E of the Project, the Borrower shall employ, or cause the Authority to employ, engineering consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association.

Section 3.05. The Borrower shall cause the road included under Part A.1 and the stations included under Part A.2 of the Project to be constructed in accordance with design standards acceptable to the Association.

Section 3.06. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Section 3.07. (a) The Borrower shall furnish, or cause the Authority to furnish, to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall maintain, or cause the Authority to maintain, records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Credit, and to disclose their use in the Project; (ii) shall enable the Association's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish, and shall cause the Authority to furnish,

to the Association at regular intervals all such information as the Association shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

(c) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower, acting through the Authority, shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit.

#### ARTICLE IV

##### Other Covenants

Section 4.01. The Borrower shall cause the Authority to maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices the operations and financial condition of the Authority.

Section 4.02. (a) The Borrower, acting through the Authority, shall ensure that the dimensions and axle loads of vehicles using the Borrower's roads are consistent with the structural and geometric design standards of the roads used.

(b) In order to enable the Authority to effectively enforce the provisions of the preceding paragraph (a), the Borrower shall: (i) ensure that the stations for vehicle loading control to be established under Part A (2) of the Project, will operate under competent management and technical staff and in accordance with appropriate administrative procedures; and (ii) issue, within three years from the date of this Agreement, the detailed executive regulations necessary for the efficient enforcement, by the Authority assisted by the Borrower's concerned agencies, of the Borrower's legislation and regulation on vehicle loading control over the paved road system of the Borrower.

Section 4.03. Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall

provide the Authority with funds in local and foreign currencies, sufficient to procure, operate and maintain the road maintenance equipment and spare parts required under the Borrower's road maintenance program for the fiscal years 1978/1979 through 1980/1981.

Section 4.04. Without limitation upon the provisions of Section 4.03 of this Agreement, the Borrower shall cause the Authority to adequately maintain the Borrower's highway system and road maintenance equipment and shall cause all necessary repairs and renewals thereof to be made promptly, all in accordance with appropriate engineering standards and economic practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the foregoing.

Section 4.05. The Borrower shall cause the Authority to introduce operational and accounting procedures adequate to ensure the functional separation between the Authority's maintenance and construction divisions.

#### ARTICLE V

##### Remedies of the Association

Section 5.01. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified pursuant to paragraph (h) thereof:

(a) The Co-Financier Loan Agreement shall have failed to become effective by March 31, 1979, or such other date as the Association may establish; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(A) the right of the Borrower to withdraw the proceeds of the Co-Financier loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the Co-Financier Loan Agreement; or

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

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified pursuant to paragraph (d) thereof, namely, that the event specified in paragraph (b) (i) (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 Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) the Co-Financier Loan Agreement has been duly signed on behalf of the parties thereto; and

(b) the Borrower has employed pursuant to Section 3.03 of this Agreement, an equipment procurement officer and a Chief Engineer (or an acting Chief Engineer).

Section 6.02. The date September 28, 1978, is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Article IV of this Agreement and the provisions of Section 5.02 of this

Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty years after the date of this Agreement, whichever shall be the earlier.

## ARTICLE VII

### Representatives of the Borrower; Addresses

Section 7.01. The Central Planning Organization 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:

Central Planning Organization  
P.O. Box 175  
Sanaa  
Yemen Arab Republic

Cable address:

Telex:

CENPLAN

266

For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D.C.

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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.

YEMEN ARAB REPUBLIC

By /s/ Abduljalil Homarah  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Munir P. Benjenk  
Regional Vice President  
Europe, Middle East and North Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of imported items to be financed out of the proceeds of the Credit, the allocation of amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Equipment and spare parts for road maintenance and training	4,200,000	100% of foreign expenditures
(2) Consultants' services	1,000,000	100% of foreign expenditures
(3) Technical Assistance and Training	4,300,000	100% of foreign expenditures
(4) Unallocated	2,000,000	
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	TOTAL	
	11,500,000	
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2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Association that no proceeds of the Credit shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Credit decreases or increases, the Association may, by notice to the

Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Association.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

5. Notwithstanding the allocation of an amount of the Credit or the disbursement percentage set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Credit then allocated to any Category will be insufficient to finance all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet such estimated shortfall, proceeds of the Credit which are then allocated to another Category and which in the opinion of the Association are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as, in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.

## SCHEDULE 2

### Description of the Project

The Project consists of the following parts:

Part A: Construction and Related Supervision

1. The resurfacing of about 3 km at the turn-off to Turba on the Taiz-Mocha road.
2. The construction of five stations for vehicle loading control.
3. The construction of buildings for five maintenance stations, mechanical workshops, and warehouses and offices for three regional centers.
4. The construction of extensions to a training center for the Authority at Taiz.

Part B: Equipment for the Authority

1. The provision of road maintenance equipment and spare parts.
2. The provision of workshop and training equipment and spare parts.

Part C: Road Maintenance

The implementation of a road maintenance program for the years 1978/79 through 1980/81 for a road network of about 1,700 km of paved and about 1,000 km of gravel roads.

Part D: Training and Technical Assistance

1. A training program for the Authority's maintenance personnel, including the provision of on the job training and fellowships for overseas training.
2. Technical assistance comprising the employment of 20 experts to fill key on-line positions in the Authority.

Part E: Studies

1. The preparation of a highway master plan.
2. The preparation of the detailed engineering for strengthening some priority sections in the Borrower's paved roads.

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The Project is expected to be completed by March 31, 1982.

### SCHEDULE 3

#### Procurement

##### A. International Competitive Bidding

1. Except as provided in Part B hereof, contracts for the purchase of goods shall be procured in accordance with procedures consistent with those set forth in the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.

2. For goods to be procured on the basis of international competitive bidding under the Project and in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Association as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender documents relating thereto, a general procurement notice, in such form and detail and containing such information as the Association shall reasonably request; the Association will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods remain to be procured on the basis of international competitive bidding.

##### B. Other Procurement Procedures

Contracts for the purchase of goods estimated to cost not more than the equivalent of \$100,000 per contract and \$600,000 in the aggregate, may be awarded in accordance with the applicable procedures of the Borrower acceptable to the Association.

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

1. With respect to all contracts estimated to cost the equivalent of \$100,000 or more:

(a) Before bids are invited, the Borrower shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be

followed for the bidding, and shall make such modifications in the said documents or procedures as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to which it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, and such other information as the Association shall reasonably request. The Association shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked.

(d) Two conformed copies of the contract shall be furnished to the Association promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract.

2. With respect to each contract to be financed out of the proceeds of the Credit and not governed by the preceding paragraph, the Borrower shall furnish to the Association, promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.