

CONFORMED COPY

CREDIT NUMBER 1701 YAR

Development Credit Agreement

(Fourth Power Project)

between

YEMEN ARAB REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 17, 1988

CREDIT NUMBER 1701 YAR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 17, 1988, between YEMEN ARAB REPUBLIC (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

(B) the Project will be carried out by the Yemen General Electricity Corporation (YGEC) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to YGEC the proceeds of the Credit as provided in this Agreement; and

(C) to assist in the financing of the Project, the Borrower intends to contract from other sources of finance, loans in an aggregate amount equivalent to about \$36,100,000; and

WHEREAS the Association has agreed, on the basis inter alia of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement and in the Project Agreement of even date herewith between the Association and YGEC;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The General Conditions Applicable to Development Credit Agreements

of the Association, dated January 1, 1985, (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) "Project Agreement" means the agreement between the Association and YGEC of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and YGEC pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement;

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

(d) "Project Unit" means the Project Unit established pursuant to the Project Agreement (Second Power Project) dated May 15, 1981 between the Association and YGEC, and to be maintained pursuant to Section 2.01(b) of the Project Agreement.

## ARTICLE II

### The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to ten million nine hundred thousand Special Drawing Rights (SDR 10,900,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1993 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one per cent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

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

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 1 and August 1 commencing August 1, 1996, and ending February 1, 2036. Each installment to and including the installment payable on February 1, 2006, shall be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter shall 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. (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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause YGEC to perform in accordance with the provisions of the Project Agreement all the obligations of YGEC therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable YGEC to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend the equivalent in its currency (determined as of the dates of withdrawal from the Credit Account) of the proceeds of the Credit to YGEC under a subsidiary loan agreement to be entered into between the Borrower and YGEC under terms and conditions which shall have been approved by the Association, including, inter alia, provisions whereby YGEC shall (i) repay the amount so lent to it over a period of 20 years, including a grace period of 5 years, and (ii) pay on the outstanding amount so lent interest at an annual rate of not less than 9%.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 1 to the Project Agreement.

Section 3.03. Without limitation to the provision of Section 3.01(a) of this Agreement, the Borrower shall: (a) participate in the annual review, referred to in Section 4.02 (b) of the Project Agreement, of the adequacy of YGEC's revenues to achieve, for the following fiscal year of YGEC, the agreed rate of return specified in Section 4.02 (a) of the Project Agreement; and (b) on the basis of such review, take all such action (including, without limitation, adjustments of the structure and levels of YGEC's tariffs) as shall be required to enable YGEC to comply with the provisions of said Section 4.02 (a) of the Project Agreement.

Section 3.04. The Borrower and the Association hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) shall be carried out by YGEC pursuant to Section 2.03 of the Project Agreement.

Section 3.05. Except as the Association shall otherwise agree, the Borrower shall not enter into any loans, contracts, agreements or other instruments providing for capital expenditures in power generation in an aggregate amount greater than \$10,000,000. For purposes of this Section, the term "capital expenditures" means all

expenditures occurred on account of fixed assets for power generation, including interest charged to construction of those assets.

#### ARTICLE IV

##### Remedies of the Association

Section 4.01. For the purposes of Section 6.02(h) of the General Conditions the following additional events are specified pursuant to paragraph (h) thereof:

(a) YGEC shall have failed to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that YGEC will be able to perform its obligations under the Project Agreement.

(c) Law No. 12 of 1975, as amended by Law No. 26 of 1981, of the Borrower pertaining to the establishment and operations of YGEC shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of YGEC to perform any of its obligations under the Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of YGEC or for the suspension of its operations.

(e) The agreement, or any of the agreements, providing for the loan or loans referred to in Recital (C) of the Preamble to this Agreement, shall have failed to become effective by December 31, 1986, or such later 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 on terms and conditions consistent with the obligations of the Borrower under this Agreement and of YGEC under the Project Agreement.

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

(A) The right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such 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 and of YGEC under the Project Agreement.

Section 4.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (d) thereof:

(a) the event specified in paragraph (a) of Section 4.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower;

(b) any event specified in paragraphs (c) and (d) of Section 4.01 of this Agreement shall occur;

(c) the event specified in paragraph (f) (i) (B) of Section 4.01 of this Agreement shall occur, subject to the proviso of subparagraph (ii) of that paragraph.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. 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 Subsidiary Loan Agreement has been executed on behalf of the Borrower and YGEC; and

(b) the Agreement, or Agreements providing the Borrower, for purposes of financing the Project, with the approximate total amount referred to in Recital C of the Preamble to this Agreement have been concluded between the parties thereto.

Section 5.02. The following are specified as additional matters, within the meaning of Section 12.02(b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

(a) that the Project Agreement has been duly authorized or ratified by YGEC, and is legally binding upon YGEC in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and YGEC and is legally binding upon the Borrower and YGEC in accordance with its terms.

Section 5.03. The date 120 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.04. The obligations of the Borrower under Section 3.03 of this Agreement and the provisions of Section 4.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date 20 years after the date of this Agreement, whichever shall be the earlier.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. The Minister of Planning and Chairman of 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 6.02. 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  
Sana'a  
Yemen Arab Republic

Cable address:

CENPLAN  
Sana'a

Telex:

2266 CENPLAN YE

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

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

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

YEMEN ARAB REPUBLIC

By /s/ Molisim Alaini

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. Stoutjesdijk

Acting 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 items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods and spare parts (including installation works)	5,350,000	100% of foreign expenditures
(2) Meter laboratory (supply of goods and installation work)	815,000	100%
(3) Consultants' services:		
(a) for construction supervision	1,000,000	50% of foreign expenditures
(b) for the plan referred to in Part B (2) of the Project	1,600,000	100%
(4) Training	470,000	100%
(5) Unallocated	1,665,000	

TOTAL 10,900,000

2. For the purposes of this Schedule 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.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of \$500,000, may be made on account of payments for such expenditures before that date but after July 1, 1985.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to assist YGEC in (a) extending electric service from its interconnected grid to the largest possible areas, and (b) improving the technical, financial and administrative capabilities of YGEC.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

##### Part A: Electrical Works

This Part includes (a) the connection to the national grid of towns and adjacent large villages situated in the areas of Dhamar, Thila, Hababah, Shibam, Raydah, Khamer and Sanhan;

(b) the reinforcement and ring connection of the temporary interconnected towns of Ibb, Dhamar, Rada'a and Yarim and the extension of their distribution systems to supply surrounding areas;

(c) the extension of the distribution system of the isolated generation station at Al-Beida, and the installation of an isolated power station and associated distribution systems in each of the towns of Al-Fara and Al-Mantaqa; and

(d) the construction of a meter laboratory in the area of Sana'a and the replacement of old electricity meters.

The above connection and extensions consist of the supply, construction and/or installation of medium and low voltage lines, substations, distribution transformers and equipment and three phase and single phase connections and meters.

##### Part B: Technical Assistance

1. Technical services for YGEC for purposes of project engineering and construction supervision.

2. Implementation, with the assistance of consultants, of the plan currently adopted by YGEC for improving its financial position.

3. A training program for YGEC's staff, to be implemented with the assistance of consultants.

\* \* \* \* \*

The Project is expected to be completed by December 31, 1992.

#### SCHEDULE 3

##### Special Account

1. For the purposes of this Schedule:

(a) the term "Category" means a category of items to be financed out of the proceeds of the Credit as set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means the amount of SDR 470,000 equivalent which is to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to the Association that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. Except as the Association may otherwise agree, each such deposit shall be withdrawn by the Association from the Credit Account under the respective Categories and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3(b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals can be made directly by the Borrower from the Credit Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement; or

(ii) unless otherwise agreed by the Association, when the total unwithdrawn amount of the Credit minus the amount of any outstanding qualified agreement to reimburse made by the Association and of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Except as the Association shall otherwise agree, such further withdrawals shall be made only after and to the extent that the



Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice have been or will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association deposit into the Special Account (or, if the Association shall so request, refund to the Association for deposit into the Credit Account) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless otherwise agreed by the Association, no further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for deposit into the Credit Account.

