

CONFORMED COPY

CREDIT NUMBER 2265 YEM

(Fourth Fisheries Development Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 20, 1991

CREDIT NUMBER 2265 YEM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 20, 1991, between REPUBLIC OF YEMEN (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 Commission of the European Communities (EC) intends to make a grant (the EC Grant) to the Borrower in an aggregate principal amount equivalent to \$16,300,000 to assist in financing part of the Project on the terms and conditions set forth in an agreement (the EC Grant Agreement) to be entered into between the Borrower and EC;

(C) the Borrower intends to contract from International Fund for Agricultural Development (IFAD) a loan (the IFAD Loan) in an amount in various currencies equivalent to five million Special Drawing Rights (SDR 5,000,000) to assist in financing Parts B, D and F of the Project on terms and conditions set forth in an agreement (the IFAD Loan Agreement) to be entered into between the Borrower

and IFAD; 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;

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, with the last sentence of Section 3.02 deleted (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) "MF" means the Ministry of Fisheries of the Borrower;
- (b) "CFC" means Coastal Fishing Corporation, a semi-autonomous governmental authority established and operating under the Borrower's Law No. 11 of 1980, and any successor thereto;
- (c) "CACB" means the Cooperative and Agricultural Credit Bank, a semi-autonomous governmental authority established and operating under the Borrower's Law No. 39 of 1982;
- (d) "FMDC" means Fisheries Manpower Development Center, a training institute operating within the MF;
- (e) "MSRRI" means Marine Science and Resources Research Institute, a research institute operating within MF;
- (f) "NCFM" means National Corporation for Fish Marketing, a semi-autonomous governmental authority established and operating under the Borrower's Law No. 9 of 1980, and any successor thereto;
- (g) "PIU" means the Project Implementation Unit within MF established pursuant to the Credit Agreement between the People's Democratic Republic of Yemen and the Association, dated April 11, 1982, for the Third Fisheries Development Project (Credit No. 1274-YDR);
- (h) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated June 13, 1990 and June 20, 1990 between the Borrower and the Association;
- (i) "Special Fund Agreement" means the agreement to be entered into between MF and CACB pursuant to Section 3.07 (a) of this Agreement, as the same may be amended from time to time;
- (j) "Steering Committee" means the steering committee within MF referred to in Section 3.02 (c) of this Agreement; and
- (k) "Special Account" means the account referred to in Section 2.02 (b) of this 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 nine million four hundred thousand Special Drawing Rights (SDR 9,400,000).

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 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 described in Schedule 2 to this Agreement 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 deposit account in the Central Bank of Yemen 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 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1999, 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 on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent ($1/2$ of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next payment date in that year specified in Section 2.06 of this Agreement.

(c) 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 percent ($3/4$ 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 March 15 and September 15 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each March 15 and September 15 commencing September 15, 2001 and ending March 15, 2031. Each installment to and including the installment payable on March 15, 2011 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years; and (ii) the

Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

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 declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MF with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. In order to facilitate the proper carrying out of the Project, the Borrower shall:

(a) maintain the PIU with organization, staff and terms of reference satisfactory to the Association;

(b) by September 30, 1991, appoint to the staff of the PIU an accountant, a civil engineer and a procurement officer whose qualifications and experience shall be satisfactory to the Association; and

(c) establish a Steering Committee, comprised of representatives of MF, CACB, CFC, MSRRI and NCFM, to ensure interagency coordination under the Project.

Section 3.03. The Borrower shall:

(a) prior to the signing of any contract for the construction of facilities under Part A (1) of the Project, take all measures necessary to obtain the written consent of the fisheries cooperatives to: (i) the construction of such facilities in their respective villages; and (ii) the cost recovery arrangements for such construction, as set forth in sub-paragraph (b) below; and

(b) ensure that the facilities provided under Part A (1) of the Project (excluding housing, offices, roads, parking facilities, water supply, sewerage, and markets) and plastic boxes provided under Part C of the Project, are transferred to the concerned fisheries cooperatives under arrangements, satisfactory to the Association, providing, inter alia, for the reimbursement to the Borrower by said fisheries cooperatives, of the equivalent of the cost to the Borrower of such facilities and plastic boxes, over a period of ten years, including a one-year grace period for such

reimbursement and with interest on the amount not reimbursed at the rate per annum equivalent to the interest rate established by the Central Bank of Yemen for loans to borrowers in the agricultural sector with a repayment period of more than one year, or at such other rate as the Borrower and the Association may agree from time to time after reviewing the prevailing lending conditions within the Borrower's territory. Such reimbursement period shall start from the respective dates of transfer of such facilities and plastic boxes to the concerned fisheries cooperatives.

Section 3.04. The Borrower shall adopt an action program, satisfactory to the Association, providing for the restructuring and improvement in the operation of the fisheries cooperatives, which action program shall include, inter alia, measures to:

(a) permit the purchase by individual members of the fisheries cooperatives of existing cooperative fishing boats through a hire-purchase scheme; and

(b) improve the financial position of the fisheries cooperatives, including, inter alia, the reduction in administrative expenses of the fisheries cooperatives and the establishment of a framework for pricing the productive services provided to fishermen and traders by the fisheries cooperatives.

Section 3.05. The Borrower shall ensure that the Project is carried out in accordance with environmental guidelines satisfactory to the Association.

Section 3.06. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit and the IFAD Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.07. (a) For the purpose of carrying out Part G of the Project, and except as the Association shall otherwise agree, the Borrower shall cause MF to open with CACB a special fund pursuant to a Special Fund Agreement to be entered into between the MF and CACB, satisfactory to the Association, the principal terms and conditions of which are set forth in Schedule 5 to this Agreement.

(b) Each year until the Closing Date established pursuant to Section 2.03 of this Agreement, the Borrower shall cause MF to make annual supplementary deposits into the special fund established pursuant to sub-paragraph (a) above in order to compensate for the decrease in real value of such special fund during the preceding year. The supplementary deposit for each year shall be equivalent to the difference between the rate of inflation as measured by the Consumer Price Index published by the Central Bank of Yemen for the preceding year and the average nominal interest rate on loans to target beneficiaries during the preceding year, such difference applied to amounts disbursed and outstanding under the special fund during such year. Each year, the Borrower shall make an allocation in the budget of MF equivalent to such annual supplementary deposit.

Section 3.08. Without limitation or restriction upon the provisions of Section 9.06 of the General Conditions, the Borrower shall, through the PIU:

(a) within two months after the end of each semester, furnish to the Association for review and comment a summary of the progress achieved in the carrying out of the Project during such semester; and

(b) by June 30, 1994, or such later date as the Association may agree, furnish to the Association for review and comment an interim report on the progress achieved under the Project through the period ending three months prior to such report.

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower, including MF, CFC and MSRRI, responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than three months after the end of each such year, an unaudited copy and, not later than nine months after the end of each such year, a certified copy of the report of each audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Association

Section 5.01. (a) Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that subject to subparagraph (b) of this paragraph:

- (i) the right of the Borrower to withdraw the proceeds of the EC Grant or the IFAD Loan shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the EC Grant Agreement and of the IFAD Loan Agreement; or
- (ii) the IFAD Loan shall have become due and payable prior to the agreed maturity thereof.

(b) Sub-paragraph (a) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that:

- (i) 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
- (ii) 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 (d) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (a) (ii) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section.

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) all conditions precedent to the effectiveness of the IFAD Loan Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled;
- (b) all conditions precedent to the effectiveness of the EC Grant Agreement, other than those related to the effectiveness of this Agreement, have been fulfilled;
- (c) the Borrower shall have adopted the action program referred to in Section 3.04 of this Agreement pursuant to such provision; and
- (d) the Special Fund Agreement has been executed on behalf of MF and CACB.

Section 6.02. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Section 4.01 of this Agreement shall cease and determine on the date on which this Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Planning and Development 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 Planning and Development
P.O. Box 175
Sana'a
Republic of Yemen

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:

248423 (RCA),
82987 (FTCC),
64145 (WUI) or
197688 (TRT)

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

REPUBLIC OF YEMEN

By /s/ Mohsin A. Alaini
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ram K. Chopra
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 under the Credit
(1) Civil works under Part A (3) of the Project	1,400,000	75%

(2) Equipment (other than outboard engines and fishing gear), boat building materials and vehicles	2,300,000	100% of foreign expenditures, 100% of local expenditures (ex-factory) and 85% of local expenditures for other items procured locally
(3) Outboard engines and fishing gear under Part B (2) of the Project	4,100,000	55% of foreign expenditures, 55% of local expenditures (ex-factory) and 50% of local expenditures for other items procured locally
(4) Consultants' services and training under Parts D and F of the Project	500,000	100% of foreign expenditures and 90% of local expenditures
	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed under the Credit
(5) Refunding of Project Preparation Advance	300,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	800,000	

TOTAL	9,400,000 =====	

2. For the purposes of this Schedule:

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

(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.

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.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to expand fish production for local consumption and export; (ii) to improve the efficiency of domestic and export marketing of fish, including institutional reform of the fisheries cooperatives; (iii) to improve the assessment and management of fish resources; and (iv) to provide support to women in the fishing communities.

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:

1. Construction, furnishing and equipping of primary facilities for fish handling, preserving and distribution of fish, cooperative offices, boat repair areas, water supply facilities, housing for fishermen associated facilities, and workshops in villages located along the rich coastal fishing grounds off the Gulf of Aden.
2. Construction of a covered fiberglass construction yard for CFC in Aden.
3. Construction of an asphalt road between Fokum and Imran.

Part B:

1. Provision to CFC of: intermediate technology vessels and construction materials for wooden and glass reinforced plastic boats.
2. Provision to MF, for resale, of: outboard engines, fishing gear, and spare parts.

Part C:

Provision to MF, for resale, of: a fleet of vehicles, including insulated and refrigerated trucks, vehicle workshop equipment, lobster traps and plastic boxes for fish collection and distribution.

Part D:

1. Strengthening of MF's institutional capacity: (i) to manage and administer the fisheries sector resources; (ii) to plan for investment in the fisheries sector, including preparation of a future investment program; (iii) to monitor the provision of credit to fishermen and women engaged in the fisheries sector for the acquisition of, inter alia, imported boats, outboard engines and fishing gear financed out of the proceeds of the Credit; and (iv) in naval architecture; all through the provision of equipment, vehicles, technical assistance, training and fellowships.
2. Education of member of fisheries cooperatives and other fishermen on cooperative management, accounts, credit, equipment maintenance, fish handling and storage and market promotion, all through the provision of equipment, vehicles, technical assistance, and training.

Part E:

Strengthening of the institutional capacity of MSRRI in fish stock assessment, resource management and environmental research, through upgrading MSRRI's offices in Aden and Mukalla, establishment and renovation of an office in Hodeidah, and the provision of a coastal research vessel, vehicles, equipment, technical assistance and training.

Part F:

1. Strengthening of the institutional capacity of CFC and PIU in management, finance and marketing techniques and restructuring of the fisheries cooperatives through the provision of technical assistance, training, vehicles and equipment.
2. Supporting women in the fishing communities through rehabilitation of community development centers, implementation of adult education and vocational training programs and creation of income earning opportunities, and the provision of vehicles, technical assistance, training and equipment.

Part G:

Provision of credit through CACB to: (i) members of the fishing

communities presently working as crew members on boats owned by others; (ii) graduates of FMDC and other educated unemployed youth from the fishing communities; (iii) personnel laid off from work by MF and fisheries cooperatives; and (iv) other individuals who do not own a farm, from the poorest segment of the fishing communities seeking employment in the fishing sector; for the purchase of, inter alia, imported boats, outboard engines and fishing gear financed out of the proceeds of the Credit.

* * *

The Project is expected to be completed by December 31, 1998.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Yemen may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Contracts for the procurement of office and laboratory equipment provided under Parts D and F of the Project estimated to cost the equivalent of \$10,000 or more per contract but less than \$100,000 per contract, up to an aggregate amount equivalent to not more than \$500,000, may be awarded on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.

2. Miscellaneous equipment required under Parts D and F of the Project estimated to cost the equivalent of \$10,000 or less per contract, up to an aggregate amount equivalent to not more than \$100,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers, in accordance with procedures acceptable to the Association.

3. Civil works for rehabilitation of community development centers under Part F (2) of the Project, up to an aggregate amount not to exceed \$700,000, may be carried out by force account with the prior approval of the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to each contract for goods and works estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first

payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 4 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which the Association has authorized withdrawals on the basis of statements of expenditure.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out Parts D and F of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (4) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to \$600,000 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 it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the 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) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. 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 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 an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 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.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 5

Special Fund in CACB

The Special Fund Agreement shall provide, inter alia, as follows:

1. Proceeds from the sale of items under Categories 2 and 3 of Schedule 1 to this Agreement shall be deposited into the Special Fund until the amount in such fund shall be equivalent to \$3,000,000.
2. The Special Fund shall be used to make loans to the target beneficiaries listed in Part G of the Project.
3. Eligible items to be financed include: small fishing boats, outboard engines, fishing nets and other fishing gear, such items to be hypothecated as security for repayment of the loan. Additional security will be required in the form of a guarantee from a minimum of two fishermen, or group guarantee.
4. Amount of the loan is not to exceed 90% of the value of the items to be financed. The loans to target beneficiaries shall be made for periods of not more than five years, the length of the amortization to take into account such factors as beneficiaries' ability to pay and the estimated useful life of items to be financed by such loan. Such repayment shall start from the respective dates of sale of such items to target beneficiaries.
5. The loans shall carry interest on amounts outstanding at the rate per annum equivalent to the interest rate established by the Central Bank of Yemen for loans to borrowers in the agricultural sector with a repayment period of more than one year, or at such other rate as the Association may approve from time to time after reviewing the prevailing lending conditions within the Borrower's territory.
6. Repayments of loans falling due prior to the Credit Closing Date pursuant to Section 2.03 of this Agreement shall be deposited into the Special Fund. Repayments of loans falling due after such Closing Date shall be repaid to the Borrower.
7. Each of the CACB branch offices involved in lending activities under the Special Fund will maintain accounts of such loans separate from other lending operations. CACB shall receive a management fee from MF for administration of the Special Fund.