

September 12, 1997

Mr. Abdulkarim Al Arhabi
Managing Director
Social Fund for Development
Republic of Yemen

Re: Credit No. 2953 YEM
(Social Fund for Development Project)
Part C.1, C.2 and C.3 of Schedule 1 to the Project Agreement

Dear Mr. Al Arhabi:

With reference to the above-captioned provisions of the Project Agreement between us of even date herewith, we hereby confirm that the applicable procurement procedures pursuant to Decree-Law No. 49 of 1991 (Government Tenders, Auctions and Stores Law) and Decree No. 124 of 1992 Concerning the Execution of the Government Tenders, Auctions and Stores Law, are satisfactory for the purposes of the said provisions of the Project Agreement, provided that:

1. Parastatals should be qualified for bidding only if they are managerially and financially autonomous.
2. Parastatals should be treated equally with other bidders, including the provision of bid and performance securities and advance payment guarantees.
3. Contract award should be made to the lowest evaluated substantially responsive bidder, and price negotiations with the lowest evaluated bidder should be restricted only to cases where the bid price exceeds the estimated cost by a substantial amount.
4. In contracts involving delivery of goods or completion of works which extend beyond 18 months, developments beyond the control of the bidder occurring after a stated number of days (normally 28 days) prior to the bid submission date which affect the bidder's costs should trigger upward or downward price adjustment.
5. The preference accorded to public enterprises and mixed-sector firms in shopping procedures is not acceptable.

Please confirm your agreement with the foregoing by signing the form of confirmation below.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Inder K. Sud
Acting Regional Vice President
Middle East and North Africa

CONFIRMED:

SOCIAL FUND FOR DEVELOPMENT

By /s/ Abdulwahab Al-Hajjri
Authorized Representative

