

CONFORMED COPY

CREDIT NUMBER 1886 YAR

(Northern Regional Agricultural Development Project)

between

YEMEN ARAB REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 4, 1988

CREDIT NUMBER 1886 YAR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 4, 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) Part C of the Project will be carried out by The Cooperative and Agricultural Credit Bank, a public bank established and operating under the laws of the Borrower (hereinafter called CACB) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to CACB part of the proceeds of the Credit as provided in this Agreement;

(C) the Borrower intends to contract from the United Nations Development Programme a grant (the UNDP Grant) in an amount of \$3,400,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the UNDP Project Document) to be entered into between the Borrower and UNDP; 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) "CACB Act" means CACB's Act No. 39 of 1982 pertaining to the establishment and operations of CACB;

(b) "Lending Guidelines" means CACB's policies and procedures applicable to its lending activities in the Project Area referred to in Section 2.02 (a) of the Project Agreement;

(c) "MAF" means the Ministry of Agriculture and Fisheries of the Borrower;

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

(e) "Project Area" means an area of about 3.76 million hectares comprising the Saadah and Hajjah Governorates and the Northern portion of the Sana'a Governorate;

(f) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters dated October 6, 1987 and November 4, 1987 between the Borrower and the Association;

(g) "SSHARDA" means the Sanaa, Saddah and Hajjah Agricultural Regional Development Authority, a semi-autonomous government authority established and operating under the Borrower's Law No. 17 of 1988;

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

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

(j) "Scheme" means any specific agricultural development project which is, or is proposed to be, carried out by a Beneficiary utilizing the proceeds of a Sub-loan;

(k) "Sub-loan" means a loan made or proposed to be made by CACB to a Beneficiary for a Scheme out of the proceeds of the Credit made available to CACB under the Subsidiary Loan Agreement;

(l) "Beneficiary" means any individual farmer, cooperative, society, association, corporation or other entity to which CACB proposes to make or has made a Sub-loan; and

(m) "Yemeni Rial" means the currency unit of the Borrower.

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 twelve million five hundred thousand Special Drawing Rights (SDR 12,500,000).

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 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 5 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 December 31, 1995 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 percent (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 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 1 and September 1 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 1 and September 1 commencing March 1, 1998 and ending September 1, 2027. Each installment to and including the installment payable on September 1, 2007 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 International Bank for Reconstruction and Development (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. (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, shall carry out the Project through SSHARDA (except for Part C thereof, which shall be carried out by CACB), with due diligence and efficiency and in conformity with appropriate agricultural, engineering, financial and administrative 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 and the Association shall otherwise agree, the Borrower shall carry out the Project (except for Part C thereof) in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

(c) Without any limitation or restriction upon any of its other obligations under this Agreement, the Borrower shall cause CACB to perform in accordance with the provisions of the Project Agreement all the obligations 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 CACB to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(d) For the purpose of carrying out Part C of the Project, the Borrower shall make available to CACB the proceeds of the

Credit allocated from time to time to Category (4) of the table set forth in paragraph 1 of Schedule 1 to this Agreement under a subsidiary loan agreement to be entered into between the Borrower and CACB, on terms and conditions which shall have been approved by the Association, including, inter alia, the following principal terms and conditions: (A) the principal amount of the Subsidiary Loan repayable by CACB shall be the equivalent in Yemeni Rials (determined as of the respective dates of withdrawal from the Loan Account or payment out of the Special Account) of amounts withdrawn under Category (4); (B) interest shall be at a rate of 2% per annum on the principal amount withdrawn and outstanding from time to time; and (C) repayment of the principal amount of the Subsidiary Loan withdrawn and outstanding shall be made in forty equal semiannual installments, starting on a date five years after the date of the Subsidiary Loan Agreement or on the date the proceeds of the Credit allocated to said Category (4) have been fully disbursed, whichever shall be the earlier.

(e) 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 (other than Part C (3) thereof) shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. After completion of Parts A, B and D of the Project, the Borrower shall:

(a) at all times operate and maintain, or cause to be operated and maintained, the facilities provided thereunder in accordance with appropriate practices and with due regard to economy; and

(b) provide adequate resources, including the provision of funds through annual budgetary allocations, to cover the costs of operating and maintaining such facilities.

Section 3.04. The Borrower shall ensure that selection, handling and use of plant protection chemicals in the Project Area comply with guidelines satisfactory to the Association.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause SSHARDA and CACB to maintain in accordance with sound accounting practices (i) adequate records and accounts on the operations and financial condition of SSHARDA and CACB and (ii) separate Project records and accounts adequate to reflect their operations, resources and expenditures in respect of the Project.

(b) The Borrower shall cause SSHARDA and CACB to:

- (i) have their accounts, including the separate Project accounts, and financial statements (balance sheets, statements of income and expenses and related statements, and the revolving funds referred to in paragraph 2 of Schedule 4 to this Agreement and in Section 2.09 of the Project Agreement) 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 nine months after

the end of each such year, (A) certified copies of their financial statements for such year as so audited, and (B) the certified copy of the report of such 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 the accounts, financial statements of SSHARDA and CACB and the audit thereof and said records as the Association shall from time to time reasonably request.

Section 4.02 (a) 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 sound accounting practices, records and accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made; and
- (iii) enable the Association's representatives to examine such records.

(b) The Borrower shall:

- (i) have the records and accounts 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 nine months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested, including 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; and
- (iii) furnish to the Association such other information concerning the said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

ARTICLE V

Remedies of the Association

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

(a) CACB 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 CACB will be able to perform its obligations under the Project Agreement.

(c) The CACB Act shall have been amended, suspended,

abrogated, repealed or waived so as to affect materially and adversely the ability of CACB 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 CACB or for the suspension of its operations.

(e) (i) Subject to subparagraph (ii) of this paragraph, the right of the Borrower to withdraw the proceeds of the UNDP Grant 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 UNDP Project Document;

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation or termination is not caused by the failure of the Borrower to perform any of its obligations under the UNDP Grant; 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 (d) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraphs (a) and (c) of Section 5.01 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 and CACB; and

(b) any event specified in paragraph (d) 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 Subsidiary Loan Agreement has been executed on behalf of the Borrower and CACB;

(b) the UNDP Project Document has been duly signed on behalf of the parties thereto and conditions precedent to the effectiveness of such agreement or to the right of the Borrower to make withdrawals thereunder, if any, save for the effectiveness of this Agreement, have been fulfilled; and

(c) the credit coordinator referred to in Section 3.02 (a) of the Project Agreement shall have been appointed by CACB in accordance with the provisions thereof.

Section 6.02. 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 CACB, and executed and delivered on behalf of, CACB and is legally binding upon CACB in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and CACB, respectively, and is legally binding upon the Borrower and CACB in accordance with its terms.

Section 6.03. 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 6.04. The obligations of the Borrower under 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 the date twenty-five 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 Development 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 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
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/ Mohsin Alaini
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Ardy 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) Civil works:		45%
(a) under Parts A (1), B (1) and B (3)	2,010,000	
(b) under Part C (3)	140,000	
(c) under Part D (1)	710,000	
(2) Vehicles, equipment and machinery:		100% of foreign expenditures, and 80% of local expendi- tures
(a) under Parts A (3), B (4) and B (5)	2,650,000	
(b) under Part C (3)	140,000	
Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(3) Fertilizers and plant protection chemicals under Part C (4)	2,120,000	100% of foreign expenditures, and 80% of local expendi- tures
(4) Sub-loans under Part C (1)	1,550,000	65% of amounts disbursed by CACB
(5) Technical Assistance	2,120,000	100% of foreign expenditures
(6) Refunding of Project Prepara- tion Advance	280,000	Amount due pur- suant to Section 2.02 (c) of this Agreement
(7) Unallocated	780,000	
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TOTAL	12,500,000	

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: (a) payments made for expenditures prior to the date of this Agreement; and (b) expenditures under Category (3) above, until the Association has received a list of plant protection chemicals and guidelines for their use acceptable to the Association.

SCHEDULE 2

Description of the Project

The objectives of the Project are to increase agricultural productivity within the Project Area, to develop agricultural resources, to provide agricultural credit and raise farm income, and to strengthen institutional capabilities for regional extension activities and operations and maintenance services for the Project Area.

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: SSHARDA Headquarters, Offices, Operation and Maintenance

The establishment of a regional structure for agricultural development in the Project Area, consisting of:

1. Construction of headquarters for SSHARDA at Amran and three sub-regional offices at Saadah, Hajjah and Sana'a.
2. Establishment of permanent operation and maintenance units at headquarters and provision of mobile units for SSHARDA branch offices.
3. Provision of equipment, furnishings, vehicles and spare parts for SSHARDA and for operation and maintenance activities.

Part B: Agricultural Extension Services

The establishment of agricultural extension services in the Project Area, consisting of:

1. Construction of extension centers, block centers, demonstration farms, and training centers.
2. Establishment of a nucleus research station in the Al-Baun area.
3. Provision of veterinary services to provide for routine vaccination, parasite control, animal treatment and collection of disease information.
4. Establishment and upgrading of plant nurseries.
5. Provision of equipment, vehicles and spare parts for agricultural extension services in the Project Area.

Part C: Agricultural Credit and Farm Inputs

The development and implementation of a program to provide credit for financing of irrigation improvements, on-farm

investments, orchards and other agricultural development in the Project Area and to provide farm inputs therefor, comprising:

1. Provision by CACB of medium-term credit within the Project Area through Sub-loans to Beneficiaries for Schemes for agricultural development.
2. Development by CACB of appropriate procedures for credit evaluation and assistance to agricultural extension programs in block centers to improve credit operations.
3. Strengthening of CACB's operations in the Project Area through provision of buildings, furniture, vehicles and equipment.
4. Import of fertilizers and plant protection chemicals, and sale thereof to traders, agencies and farmers in the Project Area.

Part D: Irrigation Development

The development of water resources within the Project Area, through the:

1. Identification of locations for and construction of recharge dams and spate breakers to regulate water flows and to improve availability of water within the Project Area.
2. Investigation of the feasibility of, and preparation of preliminary designs and cost estimates for, the further expansion of water resource management, check dams and wadi improvement in the Project Area.
3. Establishment of rainfall, streamflow and groundwater measuring stations in the Project Area.

Part E: Technical Assistance and Training

Provision of technical assistance and training for carrying out the Project, consisting of:

1. Provision of technical assistance in the areas of management, agricultural development, agricultural extension, animal husbandry and veterinary services, rural development for women, engineering support, irrigation improvement and operation and maintenance services.
2. Provision of local training in project-related technology and methodology and overseas training in irrigation engineering, water resources, agricultural development and management, and operation and maintenance engineering for Mareb Dam staff.

* * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works 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).

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

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 Arab Republic 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. Local competitive bidding:

Contracts for works estimated to cost the equivalent of not more than \$400,000 per contract and \$4,350,000 in the aggregate, or for goods estimated to cost the equivalent of not more than \$50,000 per contract and \$500,000 in the aggregate, may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Local Shopping:

Contracts for vehicles estimated to cost the equivalent of not more than \$100,000 in the aggregate may be awarded on the basis of comparison of price quotations solicited from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to 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 civil works estimated to cost the equivalent of \$200,000 or more, and with respect to each contract for goods 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 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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 the carrying out Parts A (1), A (2), B (1), B (2), B (3), B (4), and E 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

Implementation Program

1. MAF shall appoint a Technical Committee to monitor and to coordinate the provision of credit and fertilizer and plant protection chemicals in the Project Area. The Technical Committee shall consist of the Chairman of SSHARDA, the Director General of CACB, Directors of CACB's Sana'a, Hajjah and Saadah Branches, Directors of SSHARDA's Sana'a, Hajjah and Saadah sub-regional offices, and the Credit Coordinator referred to in Section 3.02 (a) of the Project Agreement. The Chairman of SSHARDA shall be the head of the Advisory Committee, and the Credit Coordinator shall be its secretary. The Technical Committee shall meet quarterly.

2. The Borrower shall cause the nurseries financed under Part B (4) of the Project to sell fruit tree seedlings at a price adequate to recover production costs. The proceeds of the sale of fruit tree seedlings shall be promptly transferred to SSHARDA into a revolving fund to be established by December 31, 1989 for the operation of such nurseries and SSHARDA shall maintain records and accounts adequate to reflect the operation of such revolving fund.

3. SSHARDA shall provide to the Association for its review and comments, by January 1, 1989, a detailed training program for Part E of the Project, which shall include curricula for local and foreign training in project-related technology and methodology, and thereafter shall carry out such program as shall have been approved by UNDP and the Association in accordance with a time schedule satisfactory to the Borrower and the Association.

4. SSHARDA shall provide to the Association for its review and comments, by October 1, 1988, or such later date as the Association shall agree, terms of reference for a system to monitor and evaluate the impact of the Project, including baseline data on stratification of landholders and farm units by farming system, and detailed summary of resources, potential and constraints.

5. Without limitation upon the provisions of Section 9.06 of the General Conditions, the Borrower shall provide to the Association for its review and comments, by February 28 and August 31 of each year, semiannual progress reports in form and substance satisfactory to the Association, covering the semiannual periods ending December 31 and June 30, respectively.

6. The Borrower shall provide to the Association for its review and comments by December 31, 1991 the findings of a mid-term review and the recommendations based thereon. Thereafter, the Borrower shall cause SSHARDA and CACB to implement such recommendations on the basis of the Association's comments thereon.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1),

(2), (3), (4), (5) and (6) 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 SDR 705,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, 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 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. 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 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 documents 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 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
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories minus 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 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 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 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) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. 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 crediting to the Credit Account.

