

CONFORMED COPY

CREDIT NUMBER 1773 YAR

Development Credit Agreement

(Teacher Training Project)

between

YEMEN ARAB REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 26, 1987

CREDIT NUMBER 1773 YAR

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 26, 1987, 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 Borrower intends to obtain from the United Nations Development Program a grant in an amount equivalent to about \$900,000 to assist in financing the technical assistance requirements of the Project; 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 have the respective meanings, therein set forth and the following additional terms have the following meanings:

- (a) "MOE" means the Ministry of Education of the Borrower;
- (b) "FOE" means the Faculty of Education of Sana'a University of the Borrower;
- (c) "PTTI" means any of the primary teacher training institutes of the MOE and "SPTTI" means the Senior Primary Teacher Training Institute in Sana'a; and
- (d) "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 eight million two hundred thousand Special Drawing Rights (SDR 8,200,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule I to this Agreement for expenditures made (or, if the Association shall so agree, to be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 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 4 to this Agreement.

Section 2.03. The Closing Date shall be March 31, 1994 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 March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in

semiannual installments payable on each March 1 and September 1 commencing September 1, 1997, and ending March 1, 2037. Each installment to and including the installment payable on March 1, 2007 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. 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 Part A of the Project through MOE and Part B of the Project through FOE with due diligence and efficiency and in conformity with appropriate engineering, financial and educational practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and specialists' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Borrower shall cause MOE (i) by July 31, 1991, or such other date as the Borrower and the Association may agree upon, to complete the evaluation of the primary teacher training programs, referred to in Part A (3) of the Project, and to furnish to the Association the findings and recommendations thereof; and (ii) thereafter, to exchange views with the Association on the feasibility of implementing such recommendations and the time framework for such implementation.

(b) The Borrower shall cause FOE (i) by July 31, 1989, to complete the pre-investment study, referred to in Part B (2) of the Project, and to provide its findings to the Association, and (II) thereafter, to discuss such findings with the Association with a view to preparing an action program for improving and expanding the activities of FOE.

Section 3.04. The Borrower shall: (a) prepare and discuss with the Association, by December 31, 1990, or such other date as the Borrower and the Association may agree upon, a plan for (i) the gradual termination of the five-year teacher training programs and for corresponding expansion of the three-year teacher training programs and (ii) the establishment of a career development plan for Yemeni teachers; and (b) implement such plan in accordance with a time schedule satisfactory to the Borrower and the Association.

### ARTICLE IV

#### 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 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 six months after the end of each such year, a 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 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 completion of the audit for the fiscal year in which the last withdrawal from the Credit 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

##### Termination

Section 5.01. The date 120 days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. 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 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:

Telex:

CENPLAN  
SANA'A

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 A. Alaini

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ E. J. 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) Works	4,650,000	46%
(2) Equipment and Furniture	1,890,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 85% of local ex- penditures for other items procured locally
(3) Training and Fellowships	950,000	100% of foreign expenditures
(4) Unallocated	710,000	
TOTAL	8,200,000	

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 I 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 objective of the Project is to improve and expand the Borrower's capacity for primary and secondary teacher training. The Project consists of the following parts, subject to such modification thereof as the Borrower and the Association may agree upon from time to time to achieve such objective:

#### Part A: Ministry of Education (MOE)

1. Assistance to the Directorate of Teacher Training of MOE in establishing, with the assistance of specialists, a coordinated planning system through (a) the establishment of an information system on teacher recruitment, training and career opportunities, including the provision of training fellowships; (b) the carrying out of a study of the career development path of teachers; and (c) the provision of training fellowships for the staff of the Directorate of Teacher Training.

2. Expansion and improvement of the primary teacher training system, through (a) the establishment, with the assistance of specialists, at the SPTTI, of training programs for teacher trainers, including the development of curricula and methodology, the design of instructional materials and of measurement and evaluation procedures and the training of staff; (b) the construction, furnishing and equipping of four new PTIIs (three in rural areas at Al Mahsan in the Ibb Governorate and at Al Beida and Rada in the Al Beida Governorate and the fourth in an urban location at Al Mahweet), one new PTII for females in Dhamar and a new building for the existing PTII in Sana'a.

3. An evaluation, to be undertaken with the assistance of specialists, of current maintenance operations of school buildings and of the effectiveness of the primary teacher training programs.

#### Part B: Faculty of Education (FOE)

1. Assistance to FOE in expanding and improving its undergraduate teacher training programs for preparatory and secondary school teachers through (a) the, provision of training fellowships; and (b) the renovation of FOE's training facilities including the expansion/restructuring of laboratory facilities and the provision of equipment and materials.

2. A pre-investment study, to be undertaken with the assistance of short-term specialists, of FOE's programs with a view to preparing recommendations for its future expansion needs.

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The Project is expected to be completed by September 30, 1993.

## SCHEDULE 3

### Procurement and Consultants' Services

#### Section I. Procurement of Goods and Works

##### Part A: International Competitive Bidding

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).

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. Contracts for works under Part B (1) of the Project, estimated to cost the equivalent of not more than \$300,000 in the aggregate, or for furniture and equipment estimated to cost the equivalent of not more than \$50,000 per contract and \$300,000 in the aggregate, may be awarded on the basis of the Borrower's procedures for competitive bidding.

2. In following the bidding procedures described in paragraph 1 of this Part, the Borrower shall ensure (a) that all bidders shall be treated equally in terms of the requirement of furnishing bid or performance security; and (b) that bids arriving after the stipulated deadline for the submission of bids shall not be considered.

3. Sundry items, estimated to cost the equivalent of not more than \$50,000 per contract and not more than \$250,000 in the aggregate, may be procured on the basis of price quotations obtained from not less than three qualified suppliers.

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 estimated to cost the equivalent of \$50,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix I 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 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 I to the Guidelines.

Section II. Employment of Specialists

In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ specialists whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such specialists shall be selected in a manner consistent with 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 the Categories 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 I to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to SDR 500,000 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 requests 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 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 for crediting to the Credit Account) 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.

