

CONFORMED COPY

CREDIT NUMBER 2570 YEM

Development Credit Agreement
(Education Sector Investment Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 23, 1994

CREDIT NUMBER 2570 YEM

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated March 23, 1994, 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 Borrower intends to contract from the OPEC Fund for International Development (Cofinancier) a loan in an amount equivalent to about \$8,000,000 to assist in financing the Project on the terms and conditions set forth in an agreement (the Cofinancing Agreement) to be entered into between the Borrower and the Cofinancier; 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) "Higher Council" means the Council chaired by the Minister of Education and including representatives from the Ministries of Planning and Development and of Social Services and Labor, and the Secretary of the High Tender Board responsible for: (a) approving proposed Sub-projects; (b) reviewing progress reports and recommending actions; (c) authorizing resources for Sub-projects; and (d) evaluating progress of the Planned Change Program;

(b) "MOE" means the Ministry of Education of the Borrower;

(c) "National Community College Council" means the Council to be established pursuant to Part C (2) of the Project, as described in Schedule 2 and in Paragraph 5 of Schedule 4 to this Agreement;

(d) "PDMA" means the Project Development and Monitoring Agency, a semi-autonomous agency established and operating pursuant to the Prime Ministerial Decree issued on January 24, 1994;

(e) "Planned Change Program" means the Borrower's 1994-2000 plan of actions and performance targets set forth in a letter dated October 16, 1993, for the first phase of its Sector Development Policy, as the same may be revised from time to time in accordance with the provisions of Section 3.01 (b) of this Agreement;

(f) "Sector Development Policy Statement" means the Borrower's program set forth in a letter dated October 16, 1993, to improve the quality of secondary and post-secondary education through: (a) enhancing the learning achievements of secondary students with special emphasis on science and mathematics education and quality of teaching; (b) improving the access of girls to secondary education; and (c) establishing labor market-oriented two-year post-secondary education programs;

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

(h) "Sub-project" means a specific investment project under the Project and included in the following Change Areas: physical facilities, teacher performance, curriculum development, school management, learning resources, evaluation, female access, and community colleges.

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 twenty-three million nine hundred thousand Special Drawing Rights (SDR 23,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement 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 United States Dollars a special deposit account in 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.

Section 2.03. The Closing Date shall be September 30, 2001, 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 May 1 and November 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 May 1 and November 1 commencing May 1, 2004, and ending November 1, 2033. Each installment to and including the installment payable on November 1, 2013 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. (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 the PDMA with due diligence and efficiency and in conformity with appropriate educational, administrative and financial 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 in accordance with the Sector Development Policy Statement, the Planned Change Program and the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) The Borrower shall enter into agreements with PDMA satisfactory to the Association, providing, inter alia, for: (i) the institutional and operational arrangements to be undertaken by PDMA for the preparation, approval and execution of the Sub-projects; (ii) their obligation to carry out the Sub-projects with due diligence and efficiency and in accordance with appropriate educational, administrative and financial practices; and (iii) the establishment and operation of separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of each Sub-project.

(b) Except as the Association shall otherwise agree, the Borrower shall not amend or fail to enforce the provisions of the agreements referred to in paragraph (a) of this section.

Section 3.03. (a) The Borrower shall: (i) cause the Project Development Unit of PDMA to appraise new Sub-projects in accordance with guidelines, criteria and procedures acceptable to the Association; and (ii) cause the Higher Council to consider new Sub-projects for approval, following for such purposes guidelines, procedures and criteria acceptable to the Association.

(b) The Borrower shall present to the Association for approval not later than one month prior to the scheduled start of implementation: all Sub-projects the implementation of which is scheduled to commence during the one-year period commencing after the Effective Date of this Credit Agreement.

(c) The Borrower shall: (i) when presenting a Sub-project to the Association for approval pursuant to the provisions of paragraph (b) above, furnish to the Association an appraisal report concerning the Sub-project and other items of information for such purposes as the Association shall reasonably request; and (ii) in respect of Sub-projects not requiring prior Association approval pursuant to the provisions of paragraph (b) above, retain all data presented for purposes of obtaining the Higher Council's approval pursuant to subparagraph (a) (ii) above, and shall enable the Association's representatives to examine such data and provide the Association with all such information in respect of such Sub-projects as the Association shall reasonably request.

(d) The Borrower shall not permit a change to be made in the scope of a Sub-project which has been approved by the Higher Council or the Association pursuant to the provisions of paragraphs (a), (b) and (c) above without the concurrence of the Higher Council or the Association, as the case may be.

Section 3.04. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

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

(a) The Cofinancing Agreement shall have failed to become effective by July 1, 1995, or such later date as the Association may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(A) The right of the Borrower to withdraw the proceeds of any loan or 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 thereof, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified: any event specified in paragraph (b) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (b) (ii) of that Section.

ARTICLE VI

Termination

Section 6.01. The date two hundred forty (240) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives 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/ Caio K. Koch-Weser
Regional Vice President
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 under Part A(1) of the Project	5,900,000	85%
(2) Equipment, Fur- niture, Printing, Supplies, Educa-	9,600,000	100% of foreign expenditures and 90% of local

	tion Materials and Vehicles under Parts A and B of the Project	expenditures
(3)	Consultants' services and fellowships	6,000,000 100 % of foreign expenditures and 90% of local expenditures
(4)	Unallocated	2,400,000
	TOTAL	23,900,000 =====

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, works, 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, works, 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.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for such expenditures and under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in improving the quality of secondary and post-secondary education and to strengthen the institutions and operations of the education sector through implementation of the first phase in 1994-2000 of its Sector Development Policy Statement.

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: Enhancing Learning Achievement in Secondary Schools

(1) Educational Facility Improvement. Carrying out a program throughout the territory of the Borrower to improve secondary educational facilities, including: (i) construction of secondary level classrooms and schools in order to reduce overcrowded classes in urban areas, to expand the enrollment of girls in urban areas, and to provide separate educational facilities for secondary pupils; (ii) provision of science and other school equipment as well as furniture to secondary schools; and (iii) establishment of procedures for maintenance of secondary school buildings and equipment.

(2) Teacher Performance. Carrying out a program to improve secondary teacher performance, including development of training modules, provision of summer schools, and school-based training.

(3) Curriculum Development. Carrying out a program to revise secondary curricula, including: (i) development and production of textbooks and teacher guides in all subjects, beginning with mathematics, science and environmental education; and (ii) strengthening the capacity of the Curriculum Development Department

of the Educational Research and Development Center for sustained curriculum development.

(4) School Management. Carrying out a program to improve management of secondary schools, including: (i) establishment of a computer-based information system to monitor the progress of the Planned Change Program and to assist the MOE in planning and development of the secondary school system; and (ii) provision of training for upgrading management skills and effectiveness of headmasters, inspectors and supervisors.

(5) Learning Resources. Carrying out a program to improve learning resources and increase utilization of educational technology, including: (i) development of science kits and provision of books to school libraries; (ii) introduction of pilot projects for use of computers, television and VCR in teaching; and (iii) provision of audio-visual facilities.

(6) Evaluation. Carrying out a program to improve the reliability, comparability and validity of the student assessment system, including: (i) strengthening the institutional capability of the General Directorates for Evaluation, Guidance and Supervision of the MOE; (ii) provision of a student assessment manual for teachers, supervisors and headmasters; (iii) establishment of a national system of Comprehensive Achievement Tests in grades 9 and 12; and (iv) development of an integrated system of in-school assessment to emphasize development of students' higher cognitive skills and abilities.

Part B: Access of Females to Secondary Education

(1) Educational Facilities. Carrying out a program in currently underserved areas in six Governorates to provide additional schools, classrooms, equipment and furniture for increased access to secondary educational facilities for girls.

(2) Home-Based Education. Carrying out a pilot home-based learning program for girls in rural areas who have completed primary education.

(3) Media Campaign. Carrying out a media campaign to facilitate and promote the education of girls.

(4) Career Advancement. Carrying out a program to provide career advancement opportunities for women teachers as counsellors, headmasters and supervisors.

Part C: Post-Secondary Education

(1) Community College System. Carrying out a program to establish a nation-wide community college system, including establishment of the Sana'a Community College and the Aden Community College.

(2) National Community College Council. Establishment of a National Community College Council for development of policies and academic and operational standards for the Community College System.

(3) Technical Teacher Education. Establishment and development of a technical teacher education department and program to train qualified teachers and administrators for the Community College System.

* * *

The Project is expected to be completed by March 31, 2001.

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 Association in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods and works in accordance with this Part A, the Borrower shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

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

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in the Republic of 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 civil works, estimated to cost the equivalent of \$2,000,000 or less per contract, up to an aggregate amount equivalent to \$10,000,000, may be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Items or groups of items estimated to cost the equivalent of \$100,000 or less per contract, up to an aggregate amount equivalent to \$3,000,000, may be procured under contracts 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.

3. Items or groups of items estimated to cost the equivalent of \$50,000 or less per contract, up to an aggregate amount equivalent to \$400,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

4. Contracts for printing may be awarded after direct negotiations with suppliers, 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, 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) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made 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 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. For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Association.

SCHEDULE 4

Implementation Program

1. (a) For the purpose of ensuring the proper coordination and execution of the Sector Development Policy Statement and the Planned Change Program, the Borrower shall continue to maintain the Higher Council, chaired by the Minister of Education, and consisting of the Secretary of the High Tender Board, and representatives from the Ministries of Planning and Development, Social Services and Labor.

(b) The functions of said Higher Council shall include, inter alia, responsibility for making recommendations to solve issues arising in the course of carrying out the Sector Development Policy Statement, the Planned Change Program, and the Project.

2. The Borrower shall maintain the PDMA for the purposes of planning, implementing and coordinating the execution of the Sector Development Policy Statement, the Planned Change Program and the Project with organization, staffing and terms of reference satisfactory to the Association.

3. The Borrower shall appoint individuals with qualifications and experience satisfactory to the Association on terms of reference satisfactory to the Association for the following positions to supervise related Sub-projects for each Change Area of the Planned Change Program:

(a) a Policy Board consisting of four members, chaired by a senior MOE official or an eminent educator, and other members of Policy Boards for interrelated Change Areas, to ensure timely coordination of interrelated Sub-projects and conformity with MOE policy;

(b) an Expert Advisory Group, consisting of no more than four eminent professionals with expertise in the design, technical aspects of implementation, and evaluation methods for each Change Area; and

(c) a Sub-project Director, to execute action plans approved by the Higher Council, manage resources allocated to the Sub-project, seek guidance from the relevant Policy Board and Expert Advisory Group, prepare biannual progress reports on Sub-project activities, and liaise with the PDMA on all procurement and financial matters.

4. The Borrower shall nominate individuals with qualifications and experience satisfactory to the Association on terms of reference satisfactory to the Association to fill the positions of Interim Directors for the Sana'a and Aden Community Colleges.

5. For the purpose of ensuring the proper development and coordination of the Community College System, the Borrower, by March 31, 1994, shall appoint duly qualified individuals to the National Community College Council, a majority of whom shall be from the private sector.

6. The Borrower shall introduce fees for attendance of the Community College system, satisfactory to the Association, by June 30, 1995.

7. The Borrower shall commence technical teacher training programs for Community Colleges at the University of Sana'a Faculty of Education by October 1, 1994.

8. The Borrower shall provide to the Association for its review and comments, by December 31, 1997, a detailed report to facilitate a mid-project evaluation, concerning project implementation to date. Upon completion of the evaluation, the Borrower shall discuss recommendations for an action plan with the Association and shall thereafter implement the action plan according to a schedule satisfactory to the Association.

9. Until completion of the Project, the Borrower shall include in each annual budget of the MOE: (a) amounts required to provide funds for the estimated yearly costs of the Project and the Planned Change Program; and (b) amounts required for quality improvement.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2) and (3) 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 \$400,000 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.

