

No. 11576

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
DEMOCRATIC YEMEN**

Development Credit Agreement—*Highway Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 21 April 1971

Authentic text: English.

Registered by the International Development Association on 3 February 1972.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
YÉMEN DÉMOCRATIQUE**

Contrat de crédit de développement — *Projet routier* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 21 avril 1971

Texte authentique: anglais.

Enregistré par l'Association internationale de développement le 3 février 1972.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated April 21, 1971, between PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower has requested the Association to assist in the financing of Part I of the Project described in Schedule 2 to this Agreement by extending the Development Credit as hereinafter provided;

(B) The Borrower has also requested the United Nations Development Program (UNDP) to provide additional assistance towards the financing of Part II of the Project, and the UNDP has indicated its willingness in principle to provide an aggregate amount equivalent to about six hundred eighty thousand dollars (\$680,000);

(C) The Borrower and UNDP have requested the Bank and the Bank has agreed to act as the Participating and Executing Agency for Part II of the Project under a Plan of Operation to be mutually agreed upon; and

WHEREAS the Association has agreed, on the basis *inter alia* of the foregoing, to extend the Development Credit to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context other-

¹ Came into force on 9 November 1971, upon notification by the Association to the Government of Democratic Yemen.

² See p. 108 of this volume.

wise 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) "Consultants" means the consultants referred to in Section 3.02 (a) (i) of this Agreement.

(b) "Technical Assistance Team" means the team of experts referred to in Section 3.02 (a) (ii) of this Agreement.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to one million six hundred thousand dollars (\$1,600,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, 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 Part I of the Project and to be financed under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. The Closing Date shall be June 30, 1974 or such other date as shall be agreed between the Borrower and the Association.

Section 2.04. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.05. Service charges shall be payable semi-annually on May 15 and November 15 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each May 15 and November 15 commencing May 15, 1981 and ending November 15, 2020, each installment to and including the installment payable on November 15, 1990 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Section 2.07. The currency of the United Kingdom of Great Britain and Northern Ireland 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 shall carry out the Project, or cause the Project to be carried out, with due diligence and efficiency and in conformity with sound engineering, financial and administrative practices, and in accordance with design standards satisfactory to the Association, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. (a) (i) In carrying out Part I (a) and (b) of the Project, the Borrower shall employ competent and experienced consultants under terms of reference and upon terms and conditions satisfactory to the Association; (ii) the Borrower shall employ or cause to be employed under Part II (a) of the Project a competent and experienced Technical Assistance Team under terms of reference mutually satisfactory to the Borrower and the Association; and (iii) the Borrower shall not amend, assign, waive, suspend or terminate any contract entered into pursuant to this paragraph so as to substantially affect the carrying out of the Project, without the prior agreement of the Association.

(b) The Borrower shall cooperate fully with the Consultants and the Technical Assistance Team in the performance of their services for the Project and make available to them all information relevant to the Project.

(c) The Borrower shall, upon request from time to time by the Association, cause the Consultants promptly to furnish to the Association copies of the documents prepared by the Consultants for the Project, including reports and drafts thereof, plans, designs, specifications, work schedules and estimates of costs, in such number as the Association shall reasonably request.

(d) The Borrower and the Association shall from time to time exchange views with respect to the evaluation and implementation of the recommendations and other conclusions contained in the documents referred to in the preceding paragraph (c).

Section 3.03. (a) Except as the Association shall otherwise agree, the goods and services required for Part I of the Project (other than services of consultants) shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank*

Loans and IDA Credits, published by the Bank in August 1969, and in accordance with, and subject to, the provisions set forth in Schedule 3 to this Agreement.

(b) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(c) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Section 3.04. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications and work schedules for the Project, and any material modifications or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower : (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit, and to disclose the use thereof in the Project; (ii) shall enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

Article IV

OTHER COVENANTS

Section 4.01. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

Section 4.02. The Borrower shall, with the assistance of the Technical Assistance Team, collect, record and analyze in accordance with appropriate statistical methods and procedures such technical, economic and financial information including traffic data as shall be reasonably required for proper

planning of maintenance, improvement and extensions of the national highway systems of the Borrower.

Section 4.03. The Borrower shall, with the assistance of the Technical Assistance Team : (i) assess the appropriate level of annual investments in the highway sector in accordance with the needs of the Borrower's economy; (ii) assess the appropriate level of recurrent highway expenditures needed to enable the Borrower to satisfactorily maintain its public highway system in accordance with sound engineering practices; and (iii) investigate the various types of appropriate road user charges which could be considered by the Borrower in order to increase the contribution of the road sector to the national budgets for each future fiscal year.

Section 4.04. (a) The Borrower shall provide in the annual budget for the Borrower's fiscal year 1971/1972 an amount of at least 150,000 Democratic Yemen Dinars for road maintenance and for each of the Borrower's fiscal years 1971/1972 and 1972/1973, a sum of 80,000 Democratic Yemen Dinars for the purchase of spare parts for the workshops of the Borrower's Public Works Department.

(b) Thereafter, but not later than March 31, 1972, the Borrower shall appropriate from its annual budget for each of the following fiscal years such funds, as may be consistent with the assessment referred to in Section 4.03 (ii) of this Agreement.

Section 4.05. (a) The Borrower shall consult with the Association on the recommendations and conclusions of the Technical Assistance Team and, in consultation with the Association, shall initiate the implementation of a program to improve the maintenance of its highway system in the light of such recommendations and conclusions.

(b) Upon completion of Part II (a) of the Project, the Borrower, in consultation with the Association, shall review the progress achieved from said Part II (a) and assess the need for further technical assistance.

Section 4.06. The list of the roads under Part I (b) of the Project shall be agreed upon by the Borrower and the Association promptly after the feasibility studies in Part I (a) of the Project have been completed and such list and the list of roads included in Part I (a) of the Project shall be subject to change by mutual agreement of the Borrower and the Association.

Section 4.07. The Borrower shall take such steps as may be necessary to ensure that the dimensions and axle loads of vehicles using the national highway system do not exceed the limits appropriate to the design standards of the highways.

Section 4.08. The Borrower shall, with the assistance of the Technical

Assistance Team, review transport rates and regulations and as soon as practicable thereafter revise such rates where necessary with a view to ensure, among other things, that they shall be reasonably related to costs of providing transport services.

Section 4.09. The Borrower shall take such steps as may be necessary to ensure that the staff sent for overseas training under Part II (b) of the Project remains in the Borrower's service for at least two years after completion of their training.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the administration, operations and financial condition, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, and other matters relating to the purposes of the Credit; and
- (b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the operations and financial condition, 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 promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof or the performance by the Borrower of its other obligations under the Development Credit Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.02. The Development Credit Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE ASSOCIATION

Section 7.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions :

- (a) The Consultants and the Technical Assistance Team have been employed pursuant to Section 3.02 of this Agreement.
- (b) The Plan of Operation referred to in Recital (C) of this Agreement shall have been duly executed and delivered and the Governing Council of the UNDP shall have agreed to finance Part II of the Project.

Section 8.02. The date August 20, 1971 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.03. The obligations of the Borrower under Sections 4.01, 4.02,

4.03, 4.04, 4.05 and 4.07 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty years after the date of this Agreement, whichever shall be the earlier.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Deputy Prime Minister for Financial and Economic Affairs of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 9.01 of the General Conditions :

For the Borrower :

Deputy Prime Minister for Financial and Economic Affairs
P.O. Box 270
Crater, Aden
People's Democratic Republic of Yemen

Cable address :

Deputy Prime Minister for Financial and Economic Affairs
Crater, Aden
People's Democratic Republic of Yemen

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.

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

People's Democratic Republic of Yemen :

By ABDUL MALEK ISMAIL
Authorized Representative

International Development Association :

By SIMON ALDEWERELD
Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE CREDIT

1. The table below sets forth the categories of imported items to be financed out of the proceeds of the Credit and the allocation of amounts of the Credit to each category :

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Consultants' services for feasibility studies	525,000	100% of foreign expenditures
II. Consultants' services for detailed engineering	400,000	100% of foreign expenditures
III. Spare parts for existing highway maintenance equipment and machinery	200,000	100% of foreign expenditures
IV. Machine tools, communication equipment and related workshop equipment	325,000	100% of foreign expenditures
V. Unallocated	150,000	
	TOTAL <u>1,600,000</u>	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

- (a) expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower;
- (b) expenditures prior to the date of this Agreement; and
- (c) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above :

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;
- (b) if the estimate of the expenditures under any Category shall increase, a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is comprised of the following Parts :

Part I

(a) Feasibility studies, including preliminary engineering based on appropriate design standards, and economic viability, in respect of the following proposed roads or such roads as may be mutually agreed upon by the Borrower and the Association from time to time.

<i>Proposed roads:</i>	<i>Approximate Length (miles)</i>
1. Al Mukalla-Saywun and connecting roads in the Hadhramaut Valley	200
2. Al Husn-Naqeel Al Kalla – Yemen Arab Republic Border	95
3. As Said-Ataq – Nisab	50
4. Ataq – Beihan	96
5. Lawdar – Mukayras	25
6. Thumair – Dhala	20
7. Dhala – Yemen Arab Republic Border	12
TOTAL	<u>498</u>

(b) Detailed engineering, cost estimates, review of economic viability and preparation of bidding documents suitable for international competition, for about 150 miles of roads, which will have been determined by the aforementioned feasibility studies as having economic priority for construction and which are mutually agreed upon by the Borrower and the Association for detailed engineering following completion of the said feasibility studies.

(c) Purchase of spare parts for existing highway maintenance equipment of the Borrower and miscellaneous materials for machine tools necessary therefor, in accordance with a list to be finalized by the Borrower with the assistance of the Technical Assistance Team and submitted for the Association's agreement by not later than October 31, 1971.

(d) Purchase of machine tools, workshop tools and equipment, service station equipment, stores equipment, four mobile workshops and four four-wheel drive vehicles of about 1½ tons and accessories and spare parts thereto, radio and other communications equipment needed for the Borrower's Public Works Department in accordance with a list to be finalized by the Borrower with the assistance of the Technical Assistance Team and submitted for the Association's agreement by not later than October 31, 1971.

Part II

(a) Technical assistance to improve the organization and highway operations of the Borrower's Public Works Department and highway usage and matters related

thereto, through the engagement, on terms of reference mutually satisfactory to the Borrower and the Association, of a competent and qualified team of about five experts in the field of transportation.

(b) Fellowships for the training abroad in the field of highway operations and administration of up to eight members of the Borrower's Public Works Department.

The Project is expected to be completed by December 31, 1973.

SCHEDULE 3

PROCUREMENT

Spare Parts, Workshop Machine Tools and Equipment and Communication Equipment

1. Identical or similar items will be grouped together wherever practicable for purposes of bidding and procurement, and such groupings of items will be submitted to the Association for its approval before inviting bids.

2. Before bids are invited, the Borrower shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedure to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Association shall reasonably request. Any further modification or addition to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

3. Before awards of contracts are made, the Borrower will send to the Association for its approval an evaluation of the bids received and the Borrower's proposals concerning the contract and award. If it is proposed to award the contract to a bidder other than the one offering the lowest evaluated price, the reasons for such proposal will be given.

4. For certain minor items or groups of minor items, the total cost of which is estimated not to exceed \$15,000, international competition may be dispensed with, provided the Borrower will send to the Association for its approval, details of the proposed procurement procedures together with periodic lists thereof indicating their expected price and the intended suppliers thereof.

5. For certain items or groups of items tied to the make of equipment already available with the Borrower and involving expenditures not to exceed \$160,000 unless otherwise agreed between the Borrower and the Association, international competition may be dispensed with, and quotations for the supply of such goods will be requested from selected competing suppliers, where possible. The Borrower will send to the Association for its approval details of the proposed procurement

procedures together with lists of the items or groups of items and their expected price and details of the suppliers selected for quotations.

6. If a contract shall be awarded over the Association's objection or if its terms and conditions shall, without the Association's concurrence, materially differ from those on which bids were asked, no expenditures thereunder shall be financed out of the proceeds of the Credit.

7. Two conformed copies of each contract will be sent to the Association as soon as signed and before submission of the first withdrawal application thereunder.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]