



IDA CREDIT NUMBER 880 YAR  
IFAD LOAN NUMBER YAR

# Joint Project Agreement

(Third Tihama Development Project)

between

YEMEN ARAB REPUBLIC

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Dated *April 20*, 1979

IDA CREDIT NUMBER 880 YAR  
IFAD LOAN NUMBER YAR

JOINT PROJECT AGREEMENT

AGREEMENT, dated *April 20*, 1979, between YEMEN ARAB REPUBLIC (hereinafter called the Borrower), INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (hereinafter called the Fund).

WHEREAS by a Development Credit Agreement with the Borrower of even date herewith, the Association has agreed to make available to the Borrower a Development Credit in a principal amount in various currencies equivalent to fifteen million dollars (\$15,000,000), for the purpose of assisting in the financing of an Agricultural Development Project (the Project), described in Schedule 2 to this Agreement;

WHEREAS by a Special Action Credit Agreement (hereinafter called the Special Action Credit Agreement) of even date herewith between the Borrower and the Association as Administrator of the Special Action Account established by the Association with funds contributed by the Member States of the European Economic Community, the Association has agreed to assist the Borrower in the financing of the Project;

WHEREAS by a loan agreement with the Borrower of even date herewith, the Fund has agreed to make to the Borrower a loan, in a principal amount equivalent to SDR9,300,000 for the same purpose;

WHEREAS the Fund has appointed the Association as the Cooperating Institution to administer the Fund Loan;

WHEREAS the parties hereto deem it to be in their mutual interest that the allocation, withdrawal and use of the proceeds of such loan and credit and the execution of the project to be financed thereby, as well as other matters relating thereto, be regulated as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the following terms wherever used in this Agreement shall have the following meanings:

(a) "Association Credit Agreement" means the credit agreement between the Borrower and the Association referred to in the first recital to this Agreement, as from time to time amended;

(b) "Fund Loan Agreement" means the loan agreement between the Borrower and the Fund referred to in the second recital to this Agreement, as from time to time amended;

(c) "Association Credit" means the credit provided for in the Association Credit Agreement;

(d) "Fund Loan" means the loan provided for in the Fund Loan Agreement;

(e) "Association Account" and "Fund Account" mean the respective accounts established under the Association Credit Agreement and the Fund Loan Agreement;

(f) "TDA" means the Tihama Development Authority, a governmental semi-autonomous agency established and operating under the Borrower's Law No. 2 of 1973;

(g) "Project area" means Wadi Mawr located in the Tihama region of the Borrower;

(h) "ACB" means the Agricultural Credit Bank of the Borrower;

(i) "Surdud Farm" means the Surdud State Farm located southeast of the Project area;

(j) "LDA's" means the Local Development Associations operating in the Project area;

(k) "Yemeni Rial" means the currency of the Borrower; and

(l) "SDR's" means, according to Section 2.01 (27) of the Fund General Conditions, the Special Drawing Rights as defined from time to time by the International Monetary Fund.

## ARTICLE II

### Allocation and Withdrawal of Proceeds of Association Credit and Fund Loan

Section 2.01. Subject to the rights of suspension and cancellation set forth in the Association Credit Agreement and the Fund Loan Agreement, the amount of the Association Credit and the

Fund Loan may be withdrawn from the Association Account and the Fund Account, respectively, in accordance with the provisions of this Agreement and with the allocation of the proceeds of the Association Credit and Fund Loan set forth in Schedule 1 to this Agreement, as such allocation may be modified from time to time pursuant to the provisions of such Schedule or by further agreement among the parties to this Agreement.

Section 2.02. The Borrower shall be entitled to withdraw from the Association Account and from the Fund Account for expenditures made (or, if the Association and the Fund shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Association Credit and the Fund Loan.

Section 2.03. (a) When the Borrower shall desire to withdraw any amount of the Association Credit and the Fund Loan, the Borrower shall deliver to the Association a written application in such form and containing such statements and agreements as the Association and the Fund shall reasonably request. Applications for withdrawal, with the necessary documentation as hereinafter provided shall, except as the Borrower, the Association and the Fund shall otherwise agree, be made promptly in relation to expenditures for the Project.

(b) Each such application for withdrawal shall be identified by the Borrower as a request to withdraw funds from the Association Credit or the Fund Loan, as the case may be.

(c) The Borrower shall furnish to the Association such documents and other evidence in support of the application as the Association or the Fund shall reasonably request, whether before or after the Association shall have approved any withdrawal requested in the application.

(d) Each application and the accompanying documents and other evidence must be sufficient in form and substance to satisfy the Association and the Fund that the Borrower is entitled to withdraw from the Association Account and the Fund Account the amount applied for and that such amount is to be used only for the purposes of the Project.

Section 2.04. (a) When the Association shall have approved an application by the Borrower for withdrawal from the Fund Account the Association shall promptly notify the Fund that it has

received an application for withdrawal from the Fund Account in the aggregate amount specified in such notice, and that the amount set forth in such notice is eligible for payment by the Fund.

(b) Upon receipt of such notice of the Association, the Fund shall, subject to the rights of suspension and cancellation of the Fund Loan set forth in the Fund Loan Agreement, pay the amount so to be withdrawn from the Fund Account in the currency and to the payee stated in the notice.

Section 2.05. When the Association shall have approved an application by the Borrower for withdrawal from the Association Account, the Association shall pay the amount which the Borrower is entitled to withdraw from the Credit Account to or on the order of the Borrower in accordance with the provisions of the Association Credit Agreement.

Section 2.06. Upon the Borrower's request and upon such terms as shall be agreed between the Association and the Borrower, the Association may enter into special commitments to pay amounts, out of the proceeds of the Fund Loan, in respect of the cost of goods required by the Project. Any such special commitment by the Association shall, once it has been notified to the Fund, constitute an obligation on the part of the Fund to pay, notwithstanding any subsequent suspension or cancellation of the Fund Loan and in conformity with the foregoing Sections 2.03 (b) and 2.04.

Section 2.07. Except as the Association and the Fund shall otherwise agree, procurement of the goods and civil works to be financed out of the proceeds of the Association Credit and the Fund Loan shall be governed by the provisions of Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. The Borrower shall carry out the Project through TDA with due diligence and efficiency and in conformity with appropriate engineering, agricultural, financial and administrative practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. (a) The Borrower shall employ, with such qualifications and experience and under such terms and conditions

as shall be satisfactory to the Borrower, the Association and the Fund:

- (i) engineering consultants in order to assist the Borrower in carrying out the civil works under the Project;
- (ii) agricultural experts in order to assist the Borrower in carrying out Parts B (1) and (2) and G (1) of the Project; and

(b) The Borrower shall employ, with such qualifications and experience as shall be satisfactory to the Borrower and the Association, a management expert in order to assist in carrying out Part C (2) of the Project.

Section 3.03. The Borrower shall ensure that: (a) the consultants and experts referred to in the preceding Section shall be selected and the personnel required for senior positions under the Project shall be appointed not later than September 30, 1979 (or such other date as may be agreed with the Association and the Fund); and (b) every effort shall be made in order to select by such date expatriate personnel for the senior engineering, agricultural and management positions for which adequately qualified local personnel are not reasonably expected to be found.

Section 3.04. The Borrower shall cause TDA to undertake, as part of its operation and maintenance of the irrigation structure to be constructed under Part A (1) of the Project: (a) periodic soundings downstream of such structure; (b) annual inspection immediately following the flood season; and (c) repair of any damage detected by such inspection before the onset of the next flood season.

Section 3.05. The Borrower shall: (i) cause TDA to appropriately operate and adequately maintain the water supply installations to be constructed under Part E of the Project until such time as LDA's shall have trained personnel in number adequate for LDA's to assume responsibility for such operation and maintenance; (ii) cause LDA's to collect, in the form of service charges, from the village communities benefiting from such installations, except those provided with hand pumps only, the full operation and maintenance cost of such installations at an annual level which is currently estimated at 22 Yemeni Rials per capita; (iii) cause LDA's, until they assume responsibility for such operation and

maintenance, to transfer to TDA the amounts collected on account of such charges in semiannual installments; (iv) cause TDA and LDA's to conclude arrangements to the effect provided under (ii) and (iii) above before the start of the construction of such water installations; and (v) provide the Association with copies of such arrangements promptly upon their conclusion.

Section 3.06. The Borrower shall cause TDA to construct the roads provided under Part D of the Project in accordance with appropriate design standards, and to adequately maintain such roads until such time as jurisdiction over such roads shall have been transferred to the Highway Authority of the Borrower.

Section 3.07. For the implementation of Part B (2) of the Project, the Borrower shall cause TDA: (a) to utilize the services of the agricultural consultants and experts employed under the Project and the local training facilities for the implementation of on-the-job training programs for local extension staff; and (b) to prepare and furnish to the Association and the Fund, not later than December 31, 1980, or such later date as may be agreed between the Borrower, the Association and the Fund, a detailed program for overseas training of Yemeni extension agents and counterpart staff, including the qualifications of candidates for training and, after reviewing the Association's and the Fund's comments thereon, to carry out such program.

Section 3.08. The Borrower shall cause ACB: (a) to procure and distribute, through dealers or agents operating at the village levels, sufficient quantities of farm inputs for the Project area, including fertilizers and plant protection chemicals; ACB shall continue, after Project implementation, to distribute such farm inputs to the Project area in quantities at least equivalent to those actually used in such area during the last year of Project implementation; and (b) to provide farmers in the Project area, through its unit operating in said area, with the short- and medium-term credits referred to in Part C (1) of the Project, such credits to be provided under such terms and to be supervised pursuant to such procedures as shall be consistent with sound agricultural credit policies.

Section 3.09. (a) 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 Association Credit or the Fund Loan 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.

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

Section 3.10. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications, contract documents, and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall maintain records and procedures adequate to record and monitor the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods and services financed out of the proceeds of the Association Credit or the Fund Loan, and to disclose their use in the Project; (ii) shall enable the Association's and the Fund's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Association Credit and the Fund Loan and any relevant records and documents; and (iii) shall furnish to the Association and the Fund at regular intervals all such information as the Association and the Fund shall reasonably request concerning the Project, its cost and, where appropriate, the benefits to be derived from it, the expenditure of the proceeds of the Association Credit and the Fund Loan and the goods and services financed out of such proceeds.

(c) Promptly after completion of the Project, but in any event not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower, the Association and the Fund, the Borrower shall prepare and furnish to the Association and the Fund a report, of such scope and in such detail as the Association and the Fund shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower, the Association and the Fund of their respective obligations under the Association Credit Agreement, the Fund Loan Agreement and the Joint Project Agreement, and the accomplishment of the purposes of the Association Credit and the Fund Loan.



## ARTICLE IV

### Other Covenants

Section 4.01. (a) The Borrower shall cause TDA to maintain separate Project accounts adequate to reflect in accordance with consistently maintained appropriate accounting practices its operations, resources and expenditures, in respect of the Project.

(b) The Borrower shall cause TDA to: (i) have its Project accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association and the Fund; (ii) furnish to the Association and the Fund as soon as available, but in any case not later than four 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 and the Fund shall have reasonably requested; and (iii) furnish to the Association and the Fund such other information concerning said accounts and the audit thereof as the Association and the Fund shall from time to time reasonably request.

Section 4.02. The Borrower shall ensure that suitable arrangements will be concluded between TDA and the Public Cotton Company of the Borrower whereby the latter will ensure the timely and appropriate distribution of adequate quantities of cotton seed of the cultivars developed and approved for multiplication in the Tihama region.

Section 4.03. The Borrower shall cause TDA to provide the Association and the Fund, quarterly during the Project implementation period and thereafter annually for the next five years, with reports of such scope and in such detail as shall be acceptable to the Association and the Fund on progress in carrying out the Project and in operating the facilities established under the Project, and on farm inputs and outputs, agricultural prices, availability of labor and other matters relating to agricultural production in the Project Area.

Section 4.04. The Borrower shall ensure that all roads, buildings, irrigation structures and equipment, and water supply installations provided under the Project will be adequately maintained and that all necessary repairs thereof will be made in accordance with sound engineering practices.

Section 4.05. The Borrower shall cause TDA: (a) to carry out, with the assistance of the engineering consultants to be employed under the Project, a study on water regulation with a view to ensuring an equitable distribution of the wadi's annual flows to the various canals in the irrigation system of the Project area, as such system shall be expanded under Part A of the Project; (b) to complete said study and to furnish a copy of it to the Association and the Fund for their comments by December 31, 1980 or by such later date as the Borrower, the Association and the Fund may agree; and (c) to enforce the agreed recommendations emerging from said study through suitable administrative and technical measures.

Section 4.06. The Borrower shall cause TDA: (a) to keep at all times a record of the groundwater tables in the Project area; (b) to prohibit additional installation of wells and regulate withdrawal from existing wells when such record indicates a continuous and hazardous mining of the aquifer; and (c) to keep the Association and the Fund informed of the content of such record as updated from time to time, during the period of Project implementation and thereafter for the next five years.

Section 4.07. Under the Development Credit Agreement for the Second Tihama Development Project concluded between the Borrower and the Association on May 31, 1978, the Borrower has undertaken: (i) to provide the Association, not later than September 30, 1979, with a copy of the study to be carried out on farming through cost and crop sharing arrangements between tenants and landowners; (ii) to consult with the Association, in the light of said study's recommendations, on the measures most appropriate for ensuring a more equitable cost and crop sharing system; and (iii) to implement such measures through suitable legislative or governmental action. The Borrower hereby accepts the incorporation of the foregoing undertakings into this Agreement and further undertakes to implement such measures as would further improve the relative income and economic position of tenants in the Project area by June 30, 1982 or by such other date as the Borrower, the Association and the Fund may agree.

Section 4.08. In order to ensure the recovery of the full investment costs (measured in real terms without interest) of the irrigation works under Part A of the Project and the full operation and maintenance costs of such works, the Borrower shall take such governmental action as shall enable and cause TDA, immediately upon the completion of such irrigation works, to collect from landowners in the project area, in addition to the charges

currently in force, a surcharge on gross agricultural production at the rate of 2% for spate irrigated areas and 1% for well-irrigated areas. The levels of such surcharge shall be adjusted in consultation with the Association and the Fund, at intervals of not more than five years in order to take into account such factors as actual annual collections, landowners' ability to pay, and the requirements of future irrigation investment.

Section 4.09. The Borrower undertakes that the sale of wells drilled by TDA under the Project to landowners shall be made at prices representing the full cost of such wells.

Section 4.10. The Borrower shall: (a) ensure the continuous operation of the Surdud farm in accordance with sound economic principles and under competent management assisted by qualified staff; and (b) ensure that TDA will arrange for regular training on said farm of the students of the Surdud Agricultural School.

#### ARTICLE V

##### Miscellaneous

Section 5.01. (a) The Association is hereby appointed by the Fund and agrees to act as the Cooperating Institution for the administration of the Fund Loan, with the responsibilities set forth in Article V of the General Conditions to Loan and Guarantee Agreements of the Fund. Accordingly, any action required or permitted to be taken by the Fund under this Agreement, other than actions by the Fund referred to in Section 2.04 hereof, shall be taken by the Association as the Cooperating Institution on behalf of the Fund, except as otherwise agreed between the Association and the Fund.

(b) The Association and the Fund shall fully cooperate to ensure effective coordination of their respective actions under the Association Credit Agreement and the Fund Loan Agreement and the achievement of the purpose of the Association Credit and the Fund Loan.

Section 5.02. The Borrower shall furnish to the Association and the Fund sufficient evidence of the authority of the person or persons who will sign the applications provided for under Article II of this Agreement or who will, on behalf of the Borrower, take any other action or execute any other documents required or permitted to be taken or executed by the Borrower under this Agreement, and the authenticated specimen signature of each such person.

Section 5.03. The Minister of Agriculture of the Borrower or such person or persons as he shall designate in writing are designated as the representative of the Borrower to take any action or execute any documents required or permitted to be taken or executed by the Borrower under this Agreement.

Section 5.04. (a) Except as shall otherwise be agreed by the parties hereto, this Agreement shall become effective on the earliest date upon which the Association Credit Agreement, the Special Action Credit Agreement and the Fund Loan Agreement shall all be in effect.

(b) If the Association Credit Agreement or Special Action Credit Agreement or Fund Loan Agreement terminates for failure to become effective in accordance with its terms, this Agreement shall forthwith terminate and the Association or the Fund, as the case may be, shall promptly notify the other parties hereto of such termination.

Section 5.05. This Agreement and all obligations thereunder of the parties hereto shall terminate on the earliest date upon which the Association Credit Agreement, the Special Action Credit Agreement and the Fund Loan Agreement shall all have terminated or on a date 20 years after the date of this Agreement, whichever shall be the earlier.

Section 5.06. Upon termination of the Association Credit Agreement or the Special Action Credit Agreement or the Fund Loan Agreement only, the Association or the Fund, as the case may be, shall promptly notify the other parties hereto and, upon such notification, this Agreement shall continue to remain in force and effect only for the purpose of implementation of the Special Action Credit Agreement or the Association Credit Agreement or the Fund Loan Agreement and of orderly settlement of matters of mutual interest to the parties hereunder, subject to such modifications of this Agreement as shall be agreed among the parties hereto or as shall be reasonably requested by the Association or the Fund for such purposes.

Section 5.07. Any notice or request required or permitted to be given or made by any party under this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall have been delivered by hand or mail, telegram, cable, radiogram or telex to the party to which it is required or permitted to be given or made at such party's address

specified below or at such other address as such party shall have designated by notice to the party giving such notice or making such request:

For the Borrower:

Ministry of Agriculture  
Sana'a  
Yemen Arab Republic

Cable Address:

MINISTRY OF AGRICULTURE  
Sana'a

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)

For the Fund: (except for matters within the responsibilities of the Association as the Cooperating Institution for administration of the Fund Loan, for which notice or requests will be delivered to the Association):

International Fund for  
Agricultural Development  
107 Via del Serafico  
00142  
Rome  
Italy

Cable address:

IFAD  
Rome

Telex:

614160 IFAD  
614162

Section 5.08. This Agreement may be executed in several counterparts, each of which shall be an original. All such counterparts shall collectively be but one instrument.

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, and Rome, Italy, as of the day and year first above written.

YEMEN ARAB REPUBLIC

By *ISI Yahya Al-Mutawakel*  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By *ISI Munir Benjenk*  
Regional Vice President  
Europe, Middle East and North Africa

INTERNATIONAL FUND FOR AGRICULTURAL  
DEVELOPMENT

By  
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the  
Association Credit and Fund Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Association Credit and the Fund Loan, the allocation of amounts of the Association Credit and the Fund Loan to each Category and the respective percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount Allocated</u>		<u>% of</u> <u>Expenditures</u> <u>to be Financed</u>
	<u>Association</u> <u>Credit</u> (Expressed in Dollar Equivalent)	<u>Fund</u> <u>Loan</u> (Expressed in SDR Equivalent)	
(1) Civil works:			
(a) under Parts A (1) (b), A (2) and A (3) of the Project	8,000,000		50%
(b) under Parts B (3), D, and G (3) and (4) of the Project		4,650,000	60%
(2) Equipment and goods:			
(a) under Part A (3) of the Project and for Project management and engineering	1,000,000		100% of for- eign expendi- tures, 100% of local expendi- tures (ex- factory) and 80% of local expenditures for imported items procured locally

<u>Category</u>	<u>Amount Allocated</u>		<u>% of Expenditures to be Financed</u>
	<u>Association Credit</u> (Expressed in Dollar Equivalent)	<u>Fund Loan</u> (Expressed in SDR Equivalent)	
(b) under Parts B (1) and (2), D and G of the Project		2,325,000	100% of foreign expenditures, 100% of local expenditures (ex-factory) and 80% of local expenditures for imported items procured locally
(3) Consultants, experts and training:			
(a) consultants' and experts' services for project management	4,800,000		100%
(b) experts under Parts B (1) and (2) and G of the Project and overseas training under Part B (2) of the Project		1,580,000	100%
(4) Unallocated	1,200,000	745,000	
TOTAL	<u>15,000,000</u>	<u>9,300,000</u>	



2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower and for goods or services supplied from the territory of the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Association and the Fund that no proceeds of the Association Credit or the Fund Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Association Credit or the Fund Loan decreases or increases, the Association may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy.

4. 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.

5. Notwithstanding the allocation of an amount of the Association Credit or the Fund Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Association has reasonably estimated that the amount of the Association Credit or the Fund Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Association may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Association Credit or the Fund Loan which are then allocated to another Category and which in the opinion of the Association are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Association Credit or the Fund Loan and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Association Credit Agreement or of the Fund under the Fund Loan Agreement, by notice to the Borrower, cancel such amount of the Association Credit or the Fund Loan, respectively, as, in the Association's or the Fund's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Association Credit or the Fund Loan, respectively.

## SCHEDULE 2

### Description of the Project

The main objectives of the Project are to (i) increase agricultural production in the Project area through improving and expanding the irrigation system, providing agricultural credit to facilitate the use of agricultural inputs and machinery and improving agricultural services through a program of technical assistance and training; (ii) facilitate the movement of agricultural inputs and produce through the construction of feeder roads connecting the main population centers in the Project area; (iii) improve the health and nutrition of the rural population through the provision of potable water and of a wider range of crops for local consumption; and (iv) enlarge the scope of applied agricultural research and demonstrate the advantages of advanced farming techniques through assisting TDA in operating the Surdud Farm as a production farm and a research station. Accordingly, the Project consists of the following:

#### Part A: Irrigation

- (1) The construction of (a) a gabion dike and two diversion weirs with ancillary works for diverting wadi flows into the irrigation canals, and (b) four feeder canals which will take off from the diversion weirs for feeding the existing inundation canals.
- (2) Remodelling the existing inundation canals to ensure more efficient irrigation of their command areas.
- (3) Drilling of about 20 new wells and converting of about 20 existing testing wells in the Project area into irrigation wells.

#### Part B: Agricultural Services

- (1) Strengthening, with the assistance of expatriate experts, of the extension, plant protection and animal health services in the Project area and the provision of equipment adequate for the purpose.
- (2) The carrying out of a training program for the Yemeni extension personnel and counterparts.

- (3) Establishment of about nine extension centers at convenient locations in the Project area.

Part C: Agricultural Credit

- (1) Provision, through ACB, to farmers in the Project area of short-term credits for the purchase of farming inputs, and medium-term credits for the purchase of farming machinery and equipment.
- (2) Strengthening the management, accounting and secretarial capabilities of ACB's unit operating in the Project area through the provision of an expatriate management expert and staff.

Part D: Roads

Construction of about 148 km of gravel access roads connecting the population centers in the Project area to the main roads, and the provision of road maintenance equipment.

Part E: Potable Water Supply

Construction of about 103 water supply installations for the provision of potable water to villages in the Project area populated by about 53,000 inhabitants.

Part F: Project Headquarters

Expanding the existing TDA's staff residences near Al-Zuhra so as to accommodate the Project staff and to operate as the Project headquarters. The expansion comprises the construction of about 38 staff residences, an office building, a veterinarian's office and laboratory, and a warehouse for equipment spare parts.

Part G: Surdud Farm

The purpose of this Part is to assist TDA in equipping and operating a research station to be established on the Surdud Farm and equipping the rest of the Farm to operate, on a sound commercial basis, for seed multiplication and other agricultural production purposes and to serve as a demonstration and training farm. This Part consists of:

- (1) The employment for agricultural research purposes of an experienced farm superintendent, an expert in cereal

crops, an expert in livestock forage crops, about five associate experts, and supporting staff; and the employment for agricultural production purposes of a farm manager, an agronomist, a farm mechanization engineer, four associate experts, and supporting staff.

- (2) Provision of equipment and machinery for agricultural, transport, office, laboratory and camp purposes.
- (3) Construction of about 14 staff residences and an office cum laboratory building.
- (4) Installation of storage sheds and platforms for farm machinery, inputs and produce.
- (5) Provision, for agricultural production purposes, of working capital for one year of operation and, for the research station, of operational expenses for the period of Project implementation.

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The Project is expected to be completed by September 30, 1984.

SCHEDULE 3

Procurement

A. International Competitive Bidding

1. Except as provided in Part C hereof, goods and civil works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines), on the basis of international competitive bidding as described in Part A of the Guidelines.

2. For goods and works to be procured on the basis of international competitive bidding, in addition to the requirements of paragraph 1.2 of the Guidelines, the Borrower shall prepare and forward to the Association as soon as possible, and in any event not later than 60 days prior to the date of availability to the public of the first tender or prequalification documents relating thereto, as the case may be, a general procurement notice, in such form and detail and containing such information as the Association shall reasonably request; the Association will arrange for the publication of such notice in order to provide timely notification to prospective bidders of the opportunity to bid for the goods and works in question. The Borrower shall provide the necessary information to update such notice annually so long as any goods or works remain to be procured on the basis of international competitive bidding.

3. For the purpose of evaluation and comparison of bids for the supply of goods to be procured on the basis of international competitive bidding, (i) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically supplied goods, shall be excluded; and (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.

B. Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A of this Schedule, goods manufactured in

the Yemen Arab Republic may be granted a margin of preference in accordance with, and subject to, the following provisions:

1. All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

2. After evaluation, responsive bids will be classified in one of the following three groups:

- (1) Group A: bids offering goods manufactured in the Yemen Arab Republic if the bidder shall have established to the satisfaction of the Borrower and the Association that the manufacturing cost of such goods includes a value added in the Yemen Arab Republic equal to at least 20% of the ex-factory bid price of such goods.
- (2) Group B: all other bids offering goods manufactured in the Yemen Arab Republic.
- (3) Group C: bids offering any other goods.

3. All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

4. If, as a result of the comparison under paragraph 3 above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the c.i.f. bid price of the imported goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to: (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group C bid; or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such price. If the group A bid in such further comparison is the lowest, it

shall be selected for the award; if not, the bid from group C which as a result of the comparison under paragraph 3 is the lowest evaluated bid shall be selected.

C. Other Procurement Procedures

1. Civil works under Parts B (3) and G (3) and (4) of the Project may be carried out under contracts negotiated under arrangements acceptable to the Association and the Fund or under competitive bidding advertised locally pursuant to procedures acceptable to the Association and the Fund.

2. Civil works for tubewell drilling may be carried out pursuant to the procedures provided under the preceding paragraph, or by force account; provided that satisfactory documentation pertinent to the cost of works carried out by force account shall be forwarded to the Association.

3. Contracts for the purchase of goods estimated to cost not more than the equivalent of \$50,000 per contract and \$400,000 in the aggregate, may be awarded in accordance with the applicable procedures of the Borrower, acceptable to the Association and the Fund.

D. Review of Procurement Decisions by the Association

1. Review of prequalification:

If bidders are required to prequalify, the Borrower shall, before qualification is invited, inform the Association and the Fund in detail of the procedure to be followed, and shall introduce such modifications in said procedure as the Association and the Fund shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification shall be furnished by the Borrower to the Association, and to the Fund only in regard to prequalification for contracts to be financed from the proceeds of the Fund Loan, for their comments before the applicants are notified of the Borrower's decision, and the Borrower shall make such additions to, deletions from, or modifications in, the said list as the Association and the Fund shall reasonably request.

2. Review of invitations to bid and of proposed awards and final contracts:



With respect to all contracts for civil works estimated each to cost the equivalent of \$100,000 or more, or for the supply of goods estimated to cost the equivalent of \$50,000 or more:

(a) 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 procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to which it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received and such other information as the Association shall reasonably request. The Association shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked.

(d) Two conformed copies of the contract shall be furnished to the Association promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Association Account or the Fund Account in respect of such contract.

3. With respect to each contract not governed by the preceding paragraph, the Borrower shall furnish to the Association, promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Association Account or the Fund Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

4. Before agreeing to any material modification or waiver of the terms and conditions of a contract, or granting an extension of the stipulated time for performance of such contract, or issuing any change order under such contract (except in cases of extreme urgency) which would increase the cost of the contract by more than 30% of the original price, the Borrower shall inform the Association of the proposed modification, waiver, extension or change order and the reasons therefor. The Association, if it determines that the proposal would be inconsistent with the provisions of this Agreement, shall promptly inform the Borrower and state the reasons for its determination.

INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

In witness whereof I have signed this Certificate and affixed the Seal of the Association thereunto the 20th day of April, 1979.

S. H. Chi  
FOR SECRETARY