

GRANT NUMBER H984-RY

Financing Agreement

(Second Additional Financing for Social Fund for Development Phase IV Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August, 31, 2014

GRANT NUMBER H984-RY

FINANCING AGREEMENT

AGREEMENT dated August 13, 2014, entered into between REPUBLIC OF YEMEN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement or in the Original Financing Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to thirty two million four hundred thousand Special Drawing Rights (SDR 32,400,000) (“Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.03. The Payment Dates are March 1 and September 1 in each year.
- 2.04. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Social Fund for Development (SFD) (Project Implementing Entity) in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient

shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) Law No. 10 of 1997 of the Recipient has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SFD to perform any of its obligations under the Project Agreement.
 - (b) The Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SFD or for the suspension of its operations.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Subsidiary Grant Agreement has been executed on behalf of the Recipient and SFD.
- 5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Grant Agreement has been duly authorized or ratified by the Recipient and SFD and is legally binding upon the Recipient and SFD in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Minister of Planning and International Cooperation.
- 6.02. The Recipient's Address is:

Ministry of Planning and International Cooperation
PO Box 175
Sana'a, Republic of Yemen

Facsimile:
967-1-250-665

6.03. The Association's Address is:

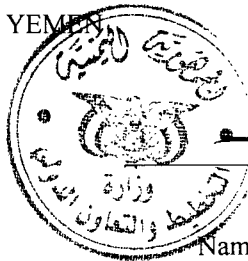
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Sana'a, Yemen, as of the
day and year first above written.

REPUBLIC OF YEMEN

By



Authorized Representative

Name: H.E. Dr. Mohammed Saed Al-Sadi

Title: Minister of Planning and
International Cooperation

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Hartwig Schaffer

Authorized Representative

Name: Hartwig Schaffer

Title: Country Director

for Yemen, Egypt and Djibouti Country Department

SCHEDULE 1

Project Description

The objectives of the Project are: (i) to improve access to basic services; (ii) to enhance economic opportunities; and (iii) to reduce the vulnerability of the poor.

The Project consists of the Original Project.

SCHEDULE 2

Project Execution

I. Implementation Arrangements

A. Institutional and Implementation Arrangements

The Project's institutional and implementation arrangements shall be identical to those set forth in Sections I.A to Section I.D of Schedule 2 to the Original Financing Agreement, except as restated immediately below in Section I.B, in respect of Anti-Corruption provision referred to in Section I.C of Schedule 2 to the Original Financing Agreement.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.
2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall ensure that SFD prepares and furnishes to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause SFD to have its Financial Statements and the Financial Statements for the Project audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of such Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set out in paragraph 3 below; (b) Shopping; (c) Direct Contracting; (d) Procurement from UNICEF and UNOPS; and (e) Community Participation procedures as described below:

SFD shall provide funds directly to communities responsible for managing the implementation of Sub-projects under Parts A1, C1 and D1 of the Project. Such procurement will be carried out by eligible

communities according to the policies and simplified procedures set out in the SFD Manual for "Direct Financing of Communities", which is part of the Operational Manual.

3. National Competitive Bidding, may be used subject to the following additional provisions: the procedures to be followed for National Competitive Bidding under this paragraph shall be those set forth in Law No. 23 for 2007, concerning Government Tenders, Auctions and Stores, and its Regulations, subject to the following additional procedures:
 - (i) a Recipient-owned enterprise in the Republic of Yemen shall be eligible to bid only if it can establish that it is legally and financially autonomous, operates under commercial law, and is not a dependent agency of the Recipient;
 - (ii) bidding (or pre-qualification, if required) shall not be restricted to any particular class of contractors or suppliers, and non-registered contractors and suppliers shall also be eligible to participate;
 - (iii) tenders shall be advertised for at least two (2) consecutive days in two (2) local newspapers of wide circulation;
 - (iv) prospective bidders shall be allowed a minimum of thirty (30) days for the preparation and submission of bids, such thirty (30) days to begin with the availability of the bidding documents or the advertisement, whichever is later;
 - (v) until national standard bidding documents acceptable to the Association are available, bidding documents approved by the Association shall be used, and may be prepared in Arabic;
 - (vi) registration shall not be used to assess bidders' qualifications; qualification criteria (in case pre-qualification was not carried out) and the method of evaluating the qualification of each bidder shall be stated in the bidding documents, and before contract award the bidder having submitted the lowest evaluated responsive bid shall be subject to post-qualification;
 - (vii) a foreign bidder shall not be required to register or to appoint an agent as a condition for submitting its bid and, if determined to be the lowest evaluated responsive bidder, shall be given reasonable opportunity to register, without let or hindrance; the registration process shall not be applicable to sub-contractors;

- (viii) all bids shall be submitted in sealed envelopes and may be submitted, at the bidder's option, in person or by courier service;
- (ix) all bids shall be opened at the same time in a public bid opening which bidders shall be allowed to attend and which shall follow immediately after the deadline for submission of bids;
- (x) evaluation of bids shall be carried out in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated responsive bidder, without resorting to the rejection of bids above or below a certain percentage of the pre-bid estimate (bid price bracketing);
- (xi) no bidder shall be requested or permitted to modify its bid after the bid closing date shall have elapsed and bids submitted after the deadline for submission of bids shall be returned to the bidder unopened;
- (xii) post-bidding negotiations with the lowest or any other bidder shall not be permitted;
- (xiii) under exceptional circumstances, the procuring entity may, before the expiration of bid validity, request all bidders in writing to extend the validity of their bids, in which case bidders shall not be requested nor permitted to amend the price or any other condition of their bids; a bidder shall have the right to refuse to grant such an extension without forfeiting its bid security, but any bidder granting such extension shall be required to provide a corresponding extension of its bid security;
- (xiv) price adjustment provisions may be included in contracts for works with a duration of more than eighteen (18) months;
- (xv) rejection of all bids is justified when there is lack of effective competition, or bids are not substantially responsive, however, lack of competition shall not be determined solely on the basis of the number of bidders; and
- (xvi) each contract financed from the proceeds of the Grant shall provide that the contractor or supplier shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have such accounts and records audited by auditors appointed by the Association.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants' Qualifications; (c) Selection under a Fixed Budget; (d) Single-source Selection of consulting firms; and (e) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in SDR) Second Additional Financing	Amount of the Grant Allocated (expressed in SDR) First Additional Financing (Grant No. H833-RY)	Amount of the Grant Allocated (expressed in SDR) Original Financing (Grant No. 548-RY)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Goods, works, non-consulting services, consultant's services, Sub-grants, Training, and Incremental Operating Costs for the Project	32,400,000	16,300,000	38,700,000	100%
TOTAL AMOUNT	32,400,000	16,300,000	38,700,000	

For the purpose of this table:

- (a) the term "Incremental Operating Costs" means expenditures incurred for the implementation of the Project, management and monitoring, on account of office rental, local contractual staff salaries, utility charges, transportation, maintenance of vehicles, insurance of vehicles, fuel, office supplies, banking charges, communication services, and travel costs and *per diem*, excluding salaries of officials of the Recipient's civil service; and
- (b) "Training" means Project related study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers' contracts, including costs of training materials, space and equipment rental, travel, *per diem* costs of trainees, trainers and trainers' fees, and interpretation and translation services.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made out of the proceeds of the Second Additional Financing for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2016.

APPENDIX

Definitions

The Capitalized terms defined in Section I of the Appendix to the Original Financing Agreement shall have the meanings set forth therein, and the following terms shall have the following meaning:

1. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.
2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
4. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix to the Original Financing Agreement.
5. "First Additional Financing" means an amount of sixteen million three hundred thousand Special Drawing Rights (SDR 16,300,000) referred to in paragraph 3 of the First Additional Financing Agreement (hereinafter defined).
6. "First Additional Financing Agreement" means a letter agreement for an Additional Financing for Social Fund for Development Phase IV Project between the Recipient and the Association, dated May 4, 2013, (Grant No. H833-RY).
7. "Original Financing" means an amount of thirty eight million seven hundred thousand Special Drawing Rights (SDR 38,700,000) referred to in Section 2.01 of the Original Financing Agreement (hereinafter defined).
8. "Original Financing Agreement" means the financing agreement for a Social Fund for Development Phase IV Project between the Recipient and the Association, dated June 28, 2010, (Grant No. H548-RY), as amended through the First Additional Financing Agreement.
9. "Original Project" means the Project described in the Original Financing Agreement.
10. "Original Project Agreement" means the project agreement between the Association and the Social Fund for Development dated June 28, 2010.

11. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011.
12. "Procurement Plan" means the Recipient's procurement plan for the Project, dated August 21, 2012, as updated through the Procurement Plan dated March 31, 2014, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
13. "Subsidiary Grant Agreement" means the agreement referred to in Section 5.01 of this Agreement, and in Section I.B of Schedule 2 to the Original Financing Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity, as the same may be amended from time to time with the agreement of the Association.