

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H640-RY

Financing Agreement

(Health and Population Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 15, 2011

GRANT NUMBER H640-RY

FINANCING AGREEMENT

AGREEMENT dated March 15, 2011, entered into between REPUBLIC OF YEMEN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). 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.

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 twenty three million Special Drawing Rights (SDR 23,000,000) (“Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. 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.
- 2.04. The Payment Dates are March 15 and September 15 in each year.
- 2.05. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MoPHP in accordance with the provisions of Article IV of the General Conditions.
- 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.
- 4.02. 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 V— REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient’s Representative is the Minister of Planning and International Cooperation.
- 5.02. The Recipient’s Address is:

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

Telephone:	Facsimile:
967-1-250-118	967-1-250-665
	967-1-250-605

5.03. 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 the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF YEMEN

By /s/ Abdulwahab Abdullah Al-Hajri

Authorized Representative

**INTERNATIONAL DEVELOPMENT
ASSOCIATION**

By /s/ Emmanuel Mbi

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve access to, and utilization of, a package of maternal, neonatal and child health services in selected governorates with a high concentration of districts with poor health indicators.

The Project consists of the following parts:

Part A: Improving Access to Maternal, Neonatal and Child Health Services

1. Delivering outreach services for maternal neo-natal and child health services, including expansion of a population-based program of maternal neo-natal and child health services in rural/urban and slum districts, and including the procurement of drugs;
2. Upgrading first-level referral facilities for health services, and providing community-based health services; and
3. Supporting national public health campaigns, including nutrition and immunization campaigns for measles, polio and tetanus toxoids.

Part B: Results-Based Monitoring and Evaluation and Project Administration.

Provision of goods, consultants' services, training and Operating Costs of the PAU and the Outreach Services Team to support Project coordination, implementation, monitoring and evaluation and management, including carrying out evaluations of the upgraded maternal neo-natal and child health services to measure the results of the project interventions on access to, and utilization of, these services by women and children, and support of two rounds of national demographic health surveys.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

The Recipient shall carry out the Project in accordance with the following institutional and other arrangements:

1. The Steering Committee shall have overall responsibility for Project oversight and policy guidance of the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual.
2. The Recipient shall carry out the Project through the GDFH, with the assistance of the PAU and the Outreach Services Team, all in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual and the FM Manual, and shall not assign, amend, abrogate or waive any provisions of the Operational Manual or the FM Manual without prior approval of the Association. The PAU is responsible for procurement and financial management for the Project.
3. At all times during the implementation of the Project, the Recipient shall maintain the Steering Committee, the PAU and the Outreach Services Team, all with a composition and resources satisfactory to the Association. The Recipient shall also maintain the PAU with staff whose qualifications, experience and terms of reference shall be acceptable to the Association.
4. For the purposes of proper planning and implementation of Parts A.1 and A.3. of the Project, the Recipient, through the PAU shall: (a) not later than June 30, 2011, appoint, on terms and conditions satisfactory to the Association, an Independent Technical Auditor to verify and certify that the planning and implementation of the outreach services and public health campaigns have been conducted in a manner satisfactory to the Association; and (b) not later than June 30, 2012, appoint an ITFF, on terms and conditions satisfactory to the Association for the duration of the Project implementation to verify and certify that the planning and implementation of the outreach services and public health campaigns have been conducted in a manner satisfactory to the Association.

B. Safeguards

1. The Recipient through the GDFH, and with the assistance of the PAU and the Outreach Services Team, shall carry out the Project in accordance with the requirements and procedures of the ESIA (including the health care waste

management plan and the ESMP) and shall not assign, amend, abrogate or waive any provisions of the ESIA (including the health care waste management plan and the ESMP) without prior approval of the Association.

2. Not later than June 30, 2011, the Recipient shall appoint, on terms and conditions satisfactory to the Association, an environmental consultant to assist with implementation of the ESIA and ESMP.

C. 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 Association not later than forty-five (45) days after the end of the period covered by such report.
2. On or about July 15, 2014, the Recipient shall carry out jointly with the Association, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review). The Midterm Review shall cover, amongst other things:
 - (a) progress made in meeting the Project's objective; and
 - (b) overall Project performance against Project performance indicators.
3. The Recipient shall prepare at least four (4) weeks prior to the Midterm Review, and furnish to the Association, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.
4. The Recipient shall cause the Independent Technical Auditor and the ITFF, as the case may be, to prepare and furnish to the Recipient not later than forty five (45) days after the end of each outreach round or public health campaign, independent technical and financial audit reports (ITFA Reports), covering the period of such outreach round or public health campaign, based on terms of reference satisfactory to the Association, including verifying and certifying that the planning and implementation of the outreach services and public health

campaigns under Parts A.1. and A.3. of the Project have been conducted in a manner satisfactory to the Association. The Recipient, through the PAU, shall furnish such ITFA Reports to the Association not later than sixty (60) days after the end of each such outreach round or public health campaign. The first such ITFA report by the Independent Technical Auditor and the ITFF, as the case may be, shall be due to the Association not later than sixty (60) days after the end of the first such outreach round or public health campaign following the appointment of the Independent Technical Auditor and the ITFF, respectively.

5. Not later than February 15, 2012, and annually thereafter, the Recipient shall prepare and furnish to the Association an annual report of the progress made in carrying out the Project in the preceding calendar year (hereinafter referred to as the Annual Reports). The Annual Reports shall also provide a proposed budget and work plan for implementation in the subsequent calendar year.

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 prepare and furnish 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 have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the 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.** All goods 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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
<p>(a) <u>(a) National Competitive Bidding</u>, subject to the following additional procedures: 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</p> <p>(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;</p> <p>(i) 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;</p> <p>(iii) tenders shall be advertised for at least two (2) consecutive days in two (2) local newspapers of wide circulation;</p> <p>(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;</p> <p>(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;</p> <p>(vi) registration shall not be used to assess bidders' qualifications;</p>

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
(b) Shopping
(c) Direct Contracting
(d) Procurement from UNICEF, UNFPA, WHO

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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection under a Fixed Budget
(b) Least Cost Selection
(c) Selection based on Consultants' Qualifications
(d) Single-source Selection
(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(f) Sole 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)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, consultants’ services (including audit) and Training under the Project and Incremental Operating Costs, under Parts A.2 and Part B of the Project	14,000,000	100%
(2) Incremental Operating Costs under Parts A.1 and A.3 of the Project.	9,000,000	100%
TOTAL AMOUNT	23,000,000	

For the purpose of this table:

- (a) the term “Incremental Operating Costs” means the reasonable expenditures incurred for the implementation of the Project by the MoPHP and includes expenditures on account of office rental, utility charges, transportation, maintenance of vehicles, office supplies, operation and maintenance of office equipment, printing, advertisements, banking charges, communication services, translation services, fuel, vehicle rental, local travel costs and *per diem*, and

support staff excluding salaries of officials of the Recipient's civil service and the purchase of vehicles. For Part A.1 and A.3 of the Project such Operating Costs shall also include travel costs of MoPHP staff, car rental costs, local transport costs of drugs, stationary, fuel, outreach and campaign launching workshop costs, microphone rental costs, and communications;

- (b) the term "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, local and international travel, *per diem* costs of trainees and trainers' fees, and interpretation and translation services; and
- (c) "Goods" excludes the purchase of vehicles.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is September 30, 2017.

APPENDIX

Section I. Definitions

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 with the modifications set forth in Section II of this Appendix.
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 by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
4. “ESMP” means the environmental and social management plan, prepared and adopted by the Recipient, as part of the ESIA, setting out measures to be taken during the implementation and operation of the Project to mitigate, eliminate or otherwise offset adverse environmental impacts under the Project.
5. “ESIA” means the environmental and social impact assessment prepared and approved by the Recipient in July, 2010, and disclosed in the Association’s Infoshop on, July 21, 2010, setting out, *inter alia*, procedures for the safe-handling, segregation, storage, treatment and disposal of general and infectious/hazardous wastes, together with environmental and waste management guidelines for health facilities, and includes a health care waste management plan and an environmental management plan or ESMP.
6. “FM Manual” means the financial management manual, prepared and adopted by the Recipient, setting out the financial management procedures and organizational requirements for the Project, including the controls for financial management and the role of the ITFF in Project implementation.
7. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
8. “GDFH” means the General Directorate for Family Health of the MoPHP of the Recipient or any successor or successors thereto.
9. “Independent Technical Auditor” means the individual appointed pursuant to Section I.A.4 (a) of Schedule 2 of this Agreement to independently verify and certify that the planning and implementation of the outreach services and public health campaigns have been conducted in a manner satisfactory to the Association.

10. “ITFF” or Independent Technical Financial Firm means the firm appointed pursuant to Section I.A.4 (b) of Schedule 2 of this Agreement to independently verify and certify that the planning and implementation of the outreach services and public health campaigns have been conducted in a manner satisfactory to the Association.
11. “MoPHP” means the Ministry of Public Health and Population of the Recipient or any successor or successors thereto.
12. “Operational Manual” means the manual prepared and adopted by the Recipient, specifying the managerial, administrative, monitoring and evaluation, and procurement policies and procedures for execution of the Project, as the same may be amended from time to time with the agreement of the Association.
13. “Outreach Services Team” means the team established on November 24, 2010 within the MoPHP. The Outreach Services Team consists of, *inter alia*, the following individuals within MoPHP: (i) the head of child services; (ii) the head of nutrition services; (iii) the head of reproductive health services; in addition to: (iv) a WHO technical officer; and (v) a health planner.
14. “PAU” means the Project Administration Unit of the MoPHP, established by Ministerial Resolution No 35/2 of 2010, dated November 24, 2010, which shall include, at a minimum: (i) a project administrator; (ii) a procurement officer; (iii) a finance officer; (iv) an accountant; and (v) a secretary.
15. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.
16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 14, 2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “Steering Committee” means the committee established on August 16, 2010, and operating in accordance with the Operational Manual.

Section II. Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”