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CREDIT NUMBER 4279-YEM

# Financing Agreement

(Second Vocational Training Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 7, 2007

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**CREDIT NUMBER 4279-YEM**

**FINANCING AGREEMENT**

AGREEMENT dated June 7, 2007, entered into between the 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.

**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 credit in an amount equivalent to ten million one hundred thousand Special Drawing Rights (SDR10,100,000) (“Credit”) 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. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Minister of Planning and International Cooperation.
- 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are June 1 and December 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is United States 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 Parts I and II of the Project through the MTEVT and cause Part III of the Project to be carried out by the 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 Event of Suspension consists of the following:
  - (a) The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity 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 the Project Implementing Entity or for the suspension of its operations.
- 4.02. The Additional Event of Acceleration consists of the following:
  - (a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.
  - (b) The event specified in paragraph (b) of Section 4.01 of this Agreement occurs.

**ARTICLE V - EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
  - (b) The Recipient has established the PMU referred to in Section I.A.3 of Schedule 2 to this Agreement with organization, staffing and terms of reference satisfactory to the Association.

- 5.02. The Additional Legal Matter consists of the following:
- (a) The Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date one hundred and twenty (120) 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  
P.O. Box 175  
Sana'a  
Republic of Yemen

Facsimile:

967.1.250.665 or 976.1.250.605

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

REPUBLIC OF YEMEN

By /s/ Abdulwahab Al-Hajjri

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Daniela Gressani

Regional Vice President  
Middle East and North Africa

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to provide the public training system with improved mechanisms for responsiveness to employment needs, and to enhance the capacity and effectiveness of the Skills Development Fund in articulating and financing the training needs of enterprises.

The Project consists of the following parts:

#### **Part I: Monitoring and Evaluation, and Project Management**

1.1. Provision of goods, technical services and training for: (i) the establishment and development of a planning, monitoring and evaluation system within MTEVT; (ii) capacity building on planning, monitoring and evaluation functions and processes at central, regional and institute levels; (iii) the development of indicators, and a monitoring and evaluation framework with systems and procedures for data collection and analysis; (iv) the development of a basic management information system; (v) undertaking of tracer studies, employer surveys, and incorporating data requirements to household budget surveys; and (vi) assisting in the development of a performance-based monitoring and budgeting system for public training institutions.

1.2. Provision of goods, technical services and training for strengthening the institutional capacity of the PMU to ensure effective coordination and administration of the Project.

#### **Part II: Design and Delivery of Training Programs**

Provision of goods, technical services and training, as well as carrying out small works for:

2.1. The development and delivery of four new technician level programs of international standard to meet identified needs in the construction and food processing sectors.

2.2. The establishment of skills and employment liaison units within public sector training providers to develop the capacity for responding to training needs in the construction, food processing, fisheries and seafood processing sectors.

2.3. Strengthening the occupational skills and competencies of a cadre of about forty eight (48) master instructors.

**Part III.      Reform of the Skills Development Fund**

Provision of goods, technical services and training for supporting the Skills Development Fund in restructuring, developing its operating procedures and training its staff.



## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Institutional Arrangements**

1. The Recipient shall vest the overall responsibility for the implementation of Parts I and II of the Project in MTEVT and shall cause MTEVT to implement Parts I and II of the Project in accordance with the Operations Manual. Except as the Association shall otherwise agree, the Recipient may not amend or waive any provision of the Operations Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.
2. For the purpose of ensuring the proper coordination and execution of the Project, the Recipient shall maintain the Steering Committee with membership and terms of reference satisfactory to the Association. The functions of said Steering Committee shall include, inter alia: (i) overall guidance and oversight on the implementation of the Project; (ii) review and approval of the annual work programs, budgets and reports for the operation of the PMU; and (iii) review of auditors' reports.
3. For the purpose of ensuring the proper supervision of the execution of Parts I and II of the Project, the Recipient shall maintain the PMU throughout the Project's implementation with organization, staffing and terms of reference satisfactory to the Association. The PMU shall be responsible for supervising all procurement, financial management and monitoring and evaluation of Parts I and II of the Project.
4. The Recipient shall procure, install and operationalize by no later than October 30, 2007, an accounting software capable of generating interim financial statements, with terms of reference acceptable to the Association to record, report and analyze Project related financial transactions.

##### **B. Subsidiary Agreement**

1. To facilitate the carrying out of the Project Implementing Entity's Respective Part of the Project, the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association ("Subsidiary Agreement").

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

## **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 the 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 one month 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 March 31, 2013.

### **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. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report 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 (or other period agreed to by the Association). 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 and Works.** All goods and works 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 and Works**

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

<b>Procurement Method</b>
(a) National Competitive Bidding
(b) Shopping

Goods and works under contracts awarded on the basis of National Competitive Bidding shall be procured 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 one year;
- (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 Credit 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 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.

<b>Procurement Method</b>
(a) Consultants Qualifications
(b) Single Source
(c) 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 Financing Allocated (Expressed in SDR)	% of Expenditures to be Financed (inclusive of Taxes)
(1) Goods under:		100%
(a) Parts I and II of the Project	2,600,000	
(b) Part III of the Project	90,000	
(2) Small Works under Part II of the Project	440,000	100%
(3) Consultants’ services under:		100%
(a) Parts I and II of the Project	3,900,000	
(b) Part III of the Project	750,000	
(4) Training under:		100%
(a) Parts I and II of the Project	760,000	
(b) Part III of the Project	320,000	

Category	Amount of the Financing Allocated (Expressed in SDR)	% of Expenditures to be Financed (inclusive of Taxes)
(5) Incremental Operating Costs under Parts I and II of the Project	540,000	100%
(6) Unallocated	700,000	
TOTAL AMOUNT	10,100,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for:
  - (a) payments made prior to the date of this Agreement; and
  - (b) payments made for expenditures under Category (4)(b), unless and until the Recipient shall have submitted to the Association evidence, satisfactory to the Association, that the Project Implementing Entity's revised staffing structure acceptable to the Association has been carried out.
2. The Closing Date is May 31, 2013.

**SCHEDULE 3**

**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit Repayable (Expressed as a percentage)
On each June 1 and December 1:	
commencing June 1, 2017 to and including December 1, 2026	1%
commencing June 1, 2027 to and including December 1, 2046	2%



## **APPENDIX**

### **Definitions**

1. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
4. “Incremental Operating Costs” means expenditures incurred by the Recipient on account of Project activities, including utility charges, maintenance and insurance of vehicle, fuel, office supplies, banking charges, communication and translation services, advertising, mailing and shipping costs, local travel costs (including transport and per diem), and PMU driver and secretary salaries, but excluding salaries of officials of the Recipient.
5. “MTVET” means the Recipient’s Ministry of Technical Education and Vocational Training, or any successor thereto.
6. “Operations Manual” means the Recipient’s manual, dated February 19, 2007, setting forth the procedures, methodology, plans of implementation and required personnel acceptable to the Association required for carrying out the Project, as the same may be amended from time to time with the agreement of the Association.
7. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
8. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 14, 2007, 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.
9. “Project Implementing Entity” means the Skills Development Fund.
10. “Project Implementing Entity’s Legislation” means Law No. 15 of 1995 as amended to the date of this Agreement.
11. “PMU” means the Project Management Unit to be established and maintained within MTVET in accordance with the provisions of paragraph I.A.3 of Schedule 2 to this Agreement.

12. "Steering Committee" means the Committee referred to in paragraph I.A.2 of Schedule 2 to this Agreement.
13. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the Project Implementing Entity.

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