

**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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**CONFORMED COPY**

February 23, 2011

H.E. Mr. Abdul Kareem Al-Arhabi  
Deputy Prime Minister  
Minister of Planning and International Cooperation  
Ministry of Planning and International Cooperation  
P.O. Box 175  
Sana'a, Republic of Yemen

Re: Republic of Yemen: JSDF Grant for Piloting Coping Strategies  
for Rainfed Farmers Project Grant No. TF098754

Excellency:

In response to the request for financial assistance made on behalf of Republic of Yemen (the Recipient), I am pleased to inform you that the International Development Association ("World Bank"), as administrator of grant funds provided by Japan under the Japan Social Development Fund, proposes to extend to the Recipient a grant in an amount not to exceed two million seven hundred seventy five thousand seven hundred United States Dollars (U.S.\$ 2,775,700) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). This Grant is funded out of the Japan Social Development Fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement with the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date specified by the World Bank in accordance with Section 5.02 of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. David Craig  
Director

Yemen, Egypt and Djibouti Country Department  
Middle East and North Africa Region

AGREED:  
REPUBLIC OF YEMEN

By /s/Abdulkarim I. Al-Arhabi  
Authorized Representative  
Title: Deputy Prime Minister for Economic Affairs and  
Minister of Planning and International Cooperation  
Date: March 5, 2011

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
- (2) Disbursement Letter dated February 23, 2011, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

## **Article I**

### **Standard Conditions; Definitions**

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 31, 2010 (“Standard Conditions”), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) “ESIA” means the Environmental and Social Impact Assessment, including the Environmental and Social Management Plan (“ESMP”) and an abbreviated Integrated Pest Management Plan, prepared by the Recipient and disclosed on February 9, 2010, satisfactory to the World Bank, consisting of, *inter alia*: (i) the potential and actual adverse environmental impacts of the activities under the Project; and (ii) measures to be taken during the implementation and operation of the Project to mitigate, eliminate or otherwise offset adverse environmental and social impacts under the Project.

(b) “MAI” means the Ministry of Agriculture and Irrigation of the Recipient or any successor or successors thereto.

(c) “PCU” means the Project Coordination Unit of the MAI, established by Decree No 15/2004, and referred to in paragraph 2 of Section IA of Schedule 2 to this Agreement.

(d) “Project Implementation Manual” or “PIM” means the manual to be prepared and endorsed by the Recipient pursuant to Section 5.01 of this Agreement, specifying the Recipient’s managerial, financial, administrative, monitoring and evaluation, procurement, engineering and environmental and social policies and procedures for execution of the Project, and the eligibility criteria, selection procedures, terms and conditions for the implementation of any activities financed under the Project, as the same may be amended from time to time with the agreement of the World Bank.

## **Article II**

### **Project Execution**

2.01. **Project Objectives and Description.** The objective of the Project is to provide a suite of options to poor and vulnerable farmers in the highlands, particularly women, to cope with climate change. The Project consists of the following parts:

Part A: Community Natural Resource Management Planning

Provision of goods, consultants' services, and training to develop community natural resource management plans for the preservation of local agro-biodiversity.

Part B: Establishment of Small Income Generation Projects

Provision of consultants' services, goods, works and training to develop and carry out small income generation projects in selected communities, and particularly among women, for agro-biodiversity conservation and adaptation.

Part C: Small-Scale Upgrading and Capacity Building

Provision of consultants' services, goods, works and training to develop and carry out small scale upgrading of infrastructure in selected communities for agro-biodiversity conservation and adaptation.

Part D: Community Awareness Raising Program

Provision of consultants' services, goods, and training to carry out a community awareness program related to agro-biodiversity conservation and adaptation in rain-fed areas.

Part E: Project Management

Provision of goods, consultants' services, and Incremental Operating Costs for the PCU for project management and implementation, including audits.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the MAI in accordance with: (a) the provisions of Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 ("Anti-Corruption Guidelines") revised January 2011; and (c) this Article II.

2.03. ***Institutional and Other Arrangements.*** (a) The Recipient shall carry out the Project, through the PCU, in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the PIM and the ESIA, and shall not assign, amend, abrogate or waive any provisions of the PIM or the ESIA, without prior approval of the World Bank. The PCU is responsible for all financial management and procurement under the Project.

(b) Not later than two months after the date on which this Agreement becomes effective, the Recipient shall appoint an accountant to the PCU, whose qualifications, experience and terms of reference shall be acceptable to the World Bank.

(c) At all times during the implementation of the Project, the Recipient shall maintain the PCU with terms of reference and resources satisfactory to the World Bank, and with competent staff in adequate numbers.

2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank

(c) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six months after the end of such period.

2.05. **Procurement**

(a) General. All goods, works and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in January 2011 (“Procurement Guidelines”), in the case of goods and works; and

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in January 2011 (“Consultant Guidelines”), in the case of consultants’ services; and

(iii) the provisions of this Section , as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Works

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (A) National Competitive Bidding , 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:

- a. 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;
- b. 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;
- c. tenders shall be advertised for at least two (2) consecutive days in two (2) local newspapers of wide circulation;
- d. 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;
- e. until national standard bidding documents acceptable to the World Bank are available, bidding documents approved by the World Bank shall be used, and may be prepared in Arabic;
- f. 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;
- g. 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;
- h. all bids shall be submitted in sealed envelopes and may be submitted, at the bidder's option, in person or by courier service;
- i. 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;
- j. 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);
- k. 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;

- l. post-bidding negotiations with the lowest or any other bidder shall not be permitted;
- m. 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;
- n. price adjustment provisions may be included in contracts for works with a duration of more than eighteen (18) months;
- o. 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;
- p. and each contract financed from the proceeds of the Grant shall provide that the contractor or supplier shall permit the World Bank, 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 World Bank

; (B) Shopping; (C) Direct Contracting; and (D) Community Participation procedures which have been found acceptable to the World Bank.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in sub-paragraph (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Selection based on Consultants' Qualifications; (B) Single-source Selection; (C) Least Cost Selection; (D) Selection of Individual Consultants; and (E) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

### **Article III Withdrawal of Grant Proceeds**

3.01. ***Eligible Expenditures.*** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table

specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in U.S. \$)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, consultants’ services, Training and Incremental Operating Costs	2,775,700	100%
<b>TOTAL AMOUNT</b>	2,775,700	

For the purposes of this Section: (i) the term “Training” means training conducted in the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees; (ii) the term “Incremental Operating Costs” means reasonable incremental operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service and the purchase of vehicles; and (iii) ‘Goods’ excludes the purchase of vehicles.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is four years after the date of countersignature of this Agreement by the Recipient.

#### **Article IV**

##### **Additional Remedies**

4.01. **Additional Event of Suspensions.** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following: the World Bank has determined after the Effective Date referred to in Section 5.02 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient’s right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

#### **Article V Effectiveness**

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following conditions have been satisfied: (a) unless the PCU has prepared and adopted a PIM, satisfactory to the World Bank, which sets out, *inter alia*, the eligibility criteria to identify, select and implement small income generation projects and small-scale upgrading of infrastructure under Parts B and C of the Project; and (b) that the PCU has appointed a procurement specialist on terms and conditions satisfactory to the World Bank.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

## **Article VI**

### **Recipient’s Representative; Addresses**

6.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is Minister of Planning and International Cooperation.

6.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:  
967-1-250-665

6.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions 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) or 64145 (MCI)	1-202-477-6391