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GRANT NUMBER D012- RY

# **Financing Agreement**

**(Emergency Support to Social Protection Project)**

**between**

**REPUBLIC OF YEMEN**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated December 19, 2014**

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**GRANT NUMBER D012- RY**

**FINANCING AGREEMENT**

AGREEMENT dated December 19, 2014, 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 fifty nine million three hundred thousand Special Drawing Rights (SDR59,300,000) (“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 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 Welfare Fund (“SWF” or “Project Implementing Entity”) in accordance with the provisions of Article IV of the General Conditions and the Subsidiary 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, namely, that the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the Project Implementing Entity to perform any of its obligations under the Subsidiary Agreement.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The U.S. Treasury Grant Agreement has been executed and delivered and all conditions precedent to the effectiveness or to the right of the Recipient to make withdrawals under said U.S. Treasury Grant Agreement (other than the effectiveness of this Agreement) has been fulfilled.
  - (b) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
- 5.02. The Additional Legal Matter consists of the following, namely, that 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 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 its minister responsible for 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.

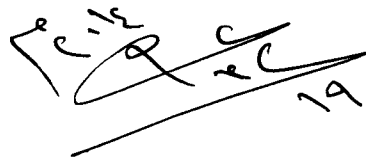
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1-202-477-6391

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

REPUBLIC OF YEMEN

By

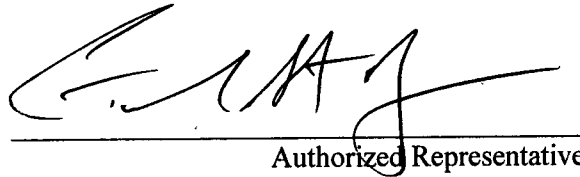


Authorized Representative

Name: Adel Al-Sunaine  
Title: Ambassador

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Gerard A. Byam  
Title: Acting Vice-President

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist the Recipient in providing cash transfers to Social Welfare Fund Beneficiaries.

The Project consists of the following parts:

#### **Part A: Support to SWF Cash Transfer Program**

1. **Cash Transfer to SWF Beneficiaries**: provision of Cash Transfers to eligible Cash Transfer Beneficiaries to reduce their vulnerability during a period of particular economic hardship aggravated by the 2014 fuel subsidy reform.
2. **SWF Beneficiary Survey**: provision of goods and technical advisory services for the carrying out of SWF Beneficiary survey aimed at updating the list of eligible Cash Transfer Beneficiaries.

#### **Part B: Project Management**

Strengthening the capacity of SWF and the Project Support Team for Project management, implementation, coordination, management and monitoring and; preparation of financial audits, including employment of independent auditors to carry out independent evaluations and periodic audits for Part A.1 of the Project, and an accountant, all through the provision of goods, training and technical advisory services.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

1. The Recipient shall cause SWF to carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Project Operational Manual and shall not assign, amend, abrogate or waive any provisions of the said Manuals without prior approval of the Association.
2. **Project Support Team**
  - (a) Without limitation upon the provisions of paragraph 1 of this Section I.A, the Recipient shall designate and maintain, at all times during the implementation of the Project, the Project Support Team (PST) within the SWF, to be responsible for technical and fiduciary (including procurement and financial management) aspects of the Project. To this end, the Recipient shall cause the Project Implementing Entity to take all actions including the provision of funding, personnel (all with qualifications, experience and terms of reference satisfactory to the Association) and other resources satisfactory to the Association, to enable said PST to perform its functions in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Project Operational and the Financial Management Manuals.
  - (b) To facilitate the carrying out of its functions, the Recipient shall, not later than three (3) months after the Effective Date, appoint a PST accountant, in accordance with the provisions of Section III.C of Schedule 2 to this Agreement.

##### B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to SWF under a subsidiary grant agreement between the Recipient and SWF, under terms and conditions approved by the Association, which shall include those set forth in Schedule 3 to this Agreement ("Subsidiary Agreement").
2. The Recipient shall exercise its rights under the Subsidiary Grant 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.

**C. Anti-Corruption**

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

**D. Project Operational Manual**

1. The Recipient, through the SWF, shall carry out the Project in accordance with the arrangements and procedures set out in the Project Operational Manual (including the Financial Management Manual) containing, *inter alia*, detailed arrangements and procedures for: (a) institutional coordination and day-to-day execution of the Project; (b) Project budgeting, disbursement and financial management; (c) procurement; (d) monitoring, evaluation, reporting and communication; (e) the Recipient's detailed rules and regulations to be followed for determining eligibility and selection of Cash Transfer Beneficiaries and disbursement of Cash Transfers to such Cash Transfer Beneficiaries under Part A of the Project; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.
2. The Recipient or the SWF shall not amend, abrogate, waive or fail to enforce any provision of the Project Operational Manual without the prior written agreement of the Association; provided, however, that in case of any conflict between the arrangements and procedures set out in the Project Operations Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail

**E. Cash Transfers**

1. (a) For the implementation of Part A.1 of the Project, the Recipient, through SWF, shall provide Cash Transfers to Beneficiaries in accordance with eligibility criteria and procedures acceptable to the Association, and described in the Recipient's program guidelines and as specified in the Project Operational Manual.
- (b) Each Cash Transfer shall be in an amount which the Association and the Recipient are satisfied meets the reasonable cost of maintaining the Beneficiary's needs within the parameters defined by the Recipient's responsible agency.
- (c) The Recipient shall ensure that the amount of each Cash Transfer is used by the Beneficiary for its intended purpose.



**2. Independent Verification**

- (a) The Recipient shall have the independent audit firm verify the list of Cash Transfer Beneficiaries for the purpose of Part A.1 of the Project and all other functions specified in Section II.B.5 of this Schedule 2.
- (b) The Recipient shall, not later than six (6) months after the Effective Date, submit to the Association the technical audit report satisfactory to the Association related to the use of the proceeds of the first Cash Transfer, thereafter, not later than three months after the final cash transfer, submit to the Association the independent verification report referred to in Section II.B.4 of this Schedule covering the final cash transfer. The final independent verification report shall be furnished to the Association not later than four (4) months after the end of last withdrawal of the proceeds of the Grant allocated to Cash Transfers under Category (1) of the table set forth in Section IV.A.1 of Schedule 2 to this Agreement.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

- 1. The Recipient, through SWF, 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 acceptable to the Association. Each Project Report shall cover the period of six (6) calendar months, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

**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 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.

4. The Recipient shall have an independent verification report of the delivery of funds for each Cash Transfer installment under Part A.1 of the Project carried out by auditors acceptable to the Association and according to terms and reference satisfactory to the Association as set forth in the Project Implementation Manual.
5. No later than three months after the Effective Date, the Recipient shall appoint or cause to be appointed, an independent audit firm with terms of reference, qualifications, experience, and terms and conditions of employment satisfactory to the Association, to be responsible for verifying retroactive expenditures on cash benefits and perform annual audits.
6. No later than three months after the Effective Date, the Recipient shall cause SWF to choose and train an SWF qualified accountant to be responsible for overseeing the financial and management aspects of the Project.

### **Section III. Procurement**

#### **A. General**

1. **Goods and Non-consulting Services.** All goods 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods 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, 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 State 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) National standard bidding documents approved by the Association shall be used;
  - (iv) 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. In addition, 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;
  - (v) 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
  - (vi) Each contract financed from the proceeds of the Financing 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; and

(c) Direct Contracting

**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; and (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 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 SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of taxes)</b>
(1) Cash Transfers under Part A.1 of the Project	52,700,000	74% of amounts paid by the Recipient under the Cash Transfer
(2) Goods, non-consulting services, consultants' services, Training and Operating Costs for Parts A.2 and B of the Project	6,600,000	100 %
<b>TOTAL AMOUNT</b>	<b>59,300,000</b>	

- (a) "Operating Costs" means the incremental expenses incurred on account of Project implementation, and approved by the Association, including office equipment and supplies, vehicle rental, operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, per diem and supervision costs of locally contracted employees, excluding the salaries of the Recipient's civil service.
- (b) "Training" means the cost associated with the training, workshops and study tours, approved by the Association, for reasonable expenditures (other than expenditures for consultants' services), including: (a) travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.

**B. Withdrawal Conditions; Withdrawal Period**

- 1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 23,720,000 equivalent may be made for payments made prior to this date but on or after June 1, 2014, for Eligible Expenditures; or

- (b) for payment of Cash Transfers under Category (1), unless the Recipient has issued a complete list of Cash Transfer Beneficiaries in accordance with the eligibility criteria set forth in the Project Operational Manual and in a manner satisfactory to the Association (as the list may be updated from time to time with the prior consultation and agreement of the Association).

2. The Closing Date is December 31, 2016.

### SCHEDULE 3

#### Terms and Conditions of the Subsidiary Agreement

The Subsidiary Agreement shall include the following provisions:

**A. Obligations of the Project Implementing Entity:**

1. the requirement that the Project Implementing Entity carry out the Project with due diligence and efficiency, in conformity with appropriate administrative, social and environmental, financial, and technical standards acceptable to the Association, and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for the purpose;
2. the obligation of the Project Implementing Entity to: (a) comply, and to ensure compliance with the procedures for procurement of goods, non-consulting services and consultants' services set forth in Section III of Schedule 2 to this Agreement; and (b) ensure that all such goods, non-consulting services and consultants' services, are used solely for the purpose of the Project;
3. the requirement that the Project Implementing Entity to fully collaborate with the Recipient in order to permit timely compliance with the requirements set forth in Section II.A and II.B of Schedule 2 to this Agreement, including that the Project Implementing entity (a) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Project and the achievement of the Project's objectives; (b) (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect its operations and financial condition, including the operations, resources and expenditures related to the Project; and (b) (ii) have such financial statements audited annually by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association; (c) enable the Recipient and the Association to inspect the Project, its operation and any relevant records and documents; and (d) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing;
4. the obligation of Project Implementing Entity to exchange views with the Recipient and the Association with regard to the progress of the Project, and the performance of its obligations under the Subsidiary Agreement;
5. the obligation of the Project Implementing Entity to comply with the provisions of the Anti-Corruption Guidelines;

6. the obligation of the Project Implementing Entity not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Subsidiary Agreement or any provision thereof, unless previously agreed by the Recipient and the Association; and
7. the obligation of the Project Implementing Entity to take or permit to be taken all actions to enable the Recipient to comply with its obligations under this Agreement and/or the Subsidiary Agreement, as the case may be.

**B. The obligations of the Recipient:**

1. to promptly disburse to the Project Implementing Entity the proceeds of the Grant to finance the carrying out of the Project with due diligence and efficiency;
  2. to take or permit to be taken all action to enable the Project Implementing Entity to comply with its obligations under the Subsidiary Agreement;
  3. to ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines; and
  4. not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Subsidiary Agreement or any provision thereof unless as may otherwise be agreed by the Association.
- C. The right of the Recipient to take remedial actions against the Project Implementing Entity in case that the Project Implementing Entity shall have failed to comply with any of its obligations under the Subsidiary Agreement.**



## APPENDIX

### 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, and revised in January 2011.
2. “Beneficiaries” mean all eligible SWF beneficiaries who have access to cash transfers during the period of the project.
3. “Cash Transfer” means a non-refundable grant by the Recipient to a Cash Transfer Beneficiary made or to be made out of the proceeds of the Financing in accordance with the provisions of the Project Operations Manual.
4. “Cash Transfer Beneficiaries” means an eligible vulnerable, poor person or household, as determined by the criteria set forth in the Project Operations Manual, to whom the Recipient proposes to make a Cash Transfer under the program referred to in Part A of the Project.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Financial Management Manual” means an annex to the Project Operational Manual setting forth the financial management procedures and organizational requirements for the Project, including the modalities for Cash Transfers and controls for financial management.
7. “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, and revised in July 2014.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
9. “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, ad revised in July 2014.
10. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 24, 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.
11. “Project Implementing Entity” means SWF.

12. "Project Implementing Entity's Legislation" means Presidential Decrees No. 31 of 1996, and No. 39 of 2008, of the Recipient.
13. "Project Operations Manual" means the manual dated January 2013, satisfactory to the Association, and referred to in Section I.D.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with agreement of the Association.
14. "Project Support Team" or "PST" means the Project Support Team referred to in Section I.A.2 of Schedule 2 to this Agreement.
15. "Subsidiary Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.
16. "Social Welfare Fund" and "SWF" means the institution established and operating pursuant to the Presidential Decrees No. 31 of 1996, and No. 39 of 2008, as the same may be amended from time to time.
17. "U.S. Treasury Grant Agreement" means the grant agreement referred to in Section 5.01(a) of this Agreement, providing for a grant in an amount of \$28,470,000 for financing of Part A of the Project (TF NO. 072295), as such grant agreement may be amended from time to time. "U.S. Treasury Grant Agreement" includes all appendices, schedules and agreements supplemental to the U.S. Treasury Grant Agreement.