

CONFORMED COPY

TF 020302

Grant Agreement

(Preparation of Commercial Debt Reduction Program)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

as Trustee of  
the Debt Reduction Facility  
for IDA-Only Countries

Dated December 17, 1997

GRANT AGREEMENT

AGREEMENT, dated December 17, 1997, between REPUBLIC OF YEMEN (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) acting as trustee of the Debt Reduction Facility for IDA-Only Countries (the Facility).

WHEREAS: (A) pursuant to Resolutions No. 89-13 and No. IDA 89-4 of the Executive Directors of the International Bank for Reconstruction and Development and the Association, respectively, as amended, the Facility has been established and is being administered by the Association as a trust to provide grants to assist in the reduction of the commercial debt of certain members of the Association;

WHEREAS: (B) the Recipient has requested a grant from the Facility to finance the services of financial and legal advisors and related expenses to assist the Recipient in formulating and implementing a commercial debt reduction program (the Program); and

WHEREAS: (C) on the basis of the foregoing, the Association has agreed to make available to the Recipient a grant out of the funds of the Facility to finance the services of financial and legal advisors and related expenses to assist the Recipient in the formulation and implementation of the Program on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

## Definitions

Section 1.01. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "Closing Date" means October 31, 1998;
- (b) "Dollars" and the sign "\$" means dollars in the currency of the United States of America;
- (c) "Grant" means the grant referred to in Section 2.01 of this Agreement;
- (d) "Grant Account" means the account opened by the Association on its books in the name of the Recipient to which the amount of the Grant is credited; and
- (e) "Taxes" includes imposts, levies, fees and duties of any nature, whether in effect at the date of this Agreement or thereafter imposed.

## ARTICLE II

### The Grant

Section 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth in this Agreement, a grant (the Grant) in an amount equivalent to seven hundred fifty thousand dollars (\$750,000)

Section 2.02. The amount of the Grant shall be credited to the Grant Account and may be withdrawn from the Grant Account only in accordance with the provisions of the Schedule to this Agreement.

Section 2.03. It is the policy of the Association that no Facility funds shall be withdrawn on account of payments for any Taxes levied by, or in the territory of, the Recipient. To that end, the Recipient shall not cause or permit any proceeds of the Grant to be used as payment for such Taxes.

Section 2.04. Neither the Recipient nor any other persons shall have any rights with respect to the Grant, and the Association shall have no obligations with respect thereto, except as stated in this Agreement. The Association does not assume any fiduciary obligation to, or relationship of agency or trust for or with, the Recipient and shall have no liability to the Recipient or to any other person for any action taken or omitted to be taken by it, except for the performance of its express obligations set forth in this Agreement.

## ARTICLE III

### Covenants

Section 3.01. (a) The Recipient shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the use of the proceeds of the Grant.

- (b) The Recipient shall:
  - (i) have the records and accounts referred to in paragraph (a) of this Section audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
  - (ii) furnish to the Association, as soon as available, but in any case not later than four months after the Closing Date, a

certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

Section 3.02. The Recipient and the Association shall cooperate fully to assure that the purposes of the Grant will be accomplished. To that end, the Recipient and the Association shall:

(a) from time to time, at the request of either one of the parties, exchange views with regard to the progress of the Program, the purposes of the Grant, and the performance of their respective obligations under this Agreement; and furnish to the other party all such information related thereto as it shall reasonably request; and

(b) promptly inform each other of any condition which interferes with, or threatens to interfere with, the matters referred to in paragraph (a) above.

#### ARTICLE IV

##### Effectiveness; Termination

Section 4.01. This Agreement shall become effective upon its execution by the parties hereto.

Section 4.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled all their obligations hereunder.

#### ARTICLE V

##### Miscellaneous Provisions

Section 5.01. (a) Any notice or request required or permitted to be given or made under this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, or telex to the party to which it is required or permitted to be given or made at such party's address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

(b) the following addresses are specified for the purposes of paragraph (a) above:

For the Recipient:

Ministry of Planning and Development  
P. O. Box 175  
Sana'a  
Republic of Yemen

Cable address:

CENPLAN  
Sana'a

Telex:

2266  
CENPLAN YE

For the Association:

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

Cable address:

Telex:

INDEVAS  
Washington, D. C.

248423 (MCI) or  
64145 (MCI)

Section 5.02. This Agreement shall be free from any Taxes levied by, or in the territory of, Yemen on or in connection with the execution, delivery or registration hereof.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the day and year first above written.

REPUBLIC OF YEMEN

By /s/ Abdul Kader Bajaamal  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Trustee of the Debt Reduction Facility  
for IDA-Only Countries

By /s/ Inder K. Sud  
Acting Regional Vice President  
Middle East and North Africa

#### SCHEDULE

Purposes, Terms, and Conditions of the Grant

#### 1. Purposes and Activities

1.1. The activities (the Activities) for which the Grant is given are financial and legal advisory services and related expenses to assist the Recipient in the formulation and implementation of the Program.

#### 2. Implementation Generally

2.1. The Recipient shall: (a) carry out the Activities with due diligence and efficiency; (b) promptly provide the funds, facilities, services and other resources required for that purpose; and (c) take all necessary measures required to enable the Association to visit the territory of the Recipient for purposes related to the Grant. Without limitation on the foregoing, the Recipient shall, if the Association shall so request, prepare and furnish to the Association promptly upon completion of the Activities a report, in form and substance satisfactory to the Association, on the results and impact of the Activities.

#### 3. Procurement

3.1. Except as the Association shall otherwise agree, procurement of the consultants' services required for the carrying out of the Activities and to be financed out of the proceeds of the Grant shall be governed by the provisions of Attachment I to this Annex.

4. Withdrawal of Grant Proceeds

4.1. The amount of the Grant shall be credited to the Grant Account, and may be withdrawn therefrom by the Recipient in accordance with the provisions of this Section 4, for expenditures in respect of the reasonable cost of services required for the Activities and to be financed out of the proceeds of the Grant.

4.2. The expenditures for the following items may be financed out of the proceeds of the Grant and shall be used exclusively in the carrying out of the Activities:

Item	Amount of the Grant Allocated (in US Dollars)	% of Expenditures to be Financed
(1) Consultants' services	700,000	100%
(2) Related Expenses	50,000	100%
Total	750,000	

For purposes of this paragraph, the term "Related Expenses" means expenditures incurred for agents' fees, auditors fees, and closing agents.

4.3. Notwithstanding the provisions of paragraph 4.2 above: no withdrawals shall be made: (i) for payments made for expenditures prior to the date of signature of this Grant Agreement by the Association; (ii) on account of payments for any Taxes levied by or in the territory of the Recipient; (iii) on account of expenditures in the territories of any country which is not a member of the Association or for services supplied from such territories; (iv) for the purpose of any payment to persons or entities, if such payment, to the Association's knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; or (v) after the Closing Date or such later date as the Association shall establish by written notice to the Recipient, except that withdrawals may be made for expenditures incurred prior to the Closing Date if the corresponding application is received by the Association within four months after the Closing Date, after which time any amount of the Grant remaining unwithdrawn from the Grant Account shall be canceled.

4.4. When the Recipient shall desire to withdraw any amount from the Grant Account, it shall deliver to the Association a written application for withdrawal of such amount in the form specified by the Association. Withdrawal applications shall be: (a) signed on behalf of the Recipient by the Minister of Planning and Development or such other person as he or she shall have authorized in writing; and (b) be accompanied by such evidence in support of the application as the Association shall reasonably request. Authenticated specimen signatures of the person authorized to sign withdrawal applications shall be provided with the first application bearing his or her signature. Each withdrawal application for an amount of the Grant and its supporting evidence must be sufficient in form and substance to satisfy the Association that the Recipient is entitled to withdraw such amount from the Grant Account and that such amount is to be used in the carrying out of the Activities. The Association shall pay the amounts withdrawn by the Recipient from the Grant Account only to or on the order of the Recipient.

4.5. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures for: (a) services of consulting firms costing less than \$100,000 equivalent; (b) services of individual consultants costing less than \$50,000 equivalent; and (c) all related expenses, all under such terms and conditions as the Association shall specify by notice to the Recipient.

4.6. Withdrawals of the proceeds of the Grant shall be made in the currency

of the Grant. The Association, at the Recipient's request and acting as an agent of the Recipient, shall purchase with the currency of the Grant withdrawn from the Grant Account such currencies as shall be required to pay for expenditures to be financed out of the proceeds of the Grant. Whenever it shall be necessary, for the purposes of this Grant Agreement, to determine the value of one currency in terms of another, such value shall be as reasonably determined by the Association.

## 5. Accounts and Audits

5.1. For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall: (i) maintain or cause to be maintained, in accordance with subparagraph (a) of Section 3.01 of this Grant Agreement, records and accounts reflecting such expenditures; (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures; (iii) enable the Association's representatives to examine such records; and (iv) ensure that such records and accounts are included in the annual audit referred to in subparagraph (b) in Section 3.01 above and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

## 6. Suspension and Cancellation

6.1. The Association may at any time, by notice to the Recipient, suspend the right of the Recipient to make further withdrawals from the Grant Account if any of the following events has occurred and is continuing: (a) the Recipient has failed to comply with any of its obligations herein specified; or (b) the right of the Recipient to make withdrawals under any loan agreement with the International Bank for Reconstruction and Development or any development credit agreement with the Association shall have been suspended.

6.2. The Association may, by written notice to the Recipient, terminate the right of the Recipient to make further withdrawals from the Grant Account: (a) at any time after the right of the Recipient to make withdrawals from the Grant Account shall have been suspended pursuant to the provisions of paragraph 6.1 above; or (b) if the Recipient shall have failed to take action, satisfactory to the Association, within six months after the effective date hereof, to carry out the Activities.

## Attachment I

### Procurement

#### Section I. Consultants' Services

##### Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 (the Consultant Guidelines) and the following provisions of this Section I.

##### Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section,] consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Single Source Selection

Services estimated to cost less than \$100,000 equivalent per contract], may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Activities shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 1 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

