



GRANT NUMBER H825-RY

Financing Agreement

(Second Basic Education Development Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *February 27*, 2013

GRANT NUMBER H825-RY

FINANCING AGREEMENT

AGREEMENT dated February 27, 2013, 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 forty three million one hundred thousand Special Drawing Rights (SDR 43,100,000) ("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 April 1 and October 1 in each year.
- 2.05. The Payment Currency is US Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through MOE in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) the POM has been adopted by the Recipient's MOE in a manner satisfactory to the Association;
 - (b) the MOE has appointed the Basic Education Coordinator, the Early Grade Reading Focal Point and the Education Research and Development Center Technical Coordinator, all with terms of reference and qualifications satisfactory to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient's Representative is its Minister of Planning and International Cooperation.

5.02. The Recipient's Address is:

PO Box 175
Sana'a, Republic of Yemen

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

5.03. The Association's Address is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Sana'a, Republic of Yemen, as of the day and year first above written.

REPUBLIC OF YEMEN

By



Authorized Representative

Name: Dr. Mohammed Al-Sadi

Title: Minister of Planning & Internat.
Cooperation

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Hartwig Schafer

Title: Country Director

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in improving student learning and equitable access to basic education in selected governorates and schools.

The Project consists of the following parts:

Part A. Improving the Quality of Basic Education and Enhancing Student Performance

1. Strengthening students learning to read in early grades through:
 - (i) revision of the Arabic language curriculum (Grades 1-12);
 - (ii) revision of textbooks, teachers' manuals and teaching materials for Arabic language (Grades 1-3);
 - (iii) training of and support to about 68,000 teachers, headmasters and supervisors on the revised Arabic language curriculum and approach to improve students reading skills in Grades 1-3; and
 - (iv) revision of the curricula of Math and Sciences for Grades 1-3, as well as the revision of textbooks, teacher manuals and teaching materials for Grade 1.
2. Support the Recipient to improve teaching practices through: (i) the development of professional standards and a framework for in-service training for teachers, headmasters, supervisors and counselors; and (ii) the provision of induction training to newly recruited teachers, headmasters, supervisors and social workers.
3. Support to the Recipient to assess the student learning through: (i) design and implementation of an Early Grade Reading Assessment; and (ii) enhancement of the Grade 9 examination through the development of a test items bank for Arabic language, Mathematics and Science subjects and the implementation of a Grade 6 test based on the test items bank developed under the National Assessment of Students System.

Part B. Promoting Equitable Access to Quality Education

1. Improving school physical environment within the city of Sana'a (Amanat Al Asimah) and the governorates of Ibb, Taiz, Lahej, Aden, Sana'a, Al Hodeidah, Hajja and Hadhramout through: (i) building about 500 new classrooms; (ii) rehabilitating about 150 cluster schools; and (iii) providing equipment and learning materials to the selected schools.
2. Promoting equitable access through demand-side interventions in order to promote equitable learning opportunities and foster girls' enrolment and retention in basic education by sustaining and expanding demand-side-interventions piloted under BEDP through:

- (i) the establishment of a holistic policy framework covering various incentive programs to promote enrolment of girls and students from other disadvantaged groups with a view to institutionalize and, eventually, a roll out at the national level;
- (ii) the implementation of the Rural Female Teacher Contracting Scheme to recruit, train and deploy about 700 additional female teachers in rural areas; and
- (iii) the Conditional Cash Transfer Program for girls' education to: (a) continue supporting the beneficiaries selected under BEDP for additional three years; and (b) support about 25,000 additional beneficiaries for two years in the governorates of Al Hodeida and Lahej.

3. Support to schools, Fathers' and Mothers' councils, and communities in order to improve the capacity of schools and local communities in planning, implementation and monitoring of school based development through provision of training and School-Based Development Grants to schools.

Part C. Institutional Capacity Development

1. Support with the implementation of the new structure and organizational change of the MOE through technical assistance and training of the MOE staff at the central and local levels and provision of equipment and furniture to the new units to be established within the MOE.

2. Carrying out the implementation of the Educational Management Information System through: (i) its connection in 19 governorates and in about 150 selected district offices, including provision of equipment and specialized training; (ii) the establishment of a National Student Identification System; and (iii) conducting annual school surveys.

3. Improve the capacity of the MOE in planning and policy design through: (i) building institutional capacity in planning, monitoring and evaluation at the central and local levels (micro-planning and school mapping); (ii) enhancing the MOE's annual budgeting and financial management system, including capacity building for the MOE's internal audit department; (iii) developing a comprehensive framework for teacher policies and Early Childhood Education; (iv) developing and implementing a comprehensive communications strategy for the education sector, including awareness campaigns for girls' education; and (v) developing an integrated National Education Vision for the Recipient.

Part D. Project Management

Provision of goods, consultants' services, including audit, and training and financing of Operating Costs to support Project management, coordination, monitoring and evaluation.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall vest the overall responsibility for the implementation of the Project in MOE. To that end, the Recipient shall maintain the PAU, within the MOE, and the PMU within the MOPIC, with professional staff in adequate numbers whose qualifications, experience and terms of reference shall be acceptable to the Association.
2. The Recipient shall implement the Project in accordance with the provisions of POM, including Conditional Cash Transfer Manual, Rural Female Teacher Contracting Manual, School-Based Development Grants Operational Manual and Financial Management Manual, and shall not amend, suspend, abrogate, repeal or waive any of their provisions without a prior consent of the Association.
3. For the purpose of carrying out the Project, except Parts B.1(i) and B.1(ii), PAU shall be responsible, *inter alia*, for: (a) the procurement, financial management and disbursement processes; (b) monitoring performance and implementation progress in accordance with the targets and indicators agreed upon with the Association; (c) preparation, for submission to the Association, of annual work programs and annual budgets; and (d) preparation, for submission to the Association, of the reports referred to under Section II of this Schedule.
4. For the purpose of carrying out Parts B.1(i) and B.1(ii) of the Project, MOE shall maintain contractual arrangements satisfactory to the Association with MOPIC to cause the PMU to be responsible, *inter alia*, for: (a) selecting private consulting firms to undertake the detailed survey and inventory of project sites; (b) carrying out the procurement process and contract management for civil works; (c) implementing civil works (rehabilitation, and extension of classrooms), including site supervision; and (d) carrying out the financial management and disbursement functions for the related activities.
5. Overall Project implementation shall take place under the auspices of the Inter-ministerial Steering Committee to be chaired by the Minister of Education and maintained with membership from MOE, MOPIC, MOF, PAU Director and PMU Director. The main responsibility for the IMSC shall be to oversee the implementation of the Project. The IMSC shall also be responsible, *inter alia*, for: (i) reviewing and agreeing upon policies relating to the achievement of the Project's objectives; (ii) reviewing and approving the annual project plans; (iii) monitoring the

progress of the Project implementation; and (iv) advising on resolution of Project implementation issues. The PAU Director shall act as the Secretary to the IMSC.

6. For the purpose of Project coordination at the national level, the MOE shall appoint, pursuant to Section 4.01 (b) of this Agreement, and thereafter maintain during the entire period of Project implementation the Basic Education Coordinator with tasks, responsibilities and qualifications satisfactory to the Association. The Basic Education Coordinator shall be the primary focal point for the Project at the national level and shall act in accordance with the responsibilities described in the POM.
7. For the purpose of Project coordination at the governorate and district levels, the Recipient shall maintain during the entire period of Project implementation education offices in all participating governorates and districts, with the functions and responsibilities described in the POM.
8. Conditional Cash Transfers under Part B.2(iii) of the Project shall be provided to eligible beneficiaries in accordance with the eligibility criteria and procedures set forth in the Conditional Cash Transfer Manual and in conformity with the Association's fiduciary and social safeguard policies.
9. School-Based Development Grants under Part B.3 of the Project shall be provided to eligible beneficiaries in accordance with the eligibility criteria and procedures set forth in the School-Based Development Grants Operational Manual and in conformity with the Association's fiduciary and social safeguard policies.

B. Anti-Corruption

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

C. Safeguards.

The Recipient shall carry out the Project in accordance with the EMPs and POM and shall not amend or waive any provision of the EMPs and the POM if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out the Project or the achievement of the objectives thereof.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General

Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall cause PAU and PMU to maintain 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 cause PAU and PMU to 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 months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works 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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to additional provisions specified below; (b) Shopping; (c) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; (d) Direct Contracting; and (e) Force Account.

For the purposes of this paragraph National Competitive Bidding method shall use the procedures set forth in Law No. 23 of 2007, concerning Government Tenders, Auctions and Stores, and related Regulations, subject to the following additional procedures:

- (1) 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;
- (2) 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;
- (3) tenders shall be advertised for at least two (2) consecutive days in two (2) local newspapers of wide circulation;
- (4) 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;
- (5) 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;
- (6) 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;

- (7) 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;
- (8) all bids shall be submitted in sealed envelopes and may be submitted, at the bidder's option, in person or by courier service;
- (9) 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;
- (10) 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);
- (11) 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;
- (12) post-bidding negotiations with the lowest or any other bidder shall not be permitted;
- (13) 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;
- (14) price adjustment provisions may be included in contracts for works with a duration of more than eighteen (18) months;
- (15) 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
- (16) each contract financed from the proceeds of the Grant shall provide that the contractor or supplier shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have such accounts and records audited by auditors appointed by the Association.

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) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Procurement of Operating Costs

Expenditures included in Operating Costs category may be procured in accordance with the established Recipient's administrative procedures as reflected in the POM.

E. 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:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods (excluding vehicles), works, non-consulting services, consultants' services and Training for the Project	37,100,000	100%
(2) Conditional Cash Transfer under Part B.2(iii) of the Project	4,100,000	100%
(3) School-Based Development Grants under Part B.3 of the Project	600,000	100%
(4) Operating Costs	1,300,000	100%
TOTAL AMOUNT	43,100,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR200,000 equivalent may be made under the disbursement Category (1) above for payments made prior to this date but on or after January 1, 2013.
2. The Closing Date is August 31, 2018.

APPENDIX

Section I. Definitions

1. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.
2. "BEDP" means Basic Education Development Project financed under the Development Credit Agreement between Republic of Yemen and International Development Association dated October 2, 2004 (Credit Number 3988-YEM).
3. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. "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.
5. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.
6. "Inter-ministerial Steering Committee" or "IMSC" means the Inter-ministerial Steering Committee established by the Recipient for the purposes of the Project and referred to in paragraph 5 of Section I.A of Schedule 2 to this Agreement.
7. "MOE" means the Ministry of Education of the Recipient, or any successor thereto.
8. "MOF" means the Ministry of Finance of the Recipient, or any successor thereto.
9. "MOPIC" means the Ministry of Planning and International Cooperation of the Recipient, or any successor thereto.
10. "Operating Costs" means Project related incremental costs incurred by the MOE, PAU and PMU on account of PMU staff salaries, office equipment maintenance, office rent, maintenance and utility charges, insurance, communication, translation and interpretation, office supplies and consumables, mailing and shipping, banking charges, printing and advertising, vehicle rental, insurance and maintenance, vehicle fuel, Project related international and local travel, including per-diem, and other miscellaneous costs directly associated with the Project implementation, all based on periodic budgets acceptable to the Association.
11. "PAU" means the Project Administration Unit within the MOE as referred to in paragraphs 1 and 3 of Section I.A of Schedule 2 to this Agreement.

12. "Project Operational Manual" or "POM" means the manual to be adopted by the MOE pursuant to Section 4.01(a) of this Agreement which shall include the Conditional Cash Transfer Manual and Financial Management Manual, and shall specify the managerial, financial, administrative, engineering, procurement, environmental and social policies and procedures for the Project implementation, as such manual may be updated from time to time by agreement between the Recipient and the Association.
13. "PMU" means the Project Management Unit established by the Recipient within MOPIC for the purposes of the Public Works Project and referred to in paragraphs 1 and 4 of Section I.A of Schedule 2 to this Agreement.
14. "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.
15. "Procurement Plan" means the Recipient's procurement plan for the Project, dated December 3, 2012 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.
16. "Training" means Project related study tours, training courses, seminars, workshops and other training activities, not included under service providers' contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs.