Financing Agreement

(Additional Financing for Higher Education Quality Improvement Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 18, 2014
GRANT NUMBER H986-RY

FINANCING AGREEMENT

AGREEMENT dated December 18, 2014 entered into between REPUBLIC OF YEMEN ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). 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 two million Special Drawing Rights (SDR 2,000,000) ("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 30 and September 30 in each year.

2.05. The Payment Currency is Dollar.

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 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 — TERMINATION

4.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

4.02. 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:

Ministry of Planning and International Cooperation
P.O. Box 175
Sana’a, Republic of Yemen

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 248423 (MCI) 1-202-477-6391
Washington, D.C.
AGREED at **Sana'a**, Republic of Yemen, as of the day and year first above written.

**REPUBLIC OF YEMEN**

By

[Signature]

Authorized Representative

Name: **H.E. Dr. Mohamed Abdelkahed Al-Maitani**

Title: **Minister of Planning and International Cooperation**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By

[Signature]

Authorized Representative

Name: **Poonam Gupta**

Title: **Acting Country Director, Egypt, Yemen and Djibouti**
SCHEDULE 1

Project Description

The objective of the Project is to create the enabling conditions for the enhancement of the quality of university programs and graduate employability.

The Project consists of the Original Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and Other Arrangements.

The Project’s institutional and implementation arrangements shall be identical to those set forth in Section I.A to Section I.C of Schedule 2 to the Original Financing Agreement, except as restated immediately below in Section I.B in respect of Anti-Corruption provision referred to in Section I.C of Schedule 2 to the Original Financing Agreement.

B. Anti-Corruption

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

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 acceptable to the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty-five (45) 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. 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 months after the end of such period.
Section III. Procurement

A. General

1. **Goods.** All goods required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Shopping</td>
</tr>
<tr>
<td>(b) Direct Contracting</td>
</tr>
<tr>
<td>(c) National Competitive Bidding, subject to the following additional provisions:</td>
</tr>
<tr>
<td>i. a State-owned enterprise in the Recipient’s territory shall be eligible to bid</td>
</tr>
<tr>
<td>only if it can establish that it is legally and financially autonomous,</td>
</tr>
<tr>
<td>operates under commercial law, and is not a dependent agency of the</td>
</tr>
<tr>
<td>Recipient;</td>
</tr>
<tr>
<td>ii. bidding (or pre-qualification, if required) shall not be restricted to any</td>
</tr>
<tr>
<td>particular class of contractors or suppliers, and non-registered</td>
</tr>
<tr>
<td>contractors and suppliers shall also be eligible to participate;</td>
</tr>
</tbody>
</table>
national standard bidding documents approved by the Association shall
be used;

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;

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

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.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph
2 below, consultants’ services shall be procured under contracts awarded on the
basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table
specifies methods of procurement, other than Quality- and Cost-based Selection,
which may be used for consultants’ services. The Procurement Plan shall specify
the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(b) Least Cost Selection</td>
</tr>
<tr>
<td>(c) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(d) Single-source Selection</td>
</tr>
<tr>
<td>(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant</td>
</tr>
</tbody>
</table>
Guidelines for the Selection of Individual Consultants

(f) 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods for Part A of the Project</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods for Parts B, C and D of the Project and consultants' services, Training and Incremental Operating Costs for Parts A, B, C and D of the Project</td>
<td></td>
<td>0%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>2,000,000</td>
<td></td>
</tr>
</tbody>
</table>
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.

2. The Closing Date is December 31, 2017.
APPENDIX

Definitions


2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. "Operational Manual" means the manual dated March, 2014, adopted by the Recipient, and comprised of two volumes: (i) Volume One - PMU Manual 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 including a financial management manual; and (ii) Volume Two - QIF Manual, setting out, among other things, the eligibility criteria for grants for selection of Selected Universities under Part A of the Project, as well as the policies and procedures for evaluation of QIF Program proposals, their implementation and monitoring and evaluation, as the same may be amended from time to time with the agreement of the Association.

6. "Original Financing Agreement" means the financing agreement for the Project between the Recipient and the Association, dated June 28, 2010 (Grant No. H558-RY).


9. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated August 4, 2014, and referred to in paragraph 1.16 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.