GRANT NUMBER H870-RY

Financing Agreement

(Financial Infrastructure Development Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated October 11, 2013
GRANT NUMBER H870-RY

FINANCING AGREEMENT

AGREEMENT dated October 11, 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 thirteen million four hundred thousand Special Drawing Rights (SDR 13,400,000) (“Financing”), to assist in financing the project described in Schedule I 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 United States 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 through the Central Bank of Yemen 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 Effectiveness Deadline is the date ninety (90) 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 years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Minister of Planning and International Cooperation of the Recipient.

5.02. The Recipient’s Address is:

Ministry of Planning and International Cooperation
P. O. 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 248423 (MCI) 1-202-477-6391
Washington, D.C.
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: Dr. Mohamed Saeeed Al Saadi
Title: Minister of Planning and International Cooperation

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Inger Andersen
Title: Regional Vice President
SCHEDULE 1

Project Description

The objective of the Project is to develop a financial institutional infrastructure that supports greater transparency and efficiency of financial transactions in the financial system.

The Project consists of the following parts:

Part A: Developing CBY’s Core System

Revamping the CBY’s internal systems and procedures in order to strengthen the performance of its following core functions: banking supervision, collection of data and synthesizing them in a form which would enable efficient analysis, treasury operations, foreign reserves management, accounting, financial management, and other associated functions, including provision of necessary software, hardware and establishing interfaces with other internal and external systems and associated implementation services.

Part B: Developing Payments System Infrastructure

Carry out the modernization of the national payment system through the deployment of a real time gross settlement system, an automated clearing house and a central securities depository, as an integrated application, including provision of all required hardware, software, implementation services and Training to CBY staff and participants in the national payments system.

Part C: Establishing CBY’s Public Credit Registry

Developing national Public Credit Registry within the CBY, including provision of hardware, software and implementation services, developing of credit information reporting requirements and processes for data treatment and production, as well as provision of Training to CBY staff on operating the new system.

Part D: Setting up Data Centers, Systems Integration Services and Capacity Building of the CBY

1. Designing and establishing data networking and internal cabling, and system management solutions, including system monitoring, system backups and network management systems for two data centers and data networks to support the ICT systems to be developed under Parts A, B and C of the Project.

2. Capacity building of CBY’s staff, including training and professional certification in ICT security and database administration and systems
management, and provision of ICT hardware and software needed for the functioning of the PMU.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain at all times until the completion of the Project the Oversight Committee, the Executive Committee and the Stakeholders Consultation Committee, all with composition and terms of reference satisfactory to the World Bank.

2. The Recipient shall maintain at all times until the completion of the Project the PMU with terms of reference, staff and resources satisfactory to the World Bank. The PMU shall be responsible for day to day activities related to project implementation, including financial management, disbursement, procurement, project reporting, monitoring and evaluation.

3. The Recipient shall implement the Project in accordance with the Project Operational Manual and shall not amend, suspend, abrogate, repeal or waive any provision of the Project Operational Manual without prior approval of the Association.

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 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 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, commencing with the fiscal year in which the first withdrawal was made under the first eligible expenditure incurred for the Project. 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 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, 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 and (c) Direct Contracting.

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 provisions:

(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) the modified national standard bidding documents approved by the Association shall be used;

(4) 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;

(5) 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;

(6) 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;

(7) post-bidding negotiations with the lowest or any other bidder shall not be permitted;

(8) 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;

(9) price adjustment provisions may be included in contracts for works with a duration of more than eighteen (18) months;

(10) 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

(11) 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) Selection of consultants under Indefinite Delivery Contract or Price Agreement; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) 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

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 100% (inclusive of Taxes) of Eligible Expenditures, consisting of goods, works, non-consulting services, consultants’ services and Training.

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 for Eligible Expenditures up to an aggregate amount not to exceed SDR 350,000 equivalent may be made for payments made prior to this date but on or after April 1, 2013.

2. The Closing Date is December 31, 2019.
APPENDIX

Section I. Definitions


2. “CBY” means the Central Bank of Yemen.


4. “Executive Committee” means the Executive Committee established by the Governor of CBY by the Decree No. 11 of 2013 to advise and monitor the Project related ICT policy framework and overall Project implementation, comprising CBY Deputy Governors in charge of Foreign Operations, Banking Supervision, ICT and Accounting, Domestic Operations, and Financial and Administrative Affairs and headed by the CBY Vice Governor, and referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement.


6. “ICT” means information and communication technology.

7. “Oversight Committee” means the Oversight Committee established by the Governor of CBY by the Decree No. 11 of 2013 to provide strategic guidance to the Project Management Unit and to ensure fiduciary compliance of the Project activities, comprising Deputy Minister of Finance, Deputy Minister of Planning and International Cooperation for Projects Programming, two Deputy Governors of the CBY, and the Head of Banking Supervision of CBY, headed by the CBY Vice Governor, and referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement.


9. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 13, 2013 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.
10. "Project Management Unit" or "PMU" means the Project Management Unit established by the CBY for the purposes of day-to-day Project management, monitoring and evaluation and referred to in paragraph 2 of Part A of Section I of Schedule 2 to this Agreement.

11. "Project Operational Manual" means the manual adopted by the CBY for the purposes of the Project on April 17, 2013 and referred to in paragraph 3 of Section I.A of Schedule 2 to this Agreement which specifies 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.

12. "Stakeholders Consultation Committee" means the Stakeholders Consultation Committee established by the Governor of CBY by the Decree No. 11 of 2013, comprising of users of the payment systems and credit registry systems and other stakeholders, such as banks, micro finance institutions, and chambers of commerce, and referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement.

13. "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.