Financing Agreement

(Civil Society Organizations Support Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 11, 2014
FINANCING AGREEMENT

AGREEMENT dated April 11, 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 five million two hundred thousand Special Drawing Rights (SDR 5,200,000) ("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. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Managing Director of Social Fund for Development.

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 objective of the Project. To this end, the Project shall be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project 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consists of the following, namely, that Law No. 10 of 1997 of the Recipient has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Association, the ability of the Project Implementing Entity to perform any of its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 Project Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely, that 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 and 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 years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Recipient’s Representative is its Minister of Planning and International Cooperation.

6.02. 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
6.03. The Association's Address is:

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

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

AGREED at Washington D.C., United States of America, as of the day and year first above written.

REPUBLIC OF YEMEN

By

Authorized Representative

Name: Mohammed Saed Al-Sadi

Title: Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Inge Andersen

Title: Regional Vice President
SCHEDULE 1

Project Description

The objective of the Project is to increase transparency and ease of entry in the CSO sector and enhance CSO capacity in social accountability.

The Project consists of the following parts:

Part A  Increase transparency and ease of entry in the CSO sector

1. Simplifying and Digitalizing the CSO Registration and Relicensing Process

   (a) Introducing an e-registration system linking the Ministry of Social Affairs and Labor (MoSAL) head office with additional local offices in Sana’a, Aden, Hodeida, Taiz and Hadramaot, through the provision of hardware, software and technical expertise.

   (b) Creation of helpdesks located in the MoSAL head office and additional local offices in Sana’a, Aden, Hodeida, Taiz and Hadramaot, designed to respond to CSOs inquiries and feedback in the registration and relicensing process.

   (c) Promoting CSOs awareness activity, through the development of a CSOs communications strategy and an implementation plan for MoSAL.

2. Knowledge Sharing and Awareness Raising on Law of Association Reforms

   Providing a series of interactive workshops, seminars, and south-south learning events to share knowledge and raise awareness on comparative legal experiences and international practices/reforms in the area of legal and regulatory framework governing CSOs and to create space for a constructive dialogue between MoSAL and CSOs.

Part B  CSOs Capacity Building, Certification and Small Grants for Action Learning

1. Carrying out of classroom-based capacity building activities that will provide four modules of training in: (a) project cycle management; (b) monitoring and evaluation; (c) fundraising; and (d) social accountability concepts, principles and tools.

2. Carrying out of field-based mentoring for integrating social accountability mechanisms into CSOs work programs.
3. Carrying out of training programs (Action Learning Activities) for development learning capacity for CSOs, through the provision of grants (Small Grants) to Eligible CSOs.

Part C  Project Management

Developing the SFD capacity for Project management and implementation including fiduciary (procurement and financial) management, auditing, monitoring and evaluation, and environmental and social safeguard compliance.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing allocated from time to time to Categories (1) and (2) of the table set forth in Section IV.A.2 of this Schedule available to the Project Implementing Entity 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 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.

B. Operations Manual

1. The Recipient shall ensure that the Project is implemented in accordance with the provisions of a manual satisfactory to the Association ("Operations Manual"), which shall include, inter alia, the following provisions: (a) capacity building activities for sustained achievement of the Project's objectives; (b) disbursement, financial management and procurement procedures; (c) institutional administration, coordination and day-to-day execution of activities of the Project; (d) monitoring, evaluation, reporting, information, education and communication; (e) Project impact and implementation indicators, including the procedures for monitoring and evaluation of the Project activities; (f) the Environmental and Social Management Framework; (g) the Resettlement Policy Framework; (h) the criteria for determining the Eligible CSOs, and terms and conditions for access of Small Grants; (i) the format of: (I) the unaudited interim financial reports referred to in Section II.B.2 of Schedule 2 to this Agreement; and (II) the Financial Statements; and (j) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. The Recipient shall not amend, abrogate, waive or fail to enforce any provision of the Operations 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 Operations Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.
C. Anti-Corruption

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

D. Small Grants for Action Learning Activities

1. General

Without limitation to the provisions of Section I.A of this Schedule, the Recipient shall cause the Project Implementing Entity to appraise, approve and monitor Action Learning Activities and administer the Small Grants for Action Learning Activities in accordance with the provisions and procedures set forth or referred to in this Section I.D and in more details in the Operations Manual.

2. Eligibility Criteria for Action Learning Activities

No proposed Action Learning Activity shall be eligible for financing under a grant out of the proceeds of the Financing unless: (a) the Project Implementing Entity has determined, on the basis of an appraisal conducted in accordance with this sub-paragraph and the guidelines set forth in the Operations Manual, that the proposed Action Learning Activity satisfies the eligibility criteria specified below and referred to in more detail in the Operations Manual; and (b) if required pursuant to paragraph 3 below, the Action Learning Activity has been approved by the Grant Making Committee and/or the Association. Said eligibility criteria shall include, *inter alia*, the following:

(i) the proposed Action Learning Activity shall fall within the areas described under Part B of the Project in Schedule 1 to this Agreement;

(ii) the proposed Subproject shall be initiated by a CSO;

(iii) the CSO has adequate technical, financial management and procurement capacity to implement the proposed Action Learning Activity;

(iv) if the CSO has already received a Small Grant for an Action Learning Activity, it has completed such Action Learning Activity to the satisfaction of the Project Implementing Entity, in accordance with the terms of an agreement (sub-grant agreement) between the Project Implementing Entity and the pertinent CSO.
3. Approval of Small Grants

The Project Implementing Entity shall vet each Action Learning Activity and recommend the respective Action Learning Activities to the Recipient’s Grant Making Committee for approval.

4. Terms and Conditions of Small Grants

Each Small Grant shall be made to an Eligible CSO on a non-reimbursable grant basis, for an Action Learning Activity under a Sub-grant Agreement, to be concluded between the Project Implementing Entity and eligible CSO, under terms and conditions described or referred to in more detail in the Operations Manual and in form and substance satisfactory to the Association, which, _inter alia_, shall include the following:

(i) the description of the Action Learning Activity, including the outputs and performance targets to be achieved, and the arrangements for monitoring and reporting on said Action Learning Activity;

(ii) the obligation of the CSO to: (A) carry out the Action Learning Activity with due diligence and efficiency and in accordance with sound technical, financial, and managerial practices and provide promptly as needed the resources required for the purpose; (B) carry out the Action Learning Activity in accordance with the Anti-Corruption Guidelines;

(iii) the obligation of the CSO to refund any withdrawn amount of the Small Grant, if it is determined by the Project Implementing Entity or the Association that such amount has been used for ineligible expenditures;

(iv) the requirement that the goods and consultants’ services to be financed from the proceeds of the Small Grant shall be procured in accordance with the provisions of Section III of this Schedule, and shall be used exclusively in the carrying out of the Action Learning Activity;

(v) the obligation of the CSO to: (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 Action Learning Activity and the achievement of its objectives; (B) (1) 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 the operations, resources and expenditures related to the sub-projects; and (B) (2) at the Association’s or Project Implementing Entity’s request, have such financial statements audited 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 Project Implementing Entity and the Association; and

(vi) the right of the Project Implementing Entity to: (A) inspect by itself, or jointly with the Recipient and Association, if the Recipient or the Association shall so request, the goods included in the Action Learning Activity, the operations thereof and any relevant records and documents; (B) obtain all information as Project Implementing Entity, or the Recipient or the Association, shall reasonably request regarding the administration, operation and financial condition of the Learning Action Activity; and (C) suspend or terminate the right of the CSO to use the proceeds of the Small Grant upon failure by the CSO to perform any of its obligations under the sub-grant agreement.

5. Administration of Sub-grant Agreements

The Recipient shall ensure that the Project Implementing Entity shall exercise its rights under each Sub-grant Agreement in such manner as to protect the interests of the Project Implementing Entity, the Recipient and the Association and to accomplish the purposes of the Project, and, except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive any Sub-grant Agreement or any provision thereof without the prior approval of the Association.

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 six 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 months after the end of such period.

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 National 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; (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) 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, 5.3 and 5.4 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) 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: Category and Allocation of Finances

<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, non-consulting services, consultants' services, Training and Operating Costs for Parts A, B.1, B.2 and C of the Project</td>
<td>4,225,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Small Grants for Action Learning under Part B.3 of the Project</td>
<td>975,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>5,200,000</td>
<td></td>
</tr>
</tbody>
</table>

### B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section:

   (a) no withdrawal shall be made for payments made prior to the date of this Agreement; or

   (b) in respect of the Small Grants made for Action Learning Activities under Category (2), unless the Sub-grant Agreement for the first five Action Learning Activities for said Small Grants shall have been executed between the Project Implementing Entity and the first five Eligible CSOs, and have been approved by the Association.

2. The Closing Date is December 31, 2018.
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: (a) carries out the fiduciary (i.e., financial and procurement) management, monitoring and evaluation of compliance with environmental and social safeguards under the Project; (b) manages the Project with due diligence and efficiency, in conformity with appropriate administrative, financial, technical, environmental and social standards acceptable to the Association, and provides, or causes 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, and consultants' services set forth in Section III of Schedule 2 to this Agreement; and (b) ensure that all such goods and consultants' services, are used solely for the purpose of the Project;

3. The requirement that the Project Implementing Entity fully collaborates 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) maintains 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) maintains a financial management system and prepares 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 furnishes the statements as so audited to the Recipient and the Association; (c) enables the Recipient and the Association to inspect the Project, its operation and any relevant records and documents; and (d) prepares and furnishes 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 the Project Implementing Entity to exchange views with the Recipient and the Association with regard to the progress of Respective Parts 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. to ensure that the Action Learning Activities under Part B.3 of the Project are carried out by the Eligible CSOs in accordance with the provisions of the Anti-Corruption Guidelines

7. 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

8. 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 Project Agreement and/or the Subsidiary Agreement, as the case may be;

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. “Action Learning Activities” means a learning activity or set of learning activities for capacity building, provided by an eligible CSO for financing Small Grants for learning under Part B.3 of the Project.


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


5. “CSO” means a Civil Society Organization registered and operating pursuant to the laws of the Recipient.


7. “Grant Making Committee” means the Recipient’s committee responsible for, inter alia, decision-making and approval of the Small Grants.

8. “MoSAL” means the Recipient’s Ministry of Social Affairs and Labor.

9. “Operations Manual” means the manual, satisfactory to the Association, and referred to in Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with agreement of the Association.


11. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 21, 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.

12. “Project Implementing Entity” means SFD (as hereinafter defined).
13. "SFD" means the Social Fund for Development, established pursuant to the Recipient’s Law No. 10 of 1997, as the same may be amended from time to time.

14. "Small Grant" means a grant provided by the Project Implementing Entity to eligible CSOs under Part B.3 of the Project.

15. "Subsidiary Agreement" means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.