Financing Agreement

(Corridor Highway Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 31, 2014
AGREEMENT dated August 31, 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 eighty-six million three hundred thousand Special Drawing Rights (SDR 86,300,000) ("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 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 Recipient shall carry out the Project through the Ministry of Public Works and Highways (MPWH) 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 and 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 the Minister of Planning and International Cooperation.

5.02. The Recipient’s Address is:

Ministry of Planning and International Cooperation
PO Box 175
Sana’a, Republic of Yemen

Facsimile:

967-1250-665
967-1250-605

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 Sanaa, Yemen, as of the day and year first above written.

REPUBLIC OF YEMEN

Authorized Representative

Name: H.E. Dr. Mohammed Saed Al-Sadi
Title: Minister of Planning and International Cooperation

INTERNATIONAL DEVELOPMENT ASSOCIATION

Authorized Representative

Name: Mr. Hartwig Schafer
Title: Country Director for Yemen Middle East and North Africa Region
SCHEDULE 1

Project Description

The objective of the Project is improved transport connectivity and safety in the targeted section of the transport corridor between Aden and Taiz in the territory of the Recipient.

The Project consists of the following parts:

Part A: Highway Construction

1. Carrying out the construction of about fifty-five (55) kilometers (km) of a section of dual carriageway highway between Aden and Noubat Dokaim in the territory of the Recipient, including supervision of construction, and technical audits for constructions works, through the provision of works, technical advisory services and acquisition of goods.

Part B: Institutional Support and Strengthening

1. Carrying out technical studies for design and preparation of selected sections of the proposed Saada-Aden Yemen International Corridor Highway (SAYICH) in the territory of the Recipient, including: (a) preparation of environmental and social safeguard studies; (b) update of existing design and feasibility studies for the sections of the SAYICH between Taiz and Sana’a, and between Sana’a and Amran; (c) a pre-feasibility and corridor selection study for the SAYICH sections between Amran and the border of the Kingdom of Saudi Arabia in Saada Governorate; (d) a final design and feasibility study for the SAYICH sections between Amran and Saada; and (e) preparation of a social impact assessment and resettlement action plan for the SAYICH section between Amran and Saada.

2. Carrying out a review of existing design of selected sections of the SAYICH to detect and remedy any potential design deficiencies on road safety, including conducting training on road safety issues for MPWH engineers.

3. Carrying out a study to define arrangements for future management of the SAYICH assets.

4. Strengthening the institutional capacity of the MPWH for the asset management of the SAYICH.

5. Carrying out a communication, outreach and information dissemination campaign to build public and stakeholder support for the SAYICH.
6. Building the capacity of the staff of the MPWH for implementation, maintenance and management of road investments, including the provision of relevant training.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. MPWH; Project Implementation Unit

   (a) The Recipient shall maintain, at all times during the implementation of the Project, the Project Implementation Unit (PIU) within the MPWH, with functions, staffing and resources satisfactory to the Association.

   (b) Without limitation to the provisions of Section I.A.1 of this Schedule, the PIU shall be responsible for the day-to-day administration of the Project, overall planning, coordination, technical aspects, fiduciary (i.e., procurement and financial management), environmental and social safeguards compliance, monitoring and evaluation, reporting and communication of the activities under the Project, all in accordance with the provisions of this Agreement and the Project Implementation Manual.

B. Project Implementation Manual

1. The Recipient shall carry out the Project in accordance with the provisions of a manual satisfactory to the Association (the Project Implementation Manual), which shall include, inter alia, the following provisions: (a) disbursement and financial management arrangements; (b) institutional administration, coordination and day-to-day execution of activities of the Project; (c) monitoring and evaluation, reporting, information, education and communication; (d) procurement; (e) environmental and social safeguard guidelines; and (f) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

2. In case of any conflict between the arrangements and procedures set out in the Project Implementation Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail and, except as the Association shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the Project Implementation Manual without the prior written agreement of the Association.
C. **Anti-Corruption**

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

D. **Environmental and Social Safeguards**

1. The Recipient shall carry out the Project in accordance with the Environmental and Social Impact Assessment (ESIA), the Environmental and Social Management Plan (ESMP), and the Resettlement Action Plan (RAP), respectively.

2. Without limitation to paragraph D.1 immediately above, the Recipient shall implement the RAP, in a manner acceptable to the Association, and in accordance with the terms of said RAP, and those of this Agreement. Specifically, the Recipient shall:

   (a) ensure appropriate compensation, and other compensatory measures as may be necessary, resettlement and rehabilitation of such Affected Persons in accordance with the RAP;

   (b) not later than twelve (12) months after completion of the implementation of the RAP, conduct and submit an audit by an independent qualified resettlement expert to monitor the outcomes of the RAP, including a survey and consultation with Affected Persons, and which audit shall also recommend necessary actions to address shortcomings in the implementation of said RAP;

   (c) not later than thirty (30) days after the Effective Date: (i) open and maintain a Project account (Resettlement Project Account) in the Central Bank of Yemen on terms and conditions satisfactory to the Association; (ii) make payments for the implementation of the RAP, out of the Resettlement Project Account in accordance with the format and modality agreed upon with the Association, and in accordance with the guidelines established in the RAP; and (iii) ensure that funds deposited into the Resettlement Project Account shall be exclusively used to finance payments of compensation made, or to be made to the Affected Persons, or resettlement assistance to said Affected Persons; and

   (d) ensure effective and adequate oversight of the day-to-day implementation of the RAP, adequate staffing and resources to ensure effective implementation of the RAP, and effective monitoring and supervision of the RAP.
3. The Recipient shall include in the Project Reports referred to in Section II.A of this Schedule adequate information on the implementation of the ESIA, the ESMP and the RAP, giving details of:

(a) measures taken in furtherance of the ESIA, the ESMP and the RAP;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESIA, the ESMP and the RAP; and

(c) remedial measures taken or required to be taken to address such conditions and to ensure the continued efficient and effective implementation of the ESIA, the ESMP and the RAP.

E. Specific Environmental Covenant for Part B of the Project

1. The Recipient, shall ensure that the terms of reference for any consultancy in respect of any study or activity under Part B of the Project, shall be satisfactory to the Association following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance.

F. Specific Covenants for Implementation of SFD-financed Section

Without limitation to the provisions of Section I.D.1 above, the Recipient shall implement, or ensure that the SFD-financed Section is carried out in accordance with the ESMP, ESIA and the RAP, or similar safeguard documents, including environmental and social safeguard guidelines, acceptable to the Association.

G. External Technical Auditor

1. The Recipient shall, not later than six (6) months after the Effective Date recruit External Technical Auditor, in accordance with the provisions of Section III.C of Schedule 2 to this Agreement.

2. The External Technical Auditor shall, inter alia, be responsible for auditing all road works to verify compliance of such works with the technical specifications.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. 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 the indicators acceptable to the Association. Each
Project Report shall cover the period of six (6) 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. 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 (6) 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) Limited International Bidding; (b) Shopping; (c) Direct Contracting; and (d) National Competitive Bidding, may be used subject to the following additional provisions: the procedures to be followed for National Competitive Bidding under this paragraph shall be those set forth in Law No. 23 for 2007, concerning Government Tenders, Auctions and Stores, and its Regulations, subject to the following additional procedures:

(i) 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;

(ii) 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;

(iii) tenders shall be advertised for at least two (2) consecutive days in two (2) local newspapers of wide circulation;

(iv) 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;

(v) 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;

(vi) 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;
(vii) 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;

(viii) all bids shall be submitted in sealed envelopes and may be submitted, at the bidder's option, in person or by courier service;

(ix) 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;

(x) 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);

(xi) 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;

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

(xiii) 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;

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

(xv) 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

(xvi) 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.

Section IV. Withdrawal of the Proceeds of the Financing

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:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works, goods, non-consulting services, consultants’ services and Training for the Project</td>
<td>86,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>86,300,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of the table set forth immediately above, the term “Training” means the cost associated with the training, workshops and study tours, for reasonable expenditures (other than expenditures for consultants’ services), including: (a) travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses.

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 June 30, 2019.
APPENDIX

Definitions

1. “Affected Persons” means persons who, on account of the execution of the Project had or would have their: (i) standard of living adversely affected; (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected.


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


6. “Environmental and Social Management Plan” or “ESMP” each means the Environmental and Social Management Plan for the Project dated February 2014, and disclosed in country and in the Association’s InfoShop on February 28, 2014, consisting of specific environmental and social action plans organized in pre-construction and construction phases of a section of about one hundred and forty (140) km of road from Aden to Taiz, giving details of the magnitude of the environmental impacts, including the budget and cost estimates, and sources of funding, along with the institutional and procedural measures needed to implement such actions, measures and policies.

7. “Environmental and Social Impact Assessment” or “ESIA” each means the report for the Project (including the ESIA for the SFD Financed Section) dated February 2014, and disclosed in country and in the Association’s InfoShop on February 28, 2014, describing the set of avoidance, mitigation, enhancement, monitoring, and institutional measures to be taken during construction of about one hundred and forty (140) km of road from Aden to Taiz, to avoid, mitigate,
offset, or reduce adverse environmental and social impacts to acceptable levels, or to enhance positive impacts.

8. “External Technical Auditor” means the external auditor referred to in Section I.G of Schedule 2 to the Agreement, recruited to carry out independent verification on the road works under Part A of the Project to ensure compliance with the technical specifications.


11. “Project Implementation 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.

12. “Project Implementation Unit” or “PIU” each means an implementation unit within the Ministry of Public Works and Highways, and referred to in Section I.A.1 of Schedule 2 to this Agreement or any successor thereto.

13. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 5, 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.

14. “Resettlement Action Plan” or “RAP” each means the resettlement plans dated February 2014, and disclosed in country and in the Association’s InfoShop on February 28, 2014, for the resettlement of Affected Persons in identified districts and villages in the governorates of Aden, Lahj and Taiz in the territory of the Recipient.

15. “SFD Financed Section” means about eighty-five (85) km of the Aden-Taiz Corridor Highway from Noubat Dokaim to Taiz within the territory of the Recipient, associated with the Project, and that is separately financed by the Saudi Fund for Development (SFD) through the Saudi Fund Financing.

16. “Saudi Fund Financing” means the amount of three hundred and twenty million United States Dollars (US$320,000,000) equivalent or more, to be provided by the SFD to the Recipient to the Recipient to assist in financing the SFD Financed Section.