January 9, 2011

Dr. Amat Alrazak Humad
Chairperson
Social Welfare Fund
Minister of Social Affairs and Labor
Ministry of Social Affairs and Labor
P.O. Box 4898
Dhahr Himiar, Behind Building Control
Sana’a, Republic of Yemen

Re: Republic of Yemen: Rapid Social Response Multi-Donor
Trust Fund Grant No. TF098403
Targeted Delivery of Early Childhood Nutrition
Interventions Project

Excellency:

In response to the request for financial assistance made on behalf of Social Welfare Fund (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”), acting as administrator of grant funds provided by the Rapid Social Response Multi-Donor Trust Fund in support of the Targeted Delivery of Early Childhood Nutrition Interventions Project, proposes to extend to the Recipient for the benefit of Republic of Yemen (“Member Country”), a grant in an amount not to exceed two million United States Dollars (U.S.$2,000,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.
Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. David Craig
Country Director
Yemen, Djibouti, Egypt

AGREED:

SOCIAL WELFARE FUND

By /s/ Amat Al-Razzak A. Hammed
Minister of Social Affairs and Labor

Date: ______________________

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
Article I

Standard Conditions; Definitions


1.02. Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement:

(a) “Beneficiaries” means the recipients of CCT Grants for early childhood nutrition interventions under Part (b) of the Project, identified in accordance with the criteria and procedures set forth in the ECNI Manual; and “Beneficiary” means one such recipient.

(b) “CCT Grant” means a conditional cash transfer made to a Beneficiary under Part (b) of the Project, in accordance with the criteria and procedures set forth in the ECNI Manual; and “CCT Grants” means more than one such CCT Grant.

(c) “ECNI Manual” means the early childhood nutrition intervention (ECNI) operational manual to be developed under Part (a) of the Project, prepared by the Social Welfare Fund, as satisfactory to the World Bank, providing clear and transparent criteria and procedures for the selection and approval of Beneficiaries, the implementation and monitoring and evaluation of ECNIs and CCT Grants, as the same may be amended from time to time with the World Bank’s prior written approval.

(d) “FM Manual” means the manual prepared and adopted by SWF for the Social Welfare Fund Institutional Support Project (H570-RY), setting out the financial management procedures and organizational requirements for the Project, including the controls for financial management.

(e) “Independent Verification Firm” means the firm appointed by the Recipient pursuant to Section 3.02 (b) of the Annex of this Agreement to independently verify whether ECNIs have been delivered in a manner satisfactory to the World Bank.

(f) “Operational Manual” means the manual prepared and adopted by SWF for the Social Welfare Fund Institutional Support Project (H570-RY), specifying SWF’s managerial, financial, administrative, monitoring and evaluation, procurement, engineering and environmental and social policies and procedures for execution of the Project.

(g) “PST” means the Project Support Team established for the Social Welfare Fund Institutional Support Project (H570-RY) within the SWF, which shall include: (i) a technical coordinator; (ii) a financial management specialist; (iii) a procurement specialist; and (iv) a management information system specialist.
(h) “SWF” means the Social Welfare Fund established and operating by virtue of Presidential Decrees No. 31 of 1996, and No. 39 of 2008, as the same may be amended from time to time.

**Article II**

**Project Execution**

2.01. **Project Objectives and Description.** The objective of the Project is to improve the food consumption of poor families through cash transfer and essential early childhood nutrition intervention in poor households affected by the food crisis in targeted districts in Yemen. The Project consists of the following parts:

(a) **Early Childhood Nutrition Interventions (ECNIs):** provision of goods, consultants’ services and training for the assessment of existing ECNIs and the development of suitable ECNIs in the context of national governance, security and the physical environment, including the development of an ECNI Manual.

(b) **ECNI Conditional Cash Transfer (CCT):** provision of CCT Grants, goods, consultants’ services and training for the identification and enrolment of Beneficiaries, and the implementation and verification of ECNIs.

(c) **Project Management and Impact Evaluation:** provision of goods, consultants’ services, training and operational costs for the of the PST for Project coordination, management, implementation, monitoring and impact evaluation.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”), with the modifications set forth in the Appendix to this Agreement; and (c) this Article II.

2.03. **Institutional and Other Arrangements.** (a) The Recipient shall carry out the Project, through the PST, in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual, the FM Manual and the ECNI Manual and shall not assign, amend, abrogate or waive any provisions of the Operational Manual, the FM Manual or the ECNI Manual without prior approval of the World Bank. The PST is responsible for all procurement and financial management under the Project.

(b) At all times during the implementation of the Project, the Recipient shall maintain the PST with a composition, resources, and terms of reference satisfactory to the World Bank.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:
• Share of food (%) in the household consumption.
• Percentage of severe and moderate malnourished children under 5 year olds fully immunized in target households.
• Number of severe and moderate malnourished children under 5 year olds referred to health service and treated.
• Number of households that practice good health/nutrition behavior such as exclusive breast-feeding, complementary feeding, personal hygiene, etc.

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants in accordance with the provisions of Section 2.06 of this Agreement.

2.05. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six months after the end of such period.

2.06. Procurement

(a) General. All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods; and

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of
particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures: 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:

a. 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;

b. 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;

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

d. 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;

e. until national standard bidding documents acceptable to the World Bank are available, bidding documents approved by the World Bank shall be used, and may be prepared in Arabic;

f. 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;

g. 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;

h. all bids shall be submitted in sealed envelopes and may be submitted, at the bidder’s option, in person or by courier service;

i. 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;

j. 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);

k. 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;

l. post-bidding negotiations with the lowest or any other bidder shall not be permitted;

m. 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;

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

o. 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;

p. and each contract financed from the proceeds of the Grant shall provide that the contractor or supplier shall permit the World Bank, 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 World Bank.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (A) Shopping; and (B) Direct Contracting.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Least Cost Selection; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection; (D) Selection of Individual Consultants; and (E) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“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 USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants’ services, Training and Incremental Operating Costs, under the Project</td>
<td>800,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) CCT Grants</td>
<td>1,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>2,000,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of this table:

(a) the term “Incremental Operating Costs” means expenditures incurred for the implementation of the Project on account of office rental, utility charges, transportation, fuel, maintenance, office supplies, banking charges, communication services, interpretation and translation services, advertisements, local travel costs and *per diem*, and excluding salaries of officials of the Recipient’s civil service and the purchase of vehicles;

(b) “Training” means Project related study tours, training courses, seminars, workshops and other training activities, not included under goods or service providers’ contracts, including costs of training materials, space and equipment rental, local travel, *per diem* costs of trainees, trainers and trainers’ fees, and interpretation and translation services;

(c) “Goods” excludes the purchase of vehicles.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

(a) for payments made prior to the date of countersignature of this Agreement by the Recipient; or
(b) under Category 2 unless the Recipient: (i) has prepared and adopted an ECNI Manual, satisfactory to the World Bank, which sets out the eligibility criteria to identify and select Beneficiaries under Part (b) of the Project and the organizational arrangements and operational procedures for implementing the ECNIs and CCT Grants under Part (b) of the Project; and (ii) has appointed an Independent Verification Firm on terms and conditions satisfactory to the World Bank.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2012.

### Article IV

**Recipient's Representative; Addresses**

4.01. **Recipient's Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Chairman of the Social Welfare Fund.

4.02. **Recipient's Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Social Welfare Fund  
P.O. Box 4898  
Sana’a  
Republic of Yemen

Facsimile:

967.1.544015

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INDEVAS  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391
APPENDIX
 Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“(a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are
not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”