Project Agreement

(Maternal and Newborn Voucher Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOCIAL FUND FOR DEVELOPMENT, REPUBLIC OF YEMEN

Dated April 11, 2014
GRANT NUMBER H924-RY
HRITF GRANT NUMBER TF016529

PROJECT AGREEMENT

AGREEMENT dated April 11, 2014, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and SOCIAL FUND FOR DEVELOPMENT ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the REPUBLIC OF YEMEN ("Recipient") and the Association, and in connection with the Grant Agreement ("Grant Agreement") of the same date between the Recipient and the Association acting as administrator of Health Results Innovation Trust Fund (HRITF). The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.

1.02. The Standard Conditions (as defined in the Grant Agreement) constitute an integral part of this Agreement.

1.03. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions or the Grant Agreement or the Standard Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Managing Director.

4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INDEVAS
Telex: 248423(MCI)
Facsimile: 1-202-477-6391

4.03. The Project Implementing Entity’s Address is:

Social Fund for Development
P.O. Box 15485
Sana’a
Republic of Yemen

Facsimile:
967-1-45016
AGREED at Washington D.C., United States of America, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Inger Andersen

Title: Regional Vice President

SOCIAL FUND FOR DEVELOPMENT

By

[Signature]

Authorized Representative

Name: Abdullah Al-Dailami

Title: Managing Director
Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Voucher Management Team

(a) The Project Implementing Entity shall establish and maintain at all times during implementation of the Project, a management team (Voucher Management Team), with adequate staff and resources satisfactory to the Association, for the purpose of ensuring prompt and efficient implementation, management and coordination of the Project.

(b) Without limitation to the provisions of sub-paragraph (a) immediately above, the Voucher Management Team shall, inter alia, be responsible for: (i) day-to-day implementation and overall coordination of Project activities; (ii) mapping and identifying Service Provider clusters; (iii) contracting Service Providers based on assessment of quality standards; (iv) developing and managing all agreements with Service Providers and Voucher Program partners; (v) coordinating the production and distribution of vouchers (including data collection on Beneficiaries); (vi) reimbursing Service Providers for services provided; (vii) monitoring and evaluation; (viii) fiduciary arrangements (including financial management, disbursement and procurement) of the Project; and (ix) verification and fraud prevention and control.

2. Without limitation to the provisions of paragraph A.1 immediately above, the Project Implementing Entity shall at all times during implementation of the Project maintain close collaboration with the Ministry of Public Health and Population to ensure adequate policy guidance and decision-making on the Project.

B. Subsidiary Agreement

1. The Project Implementing Entity shall carry out the Project, in accordance with the Subsidiary Agreement, as set forth in Section I.A of Schedule 2 to the Financing Agreement.

C. Operations Manual

1. The Project Implementing Entity shall carry out the Project, in accordance with the provisions of Operations Manual, as set forth in Section I.B of Schedule 2 to the Financing Agreement, 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, or the Financing Agreement, the provisions of this Agreement or the Financing Agreement, as the case may be, shall prevail and, except as the Association
shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of
the Operations Manual without the prior written agreement of the Association.

D. **External Technical Auditor**

1. The Project Implementing Entity shall, not later than six (6) months after Effective Date,
recruit an External Technical Auditor, in accordance with the provisions of Section III.C
of Schedule 2 to the Financing Agreement, to independently verify, *inter alia*, that the
internal control systems of the Voucher Program are operating in an effective and
efficient manner.

2. The External Technical Auditor shall, *inter alia*, be responsible for: (i) auditing the
Voucher Program in accordance with the provisions of the Operations Manual, including
verifying the process of contracting respective health service providers (Service
Providers); (ii) verifying voucher distribution data; (iii) verifying reported utilization data
provided by the Service Providers; (iv) reviewing the Project Implementing Entity’s
procedures for processing claims at the central, governorate and district levels, through
sample-based reviews generated by the claims database management system;
(v) conducting a sample of field interviews with the Beneficiaries; (vi) assessing the
Project Implementing Entity’s verification and fraud control measures; and
(vii) furnish the technical audit report for each six months period to the Recipient, the
Association and the Project Implementing Entity not later than six months after the end of
each such period.

3. The Project Implementing Entity shall, not later than three months after the Effective
Date, prepare and submit to the Association, the terms of reference for the review
referred to in paragraph I.D.2 immediately above, in form and substance satisfactory to
the Association.

E. **Annual Work Plan and Budget**

1. The Project Implementing Entity shall prepare and furnish to the Association for its
approval, not later than December 31 of each year during the implementation of the
Project, the Annual Work Plan referred to in Section I.D of Schedule 2 to the Financing
Agreement.

F. **Anti-Corruption**

The Project Implementing Entity shall carry out the Project in accordance with the
provisions of the Anti-Corruption Guidelines.

G. **Maternal and Newborn Voucher Program**

1. **General**

The Project Implementing Entity shall coordinate, implement, monitor and issue
payments for eligible and verified claims for services provided in accordance with the
provisions and procedures set forth in Section LF of Schedule 2 to the Financing Agreement and in more detail in the Operations Manual.

2. Administration of the Voucher Program

(a) The Project Implementing Entity shall:

(i) design, produce and distribute vouchers for specified service packages and cash benefits to eligible Beneficiaries in accordance with the provisions of the Operations Manual;

(ii) identify, negotiate and contract appropriate Service Providers in the respective Project Target Areas, which meet the agreed minimum standard of care in accordance with the Operations Manual;

(iii) recruit and train voucher distributors, and/or contract qualified individuals, firms or institutions to distribute vouchers, who shall, \textit{inter alia}, be responsible for distributing vouchers for defined service packages to the Beneficiaries; and

(iv) carry out internal, and cause to be carried out, external data validation and verification of the voucher system and services provided at the district, governorate and central levels within the Project Target Areas, in accordance with the procedures set forth in the Operations Manual.

(b) Beneficiaries shall be considered eligible to receive a voucher on the basis of a system which shall include all women of reproductive age living in rural areas, with a focus on poor women living in peri-urban and urban areas in participating districts within the Project Target Areas.

3. Eligibility Criteria and Assessment of Service Providers

The Project Implementing Entity shall implement the Voucher Program in accordance with eligibility criteria and procedures acceptable to the Association, which shall include the following:

(a) For the purpose of effective implementation of Part A of the Project, the Project Implementing Entity shall, engage Service Providers in adequate numbers in each Project Target Area, which meet the agreed minimum quality standards that are acceptable to the Association, all in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

(b) No proposed Service Provider shall be eligible for employment to provide a service under the Voucher Program unless such Service Provider has met the agreed minimum quality standards referred to in the Operations Manual, in form and substance satisfactory to the Association, and the Project Implementing Entity has:
(i) assessed the capacity of such proposed service provider on the basis of eligibility criteria set forth in the Operations Manual, which shall include, *inter alia*, management capacity, infrastructural and transport facilities, proximity to targeted communities; staff capacity and skills; and quality of services, including supplies, medicines and equipment; and

(ii) carried out a quality improvement program assessment of the proposed Service Provider and has confirmed that said Service Provider meets the minimum standards of the quality improvement program on the basis of eligibility criteria set forth in the Operations Manual, which shall include, *inter alia*, management capacity, infrastructural and transport facilities, proximity to targeted communities; staff capacity and skills; and quality of services, including supplies, medicines and equipment.

4. **Terms and Conditions of the Service Agreements**

The Project Implementing Entity shall ensure that services to Beneficiaries are provided pursuant to a Service Agreement, to be concluded between the Project Implementing Entity and respective Service Providers all under terms and conditions satisfactory to the Association, which shall include the following:

(a) the description of services to be provided by the Service Provider, which shall consist of any of the following: (i) Comprehensive Emergency Obstetric and Neonatal Care (CEmONC); (ii) Basic Emergency Obstetric and Neonatal Care (BEmOC); and (iii) regular voucher service, including an agreed price list for such service;

(b) the obligation of the Service Provider to meet and maintain the requisite standard of care as specified in the Operations Manual;

(c) the modalities for monitoring and oversight by the Project Implementing Entity, including quality and fraud control;

(d) the modalities for the submission, processing, verification and payments of reimbursements to Service Providers; and

(e) the obligation of each Service Provider to: (i) provide agreed services with due diligence and efficiency and in accordance with sound technical, financial, and managerial practices, and in accordance with the provisions of the Anti-Corruption Guidelines and the pertinent provisions of this Agreement; and (ii) maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the services provided.

5. **Administration of Service Agreements**

The Project Implementing Entity shall exercise its rights and carry out its obligations under the respective Service Agreements in such manner as to protect the interests of the
Recipient, the Association and the Project Implementing Entity and to accomplish the purposes of the Financing. Except as the Recipient and the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, waive, terminate or fail to enforce any Service Agreement, or any provision thereof.

6. Independent Verification of Output

(a) The Project Implementing Entity shall, not later than six (6) months after the commencement of the Voucher Program (and thereafter with such frequency as shall be outlined in the Operations Manual), cause the External Technical Auditor to carry out an independent verification of the Voucher Program and furnish to the Project Implementing Entity, the Recipient and the Association, a report which shall include an opinion on the reliability of the statements of claims registries and recommendations on how to further improve the Voucher Program and Project implementation.

(b) The Project Implementing Entity shall have the verification system referred to in sub-paragraph (a) immediately above reviewed during the mid-term review referred to in Section II.A.2 of this Schedule, and thereafter, make any changes to the verification system as shall be agreed with the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity 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 Section 2.06 of the Standard Conditions, and on the basis of indicators acceptable to the Association. Each such Project Report shall cover the period of six (6) calendar months, and shall be furnished to the Recipient not later forty-five (45) days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. Mid-Term Review

(a) The Project Implementing Entity shall, not later than twenty-four (24) months after the Effective Date, prepare and furnish to the Recipient and the Association, in form and substance satisfactory to the Association, a report integrating the results of the mid-term review and monitoring and evaluation activities, setting out the measures recommended to ensure the efficient carrying out of the Project and achievement of the Project objective during the period following such date.

(b) The Recipient and the Association shall review the report referred to in the paragraph 2 (a) immediately above and, the Project Implementing Entity shall thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the Project objective.
3. Implementation Completion Report

The Project Implementing Entity shall provide to the Recipient not later than four months after the Closing Date, for incorporation in the report referred to in Section 4.08 (c) of the General Conditions and Section 2.06 of the Standard Conditions (Completion Report) all such information as the Recipient or the Association shall reasonably request for the purposes of such Section. The Completion Report shall be furnished to the Association not later than six months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall 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 and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Recipient and 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 Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Recipient. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement and Section III of Schedule 2 to the Grant Agreement.