Financing Agreement

(Fourth Additional Financing for Yemen Emergency Crisis Response Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

UNITED NATIONS DEVELOPMENT PROGRAMME

(for the benefit of the Republic of Yemen)
GRANT NUMBER D462-RY

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the UNITED NATIONS DEVELOPMENT PROGRAMME (for the benefit of the Republic of Yemen) (“Recipient”), for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement).

WHEREAS: (A) the Recipient has, in response to the immediate emergency arising as a result of famine risk, deteriorating food insecurity and service delivery programs in the Republic of Yemen (“Emergency”) and in view of the ongoing conflict situation within the Republic of Yemen, requested the assistance of the Association to finance specific costs associated with the Emergency;

(B) pursuant to the Standard Basic Assistance Agreement between the Recipient and the Republic of Yemen dated November 8, 1976, the Recipient and the Republic of Yemen agreed to cooperate to support and supplement national development efforts within the territory of the Republic of Yemen consistent with the relevant resolutions, decisions, regulations and rules and policies of the competent organs of the United Nations, including the Executive Board of the Recipient;

(C) the Original Project of the Yemen Emergency Crisis Response Project is implemented by the United Nations Children’s Fund (“UNICEF”) and the Recipient, as recipients of the respective grants made by the Association to finance the Original Project, and the project described in Schedule 1 to this Agreement (“Project”) constitutes a revised and updated version of the Original Project;

(D) the Recipient, having satisfied itself as to the feasibility and priority of the Project, by a letter dated February 2, 2019, the Recipient requested the Association to assist in financing the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend to the Recipient a grant for the benefit of the Republic of Yemen upon the terms and conditions set forth in this Agreement.

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) apply to and form part of this Agreement.
1.02. The Financial Management Framework Agreement (“FMFA”) (as defined in the Appendix to this Agreement) constitutes an integral part of this Agreement. Without limitation to the provisions of the FMFA, in respect to the Recipient:

(a) all references in the FMFA to “Letter Agreement(s)” shall be references to this Agreement;

(b) all references to “Trust Fund Grant(s)” shall be references to the Financing referred to in Section 2.01 of this Agreement;

(c) all references to “the UN” and to a “UN Organization”, including in particular reference in Section 7 of the FMFA, shall be references to “the United Nations Development Programme”;

(d) all references to “the UN Controller” shall be references to the UNDP Comptroller;

(e) all references to the “UN Financial Regulations” shall be references to the “UNDP Financial Regulations and Rules”; and

(f) all references to the “Parties” in Section 11 of the FMFA shall be a reference to the “Association” and the “United Nations Development Programme” or, alternatively, to the “Association” on the one hand and the “United Nations Secretariat”; and all “UN Organisations” (as that term is defined in the FMFA) on the other, if a satisfactory consolidated review mechanism is established.

1.03. 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, a grant, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to seventy-two million one hundred thousand Special Drawing Rights (SDR 72,100,000) (“Financing”), to assist in financing of 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 Comptroller of the United Nations Development Programme.
ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out Components 1 and 2 of the Project (“Respective Parts of the Project”) in accordance with the provisions of Article V of the General Conditions, the FMFA and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) if, by notice sent to the Recipient pursuant to sub-paragraph (iv) of paragraph 9 of the FMFA, the Association confirms that it reasonably believes the actions taken previously in accordance with said Section 9 have not been sufficient to fulfill its fiduciary obligation to ensure that the proceeds of the Financing were used for eligible expenditures; or

(b) if, by notice sent to the Recipient pursuant to sub-paragraph (iii)(a) of paragraph 10 of the FMFA, the Association confirms that alternative financial management arrangements mutually acceptable to the Association and the Recipient were not reached within the period stipulated therein; or

(c) if, the Association determines at any time that a reference in either paragraph 1 or paragraph 4 of Section II.B of Schedule 2 to this Agreement to the Recipient’s financial regulations and rules is incomplete or inaccurate in any material respect; or

(d) if, the Association for any reason revokes the application of the Alternative Procurement Arrangements set forth in Section III of Schedule 2 to this Agreement.

ARTICLE V — EFFECTIVENESS

5.01. This Agreement shall become effective as of the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Recipient’s Representative is the UNDP Resident Representative, Yemen.

6.02. For purposes of Section 11.01 of the General Conditions:
(a) the Recipient’s address is:

UNITED NATIONS DEVELOPMENT PROGRAMME
Sana’a
Republic of Yemen

(Attention: The Representative)

and

With a copy to:

UNITED NATIONS DEVELOPMENT PROGRAMME 1 United Nations Plaza
New York, New York 10017

(Attention: The UNDP Comptroller)

(b) the Recipient’s Electronic Address is:

Facsimile:
E-mail:

(Attention: The Representative) auke.lootsma@undp.org
(Attention: The Comptroller)

6.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association’s Address is:

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

(b) the Association’s Electronic Address is:

Telex:
Facsimile:

248423 (MCI) 1-202-477-6391
AGREED as of the Signature Date.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

Marina Wes
Country Director
Egypt, Yemen and Djibouti
Middle East and North Africa Region
Date: May 21, 2019

UNITED NATIONS DEVELOPMENT PROGRAMME
(for the benefit of the Republic of Yemen)

By:

Auke Lootsma
Resident Representative
UNDP Yemen
Date: May 21, 2019
SCHEDULE 1

Project Description

The objective of the Project is to provide short-term employment and access to selected basic services to the most vulnerable; preserve existing implementation capacity of service delivery programs; and provide emergency cash transfers to the poor and vulnerable in response to the food crisis.

The Project consists of the following activities:

**Component 1. Labor Intensive Works and Improving Community Services**

1. Provision of Cash-for-Work Transfers to Eligible Beneficiaries to carry out labor-intensive works (“Sub-projects”), including but not limited to irrigation, water harvesting, educational projects, cleaning services, agricultural rehabilitation and road maintenance.

2. Provision of Conditional Cash Transfers to Eligible Beneficiaries for education, nutrition and health needs.

3. Carrying out a program for revitalizing small, medium and micro-enterprises (“SMEs”) and generating employment, including:
   
   (a) supporting the recovery of conflict-affected farmers, fishermen and livestock owners through the provision of *inter alia*: essential seeds, crops, irrigation systems and required farming, fishing and agriculture inputs and equipment; and
   
   (b) (i) provision of Subgrants to selected microfinance institutions (“Selected MFIs”) to relieve Targeted SMEs of outstanding debts; and (ii) reimbursing Operating Deficits Costs for Selected MFIs.

4. Carrying out a program of activities required for implementing Component 1.1, 1.2 and 1.3, through *inter alia*, the provision of Operating Costs and training.

**Component 2. Project Management and Monitoring**

1. Supporting UNDP Project management, monitoring and evaluation, including overall coordination of the activities, in addition to UNDP’s indirect costs required to support Project delivery, *inter alia*: (a) direct Project management and supervision costs required to support implementation of UNDP’s Respective Part of the Project; (b) UNDP’s hiring of a Third-Party Monitoring Agent; and (c) Project evaluation.
Component 3.1  Emergency Cash Transfers

1. Provision of cash (“Cash Transfers”) assistance to reduce the vulnerability of eligible beneficiaries, and to enable targeted households to purchase food and necessities (“Cash Transfer Beneficiaries”).

2. Hiring of Payment Agency(ies), to deliver cash and administer the Cash Transfers within the territory of Yemen.

Component 3.2  Cash Transfers Program Management and Monitoring

1. Facilitating UNICEF Project implementation, administration, management and monitoring and evaluation, including: (a) UNICEF’s Direct Cost, including staffing and operating expenses; (b) UNICEF’s Indirect Cost and general management; (c) provision of consultancy services required for technical assistance, and implementation support for UNICEF; and (d) UNICEF’s Third-Party Monitoring.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall carry out its Respective Part of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, environmental and social standards and practices, and in accordance with the FMFA, and the Project Operational Manual, and shall promptly provide the funds, facilities, services and other resources required for its Respective Part of the Project.

2. The Recipient’s Project Management Unit (“PMU”) based in the Recipient’s office in the Republic of Yemen shall be responsible for day-to-day management and implementation of its Respective Part of the Project, including the staffing of core functions, including the technical, fiduciary (i.e., procurement and financial management) aspects of its Respective Part of the Project, and coordination of all field activities, as detailed in the Project Operational Manual.

3. (a) To facilitate the carrying out of its Respective Part of the Project, the Recipient shall on-grant the proceeds of the Financing under the Project to Social Fund for Development (“SFD”) from time to time through a Subsidiary Agreement with terms and conditions acceptable to the Association, which shall include the obligation of SFD to carry out the Recipient’s Respective Part of the Project with due diligence and efficiency, in conformity with appropriate social and environmental, administrative, financial and technical practices and in accordance with the obligations set forth in this Agreement and the General Conditions.

   (b) 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. Anti-Corruption

1. The Recipient shall carry out its Respective Part of the Project subject to the provisions of the General Conditions and the following undertakings:

   (a) In the event that the Recipient or the Association becomes aware of information that indicates the need for further scrutiny of the implementation of its Respective Part of the Project or any expenditures under the proceeds of the Financing (including non-frivolous allegations that corrupt, fraudulent, collusive or coercive practices were undertaken in relation to any activity under
its Respective Part of the Project), the Recipient or the Association, as the case may be, shall promptly bring such information to the attention of the appropriate official or officials of the other party, as designated from time to time by each party by written notice to the other party.

(b) Following consultation between the Recipient and the Association, the Recipient will, to the extent the information relates to actions within the authority or accountability of the Recipient, take timely and appropriate action in accordance with its accountability and oversight framework, including applicable regulations, rules, and administrative instructions, to investigate this information. For greater clarity on this matter, the Recipient and the Association agree and acknowledge that the Recipient has no authority over and accordingly shall have no responsibility to investigate, any government official or officials or consultants of the Association.

(c) To the extent such investigation confirms the allegations and to the extent that remedial action is within the authority of the Recipient, the Recipient will take timely and appropriate action in response to the findings of such investigation, in accordance with the Recipient’s accountability and oversight framework, including its regulations, rules, policies and procedures.

(d) To the extent consistent with the Recipient’s accountability and oversight framework, including its regulations, rules, policies and procedures, it will keep the Association regularly informed by agreed means of actions taken pursuant to Section I.B.1(c) immediately above, and the results of the implementation of such actions, including where relevant, details of any recovery of funds or writing-off of losses.

(e) The Recipient will use its best efforts, consistent with its regulations, rules, policies and procedures to recover any funds misused. The Recipient will, in consultation with the Association, credit any funds so recovered to the Association or agree with the Association to use these funds for the Project.

2. In the event that the Association reasonably believes that timely and appropriate action has not been taken by the Recipient under Section I.B.1 above, the Association may request direct consultations at a senior level between the Association and the Recipient in order to obtain assurances that the Recipient’s oversight and accountability mechanisms have been and are being fully applied in connection with such allegations. The Recipient and the Association take note of the provisions of Article VIII of the United Nations Financial Regulations and Rules and the Recipient’s corresponding relevant provisions in its Financial Regulations and Rules.

3. The Association may, following consultation with the Recipient, by notice to the Recipient, suspend the right of the Recipient to make further withdrawals of the proceeds of the Financing if the Association reasonably believes the actions taken by the Recipient
under Section I.B.1 above have not been sufficient to fulfill its fiduciary obligation with respect to the Financing.

4. The Association has the right and authority, pursuant to the Anti-Corruption Guidelines, to investigate allegations or other information relating to possible corrupt, fraudulent, coercive, or collusive practices (as defined in Section I.B.7 below) by any third party, and to sanction any such third party which the Association has determined to have engaged in such practices; provided, however, that in this Section, “third party” does not include the Recipient. To the extent consistent with the Recipient’s oversight framework, including its regulations, rules, policies and procedures, and if requested by the Association, the Recipient shall cooperate with the Association in the conduct of such investigations.

5. Without limitation to the provisions of paragraph B.1 of this Section, the Association retains the right to conduct an investigation in connection with the information referred to in paragraph B.1(a) of this Section and any information provided to the Recipient regarding allegations of corrupt, fraudulent, coercive, or collusive practice in connection with the bidding process, the award, or implementation of any contract to be or being financed out of the proceeds of the Financing, except that the Association may not investigate the Recipient. The Recipient agrees to facilitate all such investigations.

6. (a) The Recipient will require any third-party commercial entity with which it has a long-term arrangement or to which it intends to issue a purchase order or a contract financed with the proceeds of the Financing to disclose to the Recipient whether it is subject to any sanction or temporary suspension imposed by any organization within the World Bank Group. The Recipient will give due regard to such sanctions and temporary suspensions, as disclosed to it when issuing contracts during the Project implementation.

(b) If the Recipient intends to issue a contract in connection with its Respective Part of the Project with a party that has disclosed to the Recipient that it is under sanction or temporary suspension by the World Bank Group, the following procedure will apply: (i) the Recipient will so inform the Association, before signing such contract; (ii) the Association then may request direct consultations at a senior level, if required, between the Association and the Recipient to discuss the Recipient’s decision; and (iii) if after such consultation, the Recipient elects to proceed with the issuance of the contract, the Association may inform the Recipient by notice, that the proceeds of the Financing may not be used to fund such contract.

(c) Any portion of the proceeds of the Financing received by the Recipient under this Agreement that may have been used to fund a contract in respect
of which the World Bank Group has exercised its right under paragraph 6(b)(iii) immediately above, shall be used to defray the amounts requested by the Recipient in any subsequent withdrawal application, if any, or will be treated as a balance in favor of the Recipient in the calculation of the final balances prior to the Closing Date.

7. For the purposes of the provisions of this Section I.B, the following definitions of sanctionable practices shall apply:

   (a) “corrupt practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;

   (b) “fraudulent practice” is any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain financial or other benefit or to avoid an obligation;

   (c) “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party; and

   (d) “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

C. Project Operational Manual

1. The Recipient shall ensure that its Respective Part of the Project is carried out in accordance with the arrangements, procedures and guidelines set out in the Project Operational Manual.

2. In case of any conflict between the arrangements and procedures set out in the Project Operational Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. Except as the Association shall otherwise agree, the Recipient shall not amend, abrogate, waive or fail to enforce any provision of the Project Operational Manual without the prior written agreement of the Association.

D. Safeguards

1. The Recipient agrees that: (a) there will be no major civil works under the Project; and (b) it will implement its Respective Part of the Project without any displacement resulting in Affected Person(s).
2. The Recipient shall ensure that the Project and any Sub-projects under it are carried out in accordance with the ESMF.

3. The Recipient shall ensure that: (a) any contractors (including subcontractors) carrying out its Respective Part of the Project shall perform their work in accordance with the ESMF, and under terms of reference and with qualifications and experience necessary to satisfactorily carry out the design and implementation of said Respective Part; and (b) any contracts under its Respective Part of the Project include uniform Codes of Conduct, including gender-based violence and sexual exploitation and abuse risk mitigation measures, in form and substance acceptable to the Association.

4. The Recipient shall include in the Project Reports referred to in Section II.A of this Schedule adequate information on the implementation of the Safeguards Instruments, giving details of:

   (a) measures taken in furtherance of the Safeguards Instruments;

   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; 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 Safeguards Instruments.

5. The Recipient shall:

   (a) as soon as reasonably practicable, but no later than five (5) calendar days after it becomes aware of the occurrence of a Significant Event, inform the Association by any electronic means of the nature of the incident, accident, or circumstance and any effect or impact (whether on-site or off-site) resulting or likely to result there from;

   (b) as soon as reasonably practicable, but no later than thirty (30) days after it becomes aware of such Significant Event, provide the Association with a summary report that includes a description of such Significant Event, and the measures, if any, that the Recipient is taking or plans to take to address such Significant Event to the extent the cause of such Significant Event is within the scope of the Recipient’s control and to mitigate the risk of any future similar event to the extent the cause of such Significant Event is within the scope of the Recipient’s control; and

   (c) keep the Association informed of the on-going implementation of the said measures and plans.
E. Third-Party Monitoring and Grievance Redress Mechanism

1. The Recipient shall maintain Third-Party Monitoring Agent(s) with terms of reference satisfactory to the Association.

2. The Recipient shall maintain and carry out its Respective Parts of the Project with a Grievance Redress Mechanism (“GRM”), under terms and structure satisfactory to the Association.

F. Sub-projects under Component 1.1 of the Project.

1. The Recipient shall, under Component 1.1 of the Project, finance Sub-projects through the provision of Cash-for-Work Transfers to Eligible Beneficiaries. To this end, the Recipient shall maintain the Third-Party Monitoring Agent to verify Cash-for-Work Transfers in accordance with the criteria and terms set forth in the POM.

2. In order for the Sub-projects to be eligible for financing, the Recipient shall, through SFD, screen and select Sub-projects in accordance with the selection and eligibility criteria set forth in the Project Operational Manual and the Safeguards Instruments. The following Sub-projects shall not be eligible for financing:

   (a) any Sub-projects affecting international waterways, natural habitats, disputed areas or indigenous peoples;

   (b) any Sub-projects involving the conversion or degradation of forest areas;

   (c) any Sub-projects involving the involuntary taking of land or involuntary resettlement resulting in relocation or loss of shelter, loss of assets or access to assets, loss of income sources or means of livelihood, or involving the involuntary restriction of access to legally designated parks and protected areas;

   (d) any Sub-projects involving the construction or rehabilitation of dams;

   (e) any Sub-projects that would be classified as ‘Category A’ in accordance with the Bank’s policies and procedures; and

   (f) any Sub-projects that finance Excluded Expenditures, as set forth in the Appendix to this Agreement.

G. Conditional Cash Transfers under Component 1.2 of the Project

1. The Recipient shall, through SFD, provide Conditional Cash Transfers to Eligible Beneficiaries in accordance with the conditionality and criteria set forth in the POM which shall not exceed $500 Dollars annually for each Eligible Beneficiary.
and shall be limited to conditionalities in the sectors of health, education and nutrition.

2. The Recipient shall maintain the Third-Party Monitoring Agent to verify the Conditional Cash Transfers in accordance with said conditionalities as detailed in the POM.

H. Subgrants and Operating Deficit Costs for Selected MFIs under Component 1.3(b) of the Project

1. For purposes of carrying out Component 1.3(b)(i) and (ii) of the Project, the Recipient shall choose Selected MFIs and Targeted SMEs in accordance with the eligibility criteria and terms set forth in the POM. Said criteria for Component 1.3(b)(i) that each Targeted SME shall have been directly affected by the conflict or by a natural disaster and for Component 1.3(b)(ii) will include at a minimum that each Selected MFI shows progressive OSS of not less than 5% annually; both as verified by the Third-Party Monitoring Agent.

2. The Recipient shall, through the SFD, enter into a Subgrant Agreement with each Selected MFI with terms and conditions satisfactory to the Association, including: (a) a Subgrant to the selected MFI to relieve Targeted SMEs of outstanding debts; and/or (b) a Subgrant to reimburse the Selected MFI for Operating Deficit Costs, as further set forth in the POM.

3. The Recipient shall ensure that the amount of any one Subgrant shall not exceed $1500 Dollars.

4. The Recipient shall ensure that the amount of Operating Deficit Costs for any one Selected MFI shall not exceed $200,000 Dollars.

5. The Recipient shall ensure that each Subgrant Agreement requires each Selected MFI to:

   (a) carry out its operations with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards (including Safeguards Instruments) and practices, all satisfactory to the Association;

   (b) use the proceeds of the Subgrant either: (i) to relieve the outstanding debt for Targeted SMEs to the Selected MFI, and/or (ii) to pay the Operating Deficit Costs of the Selected MFI, all in accordance with criteria further set out in the POM;

   (c) not provide Subgrants to Targeted SMEs for any of the purposes set forth in Section I.F.2; and
(d) to the extent SFD shall hire any entity to enter into Subgrant Agreements on its behalf, in accordance with the provisions of Section III of Schedule 2 of this Agreement, the Recipient shall require SFD to ensure that each Subgrant Agreement includes the obligations and terms set forth in Paragraph H of Schedule 2 to this Agreement and as further detailed in the POM.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall furnish to the Association each Project Report (i.e., a progress Project Report providing for a summary of activities covering a period of six (6) calendar months, and a detailed annual Project Report), not later than forty-five (45) days after the end of the period covered by such report.

B. Accounts and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system, including records and accounts, adequate to reflect the transactions related to its Respective Part of the Project, in accordance with the requirements of the relevant Financial Regulations and Rules of the United Nations Development Programme (hereinafter referred to as the Financial Regulations and Rules).

2. The Recipient shall maintain in a separate account in its records (“Financing Control Account”) a complete, true and faithful record of all the advances from the proceeds of the Financing and of all the expenditures paid from such advances.

3. The Recipient shall prepare, on a quarterly basis, interim unaudited financial reports, in accordance with accounting standards established pursuant to the Financial Regulations and in the format agreed with the Association, adequate to reflect the operations, resources and expenditures related to its Respective Part of the Project. The first said interim unaudited financial reports shall be furnished to the Association no later than forty-five (45) days after the end of the first three months after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Financing through the end of the first three (3) months; thereafter, each interim unaudited financial report shall be furnished to the Association not later than forty-five (45) days after each subsequent three month period, and shall cover such three month period.

4. The Recipient shall ensure that the audit of its Respective Part of the Project is governed by: (a) Article 4 of the Financial Regulations and Rules; and (b) the Financial Management Framework Agreement.
5. The Recipient shall retain, until at least one year after the Association has received the final interim unaudited financial report referred to in paragraph 3 of this Section II.B covering the three (3) calendar months in which the last withdrawal was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing all expenditures in respect of which withdrawals of the proceeds of the Financing were made.

Section III. Procurement

1. All goods, non-consulting services and consulting services required for its Respective Part of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the applicable procurement policies, procedures, regulations and practices of the Recipient, as such procurement policies, procedures, regulations and practices have been assessed and found to be acceptable by the Association, and the Procurement Plan.

2. If the Association determines that the procurement policies, procedures, regulations, or practices of the Recipient have been modified, suspended, or waived such that they are no longer acceptable to the Association, the Association may, in addition to the Association’s other rights under the Agreement, revoke the procurement provisions set out in paragraph 1 of this Section III.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
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<tbody>
<tr>
<td>(1) Cash-for-work Transfers under Component 1.1 of the Project, Conditional Cash Transfers under Component 1.2 of the Project, Subgrants under</td>
<td>64,962,000</td>
<td>100%</td>
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<tr>
<td>Component 1.3(b)(i) of the Project, Operating Deficits Costs for Selected MFIs’ under Component 1.3(b)(ii) of the Project, Goods, Operating Costs, Consultants Services, Non-consultant Services and training under Component 1.4 of the Project</td>
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<th>(2) Project Management and Monitoring under Component 2 of the Project</th>
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<td>(a) Recipient’s indirect cost (3% of the total Financing)</td>
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<td>(b) Recipient’s direct cost</td>
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<tr>
<td>(c) Third-Party Monitoring and Evaluation cost</td>
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<td>(3) Cash Transfers under Component 3.1 of the Project</td>
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<tr>
<td>(a) Cash Transfers under Component 3.1(a) of the Project</td>
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<td>(b) Payment Agencies fees and services under Component</td>
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### 3.1(b) of the Project

| (4) Consultants’ services and UNICEF’s costs under Component 3.2 of the Project |
|---|---|
| (a) Consultants’ services | 0 |
| (b) Third-Party Monitoring | 100% |
| (c) UNICEF’s Direct Costs | |
| (d) UNICEF’s Indirect Costs (2% of the total Financing) | |

**TOTAL AMOUNT** 72,100,000

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**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of paragraph A.1 above, no withdrawal shall be made for:

   (a) payments made for expenditures prior to the date of this Agreement; or

   (b) the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the Association’s knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

2. All withdrawals shall be made on the basis of the interim unaudited financial reports referred to in Section II.B.3 of this Schedule and under such other terms and conditions as the Association shall specify by notice to the Recipient contained in the Disbursement and Financial Information Letter addressed or to be addressed by the Association to the Recipient for purposes of the Financing.

3. Without prejudice to the provisions of Section 8.07 of the General Conditions, in the event that the Association requests a refund of any portion of the proceeds of the Financing that has been used in a manner inconsistent with the provisions of this Agreement, the Association and the Recipient will adopt the procedures set forth in paragraph 9 of the FMFA.
4. It is understood that the Recipient shall not be responsible for, and shall have no obligation to initiate or continue implementation of, the pertinent activities under the Project unless the proceeds of the Financing allocated to such activities have been made available to the Recipient. Notwithstanding any suspension of the Financing or any portion of the Financing under this Agreement, the Association will make available to the Recipient the portion of the proceeds of the Financing required to meet the obligations entered into by the Recipient prior to the date on which the Recipient shall have received the notice of suspension.

5. The Closing Date is September 30, 2021.
APPENDIX

Section I. Definitions

1. “Affected Person” means a person or entity who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and, “Affected Persons”, means more than one such Affected Person.


3. “AF3 Financing Agreement” means the Financing Agreement between the Association and UNICEF dated December 19, 2018, providing for the Third Additional Financing for the Original Project (Grant No. D418-RY).

4. “Alternative Procurement Arrangements” or “APA” means the special procurement arrangements set forth in Section III of Schedule 2 to this Agreement, said APA as introduced under the Association’s Procurement Framework, which came into effect in July 2016.

5. “Anti-Corruption Guidelines” means for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

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

7. “Cash-for-Work Transfers” means the payments made under Component 1.1 from the Recipient to Eligible Beneficiaries to carry out Sub-projects.

8. “Cash Transfer” means a cash transfer made by UNICEF under Component 3.1 of the Project to an eligible Cash Transfer Beneficiary.

9. “Cash Transfer Beneficiaries” means the eligible vulnerable poor household included in the SWF List, as verified as per the Project Operational Manual, and to whom UNICEF will make or has made a Cash Transfer.
10. “Conditional Cash Transfers” means the transfers to be provided by the Recipient through SFD to Eligible Beneficiaries for education, health and nutrition services based on conditions and terms set forth in the POM.

11. “Direct Costs” means the actual cost of the Recipient that can be directly traced to the deliverables and technical output under the Project.

12. “Disbursement Agreements” means the Disbursement Agreement for the Original Project between the Association and UNDP dated July 20, 2016 (Grant No. D132-RY), and the Disbursement Agreement between the Association and UNDP dated January 24, 2017, providing for an Additional Financing for the Original Project (Grant No. D162-RY).

13. “Eligible Beneficiaries” means the poor households (including youth, women and children), that are eligible to receive Cash-for-Work Transfers or Conditional Cash Transfers, as applicable under the Project in accordance the POM.

14. “Emergency” means the occurrence of an event of emergency within the territory of the Republic of Yemen resulting in famine and food insecurity crisis, for which the following notification has been issued: https://www.unocha.org/yemen/about-ocha-yemen.

15. “Environmental and Social Management Framework” or “ESMF” means the framework prepared and adopted by the Recipient dated March 29, 2019, disclosed in-country, and on the Association’s website on the same date, setting out the modalities to be followed in assessing the potential adverse environmental and social impacts of Project activities including impacts, and risks of gender-based violence and sexual exploitation and abuse and the measures to be taken to offset, reduce or mitigate such adverse impacts, including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse; as well as for the preparation of environmental and social management plans, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

16. “Excluded Expenditures” means alcoholic beverages, tobacco, un-manufactured tobacco refuse, manufactured tobacco (whether or not containing tobacco substitutes), radioactive and associated materials, pearls, precious and semiprecious stones, unworked or worked, nuclear reactors and parts therefor, fuel elements (cartridges), nonirradiated, for nuclear reactors, tobacco processing machinery, jewelry of gold, silver or platinum group metals (except watches and watchcases) and goldsmiths’ or silversmiths’ wares (including set gems), non-monetary gold (excluding gold ores and concentrates).


19. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 16, 2018, with the modifications set forth in Section II of this Appendix.

20. “Grievance Redress Mechanism” or “GRM” means the system aimed to receive and address grievances and complaints of the Project.


22. “Operating Costs” means the reasonable incremental expenses incurred on account of Project implementation by SFD, management and monitoring, including office supplies, vehicle operation, office and equipment maintenance and repair, communication, translation and interpretation, travel and supervision costs directly related to the Project.

23. “Operating Deficits Costs for Selected MFIs” means the Selected MFI’s operating costs minus its income.

24. “Original Agreements” means, respectively, the Disbursement Agreements, the AF2 Financing Agreement and the AF3 Financing Agreement, all as amended to the date of this Agreement.


26. “OSS” means the Operational Self Sufficiency measure as defined in the POM.

27. “Project Management Unit” or “PMU” means the Recipient’s management and Implementation unit referred to in Section I.A.2 of Schedule 2 to this Agreement.

28. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 31, 2019, as the same shall be updated from time to time with the concurrence of the Association.
29. “Project Operational Manual” or “POM” means the manual, satisfactory to the Association, and referred to in Section I.C of Schedule 2 to this Agreement, as the same may be amended from time to time with agreement of the Association.

30. “Respective Part of the Project” means, with respect to UNDP, Components 1 and 2 of the Project.

31. “Safeguards Instruments” means collectively, the ESMF, and any documents that might be derived therefrom.

32. “Selected MFI” means any Microfinance Institution selected to receive a Subgrant in accordance with the criteria set forth in this Agreement and the POM.

33. “Signature Date” means the latest of the two dates on which the Recipient and the Association signed this Agreement and such definition applied to all references to “the date of the Financing Agreement” in the General Conditions.

34. “Significant Event” means: (a) any significant social, labor, health and safety, security or environmental incident, accident, or circumstance involving the Project, including, without limitation, explosions, spills, and any workplace accidents that result in death, serious or multiple injury, material pollution, or any violent labor unrest or dispute between the Borrower or security forces (assigned to protect the Project) and local communities or any gender-based violence, sexual exploitation or abuse suffered by beneficiaries receiving health services at a health facility under the Project; or (b) any other event or circumstance having, or which could reasonably be expected to have, a material adverse effect on the implementation or operation of the Project in accordance with the ESMF.

35. “Social Fund for Development” or “SFD” means the fund established pursuant to the Beneficiary’s Law No. 10 of 1997, as the same may be amended from time to time.

36. “Subgrant” means a grant made in accordance with the criteria set forth in the Project Operational Manual by the Recipient to a Selected MFI, for the purpose of relieving Targeted SMEs debts.

37. “Subgrant Agreement” means the agreement to provide for Subgrants of the Grant proceeds between the SFD and a Selected MFI, under terms and conditions acceptable to the Association.

38. “Sub-project” means labor intensive work activities carried out by Eligible Beneficiaries, to be funded from Cash-for-Work Transfers in accordance with conditions set forth in this Agreement and in the Project Operational Manual.

40. “SWF List” means the Social Welfare Fund beneficiary list as prepared prior to the ongoing conflict, as said list was verified by the Recipient.

41. “Targeted SME” means any eligible SME selected in accordance with the criteria set forth in the POM and this Agreement.

42. “Third-Party Monitoring” means monitoring of the Project activities on behalf of the Recipient (including, inter alia: periodic site visits; assessment of local context and conditions; interviews; awareness raising; training and preparation of reports) to be carried out by a Third-Party Monitoring Agent with the purpose of carrying out satisfactory monitoring and evaluation of the activities of the Project in the areas where the Recipient has limited or no access due to the current conflict situation in the territory of the Republic of Yemen.

43. “Third-Party Monitoring Agent” means a firm or organization, with internationally recognized expertise in monitoring and evaluation of development projects, including for financial management, procurement, and environmental safeguards aspects of such development projects, said firm or organization to be engaged by the Recipient for carrying out of Third-Party Monitoring in accordance with relevant terms of reference reviewed and confirmed by the Association.

44. “World Bank Group” means the Association, the Bank, the International Finance Corporation, the International Centre for the Settlement of Investment Disputes, and the Multilateral Investment Guarantee Agency.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 2.06 (Financing Taxes) is deleted in its entirety, and the remaining sections in Article II are renumbered accordingly.

2. The following sections in Article III are deleted in their entirety: Sections 3.02 (Commitment Charge), 3.14 (Place of Payment), 3.15 (Currency of Payment), 3.16 (Amount of Repayment), 3.18 (Manner of Payment), and 3.19 (Temporary Currency Substitution), and the remaining sections are renumbered accordingly.

3. Section 5.07 (Plans; Documents; Records), Section 5.09 (Financial Management, Financial Statements, Audits), Section 5.13 (Procurement) and Section 5.14 (Anti-Corruption) are, respectively, deleted in their entirety, and the remaining sections in Article V are renumbered accordingly.

4. In Section 5.10 (renumbered as Section 5.08) (Cooperation and Consultation), paragraph (a) is modified as follows:
“(a) from time to time, at the request of either one of them, exchange views on the Project, the Financing, and the performance of their respective obligations under the Legal Agreement;”

5 In Section 5.11 (renumbered as Section 5.09) (Visits), paragraphs (a) and (b) are, respectively, modified to reads as follows:

“(a) The Recipient shall take all action necessary or useful to ensure that the Member Country affords all reasonable opportunity for representatives of the Association to visit any part of their territories for purposes related to the Financing or the Project.”

“(b) The Recipient shall enable the Association’s representatives: (i) to visit any facilities and construction sites included in the Project; and (ii) to examine the goods financed out of the proceeds of the Financing for the Project, and any plants, installations, sites, works, buildings, property, equipment, relevant to performance of its obligations under the Legal Agreement.”

6. Section 6.01 (Financial and Economic Data) is deleted in its entirety.

7. Sections 8.02(a) (Payment Failure) is modified as follows:

   (a) “Paragraph (a) on Payment Failure is replaced with the following: if the Republic of Yemen has failed to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Association or the International Bank for Reconstruction and Development (“Bank”): (i) under any agreement between the Republic of Yemen and the Association or the Bank; or (ii) in consequence of any guarantee extended or other financial obligation of any kind assumed by the Association or the Bank to any third party with the agreement of the Republic of Yemen.”

8. Sections 9.01 (Enforceability), 9.02 (Failure to Exercise Rights), and 9.03 (Arbitration) under Article IX are, respectively, deleted and replaced with the provisions of Section 21 of the FMFA.

9. Paragraphs 5, 17, 55, 78, 87 and 109 of the Appendix (Definitions) are, respectively, deleted in their entirety and the remaining paragraphs in the Definitions are renumbered accordingly.

10. Paragraph 79 and 94 (now renumbered as paragraph 75 and 92, respectively) in the Appendix (Definitions) is modified as follows:
“79. “Member Country” means the member of the Association in whose territory the Project is carried out or any such member's political or administrative subdivisions.”

94. “Recipient” means the party to the Financing Agreement to which the Grant is extended.”