Health Results Innovation Trust Fund

Grant Agreement

(Maternal and Newborn Voucher Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Administrator of the Health Results Innovation Trust Fund

Dated April 11, 2014
GRANT AGREEMENT

AGREEMENT dated April 11, 2014, entered into between REPUBLIC OF YEMEN ("Recipient"); and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Health Results Innovation Trust Fund.

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 ("Standard Conditions"), with the modifications set forth in Section I of 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 Standard Conditions or in this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity ("Project Implementing Entity") in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time ("Project Agreement").

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to ten
million United States Dollars ($10,000,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely, that Law No. 10 of 1997 of the Recipient has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the World Bank, the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied:

(a) The Co-financing Agreement dated the same date as this Agreement, between the Recipient and the World Bank, providing a grant in support of the Project ("Financing Agreement"), has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

(b) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make
withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article VI**

**Recipient’s Representative; Addresses**

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Planning and International Cooperation.

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

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

Facsimile: 967-1-250-665  
967-1-250-605

6.03. 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)  
Washington, D.C.  
Facsimile: 1-202-477-6391
AGREED at Washington D.C., United States of America, as of the day and year first above written.

REPUBLIC OF YEMEN

By

[Signature]

Authorized Representative

Name: Mohammed Saeed Al-Saedi

Title: Minister

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the Health Results Innovation Trust Fund

By

[Signature]

Authorized Representative

Name: Lory Andersen

Title: Regional Vice President
SCHEDULE 1

Project Description

The objective of the Project is to increase the utilization of maternal and newborn health services in the Project Target Areas.

The Project consists of the following parts:

PART A: Improving Access to Maternal and Newborn Health Services

Carrying out a program of activities (Voucher Program) designed to improve access to maternal and newborn health and family planning services through results-based payments to service providers for the reimbursement of vouchers and cash benefits provided to eligible Beneficiaries.

PART B: Results-Based Monitoring, Voucher Management, Technical Audit, and Project Management

Strengthening the capacity for Project and voucher management and implementation for the Project Implementing Entity including, external technical audit, communications strategies, monitoring and evaluation, and financial audit, through the provision of technical advisory services, operating costs and acquisition of goods.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant allocated from time to time to the Categories set forth in Section IV.A.2 of this Schedule available to the Project Implementing Entity under a subsidiary agreement ("Subsidiary Agreement") between the Recipient and the Project Implementing Entity, under terms and conditions approved by the World Bank.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Operations Manual

1. The Recipient shall carry out the Project, in accordance with the provisions of a manual satisfactory to the World Bank, which shall include, inter alia, the following provisions: (a) fiduciary (procurement, disbursement and financial management) arrangements; (b) institutional administration, coordination and day-to-day execution of activities under the Project; (c) monitoring, evaluation, and fraud control, including the use of independent verification auditors and reporting requirements; (d) program partners and contractual arrangements with service providers; (e) Voucher Program design (including Beneficiaries, targeting system, voucher benefits package, other benefits, selection and contracting of providers, quality control, cost of service reimbursements, voucher distribution, and claims processing and data management); (f) information, training and communications; and (g) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project (Operations Manual).

2. In case of any conflict between the arrangements and procedures set out in the Operations Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail and, except as the World Bank shall otherwise agree, the Recipient shall not amend, abrogate or waive any provision of the Operations Manual without the prior written agreement of the World Bank.
C. **External Technical Auditor**

1. The Recipient 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 this 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: (a) 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); (b) verifying voucher distribution data; (c) verifying reported utilization data provided by the Service Providers; (d) 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; (e) conducting a sample of field interviews with the Beneficiaries; (f) assessing the Project Implementing Entity’s verification and fraud control measures; and (g) preparing and furnishing the technical audit report for each six (6) months period to the Recipient, the World Bank and the Project Implementing Entity not later than six months after the end of each such period.

3. The Recipient shall cause the Project Implementing Entity to, not later than three (3) months after the Effective Date, prepare and submit to the World Bank, the terms of reference for the reviews referred to in paragraph I.C.2 immediately above, in form and substance satisfactory to the World Bank.

D. **Annual Work Plan and Budget**

1. The Recipient shall cause the Project Implementing Entity to prepare and furnish to the World Bank for its approval, not later than December 31 of each year during the implementation of the Project, a proposed annual work plan and budget containing all activities proposed to be carried out under the Project in the following fiscal year.

2. The Recipient shall cause the Project Implementing Entity to afford the World Bank a reasonable opportunity to exchange views with the Recipient on each such proposed annual work plan and budget, and thereafter to implement the Project or cause it to be implemented with due diligence in accordance with such annual work plan and budget as shall have been approved by the World Bank ("Annual Work Plan").
E. Anti-Corruption

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

F. Maternal and Newborn Voucher Program

1. General

The Recipient shall, through the Project Implementing Entity, coordinate, implement, monitor and issue payments for eligible and verified claims for services provided in accordance with the provisions and procedures of this Section I.F, and as set forth or referred to in more detail in the Operations Manual.

2. Administration of the Voucher Program

(a) The Recipient shall, through the Project Implementing Entity:

(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 with 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, *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**

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

(b) No proposed Service Provider shall be eligible for a contract 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 World Bank, and the Recipient 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) satisfied itself that a Service Provider is certified to meet the minimum standards of the quality improvement program on the basis of eligibility criteria set forth in the Operations Manual.

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

The Recipient shall, through the Project Implementing Entity, 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 World Bank, 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 Recipient 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 and the World Bank and to accomplish the purposes of the Grant, and, except as the World Bank shall otherwise agree, the Recipient 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 Recipient shall, through the Project Implementing Entity, not later than six (6) months after the commencement of Voucher Program (and thereafter with such frequency as shall be set out 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 World Bank, 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 Recipient shall cause the external verification system referred to in sub-paragraph (a) immediately above to be reviewed during the mid-term review referred to in Section II.A.2 of this Schedule, and thereafter, make any changes to the external verification system as shall be agreed with the World Bank.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Mid-Term Review; Implementation Completion Report

1. Project Reports

The Recipient shall, through the Project Implementing Entity, 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 indicators acceptable to the World Bank. Each Project report shall cover the period of six calendar months, 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.

2. Mid-Term Review

(a) The Recipient shall, through the Project Implementing Entity, not later than twenty four (24) months after the Effective Date, prepare and furnish to the World Bank, in form and substance satisfactory to the World Bank, 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 World Bank shall review the report referred to in the paragraph 2 (a) immediately above and, the Recipient 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 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.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. 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.
3. The Recipient shall have its Financial Statements for the Project 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.

Section III. **Procurement**

A. **General**

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; (b) Framework agreement; (c) direct contracting; and (d) National Competitive Bidding, subject to the following additional provisions:

   (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) the modified national standard bidding documents approved by the World Bank shall be used;

(d) 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;

(e) 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;

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

(g) 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;

(h) 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);

(i) 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;

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

(k) 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;

(l) 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

(m) each contract financed from the proceeds of the Financing 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.

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 assignments which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection based on Consultants’ Qualifications; (c) Selection under a Fixed Budget; (d) Single-source Selection of consulting firms; (e) procedures set forth in paragraphs 5.2, 5.3 and 5.4 of the Consultant Guidelines for Selection of Individual Consultants; and (f) Single-source procedures for the Selection of Individual Consultants.

D. 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.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of 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 table in paragraph 2.

2. The following 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) Results based-payments for Voucher Program under Part A of the Project</td>
<td>8,200,000</td>
<td>50%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants’ services, Operating Costs, and Training under Part B of the Project</td>
<td>1,800,000</td>
<td>50%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>10,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purpose of the table set forth immediately above:

1. "Operating Costs" means the incremental expenses incurred on account of Project implementation, based on the Annual Work Plan and Budget approved by the World Bank pursuant to Section I.D of Schedule 2 to this Agreement, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, *per diem* and supervision costs of locally contracted employees, excluding the salaries of the Recipient’s civil service.

2. "Training" means the cost associated with the training, workshops and study tours, based on Annual Work Plan and Budget approved by the World Bank pursuant to Section I.D of Schedule 2 to this Agreement, 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-consulting 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:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $100,000 equivalent may be made for payments made prior to this date but on or after April 1, 2014, for Eligible Expenditures under Category (2).

   (b) under Category (1) unless a pertinent Service Agreement has been signed between the Recipient and Service Providers, as shall be evidenced by the first three (3) Service Agreements, which shall be submitted to the World Bank.

   (c) under Category (1), unless the voucher management information system for processing claims submitted by respective Service Providers, and data validation has been established within the Project Implementing Entity and said voucher management information system is operational, in a manner satisfactory to the World Bank.

2. The Closing Date is December 31, 2019.
SCHEDULE 3

Terms and Conditions of the Subsidiary Agreement

The Subsidiary Agreement shall include the following provisions:

A. Obligations of the Project Implementing Entity

1. the requirement that the Project Implementing Entity: (a) carry out the fiduciary (i.e., financial and procurement) management; (b) management of Voucher Program under Part A of the Project, all with due diligence and efficiency, in conformity with appropriate administrative, financial, technical, environmental and social standards acceptable to the World Bank, and provide, or cause to be provided, promptly as needed, the facilities, services and other resources required for the purpose;

2. the obligation of the Project Implementing Entity to: (a) comply, and to ensure compliance with the procedures for procurement of goods, non-consulting services and consultants’ services set forth in Section III of Schedule 2 to this Agreement; and (b) ensure that all such works, goods and consultants’ services, are used solely for the purpose of the Project;

3. the requirement that the Project Implementing Entity fully collaborate with the Recipient in order to permit timely compliance with the requirements set forth in Section II.A and II.B of Schedule 2 to this Agreement, including that the Project Implementing entity: (a) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Project and the achievement of the Project’s objectives; (b) (i) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect its operations and financial condition, including the operations, resources and expenditures related to the Project; and (ii) have such financial statements audited annually by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; (c) enable the Recipient and the World Bank to inspect the Project, its operation and any relevant records and documents; and (d) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing;

4. the obligation of the Project Implementing Entity to exchange views with the Recipient and the World Bank with regard to the progress of the Project, and the performance of its obligations under the Subsidiary Agreement;
5. the obligation of the Project Implementing Entity to comply with the provisions of the Anti-Corruption Guidelines;

6. the obligation of the Project Implementing Entity to ensure that the Voucher Program is carried out by the eligible Service Providers in accordance with the provisions of the Anti-Corruption Guidelines;

7. the obligation of the Project Implementing Entity not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Subsidiary Agreement or any provision thereof, unless previously agreed by the Recipient and the World Bank; and

8. the obligation of the Project Implementing Entity to take or permit to be taken all actions to enable the Recipient to comply with its obligations under this Agreement and/or the Subsidiary Agreement, as the case may be.

B. The obligations of the Recipient:

1. to promptly disburse to the Project Implementing Entity the proceeds of the Grant to finance the carrying out of the Project with due diligence and efficiency;

2. to support the implementation of the Project and take all necessary measures to ensure timely external technical audit of the Voucher Program.

3. to take or permit to be taken all action to enable the Project Implementing Entity to comply with its obligations under the Project Agreement and/or the Subsidiary Agreement, as the case may be;

4. to ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines; and

5. not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Subsidiary Agreement or any provision thereof unless as may otherwise be agreed by the World Bank.

C. The right of the Recipient to take remedial actions against the Project Implementing Entity in case that the Project Implementing Entity shall have failed to comply with any of its obligations under the Subsidiary Agreement.
APPENDIX

Definitions


2. “Beneficiaries” means eligible individuals, specifically vulnerable women of defined reproductive age, and newborn children who are recipients of vouchers and other benefits for maternal and newborn health services and family planning services under the Voucher Program under Part A of the Project.

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

4. “Co-financier” means the International Development Association (Grant No. H924-RY).

5. “Co-financing” means an amount of six million six hundred thousand Special Drawing Rights (SDR 6,600,000), to be provided by the Co-financier to assist in financing the Project.

6. “Co-financing Agreement” means the agreement between the Recipient and the Co-financier providing for the Co-financing.


8. “External Technical Auditor” means the external auditor contracted to carry out independent verification and review of the Voucher Program, and referred to in Section I.C of Schedule 2 to this Agreement.


10. “Operations Manual” means the manual, satisfactory to the World Bank, 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 World Bank.

12. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated February 3, 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. "Project Target Area" means the following governorates within the territory of the Recipient, Taiz, Hodaida, Sana’a City and Governorate, and Hadramout.

15. "Service Agreement" means an agreement between the Project Implementing Entity and a Service Provider as such agreement may be amended from time to time.

16. "Service Provider" means an eligible health facility consisting of certified and registered community health workers and/or midwives, operating at the community, district, governorate or regional level.

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

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

19. "Voucher Management Team" means the Project management team referred to in Section I.A.1 of the Schedule to the Project Agreement.

20. "Voucher Program" means the Recipient’s maternal and newborn voucher program, a result-based voucher system to make payments or reimbursements to Service Providers against vouchers and cash benefits provided to Beneficiaries, in accordance with the selection criteria and procedures and on terms and conditions set forth in the Operations Manual, and referred to in Section I.F of Schedule 2 to this Agreement.