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**GRANT NUMBER E056-RY**

# **Financing Agreement**

**(Program on Sustainable Fishery Development in Red Sea and Gulf of Aden)**

**between**

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

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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## GRANT NUMBER E056-RY

### FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the UNITED NATIONS DEVELOPMENT PROGRAMME (for the benefit of the Republic of Yemen) (“UNDP” or “Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the project as described in Schedule 1 to the Agreement (“Project”), upon the terms and conditions set forth in this Agreement.

WHEREAS: (A) 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;

(B) having satisfied itself as to the feasibility and priority of the Project, by a letter dated April 26, 2022 the Recipient, through UN Office of the Resident and Humanitarian Coordinator for the Republic of Yemen, has requested the Association to assist in the financing of the Project.

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 in the FMFA to “Trust Fund Grant(s)” shall be references to the Financing referred to in Section 2.01 of this Agreement;
  - (c) all references in the FMFA to “the UN” and to a “UN Organization”, including in particular reference in Section 7 of the FMFA, shall be references to “United Nations Development Programme (“UNDP”)”;

- (d) all references in the FMFA to “the UN Controller” shall be references to the “UNDP Comptroller”;
  - (e) all references in the FMFA to “the UN Financial Regulations” shall be references to the “UNDP Financial Regulations and Rules”; and
  - (f) all references in the FMFA to the “Parties” shall be references to the “Association” and the “United Nations Development Programme”, alternatively, to the “Association” on the one hand and all “UN Organizations” (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, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to thirty million seven hundred thousand Special Drawing Rights (SDR 30,700,000) (“Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

## **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall, and shall cause carry out Part 2 of the Project (“its Respective Part of the Project”) in accordance with the provisions of Article V of the General Conditions and 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 is incomplete or inaccurate in any material respect;
- (d) if the Association reasonably determines that the actions taken by the Recipient under Section I.C.1 of the Schedule 2 to this Agreement have not been sufficient to fulfill its fiduciary obligation with respect to the Financing; or
- (e) if, the Association for any reason revokes the application of the Alternative Procurement Arrangements set forth in Section III.1 of Schedule 2 to this Agreement.

#### **ARTICLE V —EFFECTIVENESS; TERMINATION**

- 5.01. This Agreement shall not become effective until evidence satisfactory to the Bank has been furnished to the Association that the Recipient has adopted: (a) the Project Operational Manual; and (b) the Gender Action Plan, both in the form and substance satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date thirty (30) days after the Signature Date.
- 5.03. For purposes of Section 10.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is ten (10) years after the Signature Date.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Recipient's Representative is the Resident Representative for 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: Resident Representative)

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)  
(Attention: The Comptroller)

auke.lootsma@undp.org

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.

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

By:

*Auke Lootsma*

\_\_\_\_\_  
Authorized Representative

Name: Auke Lootsma

Title: Resident Representative

Date: 21-Jun-2022

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By:

*Boutheina Guermazi*

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Authorized Representative

Name: Boutheina Guermazi

Title: Director, Regional Integration

Date: 21-Jun-2022

## SCHEDULE 1

### Project Description

The objective of the Project is to strengthen mechanisms for regional collaborative management of fishery in the Red Sea and Gulf of Aden (RSGA) region and improve the effective fishery value chain in Yemen.

The Project consists of the following parts:

- 1.1 **Part 1: Strengthening Regional Collaboration in Management of Marine Fisheries and Aquaculture in the RSGA Region** *PERSGA Regional Information Management System (RIMS), monitoring network and institutional capacity.* Building the capacity of PERSGA, as a regional organization, to compile data on catch and fishing effort and analyze the relevant statistics received from its member states and make this information available to its member states as assigned to PERSGA by the regional convention and derived regional protocol, including improving RIMS hardware and software and networking for integrated functions; supported for its capacity for processing, analyzing and utilizing fishery data to support science-based policies and their implementation in the RSGA region; support for PERSGA system capacity for monitoring marine environment; promoting system capacity for design and communication tools; and updating institutional guidelines and promoting PERSGA's capacity in resource management, accounting policies and procedures, financial reporting and monitoring, procurement procedures, project cycle management, risk assessment; and environmental and social risks and impacts assessment, planning and management.
- 1.2 ***Regional platforms for capacity building and regional coordination of sustainable fisheries and aquaculture in the regional management mechanism.*** Capacity development, technical assistance and effective coordination on fishery management at the regional level under the Jeddah Convention and the related regional protocols, including the Regional Fisheries Protocol for RSGA; support for developing technical manuals and a regional mechanism to share information with member states on fishery statistics and knowledge; developing technical guidelines and conducting training programs for national capacities on fisheries statistics and sustainable management of fisheries and aquaculture; support for developing technical guidelines, and provision of operational costs and technical assistance, for the establishment and maintenance of regional platforms to effectively coordinate efforts in fisheries management, policies and legislation; protection and restoration of critical fish habitat; biosecurity in aquaculture, and regional mechanism to interact with relevant international efforts; technical assistance and provision of operating costs for developing toolkits for effective fisheries monitoring; support for developing a Regional Plan of Action for

combating Illegal, Unreported and Unregulated fishing (RPOA-IUU), and other specific action plans concerning conservation of vulnerable non target species.

- 1.3 ***Citizen, private sector and development partner engagement in the regional sustainable fishery mechanism through enhanced knowledge management, communication strategies and awareness.*** Technical assistance, consultations, and operating costs for supporting citizen, private sector and development partner engagement; raising awareness through effective communication and reporting on regional cooperation actions; building PERSGA's capacity to make use of the information and process of joint assessment of RSGA fisheries status and trends in the RSGA large ecosystems; and its feedback to policy instruments at the regional level, and to assist facilitate their implementation; developing special awareness activities; development of technical guidelines for best practices in knowledge management for specialists and a regional platform for sharing knowledge, and facilitating linkages to research and development institutes addressing issues related to sustainable fisheries and aquaculture management in the RSGA region.

**Part 2: Improving Economic Opportunities, Food Security and Effective Management of Fishery Production in Yemen**

- 2.1 ***Improving the resilience of the fishery value chain for sustained livelihoods.*** Improvement of fishery production and quality by reducing post-harvest losses and improving climate resilience and access to markets, through: (a) micro grants by SMEPS to fisher households and micro and small enterprises engaged in the fishing value chain; (b) microgrants by SMEPS in entrepreneurship and business development opportunities for women and youth in the fishery value chain; (c) matching microgrants by SMEPS for fishery associations and cooperatives to improve production and services; (d) restoration and development by PWP of key fishery assets including improving landing sites, supplying fixed and mobile cold storage facilities, use of clean technologies such as solar for ice production and for energy generation for auction facilities, and a digital information system hosted by the GAF on pricing in different markets and capability to transmit early weather warnings to fishing communities; and (e) capacity building, training and awareness creation to strengthen institutions, fisheries and coastal communities, including building the capacity of fishery associations and cooperatives for improved services, training fishers and other relevant coastal community members on sustainable fishing practices and related aspects, and on the nutritional benefits of fish and guidance on utilization of fish as a key protein source.



- 2.2 **Governance systems and knowledge developed for effective management and climate resilience of fisheries.** Developing sub-national governance systems and knowledge to effectively manage fisheries and ensure climate resilience through: (a) establishing sub-regional fishery governance committees led by GAF that complement the implementation fishery strategies and regulations related to management of fisheries and other marine resources, (b) establishing approaches for regular fishery data collection and reporting under limited capacity setting, (c) study on fishery sector diversification and development of a business model, and (d) developing sub-national fishery management plans that will respond to short-term needs of the sector and beneficiaries under the current humanitarian context and to develop the medium to long-term needs of the sector.

### **Part 3: Project Management and Knowledge Management**

- 3.1 **Program coordination, project management, monitoring and evaluation and reporting by PERSGA.** Support for PERSGA's implementation of Part 1 of the Project, including technical assistance, training, Operating Costs, and goods to ensure compliance with technical, fiduciary, environmental and social requirements; implementation of the ongoing communication activities to raise awareness about the Project and implementation progress; coordination with UNDP to ensure joint implementation of fishery data collection and reporting and related capacity building at the country level; monitoring and evaluation; maintenance of a Grievance Mechanism; and establishment and maintenance of a Coordination Committee.
- 3.2 **Project management, monitoring and evaluation and reporting by UNDP.** Facilitating UNDP's implementation of Part 2 of the Project, administration, management and monitoring and evaluation, including: (a) UNDP's Direct Costs; (b) UNDP's Indirect Costs and general management; (c) provision of consultancy services required for technical assistance and implementation support for UNDP; (d) audit; (e) Third-Party Monitoring for the Project; and (f) maintenance of a Grievance Mechanism.

## 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 in conformity with appropriate administrative, financial, technical, Environmental and Social Standards and practices and in accordance with the FMFA, ESCP, 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. In order to ensure proper implementation of its Respective Part of the Project, within thirty (30) days of the Effective Date, the Recipient shall establish, and thereafter maintain, throughout the Project implementation period, a project coordination unit (PCU) based in the Recipient's office in the Republic of Yemen which shall be responsible for the day-to-day management and implementation of its Respective Part of the Project, with composition, mandate and resources satisfactory to the Association, including, *inter alia*, a project coordinator, procurement specialist(s), financial management specialist(s), technical specialist(s), monitoring and evaluation specialist(s) and environmental and social management specialist(s).
3. The Recipient shall coordinate with PERSGA in establishing and thereafter maintaining, throughout Project implementation, a Coordination Committee, composed of representatives of the implementing institutions participating in the implementation, monitoring and evaluation of the Project, and will ensure attendance of its representatives at the Coordination Committee's meeting, at the frequency level and terms and conditions acceptable to the Association and described in the POM.
4. The Recipient shall carry out its supervision and monitoring of its Respective Part of Project activities, in accordance with its own policies and procedures, and shall submit information related to said supervision and monitoring to the Association in the detail and frequency as the Association and Recipient shall agree in writing.
5. To facilitate the carrying out of Part 2.1 of the Project, the Recipient shall:
  - (a) make part of the proceeds of the Financing allocated from time to time to Category (1) of the table set forth in Section IV.A of this Schedule available to the Yemen Partners under a partnership agreement or service contract between the Recipient and each of the Yemen Partners, under

terms and conditions approved by the Association (“Letter of Agreement”), which shall include:

- (i) the obligation of Yemen Partners to assist the Recipient in complying with its obligations under this Agreement, as applicable to Part 2.1 of the Project;
  - (ii) the obligation of Yemen Partners to promptly inform the Recipient of any condition which interferes or threatens to interfere with the implementation of Part 2.1 of the Project;
  - (iii) the obligation of the Yemen Partners to carry out their respective responsibilities under Part 2.1 of the Project in accordance with the Project Operational Manual;
  - (iv) the obligation of Yemen Partners to: (i) 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, resources and expenditures related to Part 2.1 of the Project; and
  - (v) the right of the Recipient to take remedial actions against Yemen Partners, in case Yemen Partners shall have failed to comply with any of its obligations under the Letters of Agreement, which actions may include, *inter alia*, the partial or total suspension and/or cancellation or refund of all or any part of the proceeds of the Financing transferred to the Yemen Partners pursuant to Letters of Agreement (as the case may be).
- (b) The Recipient shall exercise its rights under the Letters of Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Letters of Agreement or any of their provisions.

## **B. Implementation Covenants**

### **1. Project Operational Manual**

- (a) The Recipient, shall prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association an operational manual for Part 2 of the Project, in form and substance acceptable to the Association, containing, *inter alia*, detailed arrangements and procedures for: (i) implementation arrangements, including the

respective roles of reach of the Yemen Partners; (ii) administrative aspects; (iii) procurement; (iv) implementation of environmental and social instruments referred to in the ESCP; (v) financial management and accounting; (vi) monitoring and evaluation; (vii) eligibility criteria and procedures for provision of micro grants under Part 2.1(a); and (viii) any such other technical, administrative, fiduciary or coordination arrangements as may be necessary to ensure effective Project implementation.

- (b) The Recipient shall: (i) furnish the manual referred to in Section B.1(a) above to the Association for review; (ii) afford the Association a reasonable opportunity to exchange views with the Recipient on said manual; and (iii) thereafter adopt said manual as shall have been approved by the Association (“Project Operational Manual” or “POM”).
- (c) The Recipient shall: (i) carry out its Respective Part of the Project in accordance with the POM; and (ii) not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the POM or any provision thereof, without the prior written agreement of the Association.
- (d) Notwithstanding the foregoing, in the event of any inconsistency between the provisions of the POM, and those of this Agreement, the provisions of this Agreement shall prevail.

## 2. **Annual Work Plans and Budgets**

- (a) The Recipient shall, not later than three (3) months after the Effective Date, and thereafter, on November 1, of each year during the implementation of the Project, or such later date as the Association may agree in writing, prepare and furnish to the Association for its approval, the annual work plan and budget containing all proposed activities for inclusion in the Recipient’s Respective Part of the Project during the following calendar year, together with the financing plan for such activities and a timetable for their implementation.
- (b) The Recipient shall afford the Association a reasonable opportunity to exchange views with the Recipient on such proposed annual work plan and budget and thereafter ensure that the Respective Parts of the Project are implemented in accordance with such annual work plan and budget as shall have been approved by the Recipient and the Association (“Annual Work Plan and Budget” or “AWPB”).
- (c) The Recipient shall ensure that its Respective Parts of the Project is implemented in accordance with the AWPB as it may be subsequently revised or updated with the prior written agreement of the Association

(provided, however, that in the event of any conflict between the AWPB and the provisions of this Agreement, the provisions of this Agreement shall prevail).

**C. 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 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 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) Without limitation to paragraph (a) above, concurrently with submission of a Project Report under Section II.A, the Recipient shall submit to the Association a statement confirming whether or not, during the reporting period of the Project Report, Recipient has received any non-frivolous allegations referred to in paragraph (a) above, and a brief description of any such allegations received.
  - (c) 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. 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.
  - (d) 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.
  - (e) To the extent consistent with the Recipient's Regulations and Rules, it will keep the Association regularly informed by agreed means of actions taken pursuant to Section I.C.1(d) 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. 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 a purpose mutually agreed upon.

2. In the event that the Association reasonably believes that timely and appropriate action has not been taken by the Recipient under Section I.C.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 relevant provisions in UNDP's 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.C.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.C.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 C.1 of this Section, the Association retains the right to conduct an investigation in connection with the information referred to in paragraph C.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 or other United Nations agency. In all such investigations, the Recipient agrees to facilitate 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 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.C, 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.

**D. Third-Party Monitoring**

1. Within thirty (30) days of the Effective Date, the Recipient shall contract and maintain throughout Project implementation, Third-Party Monitoring Agent(s) (TPMA) with qualifications, experience and terms of reference acceptable to the Association, to be financed out of the proceeds of the Financing as set forth in the table under Section IV.A. of Schedule 2 to this Agreement, to carry out Third-Party Monitoring of the Project implementation. The Recipient shall share with the Association summary of qualifications of the recommended candidate entity(ies) for the contract of the Third-Party Monitoring Agent(s) prior to their hiring.
2. Each monitoring report prepared by the Third-Party Monitoring Agent(s) shall cover a period of six (6) months. The Recipient, upon receipt of the Third-Party Monitoring report from the Third-Party Monitoring Agent(s), shall promptly furnish said report to the Association, and no later than ten days from the receipt of the Third-Party Monitoring Agent's report with any comments that the Recipient may have.

**E. Environmental and Social Standards**

1. The Recipient shall, and shall cause Yemen Partners to, ensure that its Respective Part of the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall, and shall cause Yemen Partners to, ensure that its Respective Part of the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall, and shall cause Yemen Partners to, ensure that:
  - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and provided in the ESCP;
  - (b) sufficient funds from the Financing are available to cover the costs of implementing the ESCP;
  - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
  - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.



3. Without limitation upon the provisions of paragraph 2 above, if sixty (60) days prior to the Closing Date, the Association determines that there are measures and actions specified in the ESCP which will not be completed by the Closing Date, the Recipient shall: (a) not later than thirty (30) days before the Closing Date, prepare and present to the Association, an action plan satisfactory to the Association on the outstanding measures and actions, including a timetable and budget allocation from the Financing for such measures and actions (which action plan shall be deemed to be considered an amendment of the ESCP); and (b) thereafter, carry out said action plan in accordance with its terms and in a manner acceptable to the Association.
4. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
5. The Recipient shall, and shall cause Yemen Partners to ensure that:
  - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
  - (b) the Association is promptly notified of any Significant Event related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
6. The Recipient shall, and shall cause Yemen Partners to, establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
7. The Recipient shall, and shall cause Yemen Partners to, ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors, and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and

signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

The Recipient shall furnish to the Association each Project Report (i.e., a semi-annual interim Project Report providing for a summary of activities covering a period of six calendar months, and a detailed annual Project Report), not later than forty-five (45) days after the end of each six calendar months, covering the six calendar months. The Recipient shall ensure that each Project Report contains an update on the implementation of the activities under the Procurement Plan (“Procurement Report”).

### **B. Financial Management; Financial Reports; Audits**

1. The Recipient shall maintain 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 applicable policies, procedures, and guidance otherwise referred to as UNDP’s Financial Regulations and Rules. In accordance with Article 10 of the FMFA, the Recipient shall notify the Association of any changes to these UNDP’s Financial Regulations and Rules, that occur after the signing of this agreement within thirty (30) days of the effectiveness of such changes, and shall make such UNDP Financial Regulations and Rules available on the Recipient’s external website.
2. The Recipient shall maintain records (“Ledger Account”) and accounts that provide a complete, true and faithful record of all the expenditures from the proceeds of the Financing and of all the expenditures paid from such proceeds, in a manner that allows for the clear and separate identification of the activities financed by the Association.
3. The Recipient will prepare periodic financial statements in accordance with its Financial Regulations and accounting standards acceptable to the Association. The financial statements will be submitted to the Association in accordance with the provisions of Section II. Financial Reports and Audits of the Disbursement and Financial Information Letter referred to in Section IV.A.
4. The Recipient shall ensure that the audit of its Respective Part of the Project is: (a) carried out exclusively in accordance with UNDP’s Financial Regulations and Rules; and (b) governed by the FMFA. In addition, as agreed by the Recipient and the

Association, the Recipient shall carry out any additional due diligence activities as agreed by the Recipient and the Association in separate terms of reference.

5. The Recipient shall retain, and cause its implementing partners to retain, until at least one year or pursuant to the standard practice of the Recipient, whichever is longer, after the Association has received the final interim unaudited financial report referred to in the Disbursement and Financial Information Letter referenced in Section IV.A 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, works, non-consulting services and consulting services required for 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**

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:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed</b>
(1) Goods, works, non-consulting services, consulting services, Costs, Operating Costs, Training under	26,216,000	Up to 100%, as agreed to in the AWPB

Parts 2 and 3.2 of the Project		
(2) (a) Direct Costs under Part 3 of the Project	3,022,000	100%
(b) Indirect Costs (5%) under Part 3 of the Project	1,462,000	100%
<b>TOTAL AMOUNT</b>	30,700,000	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
  - (a) for payments made prior to the Signature Date; or
  - (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, 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.4 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.
  - (a) 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.
  - (b) 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 July 31, 2026.

**Section V. Other Undertakings**

1. The Recipient shall not transfer or channel any of the proceeds of the Financing to and/or through any central government entities in the Republic of Yemen.
2. The Recipient shall not, without the express written consent of the Association, transfer or channel any of the proceeds of the Financing to public officials or employees employed by any central government entities in the Republic of Yemen, except for public officials and employees directly involved in activities implemented under Part 2 of the Project.

## APPENDIX

### Section I. Definitions

1. “Annual Work Plan and Budget” and “AWPB” each means each annual work plan, together with the related budget, for the Project approved by the Association pursuant to the provisions of Section I.B.2 of Schedule 2 to this Agreement.
2. “Alternative Procurement Arrangements” means the procurement arrangements set forth in Section III of Schedule 2 to this Agreement, as permitted by the Association’s “Procurement Regulations for IPF Borrowers”, dated July 2016 and revised November 2017 and August 2018.
3. “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.
4. “Category” means a category set forth in the table in Section IV.A of Schedule 2 to this Agreement.
5. “Direct Costs” means the actual cost of the Recipient that can be directly traced to the deliverables and technical output on account of project management and supervision, including staffing, operating expenses and communications, expended under its Respective Parts of the Project.
6. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated May 4, 2022, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, Training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
7. “Environmental and Social Standards” or “ESSs” means, collectively:  
(i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-

Saharan Historically Underserved Traditional Local Communities”;  
(viii) “Environmental and Social Standard 8: Cultural Heritage”;  
(ix) “Environmental and Social Standard 9: Financial Intermediaries”;  
(x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.

8. “Financial Management Framework Agreement” or “FMFA” means the Financial Management Framework Agreement between the World Bank and the United Nations, dated March 10, 2006, and signed by the Recipient on March 10, 2006. For purposes of the FMFA, the “World Bank” means the Association and the International Bank for Reconstruction and Development.
9. “Financial Regulations” means the Recipient’s financial rules, regulations and procedures.
10. “General Authority of Fisheries” or “GAF” means regional fishery authorities established pursuant to Presidential Decrees Nos. 256, 257, 258 and 259 of 2010 responsible for the implementation of MAIFW fishery policies.
11. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022, with the modifications set forth in Section II of this Appendix.
12. “Indirect Costs” means the indirect costs incurred by the Recipient as a function and in support of the Project, which cannot be traced unequivocally to the deliverables and technical outputs of the Project.
13. “Jedda Convention” means the Regional Convention for the Conservation of the Red Sea and Gulf of Aden Environment (1982) among the Hashemite Kingdom of Jordan, the Kingdom of Saudi Arabia, the Republic of the Sudan, the Democratic Republic of Somalia, Palestine represented by the Palestine Liberation Organization, and the Republic of Yemen, which entered into force as of August 20, 1985.
14. “Letter of Agreement” means the agreement to be entered into between the Recipient and Yemen Partners for the implementation of Part 2 of the Project, in accordance with the provisions of Section I.A.5 of Schedule 2 to this Agreement, as the same may be amended from time with the prior written consent of the Association.
15. “Ministry of Agriculture, Irrigation and Fish Wealth” or “MAIFW” means the ministry responsible for governing fishery sector operations in Yemen established

pursuant to Presidential Decree No. 35 of 2020, merging the Ministry of Agriculture and Irrigation and the Ministry of Fish Wealth.

16. “Operating Costs” means the reasonable incremental expenses incurred on account of Project implementation by Yemen Partners, 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, *per diems* and in-country transportation or travel allowances, but excluding the salaries of the Republic of Yemen civil service.
17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 30, 2021, as the same shall be updated from time to time with the prior written approval of the Association.
18. “Procurement Report” means the report to be prepared by the Recipient and furnished to the Association in accordance with Section II.A of Schedule 2 to this Agreement.
19. “Project Operational Manual” and “POM” each means the manual to be prepared and adopted in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement, as such manual may be amended from time to time with the prior written approval of the Association.
20. “PWP” or “Public Works Project” means the Republic of Yemen’s legally separate project implementation unit, established within the framework of the Credit Agreement number 2878 Yemen dated June 27, 1996, between Government of Yemen and World Bank which was ratified by the Parliament and approved by a Presidential Decree number No. 36 of December 27, 1996, and responsible for, *inter alia*, poverty reduction and social and economic development in Yemen.
21. “Regional Fisheries Protocol for RSGA” means the proposed Protocol Concerning Regional Cooperation in Management of Fisheries and Aquaculture in the Red Sea And Gulf of Aden, to be entered into by the Republic of Djibouti, the Arab Republic of Egypt, the Hashemite Kingdom of Jordan, the Kingdom of Saudi Arabia, the Federal Republic of Somalia, the Republic of the Sudan and the Republic of Yemen.
22. “Respective Part of the Project” means Part 2 under Schedule 1 of this Agreement.
23. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.



24. “Significant Event” means any significant social, labor, health and safety, security or environmental incident, accident, or circumstance directly involving the Recipient’s Respective Parts of the Project, including without limitation, explosions, spills, and any workplace accidents that result in death or serious injuries, and any violent and exceptional labor incident or dispute involving the Recipient or security forces in the Recipient’s Respective Parts of the Project area, and local communities or any gender-based violence, sexual exploitation or abuse suffered by eligible beneficiaries under the Project or any other event which has had or could reasonably be expected to have a material adverse effect on the implementation or operation of the Recipient’s Respective Parts of the Project in accordance with the ESMF.
25. “SMEPS” or “Small and Micro Enterprise Promotion Service” means a legally separate entity which operates under the provisions of Law No. (10) of 1997 established by the Social Fund for Development, under the National Strategy for the development of small enterprises approved by the Council of Ministers on 17/1/2005, and under the decision of the Executive Director of the Social Fund for Development of 2005 in the Republic of Yemen.
26. “Third-Party Monitoring” means monitoring activities 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.
27. “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 social and environmental safeguards aspects of such development projects, to be engaged by the Recipient for carrying out Third-Party Monitoring in accordance with Section I.D.1 of Schedule 2 to this Agreement.
28. “Training” means the reasonable costs associated with training conducted under the Project based on the Annual Work Plan and Budget, such term including seminars, and workshops, and associated travel and subsistence costs for training participants, costs associated with securing the services of trainers, rental of training facilities, preparation and reproduction of training materials, and other costs directly related to training preparation and implementation of the training (but excluding goods and consulting services).
29. “World Bank Group” means the Association, the International Bank for Reconstruction and Development, the International Finance Corporation, the

International Centre for the Settlement of Investment Disputes, and the Multilateral Investment Guarantee Agency.

30. “Yemen Partners” means SMEPS, PWP, GAF, or any other local development implementation agency which the Recipient may engage, subject to UNDP’s procedures, to facilitate implementation its Respective Part of the Project, and which are involved in the implementation of other projects financed by the Association, all satisfactory to the Association.

## **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 facilitate 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 is deleted in its entirety.
7. Section 8.02(a) (*Payment Failure*) is modified as follows:
  - (a) “(a) *Payment Failure*. 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. Section 8.02(h) (*Co-financing*) is deleted in its entirety and the remaining sections in Section 8.02 under Article VIII are renumbered accordingly.
9. 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.
10. Paragraphs 5, 17, 54, 76, 85 and 107 of the Appendix (*Definitions*) are, respectively, deleted in their entirety and the remaining paragraphs in the Definitions are renumbered accordingly.
11. Paragraph 77 (now renumbered as paragraph 75) in the Appendix (*Definitions*) is modified as follows:
  - “75. “Member Country” means the member(s) of the Association in whose territory the Project is carried out or any such member’s political or administrative subdivisions.”