
GRANT NUMBER E055-RY

Financing Agreement

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

between

**THE REGIONAL ORGANIZATION FOR THE CONSERVATION OF THE
ENVIRONMENT OF THE RED SEA AND GULF OF ADEN (PERSGA)**

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER E055-RY

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between THE REGIONAL ORGANIZATION FOR THE CONSERVATION OF THE ENVIRONMENT OF THE RED SEA AND GULF OF ADEN (“PERSGA” 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.

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. 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 two million eight hundred thousand Special Drawing Rights (SDR 2,800,000) (“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 III 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 1 of the Project (“its Respective Part of the Project”) in accordance with the provisions of Article V of the General Conditions, and Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following, namely that the Jeddah Convention, the Cairo Declaration or another relevant instrument has been amended or otherwise modified, or any other action has been taken for the dissolution, disestablishment, suspension of operations, or change in legal

character of PERSGA, in either case so as to, in the opinion of the Association, materially and adversely affect the Recipient's ability to carry out its obligations under the Agreement or to achieve the objectives of the Project.

ARTICLE V —EFFECTIVENESS; TERMINATION

- 5.01. This Agreement shall not become effective until evidence satisfactory to the Association has been furnished to the Association that the Recipient has adopted (a) the Project Operational Manual; and (b) the Labor Management Procedures, 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 its Secretary General.
- 6.02. For purposes of Section 11.01 of the General Conditions:
 - (a) the Recipient's address is:

Regional Organization for the Conservation of the Environment of the Red
Sea and Gulf of Aden (PERSGA)
P.O. Box 53662
Jeddah 21583
Kingdom of Saudi Arabia

(b) the Recipient's Electronic Address is:

Facsimile:

E-mail:

(+966) 124238875

Persga@persga.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.

**THE REGIONAL ORGANIZATION FOR THE
CONSERVATION OF THE ENVIRONMENT OF THE RED
SEA AND GULF OF ADEN**

By:



Authorized Representative

Name: Ziad H. Abu Ghararah

Title: Secretary General

Date: 16-Jun-2022

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:



Authorized Representative

Name: Boutheina Guermazi

Title: Director, Regional Integration

Date: 15-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:

Part 1: Strengthening Regional Collaboration in Management of Marine Fisheries and Aquaculture in the RSGA Region

- 2.1 ***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.

- 2.2 ***Regional platform 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.

- 2.3 ***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 the 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 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 Kingdom of Saudi Arabia 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 UNDP 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 of 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.

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 its Respective Part of the Project, in form and substance acceptable to the Association, containing, *inter alia*, detailed arrangements and procedures for: (i) implementation arrangements; (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; and (vii) 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. Environmental and Social Standards

1. The Recipient shall 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 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 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 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 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 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 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”).

Section III. 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:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods, non-consulting services, consulting services, Costs, Operating Costs, Training under Part 1 and Part 3.1 of the Project	2,800,000	Up to 100%, as agreed to in the AWPB
TOTAL AMOUNT	2,800,000	

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. The Closing Date is July 31, 2026.

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. “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.
3. “Cairo Declaration” means the Cairo Declaration Concerning the Establishment of PERSGA (1995), issued pursuant to PERSGA Council Decision No. CD-1-GM1-26/9/1995.
4. “Category” means a category set forth in the table in Section III.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 April 8, 2021, 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 Regulations” means the Recipient’s financial rules, regulations and procedures.
9. “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.
10. “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.
11. “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.
12. “Jeddah 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.
13. “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.
14. “Operating Costs” means the reasonable incremental expenses incurred on account of Project implementation by PERSGA, 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.
15. “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.

16. “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.
17. “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.
18. “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.
19. “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.
20. “Respective Part of the Project” means Part 1 under Schedule 1 of this Agreement.
21. “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.
22. “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.
23. “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.

24. “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.
25. “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.
26. “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).

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 2.06 is modified to read as follows:

“Section 2.06. *Financing Taxes*

The use of any proceeds of the Grant to pay for Taxes levied by, or in the territory of, the Member Country on or in respect of Eligible Expenditures, or on their importation, manufacture, procurement or supply, if permitted by the Legal Agreements, is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits and grants. To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, adjust the percentage of such Eligible Expenditures to be financed out of the proceeds of the Grant.”

2. Paragraphs (b) and (c) of Section 3.18 (Manner of Payment) are modified to read as follows:

“(b) All Financing Payments shall be paid without restrictions of any kind imposed by, or in the territory of, the Member Country, and without deduction for, and free from, any Taxes levied by, or in the territory of, the Member Country.

(c) The Legal Agreements shall be free from any Taxes levied by, or in the territory of the Member Country, or in connection with their execution, delivery or registration.”

3. In Section 5.11, paragraph (a) is modified to read as follows:

“Section 5.11. *Visits*

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

4. In the Appendix (Definitions), the definition of “Member Country” is modified to read as follows:

“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.