

Public Disclosure Authorized

CONFORMED COPY

FPCR TF GRANT NUMBER TF092343 YEM

Public Disclosure Authorized

Food Price Crisis Response Trust Fund Grant Agreement

(Additional Financing for Third Social Fund for Development Project)

between

REPUBLIC OF YEMEN

and

**INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Trustee of the Food Price Crisis Response Trust Fund**

Dated July 1, 2008

FPCR TF GRANT NUMBER TF092343 YEM

**FOOD PRICE CRISIS RESPONSE TRUST FUND
GRANT AGREEMENT**

AGREEMENT dated July 1, 2008, entered into between REPUBLIC OF YEMEN (the "Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "World Bank"), acting as Trustee of the Food Price Crisis Response Trust Fund.

WHEREAS: (A) Pursuant to a development credit agreement entered into between the Recipient and the International Development Association dated April 23, 2004 (the Development Credit Agreement) as amended by the Agreement Amending Development Credit Agreement dated July 12, 2007, the Recipient has received a credit in an amount in various currencies equivalent to fifty-one million six hundred thousand Special Drawing Rights (SDR 51,600,000) (the IDA Credit); which includes: (a) an original amount in various currencies equivalent to forty one million seven hundred thousand Special Drawing Rights (SDR 41,700,000) (the Initial Credit); and (b) an additional amount in various currencies equivalent to nine million nine hundred thousand Special Drawing Rights (SDR 9,900,000) (the Additional Credit) for the purposes of financing the Project described in Schedule 1 of the Development Credit Agreement (the Original Project);

(B) The Recipient has recognized the necessity of undertaking certain additional activities related to the Original Project (hereinafter, Parts D and E of the Project) which, in conjunction with the activities being undertaken under the Original Project, constitute collectively the Project described in Schedule 1 to this Agreement (the Project);

(C) By Resolution of May 29, 2008, the Executive Directors of the International Bank for Reconstruction and the International Development Association have established the Food Price Crisis Response Trust Fund ("FPCR") to assist in financing programs in member countries of the World Bank aimed at reducing the negative impact of high food prices on the lives of the poor;

(D) The Recipient, having satisfied itself as to the feasibility and priority of the Project, has requested the International Development Association, acting as trustee of the FPCR, to provide assistance towards the financing of Parts D and E of the Project;

(E) The International Development Association, acting as Trustee of the FPCR, has determined that the Project falls within the purpose of the FPCR and wishes to provide financial assistance for the Project on the terms and conditions provided for under this Agreement;

(F) By the Project Agreement dated April 23, 2004, entered into between the International Development Association and the Social Fund for Development (SFD) (the

Project Agreement) as amended by Agreement Amending Project Agreement dated July 12, 2007, SFD has agreed to carry out the Original Project;

(G) Parts D and E of the Project will be carried out by the SFD with the Recipient's assistance and, as part of such assistance, the Recipient will make the proceeds of the grant provided for in Article III of this Agreement available to SFD, as set forth in this Agreement; and

(H) The World Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the World Bank and SFD (the FPCR Project Agreement).

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 ("Standard Conditions") constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Development Credit Agreement.
- 1.03. All the provisions of the Development Credit Agreement, as amended shall remain in full force and effect.

Article II
The Project

- 2.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause SFD to carry out Parts D and E of the Project in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that Parts D and E of the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III
The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to ten million United States Dollars (\$10,000,000) (“Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.

**Article IV
Additional Remedies**

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (i) of the Standard Conditions consist of the following:
 - (a) the World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient’s right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.
 - (b) SFD shall have failed to perform any of its obligations under the FPCR Project Agreement.
 - (c) As a result of events which have occurred after the date of the FPCR Grant Agreement, an extraordinary situation shall have arisen which shall make it improbable that SFD will be able to perform its obligations under the Project Agreement.
 - (d) Law No. 10 of 1997 of the Recipient, the Operations Manual of SFD or the Micro-finance Operations Manual of the Recipient shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of SFD to perform any of its obligations under the FPCR Project Agreement.
 - (e) The Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of SFD or for the suspension of its operations.

Article V
Effectiveness; Termination

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following conditions have been satisfied:
- (a) the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action; and
 - (b) the Subsidiary FPCR Grant Agreement has been executed on behalf of the Recipient and SFD.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing:
- (a) on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms;
 - (b) that the FPCR Project Agreement has been duly authorized or ratified by SFD, and is legally binding upon SFD in accordance with its terms; and
 - (c) that the Subsidiary FPCR Grant Agreement has been duly authorized or ratified by the Recipient and SFD and is legally binding upon the Recipient and SFD in accordance with its terms.
- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.04. *Termination for Failure to Become Effective.* This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of

this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Managing Director of SFD, and any person whom he or she shall designate in writing, is designated as representative of the Recipient for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of the Development Credit Agreement and Article V of the General Conditions.

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

Ministry of Planning and International Cooperation
P.O. BOX 175
Sana'a, Republic of Yemen

Cable address:	Telex:	Facsimile:
CENPLAN Sana'a	2266 CENPLAN YE	967.1.250.665

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

AGREED at Washington, District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF YEMEN

By /s/ Abdulwahab Abdulla Al-Hajjri

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Trustee of the Food Price Crisis Response Trust
Fund

By /s/ Daniela Gressani

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the range of services and economic opportunities available to the poorer segments of the population through the carrying out of community development, micro-finance and capacity building programs.

The Project consists of the Original Project and the following additional activities:

Part D: Community-based Labor-intensive Works

Provision of Sub-grants to about 8,000 to 10,000 households within the most seriously affected communities for the carrying out basic infrastructure activities in the fields of: irrigation, water harvesting, soil protection, agricultural terraces rehabilitation, maintenance and improvement of village access earth roads, streets pavement, forestation and other types of labor-intensive based on the demand and priority needs of each community.

Part E: Capacity Building of the Social Welfare Fund

Building the capacity of the social welfare fund by: (a) supporting a national survey to identify the poorest; and (b) completing a revised targeting system to improve the effectiveness of the national cash transfer safety net, through the provision of goods, training and consultants' services.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

The provisions of Sections 3.01, 3.02, 3.03 and 3.04 of the Development Credit Agreement and Section A of Schedule 2 to the Project Agreement, as amended shall apply to this Agreement, *mutatis mutandis*.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

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

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Sub- grants, Goods, Consultants’ Services, Operating Costs and Training under Parts D and E of the Project	10,000,000	100%
TOTAL AMOUNT	<u>10,000,000</u>	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2009.