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GRANT NUMBER H543-RY

# Financing Agreement

(Additional Financing for the Second Rural Access Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated March 16, 2010

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**GRANT NUMBER H543-RY**

**FINANCING AGREEMENT**

Agreement dated March 16, 2010, entered into between REPUBLIC OF YEMEN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to 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) 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 General Conditions or in the Appendix to this Agreement.

**ARTICLE II - FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to twenty five million and two hundred thousand Special Drawing Rights (SDR 25,200,000) (“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.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are April 1 and October 1 in each year.
- 2.05. The Payment Currency is United States dollars.

**ARTICLE III - PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project, through MPWH in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV - REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following, namely that a situation shall have arisen which shall make it improbable that the Program or a significant part thereof will be carried out.

**ARTICLE V - TERMINATION**

- 5.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

**ARTICLE VI - REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Minister of Planning and International Cooperation.
- 6.02. The Recipient's Address is:

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

Facsimile:

9671 250 665  
9671 250 605

6.03. The Association's Address 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)	1-202-477-6391

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

REPUBLIC OF YEMEN

By /s/ Abdulkarim Ismail Al-Arhabi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Benson Ateng

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to enable selected parts of the poor rural population to better reach markets and access social and administrative services and to formulate strategies and programs to improve efficiency in key areas of the transport sector.

The Project consists of the Original Project with the modifications set forth below:

#### Part A: Rural Access Roads

1. Improvement of about four hundred (400) or more kilometers of intermediary rural roads and about ten (10) or more kilometers of village access roads, using modern standards and implementation guidelines that are technically proven, environmentally sound and cost-effective, through the carrying out of civil works.
2. Carrying out a review of the road designs already prepared by MPWH for such rural roads and supervising the improvement works, through the provision of consultants' services.
3. Conducting feasibility and design studies for rural road improvement countrywide, through the provision of consultants' services.

#### Part B: Institutional Support and Capacity Building

1. Provision of institutional support to RAPCMO, through the establishment and operation of at least two regional offices of RAPCMO for the supervision of works required under the Program, through the provision of consultants' services and training.
2. Capacity-building of MPWH and its road sector agencies in road planning, engineering, and implementation, including the establishment of a road planning department, the preparation of multi-year programming and budgeting procedures, the update of the national road master plan, and the development of project supervision capacity, through the provision of computers, laboratory, design, and survey equipment, consultants' services, and training.
3. Development of the local road maintenance and construction industry and consultants by: (a) preparing industry guidance manuals; (b) enhancing the capacity of local road maintenance and construction enterprises and consultants for project management, work planning, cost accounting, bid preparation, procurement processes, contract documents, work supervision, and the environmental and social aspects of project preparation and implementation; and (c) carrying out a review of the regulatory

framework for contractors and consultants, all through the provision of consultants' services and training.

4. Undertaking such assessment studies of the Recipient's transport sector as may be needed to achieve the objectives of the Program.
5. Provision of support to RAPCMO to ensure its continued operation.
6. Support to RAPCMO for road design, procurement, environmental, and social reviews, economic assessment, financial and technical audits, Program management and preparation of a stakeholders guidance manual on the resolution of social issues, through the provision of goods and consultants' services.
7. Conducting a study to formulate strategies and programs for urban transport in Sanaa, through the provision of consultants' services.

Part C: Road Maintenance

1. Maintenance of at least six hundred and forty (640) kilometers of roads, through the carrying out of civil works.
2. Preparation of tender documents, contracts, and specifications, for such road maintenance and the supervision of works, through provision of consultants' services.
3. Strengthening the capacity of RMF to manage the maintenance of the Recipient's roads and to maintain and improve the operation of its road management system, through the provision of goods and consultants' services.
4. Preparation of road condition surveys on about 7000 km of paved roads, through the provision of consultants' services.
5. Conducting an assessment of the performance of the Recipient's General Corporation for Roads and Bridges (GCRB) and designing improved contractual arrangements for road maintenance, through the provision of consultants' services.
6. Capacity development of government agencies involved in road safety, including the safety audit of a main corridor and the preparation of bidding documents for improvement of such corridor, through the provision of consultants' services and training.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Recipient shall vest responsibility for the implementation of the Project in MPWH.

2. For the purposes of assisting MPWH in the implementation of Parts A and B of the Project, and in order to ensure the proper coordination of the execution of said Parts of the Project, the Recipient shall maintain RAPCMO with adequate resources and facilities, and professional staff in adequate numbers whose qualifications, experience and terms of reference shall be acceptable to the Association. RAPCMO shall operate under the auspices of the Steering Committee to be maintained by the Recipient with membership and terms of reference acceptable to the Association.

3. The functions of RAPCMO shall include, *inter alia*, responsibility for: (a) the procurement process, financial management and the preparation of withdrawal applications under Parts A and B of the Project; (b) monitoring, in accordance with indicators agreed upon with the Association, progress in implementing Parts A and B of the Project; (c) preparation, for submission to the Association, of annual work programs and updated procurement plans relating to Parts A and B of the Project; (d) carrying out, on an annual basis, technical audits of roads rehabilitated under Part A.1 of the Project; and (e) preparation, for submission to the Association, of the reports referred to under Section II.A of this Schedule. RAPCMO shall also include an environmental and social management unit whose main responsibility shall be to review and approve environmental impact assessments and environmental management plans for all rural roads to be rehabilitated under Part A.1 of the Project.

4. The authority of the Steering Committee shall include the power to: (a) approve plans and design criteria for rural roads; (b) approve staff service rules and manuals of procedures; (c) approve employment contracts for senior staff of RAPCMO and/or RMFIU; (d) approve annual budgets for the Project; (e) approve reports on the progress in implementing the Project prior to submitting same to the Association pursuant to the provisions of Section II.A of this Schedule; (f) employ the auditors referred to under Section II.B of this Schedule; and (g) approve contracts for the provision of goods and consultants' services, and for the carrying out of works, whose price shall exceed the equivalent of \$200,000. Contracts for the provision of goods and for the carrying out of works, whose prices shall exceed the equivalent of \$1,000,000, and contracts for consultants' services whose price shall exceed the equivalent of \$200,000 shall also be approved by the High Tender Board.



5. Responsibility for assisting MPWH in the implementation of Part C of the Project shall be vested in RMF. RMF shall be responsible for: (a) the procurement process, financial management and the preparation of withdrawal applications under Part C of the Project; (b) monitoring, in accordance with indicators agreed upon with the Association, progress in implementing Part C of the Project; (c) preparation, for submission to the Association, of annual work programs and updated procurement plans relating to Part C of the Project; (d) carrying out, on an annual basis, technical audits of the roads to be maintained under Part C of the Project; and (e) preparation of progress reports to be included in the reports to be submitted to the Association under Section II.A of this Schedule.

6. For purposes of assisting MPWH in the implementation of Part C of the Project, and in order to ensure the proper coordination of the execution of said Part of the Project, the Recipient shall maintain RMFIU with adequate resources and facilities, and professional staff in adequate numbers whose qualifications, experience and terms of reference shall be acceptable to the Association. RMFIU shall operate under the auspices of the Steering Committee.

7. The Recipient shall ensure that, at all times during the course of implementation of the Project, all aspects of the organizational structure and operation of RAPCMO and RMFIU (including, but without limitation, the independence of their decision-making capacities from other government institutions and agencies, and its management and human resources policies), are arranged and maintained in a way satisfactory to the Association.

## **B. Anti-Corruption**

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

## **C. Sub-projects**

1. In order to achieve the objectives of Part A.1 of the Project, the Recipient shall maintain arrangements satisfactory to the Association pursuant to which the Recipient shall select Sub-Projects to be carried out under Part A.1 of the Project. When presenting a Sub-Project to the Association for approval, the Recipient shall furnish to the Association an application, in form satisfactory to the Association, together with an appraisal of the proposed Sub-Project, including a description of the expenditures proposed to be financed out of the proceeds of the Financing.

2. Unless otherwise agreed by the Recipient and the Association, no expenditures for works required for a Sub-Project shall be eligible for financing out of the proceeds of the Financing allocated from time to time to Part A.1 of the Project unless the Recipient shall have furnished to the Association an environmental management plan relating to the proposed Sub-Project, prepared pursuant to guidelines agreed upon between the

Recipient and the Association, together with evidence, satisfactory to the Association, that the Sub-Project has followed the provisions, principles and organizational arrangements outlined in the Resettlement Policy Framework in case of acquisition of land resulting in: (i) relocation; (ii) relocation or loss of shelter; or (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location.

3. Without prejudice to the provisions of paragraph 2 above, no expenditures for works required for a Sub-Project shall be eligible for financing out of the proceeds of the Financing allocated from time to time to Category (2) unless the Recipient shall have furnished to the Association evidence, satisfactory to the Association, that the economic rate of return of the proposed Sub-Project equals or exceeds twelve percent (12%), or such lower rate as the Association may agree for a given Sub-Project where the Association is satisfied that the poverty rate in the region to which the Sub-Project relates warrants such lower rate.

4. Without prejudice to the provisions of paragraphs 2 and 3 above, no expenditures for works required for a Sub-project shall be eligible for financing out of the proceeds of the Financing allocated from time to time to Category (2) unless the Recipient shall have furnished to the Association a feasibility study concerning the proposed Sub-Project, including an economic justification, satisfactory in substance to the Association.

#### **D. Safeguards**

1. The Recipient shall ensure that the Project is carried out in accordance with the Sectoral Environmental Assessment, including the Resettlement Policy Framework, the Natural Habitats Policy Framework and the Cultural Resources Policy Framework, and all environmental management plans and resettlement action plans prepared for Sub-projects pursuant to Section I.C above.

2. The Recipient shall ensure that the provisions of the Resettlement Policy Framework will be followed regarding any acquisition of land resulting in: (a) relocation; (b) relocation or loss of shelter; and/or (c) loss of income sources or means of livelihood, whether or not the affected persons must move to another location. For this purpose the Recipient shall: (a) prepare, prior to the commencement of any works under the Project, Resettlement Actions Plans, satisfactory to the Association, in accordance with the Resettlement Policy Framework; (b) carry out the Project in accordance with the respective Resettlement Actions Plans; and (c) not amend, suspend or abrogate any of the provisions of the respective Resettlement Action Plans without the prior agreement of the Association.

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

**A. Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than March 31, 2014.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

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

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

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular

contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

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

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) National Competitive Bidding
(b) Shopping

The procedures to be followed for National Competitive Bidding under this paragraph shall be those set forth in Law No. 23 of 2007, concerning Government Tenders, Auctions and Stores, and its Regulations, subject to the following additional procedures:

- (i) a Recipient-owned enterprise in the Republic of Yemen shall be eligible to bid only if it can establish that it is legally and financially autonomous, operates under commercial law, and is not a dependent agency of the Recipient;
- (ii) bidding (or pre-qualification, if required) shall not be restricted to any particular class of contractors or suppliers, and non-registered contractors and suppliers shall also be eligible to participate;
- (iii) tenders shall be advertised for at least two (2) consecutive days in two (2) local newspapers of wide circulation;
- (iv) prospective bidders shall be allowed a minimum of thirty (30) days for the preparation and submission of bids, such thirty (30) days to begin with the availability of the bidding documents or the advertisement, whichever is later;

- (v) until national standard bidding documents acceptable to the Association are available, standard bidding documents approved by the Association shall be used, and may be prepared in Arabic;
- (vi) registration shall not be used to assess bidders' qualifications; qualification criteria (in case pre-qualification was not carried out) and the method of evaluating the qualification of each bidder shall be stated in the bidding documents, and before contract award the bidder having submitted the lowest evaluated responsive bid shall be subject to post-qualification;
- (vii) a foreign bidder shall not be required to register or to appoint an agent as a condition for submitting its bid and, if determined to be the lowest evaluated responsive bidder, shall be given reasonable opportunity to register, without let or hindrance; the registration process shall not be applicable to sub-contractors;
- (viii) all bids shall be submitted in sealed envelopes and may be submitted, at the bidder's option, in person or by courier service;
- (ix) all bids shall be opened at the same time in a public bid opening which bidders shall be allowed to attend and which shall follow immediately after the deadline for submission of bids;
- (x) evaluation of bids shall be carried out in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated responsive bidder, without resorting to the rejection of bids above or below a certain percentage of the pre-bid estimate (bid price bracketing);
- (xi) no bidder shall be requested or permitted to modify its bid after the bid closing date shall have elapsed and bids submitted after the deadline for submission of bids shall be returned to the bidder unopened;
- (xii) post-bidding negotiations with the lowest or any other bidder shall not be permitted;
- (xiii) under exceptional circumstances, the procuring entity may, before the expiration of bid validity, request all bidders in writing to extend the validity of their bids, in which case bidders shall not be requested nor permitted to amend the price or any other condition of their bids; a bidder shall have the right to refuse to grant such an extension without forfeiting its bid

security, but any bidder granting such extension shall be required to provide a corresponding extension of its bid security;

- (xiv) price adjustment provisions may be included in contracts for works with a duration of more than eighteen (18) months;
- (xv) rejection of all bids is justified when there is lack of effective competition, or bids are not substantially responsive, however, lack of competition shall not be determined solely on the basis of the number of bidders; and
- (xvi) each contract financed from the proceeds of the Financing shall provide that the contractor or supplier shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have such accounts and records audited by auditors appointed by the Association.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Selection Based on the Consultants' Qualifications
(b) Least Cost Selection
(c) Single Source Selection
(d) Individual Consultants
(e) Selection of UN Agencies as Consultants
(f) Selection under a Fixed Budget

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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 Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods under:		100%
(a) Parts A and B of the Project	160,000	
(b) Part C of the Project	100,000	
(2) Civil works under:		
(a) Part A of the Project	14,600,000	84%
(b) Part C of the Project	3,720,000	60%
(3) Consultants’ services, including audit under:		90%
(a) Parts A, B.1, B.2, B.3, B.4, B.6 and B.7 of the Project	1,860,000	
(b) Part B.5 of the Project	950,000	

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(c) Part C of the Project	790,000	
(4) Training under Part B of the Project	260,000	100%
(6) Unallocated	2,360,000	
<b>TOTAL AMOUNT</b>	<u>25,200,000</u>	

For the purposes of this Schedule, the term “Incremental Operating Costs” means the recurring expenditures incurred by RAPCMO for the purposes of the Project implementation on account of utility charges, rent for office space, maintenance and insurance of vehicles, fuel, office equipment and supplies, banking charges, communication services, travel costs and RAPCMO salaries and labor costs but excluding salaries of officials of the Recipient.

**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 is November 30, 2013.

**Section V. Other Undertakings**

Save with the prior consent in writing of the Association, the Recipient shall take all necessary measures to ensure that budgetary allocations for the maintenance of its national road network are effected and implemented in the following amounts and for the following of the Recipient’s Fiscal Years, namely six billion (6,000,000,000) Yemeni rials for Fiscal Year 2011 and each Fiscal Year of the Project thereafter.



## APPENDIX

### **Section I. Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Fiscal Year” means the fiscal year of the Recipient commencing on January 1 and ending on December 31.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
6. “High Tender Board” means the authority, established under the Recipient’s Law No. 3 of 1997 and By-Law No. 234 of 1997, responsible for approval of high-value contracts, and any successor thereto.
7. “MPWH” means the Ministry of Public Works and Highways of the Recipient, or any successor thereof.
8. “Original Financing Agreement” means the development credit agreement for a Second Rural Access Project between the Recipient and the Association, dated November 9, 2005 as amended to the date of this Agreement (Credit No. 4121 - YEM).
9. “Original Project” means the Project described in the Original Financing Agreement.
10. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
11. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 15, 2009 and referred to in paragraph 1.16 of the Procurement

Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

12. “Program” means the program designed for setting out certain measures required to carry out the Recipient’s rural access program and declaring the Recipient’s commitment to the execution of such program; and set forth or referred to in the letter dated April 14, 2001, from the Recipient to the Association.
13. “RAPCMO” means the central management office to be maintained in accordance with the provisions of paragraph A.2, Section I of Schedule 2 to this Agreement.
14. “Resettlement Action Plans” means the site-specific documents, including any abbreviated resettlement plans, adopted by the Recipient, pursuant to paragraph 2 of Section I.D of Schedule 2 to this Agreement, and satisfactory to the Association, containing, *inter alia*, a program of actions, measures and policies for compensation and resettlement of persons, including compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms for each site; and “Resettlement Action Plan” means one such plan.
15. “Resettlement Policy Framework” means the Recipient’s resettlement policy framework for carrying out the Project and included as part of the sectoral environmental assessment satisfactory to the Association and dated January 5, 2005, as updated on November 11, 2009. Such framework may be amended from time to time by agreement of the Recipient and the Association. The Resettlement Policy Framework sets out, *inter alia*, the principles and objectives of the Resettlement Policy Framework, the institutional and implementation arrangements, the requirements for a resettlement action plan, including the eligibility criteria for assistance and rehabilitation entitlements, as well as the monitoring and reporting requirements to ensure compliance with the provisions of the Resettlement Policy Framework.
16. “RMF” means the Yemen Road Maintenance Fund, a semi-autonomous authority established under the Recipient’s Law No. 22 of 1995, as amended to date and as may be further amended from time to time, and any successor thereto.
17. “RMFIU” or “RMF Implementation Unit” means that part of RMF which will be responsible for executing the activities under Part C of the Project.
18. “Sectoral Environmental Assessment” (SEA) is a report in two volumes, dated January 5, 2005, prepared by the Recipient and approved by the Association as updated on November 11, 2009, and includes the Resettlement Policy Framework, the Natural Habitats Policy Framework and the Cultural Resources

Policy Framework, as such report may be updated from time to time by agreement between the Recipient and the Association. The SEA examines environmental issues and impacts associated with a particular strategy, policy, plan, or program, or with a series of sub-projects for the road sector; evaluates and compares the impacts against those of alternative options and potential cumulative impacts of multiple activities; assesses legal and institutional aspects relevant to the issues and impacts; and recommends broad measures to strengthen environmental management in the sector. The SEA pays particular attention to potential cumulative impacts of multiple activities. It includes specific screening criteria for sub-projects and guidelines for preparing environmental management plans and, where necessary, sub-project specific environmental impact assessments for implementation of the Project in accordance with certain mitigating, monitoring and institutional measures to offset, or reduce adverse environmental impacts to acceptable levels.

19. “Steering Committee” means the committee to be maintained in accordance with the provisions of paragraph A.2, Section I of Schedule 2 to this Agreement.
20. “Sub-Project” means a road improvement project to be carried out under Part A.1 of the Project.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

1. Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance*

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

2. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility*. The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”