

Public Disclosure Authorized

OFFICIAL DOCUMENTS

GRANT NUMBER D301-RY

Financing Agreement

(Yemen Emergency Electricity Access Project)

between

Public Disclosure Authorized

UNITED NATIONS OFFICE FOR PROJECT SERVICES
(for the benefit of the Republic of Yemen)

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D301-RY

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the UNITED NATIONS OFFICE FOR PROJECT SERVICES (“Recipient”) and the INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS: (A) the Recipient has, in response to the emergency arising within the territory of the Republic of Yemen in view of the ongoing conflict resulting in damage to critical electricity infrastructure and specifically, decrease in access to electricity and electricity-dependent services (“Emergency”), requested assistance from the Association to finance specific costs associated with the Emergency;

(B) pursuant to the Host Country Agreement between the Recipient and the Republic of Yemen dated October 2, 2017, the Recipient and the Republic of Yemen agreed to cooperate consistent with the relevant resolutions, decisions, regulations, rules and policies of the governing bodies of the Recipient;

(C) the Recipient, having satisfied itself as to the feasibility and priority of the Project, by a letter dated November 18, 2017, it requested the Association to assist in financing the Project; and

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 to “Trust Fund Grant(s)” shall be references to the Financing referred to in Section 2.01 of this Agreement;

- (c) all references to “the UN” and to a “UN Organization”, including in particular reference in Section 7 of the FMFA, shall be references to “the United Nations Office for Projects and Services”;
 - (d) all references to “the UN Controller” shall be references to the “UNOPS Comptroller”;
 - (e) all references to the “UN Financial Regulations” shall be references to the “UNOPS Financial Regulations and Rules”; and
 - (f) all references to the “Parties” in Section 11 of the FMFA shall be a reference to the “Association” and the “United Nations Office for Projects Services” or, alternatively, to the “Association” on the one hand and the “United Nations Secretariat” and all “UN Organisations” (as that term is defined in the FMFA) on the other.
- 1.03. Unless the context requires otherwise, the capitalized terms used in this Agreement shall 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, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to thirty-four million six hundred thousand Special Drawing Rights (SDR 34,600,000) (“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 objective of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article V of the General Conditions, 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

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 OFFICE FOR PROJECTS SERVICES

By:

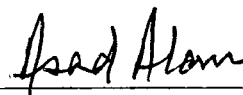


Bana Kaloti
Regional Director, Middle East

Date: APRIL 27, 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:



Asad Alam
Country Director for the Republic of Yemen

Date: APRIL 27, 2018

SCHEDULE 1

Project Description

The objective of the Project is to increase access to electricity in rural and peri-urban areas within the Republic of Yemen.

The Project consists of the following parts:

Component 1: Financing for Off-grid Solar

1. Carrying out a program of activities to assist Eligible MFIs to set up financing windows for solar products, and provide Grants to subsidize said solar products to Beneficiaries.
2. Carrying out a program of activities to restore electricity supply to providers of critical services in rural and peri-urban areas, including targeted Critical Services Providers.

Component 2: Implementation Support and Market Development

1. Facilitating Project implementation, administration, management and monitoring and evaluation, including: (a) Recipient's Indirect Costs; (b) Recipient's Direct Costs for management and supervision; (c) conducting independent audits of Project activities; and (d) provision of consultancy services for establishment of a Grievance Redress Mechanism ("GRM") system in the Recipient's office within the Republic of Yemen.
2. Facilitating Project implementation, verification and field monitoring of Project activities, including provision of consultancy services required for Third Party Monitoring.
3. Carrying out capacity building activities to expand quality assurance and training service, *inter alia*: (a) an awareness campaign and consultations; (b) provision of technical training and capacity building to firms along the solar supply chain; (c) provision of technical advisory services to the financial sector to develop derisking mechanisms for commercial lending for solar; (d) technical standard definition and dissemination, and establishment of testing centers; and (e) encouraging recycling of batteries to minimize the environmental risks from disposing hazardous materials.

Component 3: Contingent Emergency Response

Providing immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, environmental and social standards and practices, and in accordance with the FMFA, and the Project Operational Manual, and shall promptly provide the funds, facilities, services and other resources required for the Project.
2. To facilitate the implementation of Component 1.1 of the Project, the Recipient shall execute contractual arrangements with the Eligible MFIs for the purpose of Component 1.1 of the Project, in accordance with the relevant fiduciary (i.e., procurement and financial management) requirements of the Recipient, and acceptable to the Association.
5. To facilitate the implementation of Component 1.1 and 1.2 of the Project, and to sustain and build the skills and capacity of the Yemen Partners, the Recipient shall, as may be required, engage its Yemen Partners pursuant to a partnership arrangement agreed between the Recipient and said Yemen Partners and satisfactory to the Association.
4. The Recipient shall establish an advisory technical committee to facilitate the investment planning process and cross-sectoral coordination. Said Technical Committee shall be chaired by the Recipient, and shall comprise the local public sector partners and other stakeholders, as the Recipient may co-opt from time to time.

B. Anti-Corruption

1. The Recipient shall carry out 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) 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. For greater clarity on this matter, 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.
 - (c) 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.
 - (d) To the extent consistent with the Recipient's accountability and oversight framework, including its regulations, rules, policies and procedures, it will keep the Association regularly informed by agreed means of actions taken pursuant to Section I.B.1(c) 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.B.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 corresponding relevant provisions in its 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.B.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.B.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 B.1 of this Section, the Association retains the right to conduct an investigation in connection with the information referred to in paragraph B.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 UN 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.B, 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.

C. Project Operational Manual

1. The Recipient shall ensure that the Project is carried out in accordance with the arrangements, procedures and guidelines set out in the Project Operational Manual (provided, however, that in case of any conflict between the arrangements and procedures set out in the Project Operational Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, the Recipient shall not amend, abrogate, waive or fail to enforce any provision of the Project Operational Manual without the prior written agreement of the Association.

D. Assessment of Eligibility of MFIs under Component 1.1 of the Project

The Recipient shall by no later than August 31, 2018, carry out a review or an assessment, satisfactory of the Association, to verify or confirm eligibility of the respective MFIs, and specifically the following aspects: (a) the market basis for any subblending of the proceeds of the Financing to any Beneficiary; (b) that the pertinent MFI can be/ or is sustainable; and (c) any portion of the Financing that is sublent to any Beneficiary can be recovered.

E. Eligibility Criteria, Terms and Conditions of the Grants

1. The Recipient shall ensure that each Eligible MFI shall appraise, approve, monitor and evaluate respective solar solutions initiatives under Component 1.1 of the Project, and administer Grants to the respective Beneficiaries, in accordance with the terms and conditions of the pertinent contract between the Recipient and the

Eligible MFI, the guidelines and procedures set forth in the Operational Manual, and the Recipient's fraud and corruption requirements.

F. Third Party Monitoring

The Recipient shall engage Third Party Monitoring Agent(s) to be financed out of the proceeds of the Financing as set forth in the table under Section IV.A.2 of Schedule 2 to this Agreement.

G. Grievance Redress Mechanism

The Recipient shall establish and maintain during the Project implementation, a Grievance Redress Mechanism unit with the terms of reference, agreed with the Association. To this end, the Recipient shall, at all times during the implementation of the Project, assign to said GRM unit at least one or two trained officers.

H. Annual Work Plan

1. The Recipient shall, by no later than June 1 of each year, prepare and furnish to the Association an annual work plan and budget ("Annual Work Plan") for the Project for the subsequent year, said Annual Work Plan of such scope and detail as the Association shall have reasonably requested.
2. The Recipient shall afford the Association a reasonable opportunity to review such Annual Work Plan, and, thereafter, the Recipient shall carry out the Annual Work Plan as shall have been approved by the Association. Only the activities included in the Annual Work Plan shall be eligible for financing.
3. The Annual Work Plan may be revised as required during Project implementation subject to the Association's prior written approval.

I. Environmental and Social Safeguards

1. The Recipient shall, within sixty (60) days from the Effective Date:
 - (a) prepare, in accordance with terms of reference acceptable to the Association, an Environmental and Social Management Framework ("ESMF"), as well as any environmental assessment, environmental management plan or similar safeguard instrument required by the ESMF, in form and substance satisfactory to the Association; and
 - (b) adopt such ESMF as shall have been approved by the Association and publish said ESMF, and any environmental assessment, environmental management plan or similar safeguard instrument, in a manner acceptable to the Association.

2. In case of any activity under the Project requiring the adoption of an ESMP and/or ESIA pursuant to the ESMF:
 - (a) proceed to have such ESIA and/or ESMP as appropriate: (i) prepared and disclosed in accordance with the ESMF; (ii) consulted upon adequately with people affected by the Project as per the ESMF, and submitted to the Association for review and approval; and (iii) thereafter adopted, prior to implementation of the activity; and
 - (b) thereafter, take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESIA, and/or ESMP.
3. The Recipient shall ensure that the Project Reports referred to in Section II.A of this Schedule include adequate information on monitoring the measures set out in the Safeguards Instruments and any plan prepared pursuant to the Safeguards Instruments.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall furnish to the Association each Project Report by no later than forty-five (45) days after the end of each six calendar months, covering such six calendar months.

B. Accounts and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system, including records and accounts, adequate to reflect the transactions related to the Project, in accordance with the requirements of the UNOPS Financial Regulations and Rules, ("Financial Regulations").
2. The Recipient shall maintain in a separate account in its records ("Financing Control Account") a complete, true and faithful record of all the advances from the proceeds of the Financing and of all the expenditures paid from such advances.
3. The Recipient shall prepare, on a quarterly basis, interim unaudited financial reports, in accordance with accounting standards established pursuant to the Financial Regulations and Rules and in the format agreed with the Association, adequate to reflect the operations, resources and expenditures related to the Project. The first said interim unaudited financial reports shall be furnished to the Association no later than forty-five (45) days after the end of the first quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Financing through the end of such first three (3) months; thereafter, each interim unaudited financial report shall be furnished to the Association not later than forty-five (45) days after each subsequent three month period, and shall cover such three month period.

4. The Recipient shall ensure that the audit of the Project is governed by: (a) Article VI of the Financial Regulations and Rules and (b) the Financial Management Framework Agreement.
5. The Recipient shall retain, until at least one year after the Association has received the final interim unaudited financial report referred to in paragraph 3 of this Section II.B covering the three (3) calendar months in which the last withdrawal was made, 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, 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: (a) 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) Grants for solar solutions, and restorations of electricity supply under Components 1.1 of the Project	14,532,000	100%

(2) Works, goods, non-consulting services, consultants' services for Components 1.2 of the Project	14,532,000	100%
(3) Recipient's Indirect Cost payable under Component 2.1(a) of the Project (3 % of the total Financing)	1,007,767	100%
(4) (i) Recipient's Direct Cost under Component 2.1(b) of the Project	1,902,093	100%
(ii) Recipient's Third Party Monitoring under Component 2.2 of the Project	692,000	100%
(iii) Consultants services under Components 2.1(c), 2.1(d), and 2.3 of the Project	1,934,140	100%
(5) Emergency Expenditures under Component 3 of the Project	0	
TOTAL	34,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments:
 - (a) made for expenditures prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 69,162 may be made for payments made prior to this date but on or after March 1, 2018, for Eligible Expenditures under Category (4)(iii); or

- (b) under Category (5), for Emergency Expenditures, under Component 3 of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:
 - (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
 - (ii) the Recipient has prepared and disclosed all safeguards instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.G of Schedule 2 to this Agreement; and
 - (iii) the Recipient has adopted an IRM Operations Manual in form, substance and manner acceptable to the Association; and
 - (c) the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the Association's knowledge, 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.3 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. 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. 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 June 30, 2021.

APPENDIX

Section I. Definitions

1. “Alternative Procurement Arrangements” or “APA” means the special procurement arrangements set forth in Section III of Schedule 2 to this Agreement, said APA as introduced under the Association’s Procurement Framework, which came into effect in July 2016, as revised in November 2017.
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. “Annual Work Plan” means each annual work plan, together with the related budget, for the Project approved by the Association pursuant to the provisions of Section I.H of Schedule 2 to this Agreement.
4. “Beneficiary” means a beneficiary that has met the eligibility criteria set forth in the Project Operational Manual in respect of Grants under Components 1.1; and “Beneficiaries” means more than one such Beneficiary.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Critical Service Providers” means providers of services in health, education, water, sanitation, and rural electricity in rural and peri-urban areas, at the premises of which solar systems will be installed by a UNOPS contractor, in accordance with the provisions of Section I.E of Schedule 2 to this Agreement, the Project Operational Manual.
7. “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 under Components, and excluding Operating Costs.
8. “Emergency” means the occurrence of an event of emergency within the territory of the Republic of Yemen in view of the ongoing conflict resulting in damage to critical electricity infrastructure and specifically, decrease in access to electricity and electricity-dependent services.
9. “Eligible Crisis” or “Emergency” means, for the purpose of Component 3 of the Project, an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

10. “Eligible MFI” means an approved micro finance institution or other eligible local entity providing micro-credits, which is registered as a financial institution, or non-governmental organization, or other association, pursuant to the laws of the Republic of Yemen, and approved by UNOPS to participate as a financier of solar products and small-scale solar systems under Part 1.1 of the Project.
11. “Emergency Expenditure” means any of the Eligible Expenditures set forth in the IRM Operations Manual, and required for the activities included in the IRM Part of the Project.
12. “Environmental and Social Impact Assessments” or “ESIA” means collectively: (a) the environmental and social impact assessments that may be prepared for civil works financed under the Project; and (b) any site-specific environmental and social impact assessment prepared pursuant to the ESMF for Project activities, in each case describing a set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts; as the said environmental impact and social assessments may be amended and/or supplemented from time to time with the prior written concurrence of the Association.
13. “Environmental and Social Management Framework” or “ESMF” means the framework to be prepared, adopted and disclosed pursuant to Section I.I.1 of Schedule 2 to this Agreement, setting out mitigation, monitoring, and institutional measures that have been identified by the Recipient to eliminate any adverse environmental and social impacts of Project activities, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written concurrence of the Association, and such term includes any schedules or annexes to said ESMF.
14. “Environmental and Social Management Plan” or “ESMP” means an environmental and social management plan to be prepared by the Recipient in accordance with the procedures and requirements under the ESMF, defining: (a) the measures to be taken during the implementation of a particular activity to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, as such ESMP may be amended from time to time with the prior written approval of the Association; and “ESMPs” means, collectively, all such ESMP.
15. “Financial Management Framework Agreement” or “FMFA” means the Financial Management Framework Agreement between the World Bank and the United Nations Project Services, dated October 20, 2008.
16. “Financial Regulations and Rules” means the financial regulations and rules of the Recipient.

17. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated July 14, 2017, with the modifications set forth in Section II of this Appendix.
18. “Grant” means a grant made or proposed to be made by the Recipient out of the proceeds of the Financing to an Eligible MFI under Component 1.1 of the Project, in accordance with the provisions of Section I.E of Schedule 2 to this Agreement, the Project Operational Manual.
19. “Grievance Redress Mechanism” or “GRM” means the grievance redress mechanism to be established by the Recipient in accordance with the provisions of Section I.G of Schedule 2 to this Agreement for the purpose of receiving and addressing any complaints related to the Project implementation by the Recipient and its local partners.
20. “Immediate Response Mechanism Operations Manual” and “IRM Operations Manual” each means the operations manual referred to in Section IV.B.1(c) (iv) of Schedule 2 to this Agreement, to be adopted by the Recipient for the IRM Part of the Project.
21. “IRM Part of the Project” and “IRM Part” each means Component 3 of the Project.
22. “Operating Costs” means the incremental operating costs arising under Component 2 of the Project on account of vehicle operation for supervisors, monitors and related travel costs.
23. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 13, 2018, as the same shall be updated from time to time with the concurrence of the Association.
24. “Project Operational Manual” means the manual for components 1.1, 1.2 and 2 of the Project, satisfactory to the Association, and referred to in Section I.C.1(a) of Schedule 2 to this Agreement, as the same may be amended from time to time with agreement of the Association.
25. “Technical Committee” means the advisory committee referred to in Section I.A.4 of Schedule 2 to this Agreement.
26. “Third Party Monitoring” means monitoring activity 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 environmental safeguards aspects of such development projects, said firm or organization to be engaged by the Recipient for carrying out of Third Party Monitoring in accordance with relevant terms of reference developed in consultation with the Association.
28. “Safeguards Instruments” means, collectively, the ESMPs, ESIA, ESMF, and any other plan derived from the ESMF. “Safeguard Instrument” means any one such instrument.
29. “Signature Date” means the latest of the two dates on which the Recipient and the Association signed this Agreement and such definition applied to all references to “the date of the Financing Agreement” in the General Conditions.
30. “World Bank Environmental and Social Safeguards Policies” means the following <http://www.worldbank.org/en/programs/environmental-and-social-policies-for-projects>.
31. “World Bank Group” means the Association, the Bank, the International Finance Corporation, the International Centre for the Settlement of Investment Disputes, and the Multilateral Investment Guarantee Agency.
32. “Yemen Partners” means the local agencies that the Recipient may engage for the purpose of facilitating the implementation of Component 1.1 and 1.2 of the Project, and who are involved in the implementation of other projects financed by the Association, or other development agencies, 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 Payment), 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 read as follows:
 - “(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 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. Sections 8.02(a) (*Payment Failure*) is modified as follows:
 - (a) “Paragraph (a) on *Payment Failure* is replaced with the following: 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. Sections 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, 55, 78, 87 and 109 of the Appendix (*Definitions*) are, respectively, deleted in their entirety and the remaining paragraphs in the *Definitions* are renumbered accordingly.

11. Paragraph 79 (now renumbered as paragraph 75) in the Appendix (Definitions) is modified as follows:

“79. “Member Country” means the member of the Association in whose territory the Project is carried out or any such member’s political or administrative subdivisions.”