
GRANT NUMBER D845-RY

Financing Agreement

(Yemen Integrated Urban Services Emergency Project II)

between

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

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D845-RY

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between the UNITED NATIONS OFFICE FOR PROJECT SERVICES for the benefit of the Republic of Yemen (“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 urban infrastructure and lack of access to critical urban services (“Emergency”), requested additional 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 May 12, 2021, the Recipient 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 Organizations” (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 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 nine hundred thousand Special Drawing Rights (SDR 34,900,000) (“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

- (b) if, by notice sent to the Recipient pursuant to sub-paragraph (iii)(a) of paragraph 10 of the FMFA, the Association confirms that alternative financial management arrangements mutually acceptable to the Association and the Recipient were not reached within the period stipulated therein; or
- (c) if, the Association determines at any time that a reference in either paragraph 1 or paragraph 4 of Section II.B of Schedule 2 to this Agreement to the Recipient's financial regulations and rules is incomplete or inaccurate in any material respect; or
- (d) if, the Association for any reason revokes the application of the Alternative Procurement Arrangements set forth in Section III.1 of Schedule 2 to this Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. This Agreement shall not become effective until evidence satisfactory to the Association has been furnished to the Association that the Recipient has:
 - (a) updated, disclosed and conducted consultations on the ESMF, in the form and substance satisfactory to the Bank; and
 - (b) recruited an environmental and social safeguards officer for the PMU.
- 5.02 The Effectiveness Deadline is the date sixty (60) 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 Regional Director, Middle East.
- 6.02. For purposes of Section 11.01 of the General Conditions:
 - (a) the Recipient's address is:

United Nations Office for Project Services
Middle East Region, Operational Hub in Amman
Deir Ghbar
Al-Shakereen Street
P.O. Box 941655
Amman
11194 Jordan; and

(b) the Recipient's Electronic Address is:

Facsimile:

+962 6 593 1249

E-mail:

banak@unops.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:

248423 (MCI)

Facsimile:

1-202-477-6391

AGREED as of the Signature Date.

UNITED NATIONS OFFICE FOR PROJECTS SERVICES

By:



Bana Kaloti
Regional Director, Middle East

Date: 2021-يونيو-18

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:



Marina Wes
Country Director, Republic of Yemen

Date: 17-Jun-2021

SCHEDULE 1

Project Description

The objective of the Project is to restore access to critical urban services and strengthen resilience to shocks in selected cities within the Republic of Yemen.

The Project consists of the following parts:

Part 1: Service Restoration

Supporting the preparation and implementation of infrastructure investments funded under this project in various sectors in selected cities, in particular:

1. Supporting the preparation and implementation of investments in neighborhood-level municipal infrastructure in Yemeni cities to address unmet and urgent needs *inter alia*: (i) flood management interventions; (ii) solid waste management initiatives; and (iii) rehabilitation of neighborhood sanitation infrastructure, including complementary targeted infrastructure investments.
2. Supporting the response to the COVID-19 pandemic and building gender-related resilience through improvements to access to clean water and sanitation, *inter alia*: (i) replacement of critical assets such as pumps, generators, water treatments units, related facilities and spare parts; (ii) rehabilitation of pipes, water tanks, existing wells, and wastewater treatment plants; and (iii) service delivery maintenance support at the city level.
3. Improving access and mobility within the target cities through the rehabilitation of selected intra-urban roads.
4. Carrying out the restoration of electricity supply to hospitals, clinics and other medical facilities in selected cities, including: (i) rehabilitation of existing conventional (diesel) generation systems; (ii) installation of new off-grid generation using diesel, renewable energy, or diesel-solar photovoltaic (PV) hybrid technologies; (iii) restoration of fuel supply in critical service facilities; (iv) installation of solar PV and light-emitting diode (LED) streetlights; and (v) undertaking other energy efficiency improvements.

Part 2: Implementation Support and Capacity Development

1. Facilitating Project implementation, administration, management and monitoring and evaluation, including: (i) Recipient's Indirect Costs; (ii) Recipient's Direct Costs for management and supervision; (iii) provision of consultancy services required for Project monitoring, evaluation and coordination at city level; (iv) provision of consultant's services required to conduct GIS based expenditure tracking and activity information dissemination system; (v) conducting

independent audits of Project activities; and (vi) provision of consultancy services for establishment of a Grievance Redress Mechanism (“GRM”) system in the Recipient’s office within the Republic of Yemen.

2. Providing technical assistance, capacity building, and training to the local implementing partners, contractors, small and medium enterprises, and other agencies at the local level in key Project areas with specific focus on technical skills for all sectors under the Project as well as on technical, non-Project-related aspects to allow local institutions to more effectively assume their service delivery mandate, including: (i) developing and rolling out of a public communication plan; (ii) facilitating citizen engagement in the identification and prioritization of investment projects; and (iii) supporting gender-sensitive workplace training (including GBV), capacity building, and training on non-discriminatory hiring and recruitment.
3. Facilitating Project implementation performance, verification and field monitoring of Project activities, including provision of consultancy services required for Third Party Monitoring.

Part 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, ESCP and the Project Operational Manual, and shall promptly provide the funds, facilities, services, and other resources required for the Project.
2. The Recipient shall establish, not later than one (1) month after the Effective Date, and thereafter maintain, throughout the life of the Project, the Project Management Unit (“PMU”) based in the Recipient’s office in the Republic of Yemen which shall be responsible for the day-to-day management and implementation of the Project, including the staffing of core functions, including the technical, fiduciary (i.e., procurement and financial management), health and safety, social and environmental aspects of the Project, and coordination of all field activities, as detailed in the Project Operational Manual.
3. To facilitate the implementation of Parts 1.1, 1.2 and 1.3 of the Project, and to sustain and build the skills and capacity of the Recipient’s Yemen Partners, the Recipient shall 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 and chair an advisory Technical Committee to facilitate the investment planning process and cross-sectoral coordination, consisting of representatives of local public sector and other stakeholders, as may be relevant from time to time.
5. The Recipient shall carry out its supervision and monitoring of Project activities, in accordance with its own policies and procedures, and shall share information related to said supervision and monitoring in the detail and frequency as the Association and Recipient shall agree in writing.
6. In order to ensure the proper implementation of contingent emergency response activities under Part 3 of the Project (“Contingent Emergency Response Part”), the Recipient shall ensure that:

- (a) a manual (“CERC Manual”) is prepared and adopted in form and substance acceptable to the Association, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;
 - (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Association;
 - (c) the Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and
 - (d) neither the CERC Manual or the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.
7. The Recipient shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to Association.
8. The Recipient shall ensure that:
- (a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Association; and
 - (b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Association.

9. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.

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) Without limitation to paragraph (a) above, concurrently with submission of a Project Report under Section II.A, the Recipient's Internal Audit and Investigation Group shall submit to the World Bank Group's Integrity Vice Presidency a statement confirming whether or not, during the reporting period of the Project Report, Recipient has received any non-frivolous allegations referred to in paragraph (a) above, and a brief description of any such allegations received. The information provided in such statement shall be governed by the confidentiality procedures outlined in the memorandum of understanding between the Recipient and the World Bank Group, dated Sept 2, 2019. The costs of preparing such reports will be borne by the Project.
 - (c) Following consultation between the Recipient and the Association, the Recipient will, to the extent the information relates to actions within the authority or accountability of the Recipient, take timely and appropriate action in accordance with its accountability and oversight framework, including applicable regulations, rules, and administrative instructions, to investigate this information. 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.
 - (d) To the extent such investigation confirms the allegations and to the extent that remedial action is within the authority of the Recipient, the Recipient will take timely and appropriate action in response to the findings of such investigation, in accordance with the Recipient's accountability and

oversight framework, including its regulations, rules, policies and procedures.

- (e) To the extent consistent with the Recipient's 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 procedures 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 prepare and thereafter carry out the Project in accordance with the project operations manual (“Project Operational Manual”, or “POM”), setting forth rules, methods, guidelines, and procedures for the carrying out of the Project, including, *inter alia*:
 - (a) detailed description of the Project and institutional arrangements for implementing the Project;
 - (b) monitoring, evaluation, reporting, financial management and accounting, and governance procedures for the Project; and
 - (c) implementation of environmental and social instruments referred to in the ESCP.
2. The Recipient shall: (a) furnish the POM to the Association for review; (b) afford the Association a reasonable opportunity to exchange views with the Recipient on the POM; and (c) thereafter adopt said POM as shall have been approved by the Association.
3. In the event that any provision of the POM shall conflict with any provision of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall ensure that the POM is not amended, abrogated, waived, or failed to be enforced without the prior written agreement of the Association.

D. Third Party Monitoring

1. No later than three (3) months after the Effective Date, the Recipient shall hire and maintain throughout its Project implementation, Third-Party Monitoring Agent(s), on the terms of reference satisfactory to the Association, to be financed out of the proceeds of the Financing as set forth in the table under Section IV.A. of Schedule 2 to this Agreement, to carry out Third-Party Monitoring of the Project implementation. The Recipient shall share with the Association summary of qualifications of the recommended candidate entity(ies) for the contract of the Third-Party Monitoring Agent(s) prior to their hiring.

2. Each monitoring report prepared by the Third-Party Monitoring Agent(s) shall cover a period of three (3) months. The Recipient, upon receipt of the Third-Party Monitoring report from the Third-Party Monitoring Agent(s), shall promptly furnish said report to the Association, and no later than five calendar days from the receipt of the Third Party Monitoring Agent's report with any comments that UNOPS may have.

E. Annual Investment Plan and Budget

1. The Recipient shall, by not later than four (4) months after the Effective Date, prepare and furnish to the Association an annual investment plan and budget ("Annual Investment Plan") for the Project for the subsequent year, said Annual Investment 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 Investment Plan, and, thereafter, the Recipient shall carry out the Annual Investment Plan as shall have been approved by the Association. Only the activities included in the Annual Investment Plan shall be eligible for financing.
3. The Annual Investment Plan may be revised by the Recipient as required during Project implementation subject to the Association's prior written approval.

G. Environmental and Social Standards

1. The Recipient shall, and shall require Yemen Partners, through its respective partnership agreements and regular monitoring, to ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association. The Recipient shall report to the Association any instances of Yemen Partners' non-compliance with the Environmental and Social Standards, and shall work with the Yemen Partners to remedy such instances of non-compliance, in a manner consistent with the Environmental and Social Commitment Plan ("ESCP").
2. Without limitation upon paragraph 1 above, the Recipient shall, and shall require Yemen Partners, through its respective partnership agreements and regular monitoring, to ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall, and shall require Yemen Partners to ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;

- (b) sufficient funds from the Financing are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. Without limitation upon the provisions of paragraph 2 above, if sixty (60) days prior to the Closing Date, the Association determines that there are measures and actions specified in the ESCP which will not be completed by the Closing Date, the Recipient shall: (a) not later than thirty (30) days before the Closing Date, prepare and present to the Association, an action plan satisfactory to the Association on the outstanding measures and actions, including a timetable and budget allocation from the Financing for such measures and actions (which action plan shall be deemed to be considered an amendment of the ESCP); and (b) thereafter, carry out said action plan in accordance with its terms and in a manner acceptable to the Association.
4. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. 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.

4. The Recipient shall establish, publicize, maintain, and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of the Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
7. The Recipient shall, and shall require Yemen Partners, through its respective partnership agreements and regular monitoring, to ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors, and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each six calendar months, covering the six calendar months. or with such frequency as the Association and the Recipient shall agree in writing. The Recipient shall ensure that each Project Report contains a Procurement Plan (“Procurement Report”) prepared under Section III.B below.

B. Financial Management; Financial Reports; 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, (hereinafter referred to as the Financial Regulations). The Recipient shall notify the Association of any changes to these Financial Regulations, that occur after the signing of this Agreement within 30 days of their adoption and shall make them available via Recipient’s external website.
2. The Recipient shall maintain records (“Ledger Account”) and accounts that provide a complete, true and faithful record of all the expenditures from the proceeds of the Financing and of all the expenditures paid from such proceeds, in a manner that allows for the clear and separate identification of the activities financed by the Association.
3. The Recipient shall prepare periodic financial statements in accordance with its Financial Regulations and accounting standards acceptable to the Association. The

financial statements will be submitted to the Association in accordance with the provisions of Section II. Financial Reports and Audits of the Disbursement and Financial Information Letter referred to in Section IV.A.

4. The Recipient shall ensure that the audit of the Project is: (a) carried out pursuant to the UNOPS Financial Regulations and Rules; and governed by (b) the FMFA. In addition, if agreed by the Recipient and the Association, the Recipient will carry out any additional due diligence activities as agreed by the Recipient and the Association in separate terms of reference.
5. The Recipient shall retain, and shall cause its implementing partners to 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 six (6) 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. The Recipient shall prepare and furnish to the Association, on a quarterly basis, reports on implementation of the Procurement Plan (“Procurement Report”) in form and substance satisfactory to the Association. The first said Procurement Report 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 Effective Date through the end of such first quarter; thereafter, each Procurement Report shall be furnished to the Association not later than forty-five (45) days after each subsequent quarter period, and shall cover such quarter period.
3. If the Association determines that the procurement policies, procedures, regulations, or practices of the Recipient have been modified, suspended, or waived such that they are no longer acceptable to the Association, the Association may, in addition to the Association’s other rights under the Agreement, revoke the procurement provisions set out in paragraph 1 of this Section III.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Works, goods, non-consulting services, consultants' services, training and Operating Costs for Parts 1, 2.1(iii)-(vi), 2.2 and 2.3 of the Project	31,225,500	100%
(2) (i) Recipient's Indirect Cost payable under Part 2.1(i) of the Project (3% of the total Financing) (ii) Recipient's Direct Cost under Part 2.1(ii) of the Project	1,016,500 2,658,000	100%
(3) Emergency Expenditures under Part 3 of the Project	0	
TOTAL	34,900,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made for expenditures prior to the date of this Agreement;
or

- (b) under Category (3), for Emergency Expenditures, under Part 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) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category 3; and (B) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
 - (ii) the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association; and
 - (c) for 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 December 31, 2023.

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.
2. “Annual Investment Plan” means each annual investment plan, together with the related budget, for the Project approved by the Association pursuant to the provisions of Section I.E of Schedule 2 to this Agreement.
3. “Anti-Corruption Guidelines” means for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “CERC Manual” means the manual referred to in Section I.A.6(a) of Schedule 2 to this Agreement, as such manual may be updated from time to time with the agreement of the Association, and which is an integral part of the Project Operational Manual.
6. “Contingent Emergency Response Part” means any activity or activities to be carried out under Part 3 of the Project to respond to an Eligible Crisis or Emergency.
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 Parts, and excluding Operating Costs.
8. “Eligible Crisis or Emergency” means 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.
9. “Emergency Action Plan” means the plan referred to in Section I.A.6(b), detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.
10. “Emergency Expenditures” means any of the eligible expenditures set forth in the CERC Manual referred to in Section I.A.6(a) of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.

9. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated May 12, 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 Borrower 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.
10. “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 Bank.
11. “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.
12. “Financial Regulations and Rules” means the financial regulations and rules of the Recipient.
13. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, and April 1, 2021), with the modifications set forth in Section II of this Appendix.
14. “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.

15. “Operating Costs” means, for the purpose of Part 1 of the Project, the incremental operating costs arising on account of vehicle operation for local public partners activities, supervision and monitoring costs, office space, utilities, communication charges, *per diems* and in-country transportation or travel allowances, but excluding the salaries of the Republic of Yemen civil service.
16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 14, 2017, as the same shall be updated from time to time with the concurrence of the Association.
17. “Project Operational Manual” means the manual, satisfactory to the Association, and referred to in Section I.C of Schedule 2 to this Agreement, as the same may be amended from time to time with agreement 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 Yem 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*, for poverty reduction and social and economic development in Yemen.
19. “RMF-IU” means Road Maintenance Fund Implementation Unit, the unit established in 2005 responsible for the day-to-day management and implementation of roads and works, in support of the Road Asset Management Project described in the Financing Agreement dated February 27, 2013, between the Recipient and the International Development Association (Grant No. H826-RY).
20. “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.
21. “Technical Committee” means the advisory committee referred to in Section I.A.4 of Schedule 2 to this Agreement.
22. “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.
23. “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.

24. “UW-PMU” or “Urban Water Project Management Unit” means a unit established in 2002 as a financially and administratively independent Project management unit, responsible for managing all activities related to the implementation of the World Bank Urban Water Supply and Sanitation Adaptable Program Loan (P057602).
25. “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.
26. “Yemen Partners” means the local agencies that the Recipient has engaged or will engage, *inter alia*, PWP, UW-PMU, RFM-IU, for the purpose of facilitating the implementation of Part 1 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 (*Financial and Economic Data*) is deleted in its entirety.
7. Section 8.02(a) (*Payment Failure*) is modified as follows:
 - “(a) *Payment Failure*. If the Republic of Yemen has failed to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Association or the International Bank for Reconstruction and Development (“Bank”): (i) under any agreement between the Republic of Yemen and the Association or the Bank; or (ii) in consequence of any guarantee extended or other financial obligation of any kind assumed by the Association or the Bank to any third party with the agreement of the Republic of Yemen.”
8. Section 8.02(h) (*Co-financing*) is deleted in its entirety and the remaining sections in Section 8.02 under Article VIII are renumbered accordingly.
9. Sections 9.01 (*Enforceability*), 9.02 (*Failure to Exercise Rights*), and 9.03 (*Arbitration*) under Article IX are, respectively, deleted and replaced with the provisions of Section 21 of the FMFA.
10. Paragraphs 5, 17, 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.”