

Public Disclosure Authorized

CONFORMED COPY

GRANT NUMBER H548-RY

Project Agreement

(Social Fund for Development Phase IV Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

SOCIAL FUND FOR DEVELOPMENT

Dated June 28, 2010

PROJECT AGREEMENT

Agreement dated June 28, 2010, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and SOCIAL FUND FOR DEVELOPMENT (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the REPUBLIC OF YEMEN (“Recipient) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is the Managing Director of SFD.
- 4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

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

4.03. The Project Implementing Entity's Address is:

Social Fund for Development
Faj Attan Road
P.O. Box 15485
Sana'a
Republic of Yemen

Facsimile:

967-1-449-670

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Shamshad Akhtar

Authorized Representative

SOCIAL FUND FOR DEVELOPMENT

By /s/ Abdulwahab Abdullah Al-Hajri

Authorized Representative

SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

The Project Implementing Entity shall carry out the Project in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual and the EMP, and shall not assign, amend, abrogate or waive any provisions of the Operational Manual or the EMP without prior approval of the Association.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Project Implementing Entity shall enter into a subsidiary grant agreement with the Recipient (“Subsidiary Grant Agreement”) pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under terms and conditions approved by the Association.
2. The Project Implementing Entity shall exercise its rights under the Subsidiary Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive the Subsidiary Grant Agreement or any of its provisions.

C. Anti-Corruption

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

D. Sub-projects

1. For the purposes of Parts A1, B1, C1 and D1 of the Project, the Project Implementing Entity shall make Sub-grants to Sub-grantees in accordance with the eligibility criteria and procedures set forth in the Operational Manual and acceptable to the Association, which shall include the following: Sub-project proposals shall be selected, implemented and evaluated in accordance with the principles and procedures set forth in the Operational Manual, the Procurement Guidelines, the Consultant Guidelines, the Anti-Corruption Guidelines and the EMP.
2. Prior to the making of a Sub-Grant, SFD shall enter into a Sub-grant Agreement with the respective Sub-grantee for each Sub-grant on terms and conditions approved by the Association, which shall include the following:

- (a) Sub-Grants shall be denominated in Yemeni Rials equivalent (such equivalent to be determined as of the respective date of the withdrawal of the proceeds of the Grant from the Grant Account); and
- (b) the Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Association, and to provide assistance to Sub-grantees on a case-by-case basis in the implementation of those activities for the protection of those rights, including the right to:
 - (i) suspend or terminate the right of the Sub-grantee to use the proceeds of the Sub-grant, or obtain a refund of all or any part of the amount of the Sub-grant then withdrawn, upon the Sub-grantee's failure to perform any of its obligations under the Sub-grant Agreement; and
 - (ii) require each Sub-grantee to:
 - (A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines;
 - (B) for Sub-projects which require a limited Environmental Impact Assessment (EIA), as set forth in the Operational Manual, to carry out such EIA in a timely manner and to implement all required mitigation measures while carrying out Sub-projects in accordance with the EMP, requiring such EIA and mitigation measures to be in compliance with environmental standards satisfactory to the Association and which shall include adequate information on the carrying out of such EIAs in the progress reports referred to in Section II.A. of this Schedule 2. The Project Implementing Entity shall not provide Sub-grants to any Sub-projects which may involve land acquisition, resettlement, the use of international waterways or shall be designated as environmental Category A investment projects in accordance with the applicable laws and regulations of the Recipient;
 - (C) provide, promptly as needed, the resources required for the purpose;
 - (D) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of this Agreement;
 - (E) maintain procedures adequate to enable it to monitor the progress of the Sub-project and the achievement of its objectives;

- (F) (1) maintain financial management practices in accordance with standards acceptable to the Association, both in a manner adequate to reflect the Operational, resources and expenditures related to the Sub-project; and
 - (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
 - (G) enable the Recipient and the Association to inspect the Sub-project, its operation and any relevant records and documents; and
 - (H) prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing.
- 3. The Project Implementing Entity shall exercise its rights under each Sub-grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.
- 2. On or about April 15, 2013, the Project Implementing Entity shall carry out jointly with the Association, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review). The Midterm Review shall cover, amongst other things:
 - (a) progress made in meeting the Project's objective; and
 - (b) overall Project performance against Project performance indicators.

3. The Project Implementing Entity shall prepare at least four (4) weeks prior to the Midterm Review, and furnish to the Association, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. The Project Implementing Entity shall have its Financial Statements and the Financial Statements for the Project referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.