

**The World Bank**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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**CONFORMED COPY**

December 15, 2010

H.E. Mr. Abdul Kareem Al-Arhabi  
Deputy Prime Minister  
Minister of Planning and International Cooperation  
Ministry of Planning and International Cooperation  
P.O. Box 175  
Sana'a, Republic of Yemen

Re: Republic of Yemen: JSDF Grant for Industrial Stones  
Community Project Grant No. TF098246

Excellency:

In response to the request for financial assistance made on behalf of Republic of Yemen (the Recipient), I am pleased to inform you that the International Development Association ("World Bank"), as administrator of grant funds provided by Japan under the Japan Social Development Fund, proposes to extend to the Recipient a grant in an amount not to exceed two million four hundred fifty thousand United States Dollars (U.S.\$2,450,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). This Grant is funded out of the Japan Social Development Fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement with the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date specified by the World Bank in accordance with Section 5.02 of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/A. David Craig  
Country Director  
Yemen, Egypt and Djibouti  
Middle East and North Africa Region

AGREED:  
REPUBLIC OF YEMEN

By: /s/ Abudlkarim I. Al-Arhabi  
Authorized Representative  
Title: Deputy Prime Minister for Economic Affairs,  
Minister of Planning and International Cooperation  
Date: December 20, 2010

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
- (2) Disbursement Letter dated December 15, 2010, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

## **Article I**

### **Standard Conditions; Definitions**

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 31, 2010 (“Standard Conditions”), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

(a) “Beneficiary” means the recipient of a Sub-grant under Parts C(i) of the Project, as set out in the Operational Manual, and includes individuals and small cooperatives; and “Beneficiaries” means more than one such recipient.

(b) “Eligible Community” means a community which is a recipient of a Sub-grant under Part C(ii) of the Project, as set out in the Operational Manual; and “Eligible Communities” means more than one such recipient.

(c) “ESMF” means the environmental and social management framework, prepared and adopted by the Recipient, dated October, 2010, disclosed in Infoshop on October 26, 2010, and satisfactory to the World Bank, describing the rules, guidelines and procedures to assess environmental and social impacts of the Project’s activities and defining measures to reduce, mitigate or offset adverse environmental impacts and enhance the positive impacts of the Project’s activities, as the same shall be amended from time to time with the prior approval of the World Bank.

(d) “ESMP” means a governorate level environmental and social management plan, satisfactory to the World Bank, to be prepared by the PMU in accordance with the requirements of the ESMF, in respect of activities to be undertaken under Part C of the Project, as applicable, consisting of, *inter alia*: (i) a description of the sites where the Project activities are to be carried out; (ii) the potential and actual adverse social and environmental impacts of the activities referred to under paragraph (i) above; and (iii) describing environmental and social mitigation, monitoring, and institutional measures required pursuant to the ESMF; and “ESMPs” refers to more than one such ESMP.

(e) “Financial Management Manual” means the manual to be prepared and adopted by the PMU and referred to in Section 5.01(c) of this Agreement, setting out the financial management procedures and organizational requirements for the Project, including the controls for financial management.

(f) “GSMRB” means the Geological Survey and Mineral Resources Board under the Ministry of Oils and Minerals of the Recipient, established pursuant to Decree No 317, dated September 13, 1999 and includes any successor or successors hereto.

(g) “Industrial Stones Development Sub-grant Agreement” means the agreement to be signed between the Recipient and a Beneficiary under Part C(i) of the Project.

(h) “Operational Manual” means the manual to be prepared and adopted by the PMU pursuant to Section 3.02(b)(i) of this Agreement, specifying the eligibility criteria for the selection of Sub-projects under Part C(i) of the Project, and the procedures and organizational arrangements for such Sub-projects, together with the eligibility criteria for the selection of Sub-projects under Part C(ii) of the Project, and the procedures and organizational arrangements for such Sub-projects, as the same may be amended from time to time with the agreement of the World Bank.

(i) “PMU” means the project management unit of the GSMRB, to be established pursuant to Section 5.01(b) of this Agreement.

(j) “Resettlement” means (i) the involuntary taking of land, including anything growing on or permanently affixed to such land, such as buildings and crops, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of the affected persons, and encompassing restrictions on the use of resources imposed on people living outside a park or protected area, or on those who continue living inside the park or protected area during and after Project implementation.

(k) “Revolving Fund Sub-grant Agreement” means the agreement to be signed between the Recipient and an Eligible Community under Part C(ii) of the Project.

(l) “Sub-Grant” means a grant made or proposed to be made by the PMU to a Beneficiary or an Eligible Community, out of the proceeds of the Grant, to finance a Sub-project under Part C (i) or (ii) of the Project, respectively; and “Sub-grants” means more than one such “Sub-Grant”.

(m) “Sub-project” means specific project to be carried out by a Beneficiary or Eligible Community under Part C(i) or C(ii) of the Project, respectively, using the proceeds of a Sub-grant.

## **Article II**

### **Project Execution**

2.01. ***Project Objectives and Description.*** The objective of the Project is to assist impoverished and disadvantaged communities in four geologically-suited areas of Yemen to increase their capacity and productivity in the development of stone quarrying and processing in an economically, environmentally, and socially sustainable way. The Project consists of the following parts:

#### **Part A: Preparation of Baseline Assessment and Strategy Design**

Provision of goods, consultants’ services, and training to: (i) establish baseline data for identifying target communities engaged in industrial stone quarrying and processing; (ii) preparation of an Operational Manual for selecting and implementing Sub-projects under Part C of the Project,

including the identification of appropriate financing mechanisms, eligibility criteria for selection of beneficiaries, procedures, and legal arrangements; and (iii) develop monitoring indicators.

#### Part B: Engagement and Sensitization Campaign among Impacted Mining Communities

Provision of goods, consultants' services, and training to implement a sensitization campaign on the environmental and health and safety hazards associated with industrial stones mining and quarrying among impacted mining communities as well as a campaign to raise awareness among these communities on business and marketing in the stone quarrying and processing industry.

#### Part C: Industrial Stones Mining Development Program

Provisions of goods, consultant services, training, and Sub-grants to: (i) Beneficiaries in Sana'a, Amaran, Taiz and Dhammar to develop capacity to engage in stone quarrying and processing; and provision of Sub-Grants to (ii) Eligible Communities in Sana'a, Amaran, Taiz and Dhammar to establish a revolving fund for sustaining the development of local stone quarrying and processing industries.

#### Part D: Project Management

Provision of goods, consultants' services, and Incremental Operating Costs for the PMU for project management and implementation.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Ministry of Oils and Minerals in accordance with: (a) the provisions of Article II of the Standard Conditions; (b) the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 ("Anti-Corruption Guidelines") with the modifications set forth in the Appendix to this Agreement; and (c) this Article II.

2.03. ***Institutional and Other Arrangements.*** The Recipient, through the PMU, shall carry out the Project, in accordance with the requirements, criteria, organizational arrangements and operational procedures set forth in the Operational Manual, and the ESMF and shall not assign, amend, abrogate or waive any provisions Operational Manual, or the ESMF without prior approval of the World Bank.

2.04. At all times during the implementation of the Project, the Recipient shall maintain the PMU with a composition, resources, and terms of reference satisfactory to the World Bank.

2.05. ***Safeguards.*** The Recipient shall: (a) prepare, prior to the commencement of any works under the Project, ESMPs, as necessary, satisfactory to the World Bank, in accordance with the ESMF; (b) carry out and ensure that the respective Beneficiaries and/or respective Eligible Communities carry out such ESMPs in accordance with the ESMF; and (c) not amend, suspend or abrogate any of the provisions of the ESMF or the ESMPs without the prior agreement of the World Bank.

2.06 There shall be no land acquisition under the Project resulting in Resettlement.

2.07 ***Sub-Grants under Part C(i) of the Project*** (a) For the purposes of Part C(i) of the Project, the Recipient, through the PMU, shall make Sub-grants to Beneficiaries in accordance with the eligibility criteria and procedures set forth in the Operational Manual and acceptable to the World Bank, which shall include the following: (i) 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 the ESMF and respective ESMP(s); and (ii) the Recipient shall ensure that the criteria for selection of Sub-projects prohibits land acquisition or Resettlement.

(b) Prior to the making of a Sub-grant under Part C(i) of the Project, the Recipient, through the PMU, shall enter into a Industrial Stones Development Sub-grant Agreement with the respective Beneficiary on terms and conditions approved by the World Bank, which shall include the following:

(i) 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

(ii) the Recipient obtain rights adequate to protect its interests and those of the World Bank, including the right to: (i) suspend or terminate the right of the Beneficiary 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 Beneficiary's failure to perform any of its obligations under the Sub-grant Agreement; and (ii) require each Beneficiary 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 World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines and for Sub-projects which require an ESMP, as set forth in the ESMF, carry out such ESMP in a timely manner, requiring such ESMP to be in compliance with environmental standards satisfactory to the World Bank; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of this Agreement; (D) maintain procedures adequate to enable it to monitor the progress of the Sub-project and the achievement of its objectives; (E) (1) maintain financial management practices in accordance with standards acceptable to the World Bank, in a manner adequate to reflect the Operational, resources and expenditures related to the Sub-project; and (2) at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; (F) enable the Recipient and the World Bank to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

(c) The Recipient shall exercise its rights under each Industrial Stones Development Sub-grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise

agree, the Recipient shall and shall not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.

2.08. ***Sub-Grants under Part C(ii) of the Project*** (a) For the purposes of Part C(ii) of the Project, the Recipient, through the PMU, shall make Sub-grants to Eligible Communities in accordance with the eligibility criteria and procedures set forth in the Operational Manual and acceptable to the World Bank, which shall include the following: (i) proposals for the establishment of a revolving fund 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, the ESMF and respective ESMP(s); and (ii) the Recipient shall ensure that the criteria for selection of Sub-projects prohibits land acquisition or Resettlement.

(b) Prior to the making of a Sub-Grant under Part C(ii) of the Project, the Recipient, through the PMU, shall enter into a Revolving Fund Sub-grant Agreement with the respective Eligible Community on terms and conditions approved by the World Bank, which shall include the following:

(i) 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);

(ii) the Eligible Community shall make a contributory deposit of funds and/or a contribution in kind to the revolving fund as calculated according to the formula in the Operational Manual;

(iii) the Recipient obtain rights adequate to protect its interests and those of the World Bank, including the right to: (i) suspend or terminate the right of the Eligible Community 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 Eligible Community's failure to perform any of its obligations under the Sub-grant Agreement; and (ii) require each Eligible Community to: (A) carry out the 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 World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines and for Sub-projects which require an ESMP, as set forth in the ESMF, carry out such ESMP in a timely manner, requiring such ESMP to be in compliance with environmental standards satisfactory to the World Bank; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Sub-grant in accordance with the provisions of this Agreement; (D) maintain procedures adequate to enable it to monitor the progress of the Sub-project and the achievement of its objectives; (E) (1) maintain financial management practices in accordance with standards acceptable to the World Bank, in a manner adequate to reflect the Operational, resources and expenditures related to the approved activities; and (2) at the World Bank's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the

World Bank; (F) enable the Recipient and the World Bank to inspect the Sub-project, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

(c) The Recipient shall exercise its rights under each Revolving Fund Sub-grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall and shall not assign, amend, abrogate or waive any Revolving Fund Sub-grant Agreement or any of its provisions.

2.09. ***Project Monitoring, Reporting and Evaluation.*** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

- Baseline environmental-social assessment completed in targeted areas
- Health and safety training of targeted communities completed in pilot areas
- Training of targeted communities with model equipment completed in pilot areas
- Implementation of projects in at least 2 of the 4 selected areas started not later than 24 months after the Effective Date

(c) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date. In order to assist the Recipient in preparing the Completion Report, the Recipient shall employ consultants whose qualifications, experience and terms of reference are acceptable to the World Bank.

2.10. ***Financial Management.*** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

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

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



## 2.11. *Procurement*

(a) General. All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and in May 2010 (“Procurement Guidelines”), in the case of goods; and

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and in May 2010 (“Consultant Guidelines”), in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

### (c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (A) Limited International Bidding; (B) National Competitive Bidding, subject to the following additional provisions: the procedures to be followed for National Competitive Bidding under this paragraph shall be those set forth in Law No. 23 for 2007, concerning Government Tenders, Auctions and Stores, and its Regulations, subject to the following additional procedures:

- a. A Recipient-owned enterprise in the Republic of Yemen shall be eligible to bid only if it can establish that it is legally and financially autonomous, operates under commercial law, and is not a dependent agency of the Recipient;
- b. bidding (or pre-qualification, if required) shall not be restricted to any particular class of contractors or suppliers, and non-registered contractors and suppliers shall also be eligible to participate;

- c. tenders shall be advertised for at least two (2) consecutive days in two (2) local newspapers of wide circulation;
- d. prospective bidders shall be allowed a minimum of thirty (30) days for the preparation and submission of bids, such thirty (30) days to begin with the availability of the bidding documents or the advertisement, whichever is later;
- e. until national standard bidding documents acceptable to the World Bank are available, bidding documents approved by the World Bank shall be used, and may be prepared in Arabic;
- f. registration shall not be used to assess bidders' qualifications; qualification criteria (in case pre-qualification was not carried out) and the method of evaluating the qualification of each bidder shall be stated in the bidding documents, and before contract award the bidder having submitted the lowest evaluated responsive bid shall be subject to post-qualification;
- g. a foreign bidder shall not be required to register or to appoint an agent as a condition for submitting its bid and, if determined to be the lowest evaluated responsive bidder, shall be given reasonable opportunity to register, without let or hindrance; the registration process shall not be applicable to sub-contractors;
- h. all bids shall be submitted in sealed envelopes and may be submitted, at the bidder's option, in person or by courier service;
- i. all bids shall be opened at the same time in a public bid opening which bidders shall be allowed to attend and which shall follow immediately after the deadline for submission of bids;
- j. evaluation of bids shall be carried out in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated responsive bidder, without resorting to the rejection of bids above or below a certain percentage of the pre-bid estimate (bid price bracketing);
- k. no bidder shall be requested or permitted to modify its bid after the bid closing date shall have elapsed and bids submitted after the deadline for submission of bids shall be returned to the bidder unopened;
- l. post-bidding negotiations with the lowest or any other bidder shall not be permitted;
- m. under exceptional circumstances, the procuring entity may, before the expiration of bid validity, request all bidders in writing to extend the validity of their bids, in which case bidders shall not be requested nor permitted to amend the price or any other condition of their bids; a bidder shall have the right to refuse to grant such an extension without forfeiting its bid security, but any bidder granting such extension shall be required to provide a corresponding extension of its bid security;
- n. price adjustment provisions may be included in contracts for works with a duration of more than eighteen (18) months;
- o. rejection of all bids is justified when there is lack of effective competition, or bids are not substantially responsive, however, lack of competition shall not be determined solely on the basis of the number of bidders;
- p. and each contract financed from the proceeds of the Grant shall provide that the contractor or supplier shall permit the World Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have such accounts and records audited by auditors appointed by the World Bank

(C) Shopping; (D) Direct Contracting; (E) Force Account; and (F) Community Participation procedures which have been found acceptable to the World Bank.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in sub-paragraph (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection; (F) Selection of Individual Consultants; and (G) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III**  
**Withdrawal of Grant Proceeds**

3.01. ***Eligible Expenditures.*** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in U.S. \$)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, Consultants' Services, Training and Incremental Operating Costs for Parts A, B and D of the Project	550,000	100%
(2) Goods, Consultants' Services, Training for Part C(i) of the Project	100,000	100%
(3) Sub-Grants for Part C(i) of the Project	1,752,000	100%
(4) Sub-Grants for Part C(ii) of the Project	48,000	100%
<b>TOTAL AMOUNT</b>	2,450,000	

For the purposes of this Section: (i) the term "Training" means training conducted in the territory of the Recipient, including workshops, the purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees; (ii) the term "Incremental Operating Costs" means reasonable incremental operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and *per diems*, but excluding salaries of officials of the Recipient's civil service and the purchase of vehicles; and (iii) "Goods" excludes the purchase of vehicles.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made:

(a) for payments made prior to the date of countersignature of this Agreement by the Recipient; or

(b) under Categories (2), (3), and (4) unless: (i) the Recipient has prepared and adopted an Operational Manual, satisfactory to the World Bank, which sets out the eligibility criteria to identify and select Beneficiaries and Eligible Communities under Part C(i) and (ii) of the Project and the organizational arrangements and operational procedures for implementing Part C(i) and (ii) of the Project; and (ii) the Recipient has prepared an ESMP, satisfactory to the World Bank for the governorate to which the withdrawal application relates; or

(c) under Category (4) unless the Eligible Community has deposited the requisite amount of contributory financing in the respective revolving fund and/or made a contribution in kind as set out in the Operational Manual.

3.03. ***Withdrawal Period.*** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is four years after the date of countersignature of this Agreement by the Recipient.

## **Article IV**

### **Additional Remedies**

4.01. ***Additional Event of Suspensions.*** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following: the World Bank has determined after the Effective Date referred to in Section 5.02 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

## **Article V Effectiveness**

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following conditions has been satisfied: (a) the Agreement has been executed by the Recipient; (b) the Recipient has established the PMU with a composition, resources and terms of reference satisfactory to the World Bank, which shall include at a minimum (i) a project director; (ii) a specialist in financial management; and (iii) a social development specialist; (c) the Recipient has adopted a Financial Management Manual satisfactory to the World Bank; and (d) the Recipient has established an accounting system satisfactory to the World Bank.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

## **Article VI Recipient's Representative; Addresses**

6.01. ***Recipient's Representative.*** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Planning and International Cooperation.

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

Ministry of Planning and International Cooperation  
PO Box 175  
Sana'a, Republic of Yemen

Facsimile:  
967-1-250-665

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

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

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

**APPENDIX**  
**Modifications to the Anti-Corruption Guidelines**

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are

not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”