

Public Disclosure Authorized

CONFIRMED COPY

FPCR TF GRANT NUMBER TF092343 YEM

Food Price Crisis Response Trust Fund Project Agreement

(Additional Financing for Third Social Fund for Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Trustee of the Food Price Crisis Response Trust Fund

and

SOCIAL FUND FOR DEVELOPMENT

Dated July 1, 2008

FPCR TF GRANT NUMBER TF092343 YEM

FPCR PROJECT AGREEMENT

Agreement dated July 1, 2008, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION (the “World Bank”), acting as Trustee of the Food Price Crisis Response Trust Fund and SOCIAL FUND FOR DEVELOPMENT (“SFD” or the “Project Implementing Entity”) (“FPCR Project Agreement”) in connection with the Food Price Crisis Response Trust Fund Grant Agreement (“FPCR Trust Fund Grant Agreement”) of even date herewith between the REPUBLIC OF YEMEN (the “Recipient”) and the World Bank.

WHEREAS: (A) Pursuant to a development credit agreement entered into between the Recipient and the International Development Association dated April 23, 2004 (the Development Credit Agreement) as amended by the Agreement Amending Development Credit Agreement dated July 12, 2007, the Recipient has received a credit in an amount in various currencies equivalent to fifty-one million six hundred thousand Special Drawing Rights (SDR 51,600,000) (the IDA Credit); which includes: (a) an original amount in various currencies equivalent to forty one million seven hundred thousand Special Drawing Rights (SDR 41,700,000) (the Initial Credit); and (b) an additional amount in various currencies equivalent to nine million nine hundred thousand Special Drawing Rights (SDR 9,900,000) (the Additional Credit) for the purposes of financing the Project described in Schedule 1 of the Development Credit Agreement (the Original Project);

(B) The Recipient has recognized the necessity of undertaking certain additional activities related to the Original Project (hereinafter, Parts D and E of the Project) which, in conjunction with the activities being undertaken under the Original Project, constitute collectively the Project described in Schedule 1 to this Agreement (the Project);

(C) By Resolution of May 29, 2008, the Executive Directors of the International Bank for Reconstruction and the International Development Association have established the Food Price Crisis Response Trust Fund (“FPCR”) to assist in financing programs in member countries of the World Bank aimed at reducing the negative impact of high food prices on the lives of the poor;

(D) The Recipient, having satisfied itself as to the feasibility and priority of the Project, has requested the International Development Association, acting as trustee of the FPCR, to provide assistance towards the financing of Parts D and E of the Project;

(E) The International Development Association, acting as Trustee of the FPCR, has determined that the Project falls within the purpose of the FPCR and wishes to provide financial assistance for the Project on the terms and conditions set forth in the FPCR Trust Fund Grant Agreement of even date herewith, entered into between the

Recipient and the World Bank, but only on conditions that SFD agrees to undertake such obligations toward the World Bank as are set forth in this Agreement;

(F) By the Project Agreement dated April 23, 2004, entered into between the International Development Association and the Social Fund for Development (SFD) (the Project Agreement) as amended by Agreement Amending Project Agreement dated July 12, 2007, SFD has agreed to carry out the Original Project;

(G) Parts D and E of the Project will be carried out by the SFD with the Recipient's assistance and, as part of such assistance, the Recipient will make the proceeds of the grant provided for in Article III of the FPCR Trust Fund Grant Agreement available to SFD, as set forth in this Agreement; and

(H) By a Subsidiary Grant Agreement to be entered into between the Recipient and SFD, the proceeds of the Grant provided for under the FPCR Trust Fund Grant Agreement will be made available to SFD on the terms and conditions set forth in said Subsidiary Grant Agreement;

The World Bank and the Project Implementing Entity hereby agree as follows:

ARTICLE I - GENERAL CONDITIONS; DEFINITIONS

- 1.01. The Standard Conditions (as defined in the Appendix to the FPCR Trust Fund Grant 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 FPCR Trust Fund Grant 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 Parts D and E of the Project in accordance with the provisions of Article II of the Standard Conditions, and shall provide promptly as needed, the facilities, services and other resources required for Parts D and E of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the World Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out Parts D and E the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III - REPRESENTATIVE; ADDRESSES

3.01. The Project Implementing Entity's Representative is its Managing Director.

3.02. The World Bank's Address is:

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

Cable:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or
64145(MCI)

(1-202) 477-6391

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

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Trustee of the Food Price Crisis Response Trust
Fund

By /s/ Daniela Gressani

Authorized Representative

SOCIAL FUND FOR DEVELOPMENT

By /s/ Abdulwahab Abdulla Al-Hajjri

Authorized Representative

SCHEDULE

Execution of Parts D and E of the Project

Section I. Institutional, Implementation and Other Arrangements

A. Institutional Arrangements

The provisions of Sections 3.01, 3.02, 3.03 and 3.04 of the Development Credit Agreement and Project Agreement, as amended shall apply to this Agreement, *mutatis mutandis*.

B. Environmental Management Plan

The Project Implementing Entity shall take all action required to follow and apply the provisions of the Environmental Management Plan in a timely manner, ensuring that: (i) mitigation and monitoring measures acceptable to the World Bank are designed and implemented with due diligence and employing appropriate environmental expertise; and (ii) adequate information on the implementation of the measures contained in the EMP is suitably included in the Progress Reports referred to below in Section II.A.1.

C. Operations Manual

The Project Implementing Entity shall take all action required to carry out Parts D and E of the Project in accordance with the requirements set forth or referred to in the Operations Manual.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of Parts D and E of the Project and prepare Project Reports for Parts D and E of the Project in accordance with the provisions of Section 5.08 (b) of the Standard Conditions and on the basis of Monitoring and Evaluation Indicators for Parts D and E of the Project. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient not later two (2) weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the World Bank of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than three (3) months after the Closing Date, for incorporation in the report referred to in

Section 5.08 (c) of the Standard Conditions, all such information as the Recipient or the World Bank shall reasonably request for the purposes of that Section.

B. Mid-Term Review

The Project Implementing Entity shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring and Evaluation Indicators for Parts D and E of the Project, the carrying out of Parts D and E of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the World Bank, and furnish to the Recipient not later February 28, 2009, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section for incorporation and forwarding by the Recipient to the World Bank of the consolidated overall Mid-Term Review Report, a report on the progress achieved in the carrying out of Parts D and E of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of Parts D and E of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the World Bank, on or about March 31, 2009 or such later date as the World Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of Parts D and E of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the World Bank's views on the matter.

Section III. Procurement

1. The provisions of Schedule 1 of the Project Agreement shall apply to this Agreement, *mutatis mutandis* for the purpose of any procurement of Goods, Consultants' Services, Operating Costs and Training under Parts D and E of the Project to be financed out of the proceeds of this Grant.

2. The simplified Community Contracting method through Direct Contracting with target communities based on unit rates acceptable to the World Bank, shall be used for any procurement under Sub-grants for labor-intensive works under Part D of the Project be financed out of the proceeds of this Grant.