

Public Disclosure Authorized

OFFICIAL DOCUMENTS

GRANT NUMBER D245-RY

Financing Agreement

(Yemen Integrated Urban Services Emergency Project)

between

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

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D245-RY

FINANCING AGREEMENT

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

WHEREAS: (A) the Recipient, has in response to the emergency arising within the territory of the Republic of Yemen in view of the ongoing conflict resulting in damage to critical 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 July 17, 2017, 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 Organisations” (as that term is defined in the FMFA) on the other.
- 1.03. Unless the context requires otherwise, the capitalized terms used in this Agreement 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 one hundred six million two hundred thousand Special Drawing Rights (SDR 106,200,000) (“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

- 5.01. This Agreement shall become effective as of 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:	E-mail:
+962 6 593 1249	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

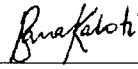
(b) the Association's Electronic Address is:

Telex: Facsimile:
248423 (MCI) 1-202-477-6391

AGREED as of the Signature Date.

UNITED NATIONS OFFICE FOR PROJECTS SERVICES

By:

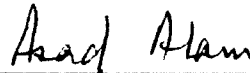


Bana Kaloti
Regional Director, Middle East

Date: 15 Nov. 2017

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:



Asad Alam
Country Director, Republic of Yemen

Date: November 15, 2017

SCHEDULE 1

Project Description

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

The Project consists of the following parts:

Component 1: Service Restoration

Carrying out a program of activities for restoration of targeted services covering five sectors (*i.e.*, tertiary municipal services and solid waste management, urban, water and sanitation, urban roads and transport, energy, and housing) in selected cities, in particular:

1. Carrying out a program of activities to improve access to municipal services, *inter alia*:
 - (a) conducting a site suitability assessment of existing landfill sites in selected cities, *inter alia*, output-based service contracts to restore collection and transfer for solid waste to the land fill sites, environment and social safeguards mitigation measures for landfill sites, weighting stations for landfill sites, and provision of inputs;
 - (b) carrying out rehabilitation of existing inspection chambers and manholes, and repair or expansion of selected sewer pipes, subject to their linkages to satisfactory treatment/disposal systems;
 - (c) improving storm water drainage by constructing channels, box culverts, and water breakers in existing water pathways, rehabilitation of existing channels, and providing grills to protect the outlets from blockage;
 - (d) paving of selected streets and pedestrian sidewalks;
 - (e) rehabilitation of local parks and green spaces, including cleaning and paving of existing pathways, sitting spaces and shades, planting greenery, repair of fences and gates, and children's play areas; and
 - (f) related sector specific activities that may be identified as community priorities.
2. Carrying out a program of activities to restore urban water and sanitation service delivery at the city level, *inter alia*:
 - (a) replacement of critical and needed assets such as pumps, generators, water treatments units, related facilities and spare parts;

- (b) rehabilitation of pipes, water tanks, existing wells, and waste water treatment plants;
 - (c) service delivery maintenance support to local water corporations, through the provision of operations costs to cover transportation allowance for critical staff, fuel supply for essential services, and electricity expenses;
 - (d) establishing private tanker filling stations and associated accreditation;
 - (e) awareness campaign on utility payment through citizen engagement;
 - (f) creation of a directory of service providers, and wide circulation of such directory to consumers; and
 - (g) conducting water and sanitation sector specific analytical work.
3. Carrying out a program of activities to rehabilitate selected primary and secondary urban roads, including those at the entrances of the cities.
4. Carrying out the restoration of electricity supply to critical urban services with priority to off-grid electricity solutions for water, sanitation, health and education facilities, including:
- (a) rehabilitation of existing conventional (diesel) generation systems;
 - (b) installation of new off-grid generation using diesel, renewable energy, or diesel-solar photovoltaic (PV) hybrid technologies;
 - (c) restoration of fuel supply in critical service facilities;
 - (d) installing solar PV and light-emitting diode (LED) street lights;
 - (e) energy efficiency improvements; and
 - (f) provision of electricity through off-grid private sector rental generation.
5. Provision of technical advisory services to prepare required studies and assessment to facilitate future engagement in the housing sector, *inter alia*:
- (a) conducting a detailed assessment of housing land and property rights;
 - (b) conducting a damage survey to evaluate the structural soundness of damaged houses and categorize the level of damage to each housing unit and conceive an appropriate level of intervention for each;

- (c) developing a housing assistance targeting framework and eligibility criteria;
- (d) mapping of public and private sector organizations that are available to support the reconstruction process, and assessing the capacity of such organizations;
- (e) developing suitable financing strategies for reconstruction of housing;
- (f) developing hazard-resistant housing solutions that build on local architecture; and
- (g) developing instructive materials and guidelines adapted to vernacular construction techniques, and preparing a communications and training strategy.

Component 2: Implementation Support and Capacity Development

1. Facilitating Project implementation, administration, management and monitoring and evaluation, including: (a) Recipient's Indirect Costs; (b) Recipient's Direct Costs for management and supervision; (c) provision of consultancy services required for Project monitoring, evaluation and coordination at city level; (d) provision of consultant's services required to conduct GIS based expenditure tracking and activity information dissemination system; (e) conducting independent audits of Project activities; and (f) provision of consultancy services for establishment of a Grievance Redress Mechanism ("GRM") system in the Recipient's office within the Republic of Yemen.
2. Carrying out capacity building activities for local agencies that are involved in the delivery of Project activities at the central and local levels with specific focus on technical skills for all sectors under the Project, including: (a) developing and rolling out of a public communication plan; and (b) facilitating citizen engagement in the identification and prioritization of investment projects.
3. Facilitating Project implementation performance, verification and field monitoring of Project activities, including provision of consultancy services required for Third Party Monitoring.

Component 3: Contingent Emergency Response

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

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, environmental and social standards and practices, and in accordance with the FMFA, and the Project Operational Manual, and shall promptly provide the funds, facilities, services and other resources required for the Project.
2. To facilitate the implementation of Component 1.1, 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.
3. The Recipient shall establish an advisory technical committee to facilitate the investment planning process and cross-sectoral coordination. Said Technical Committee shall be chaired by the Recipient, and shall comprise the local public sector partners and other stakeholders, as the Recipient may co-opt from time to time.

B. Anti-Corruption

1. The Recipient shall carry out the Project subject to the provisions of the General Conditions and the following undertakings:
 - (a) In the event that the Recipient or the Association becomes aware of information that indicates the need for further scrutiny of the implementation of the Project or any expenditures under the proceeds of the Financing (including non-frivolous allegations that corrupt, fraudulent, collusive or coercive practices were undertaken in relation to any activity under the Project) the Recipient or the Association, as the case may be, shall promptly bring such information to the attention of the appropriate official or officials of the other party, as designated from time to time by each party by written notice to the other party.
 - (b) Following consultation between the Recipient and the Association, the Recipient will, to the extent the information relates to actions within the authority or accountability of the Recipient, take timely and appropriate action in accordance with its accountability and oversight framework, including applicable regulations, rules, and administrative instructions, to investigate this information. For greater clarity on this matter, the Recipient and the Association

agree and acknowledge that the Recipient has no authority over, and accordingly shall have no responsibility to investigate, any government official or officials or consultants of the Association.

- (c) To the extent such investigation confirms the allegations and to the extent that remedial action is within the authority of the Recipient, the Recipient will take timely and appropriate action in response to the findings of such investigation, in accordance with the Recipient's accountability and oversight framework, including its regulations, rules, policies and procedures.
 - (d) To the extent consistent with the Recipient's accountability and oversight framework, including its regulations, rules, policies and procedures, it will keep the Association regularly informed by agreed means of actions taken pursuant to Section I.B.1(c) immediately above, and the results of the implementation of such actions, including where relevant, details of any recovery of funds or writing-off of losses. The Recipient will use its best efforts, consistent with its regulations, rules, policies and procedures to recover any funds misused. The Recipient will, in consultation with the Association, credit any funds so recovered to the Association or agree with the Association to use these funds for a purpose mutually agreed upon.
2. In the event that the Association reasonably believes that timely and appropriate action has not been taken by the Recipient under Section I.B.1 above, the Association may request direct consultations at a senior level between the Association and the Recipient in order to obtain assurances that the Recipient's oversight and accountability mechanisms have been and are being fully applied in connection with such allegations. The Recipient and the Association take note of the provisions of Article VIII of the United Nations Financial Regulations and Rules and the Recipient's corresponding relevant provisions in its Financial Regulations and Rules.
 3. The Association may, following consultation with the Recipient, by notice to the Recipient, suspend the right of the Recipient to make further withdrawals of the proceeds of the Financing if the Association reasonably believes the actions taken by the Recipient under Section I.B.1 above have not been sufficient to fulfill its fiduciary obligation with respect to the Financing.
 4. The Association has the right and authority, pursuant to the Anti-Corruption Guidelines, to investigate allegations or other information relating to possible corrupt, fraudulent, coercive, or collusive practices (as defined in Section I.B.7 below) by any third party, and to sanction any such third party which the Association has determined to have engaged in such practices; provided, however, that in this Section, "third party" does not include the Recipient. To the extent consistent with the Recipient's oversight framework, including its regulations, rules, policies and procedures, and if requested by the Association, the Recipient shall cooperate with the Association in the conduct of such investigations.

5. Without limitation to the provisions of paragraph B.1 of this Section, the Association retains the right to conduct an investigation in connection with the information referred to in paragraph B.1(a) of this Section and any information provided to the Recipient regarding allegations of corrupt, fraudulent, coercive, or collusive practice in connection with the bidding process, the award, or implementation of any contract to be or being financed out of the proceeds of the Financing, except that the Association may not investigate the Recipient or other UN agency. In all such investigations, the Recipient agrees to facilitate such investigations.

6.
 - (a) The Recipient will require any third party commercial entity with which it has a long-term arrangement or to which it intends to issue a purchase order or a contract financed with the proceeds of the Financing to disclose to the Recipient whether it is subject to any sanction or temporary suspension imposed by any organization within the World Bank Group. The Recipient will give due regard to such sanctions and temporary suspensions, as disclosed to it when issuing contracts during the Project implementation.

 - (b) If the Recipient intends to issue a contract in connection with the Project with a party that has disclosed to the Recipient that it is under sanction or temporary suspension by the World Bank Group, the following procedure will apply: (i) the Recipient will so inform the Association, before signing such contract; (ii) the Association then may request direct consultations at a senior level, if required, between the Association and the Recipient to discuss the Recipient's decision; and (iii) if after such consultation, the Recipient elects to proceed with the issuance of the contract, the Association may inform the Recipient by notice, that the proceeds of the Financing may not be used to fund such contract.

 - (c) Any portion of the proceeds of the Financing received by the Recipient under this Agreement that may have been used to fund a contract in respect of which the World Bank Group has exercised its right under paragraph 6(b)(iii) immediately above, shall be used to defray the amounts requested by the Recipient in any subsequent Withdrawal Application, if any, or will be treated as a balance in favor of the Recipient in the calculation of the final balances prior to the Closing Date.

7. For the purposes of the provisions of this Section I.B, the following definitions of sanctionable practices shall apply:
 - (a) "corrupt practice" is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;

- (b) "fraudulent practice" is any act or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain financial or other benefit or to avoid an obligation;
- (c) "collusive practice" is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party; and
- (d) "coercive practice" is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

C. Project Operational Manual

- 1. The Recipient shall not later than December 31, 2017, prepare and adopt the Project Operational Manual, in form and substance satisfactory to the Association.
- 2. The Recipient shall ensure that the Project is carried out in accordance with the arrangements, procedures and guidelines set out in the Project Operational Manual (provided, however, that in case of any conflict between the arrangements and procedures set out in the Project Operational Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree, the Recipient shall not amend, abrogate, waive or fail to enforce any provision of the Project Operational Manual without the prior written agreement of the Association.

D. Third Party Monitoring

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

E. Grievance Redress Mechanism

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

F. Annual Investment Plan

- 1. The Recipient shall, by no later than December 15 of each year, 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 as required during Project implementation subject to the Association's prior written approval.

G. Environmental and Social Safeguards

1. The Recipient shall, within sixty (60) days from the Effective Date:
 - (a) prepare, in accordance with terms of reference acceptable to the Association, an Environmental and Social Management Framework ("ESMF"), and a Resettlement Policy Framework (RPF), respectively, as well as any environmental assessment, environmental management plan or similar safeguard instrument required by the ESMF, or any resettlement action plan required by the RPF, all in form and substance satisfactory to the Association; and
 - (b) adopt such ESMF and RPF as shall have been approved by the Association and publish said ESMF and RPF, and any environmental assessment, environmental management plan or similar safeguard instrument, in a manner acceptable to the Association.
2. In case of any activity under the Project requiring the adoption of an ESMP and/or ESIA pursuant to the ESMF:
 - (a) proceed to have such ESIA and/or ESMP as appropriate: (i) prepared and disclosed in accordance with the ESMF; (ii) consulted upon adequately with people affected by the Project as per the ESMF, and submitted to the Association for review and approval; and (iii) thereafter adopted, prior to implementation of the activity; and
 - (b) thereafter, take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESIA, and/or ESMP.
3. In case of any activity under the Project requiring the adoption of a RAP pursuant to the RPF:
 - (a) proceed to have such RAP: (i) prepared and disclosed in accordance with the RPF; (ii) consulted upon adequately with people affected by the Project as per the RPF, and submitted to the Association for review and approval; and (iii) thereafter adopted, prior to implementation of the activity;

- (b) thereafter, take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such RAP; and
 - (c) prior to carrying out activities which involve displacement of Affected Persons, take all measures satisfactory to the Association, to implement the recommendations of the Resettlement Action Plans in a timely manner. To this end, the Recipient shall ensure that:
 - (i) all rights to land, usufructs or customary rights and other property are allocated or acquired, equitable compensation thereof is paid and resettlement is carried out in accordance with the principles and institutional procedures set out in the Resettlement Action Plans;
 - (ii) Affected Persons shall be equitably compensated, resettled and rehabilitated in accordance with the Resettlement Action Plans;
 - (iii) the implementation arrangements for resettlement, including compensation, relocation and rehabilitation of Affected Persons are documented; and
 - (iv) the implementation, monitoring and evaluation of such RAPs is completed and reported in a manner satisfactory to the Association.
4. The Recipient shall ensure that the Project Reports referred to in Section II.A of this Schedule include adequate information on monitoring the measures set out in the Safeguards Instruments and any plan prepared pursuant to the Safeguards Instruments.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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

B. Accounts and Audits

- 1. The Recipient shall maintain or cause to be maintained a financial management system, including records and accounts, adequate to reflect the transactions related to the Project, in accordance with the requirements of the UNOPS Financial Regulations and Rules, (hereinafter referred to as the Financial Regulations).

2. The Recipient shall maintain in a separate account in its records ("Financing Control Account") a complete, true and faithful record of all the advances from the proceeds of the Financing and of all the expenditures paid from such advances.
3. The Recipient shall prepare, on a semi-annual basis, interim unaudited financial reports, in accordance with accounting standards established pursuant to the Financial Regulations and Rules and in the format agreed with the Association, adequate to reflect the operations, resources and expenditures related to the Project. The first said interim unaudited financial reports shall be furnished to the Association no later than forty-five (45) days after the end of the first six months after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Financing through the end of such first six (6) months; thereafter, each interim unaudited financial report shall be furnished to the Association not later than forty-five (45) days after each subsequent six month period, and shall cover such six month period.
4. The Recipient shall ensure that the audit of the Project is governed by: (a) Article VI of the Financial Regulations and Rules and (b) the Financial Management Framework Agreement.
5. The Recipient shall retain, until at least one year after the Association has received the final interim unaudited financial report referred to in paragraph 3 of this Section II.B covering the 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. If the Association determines that the procurement policies, procedures, regulations, or practices of the Recipient have been modified, suspended, or waived such that they are no longer acceptable to the Association, the Association may, in addition to the Association's other rights under the Agreement, revoke the procurement provisions set out in paragraph 1 of this Section III.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

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

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Works, goods, non-consulting services, consultants' services, Training and Operating Costs for Components 1, 2.1(c), (d) (e) and (f), and 2.2 of the Project	96,000,000	100%
(2) Recipient's Indirect Cost payable under Component 2.1(a) of the Project (3% of the total Financing)	3,091,100	100%
(3) (a) (i) Recipient's Direct Cost under Component 2.1(b) of the Project	6,400,000	100%
(ii) Recipient's Third Party Monitoring under Component 2.3 of the Project	708,900	100%
(4) Emergency Expenditures under Component 3 of the Project	0	
TOTAL	106,200,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for:
 - (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 1,500,000 may be made for payments made prior to this date but on or after August 15, 2017, for Eligible Expenditures under Category (1); or
 - (b) under Category (4), for Emergency Expenditures, under Component 3 of the Project, unless and until the Association is satisfied, and notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:
 - (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the IRM Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
 - (ii) the Recipient has prepared and disclosed all safeguards instruments required for said activities, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section I.G of Schedule 2 to this Agreement; and
 - (iii) the Recipient has adopted an IRM Operations Manual in form, substance and manner acceptable to the Association; and
 - (c) the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the Association's knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.
2. All withdrawals shall be made on the basis of the interim unaudited financial reports referred to in Section II.B.3 of this Schedule and under such other terms and conditions as the Association shall specify by notice to the Recipient contained in the Disbursement and Financial Information Letter addressed or to be addressed by the Association to the Recipient for purposes of the Financing.
3. Without prejudice to the provisions of Section 8.07 of the General Conditions, in the event that the Association requests a refund of any portion of the proceeds of the Financing that has been used in a manner inconsistent with the provisions of this

Agreement, the Association and the Recipient will adopt the procedures set forth in paragraph 9 of the FMFA.

4. It is understood that the Recipient shall not be responsible for, and shall have no obligation to initiate or continue implementation of, the pertinent activities under the Project unless the proceeds of the Financing allocated to such activities have been made available to the Recipient. Notwithstanding any suspension of the Financing or any portion of the Financing under this Agreement, the Association will make available to the Recipient the portion of the proceeds of the Financing required to meet the obligations entered into by the Recipient prior to the date on which the Recipient shall have received the notice of suspension.
5. The Closing Date is December 31, 2020.

APPENDIX

Section I. Definitions

1. "Affected Persons" means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction to access legally designated parks and Protected Areas, resulting in adverse impacts on the livelihood of such person.
2. "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.
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. "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.F of Schedule 2 to this Agreement.
5. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. "Direct Costs" means the actual cost of the Recipient that can be directly traced to the deliverables and technical output on account of project management and supervision under Components, and excluding Operating Costs.
7. "Emergency" means the occurrence of an event of emergency within the territory of the Republic of Yemen in view of the ongoing conflict resulting in damage to critical urban infrastructure and lack of access to critical urban services.
8. "Eligible Crisis" or "Emergency" means, for the purpose of Component 3 of the Project, an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.
9. "Emergency Expenditure" means any of the Eligible Expenditures set forth in the IRM Operations Manual, and required for the activities included in the IRM Part of the Project.

10. “Environmental and Social Impact Assessments” or “ESIA” means collectively:
(a) the environmental and social impact assessments that may be prepared for civil works financed under the Project; and (b) any site-specific environmental and social impact assessment prepared pursuant to the ESMF for Project activities, in each case describing a set of mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to mitigate adverse environmental and social impacts, offset them, or reduce them to acceptable levels, or to enhance positive impacts; as the said environmental impact and social assessments may be amended and/or supplemented from time to time with the prior written concurrence of the Association.
11. “Environmental and Social Management Framework” or “ESMF” means the framework to be prepared, adopted and disclosed pursuant to Section I.G.1 of Schedule 2 to this Agreement, setting out mitigation, monitoring, and institutional measures that have been identified by the Recipient to eliminate any adverse environmental and social impacts of Project activities, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written concurrence of the Association, and such term includes any schedules or annexes to said ESMF.
12. “Environmental and Social Management Plan” or “ESMP” means an environmental and social management plan to be prepared by the Recipient in accordance with the procedures and requirements under the ESMF, defining: (a) the measures to be taken during the implementation of a particular activity to eliminate or offset adverse environmental or social impacts, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures, as such ESMP may be amended from time to time with the prior written approval of the Association; and “ESMPs” means, collectively, all such ESMP.
13. “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.
14. “Financial Regulations and Rules” means the financial regulations and rules of the Recipient.
15. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated July 14, 2017, with the modifications set forth in Section II of this Appendix.
16. “Grievance Redress Mechanism” or “GRM” means the grievance redress mechanism to be established by the Recipient in accordance with the provisions of Section I.E 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.

17. "Immediate Response Mechanism Operations Manual" and "IRM Operations Manual" each means the operations manual referred to in Section IV.B.1(b)(iii) of Schedule 2 to this Agreement, to be adopted by the Recipient for the IRM Part of the Project.
18. "IRM Part of the Project" and "IRM Part" each means Component 3 of the Project.
19. "Operating Costs" means: (a) for the purpose of Component 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; and (b) for the purpose of Component 2 the incremental operating costs arising on account of vehicle operation for supervisors, monitors and related travel costs.
20. "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.
21. "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.
22. "Resettlement Action Plan" or "RAP" means a resettlement action plan to be prepared by the Recipient in accordance with the procedures and requirements under the RPF, setting out, for a particular activity, actions and measures for compensation and resettlement of Affected Persons, including the magnitude of displacement, proposed compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, the RAP, as such plan may be revised from time to time with prior written approval of the Association; and "RAPs" means, collectively, all such RAP.
23. "Resettlement Policy Framework" or "RPF" means the Resettlement Policy Framework to be prepared, adopted and disclosed pursuant to the provisions of Section I.G of Schedule 2 to this Agreement, setting forth the modalities for preparation and implementation of a resettlement action plan(s), including resettlement and compensation of Affected Persons under the Project, as the same may be amended from time to time with the agreement of the Association.
24. "Technical Committee" means the advisory committee referred to in Section I.A.3 of Schedule 2 to this Agreement.

25. "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.
26. "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.
27. "Safeguards Instruments" means, collectively, the ESMPs, ESIAs, RAPs, ESMF, RPF, and any other plan derived from the RPF or ESMF. "Safeguard Instrument" means any one such instrument.
28. "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.
29. "World Bank Environmental and Social Safeguards Policies" means the following policies:<http://www.worldbank.org/en/programs/environmental-and-social-policies-for-projects>.
30. "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.
31. "Yemen Partners" means the local agencies that the Recipient has engaged for the purpose of facilitating the implementation of Component 1.1, 1.2 and 1.3 of the Project, and who are involved in the implementation of other projects financed by the Association, or other development agencies, all satisfactory to the Association.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 2.06 (Financing Taxes) is deleted in its entirety, and the remaining sections in Article II are renumbered accordingly.
2. The following sections in Article III are deleted in their entirety: Sections 3.02 (Commitment Charge), 3.14 (Place of Payment), 3.15 (Currency of Payment), 3.16

(Amount of Payment), 3.18 (Manner of Payment), and 3.19 (Temporary currency Substitution), and the remaining sections are renumbered accordingly.

3. Section 5.07 (Plans; Documents; Records), Section 5.09 (Financial Management, financial Statements, Audits), Section 5.13 (Procurement) and Section 5.14 (Anti-Corruption) are, respectively, deleted in their entirety, and the remaining sections in Article V are renumbered accordingly.
4. In Section 5.10 (renumbered as Section 5.08) (*Cooperation and Consultation*), paragraph (a) is modified as follows:
 - “(a) from time to time, at the request of either one of them, exchange views on the Project, the Financing, and the performance of their respective obligations under the Legal Agreement;”
5. In Section 5.11 (renumbered as Section 5.09) (Visits), paragraphs (a) and (b) are, respectively, modified to read as follows:
 - “(a) The Recipient shall take all action necessary or useful to ensure that the Member Country affords all reasonable opportunity for representatives of the Association to visit any part of their territories for purposes related to the Financing or the Project.”
 - “(b) The Recipient shall enable the Association’s representatives: (i) to visit any facilities and construction sites included in the Project; and (ii) to examine the goods financed out of the proceeds of the Financing for the Project, and any plants, installations, sites, works, buildings, property, equipment, relevant to performance of its obligations under the Legal Agreement.”
6. Section 6.01 is deleted in its entirety.
7. Sections 8.02(a) (Payment Failure) is modified as follows:
 - (a) “Paragraph (a) on *Payment Failure* is replaced with the following: if the Republic of Yemen has failed to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal, interest, service charges or any other amount due to the Association or the International Bank for Reconstruction and Development (“Bank”): (i) under any agreement between the Republic of Yemen and the Association or the Bank; or (ii) in consequence of any guarantee extended or other financial obligation of any kind assumed by the Association or the Bank to any third party with the agreement of the Republic of Yemen.”
8. Sections 8.02(h) (Co-financing) is deleted in its entirety and the remaining sections in Section 8.02 under Article VIII are renumbered accordingly.

9. Sections 9.01 (Enforceability), 9.02 (Failure to Exercise Rights), and 9.03 (Arbitration) under Article IX are, respectively, deleted and replaced with the provisions of Section 21 of the FMFA.
10. Paragraphs 5, 17, 55, 78, 87 and 109 of the Appendix (Definitions) are, respectively, deleted in their entirety and the remaining paragraphs in the Definitions are renumbered accordingly.
11. Paragraph 79 (now renumbered as paragraph 75) in the Appendix (Definitions) is modified as follows:

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