Financing Agreement

(Second Additional Financing for Yemen Emergency Crisis Response Project)

between

UNITED NATIONS CHILDREN'S FUND
(for the benefit of the Republic of Yemen)

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 30, 2017
GRANT NUMBER D197-RY

FINANCING AGREEMENT

AGREEMENT dated May 30, 2017, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the UNITED NATIONS CHILDREN'S FUND ("Recipient"), for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement).

WHEREAS: (A) the Recipient has in response to the immediate emergency arising as a result of famine and deteriorating food insecurity in the Republic of Yemen ("Emergency"), and in view of the ongoing conflict situation within the Republic of Yemen, requested the assistance of the Association to finance specific costs associated with the Emergency;

(B) pursuant to the Basic Cooperation Agreement between the Recipient and the Republic of Yemen dated January 12, 1994, the Recipient and the Republic of Yemen agreed to cooperate in the programme areas for the benefit of children and women within the territory of the Republic of Yemen consistent with the relevant resolutions, decisions, regulations and rules and policies of the competent organs of the United Nations, including the Executive Board of the Recipient.

(C) the original project and the first additional financing ("Original Project") are implemented by the United Nations Development Program ("UNDP") as the recipient of respective grants made by the Association to finance the Original Project, and the project described in Schedule 1 to this Agreement ("Project") constitutes the third component of the Original Project;

(D) the Recipient, having satisfied itself as to the feasibility and priority of the Project, by a letter dated May 2, 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) constitute an integral 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 in the FMFA to "Trust Fund Grant(s)" shall be references to the Financing referred to in Section 2.01 of this Agreement;

(c) all references in the FMFA 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 Children's Fund";

(d) all references in the FMFA to "the UN Controller" shall be references to the "UNICEF Comptroller";

(e) all references in the FMFA to the "UN Financial Regulations" shall be references to the "UNICEF Financial Regulations and Rules"; and

(f) all references in the FMFA to the "Parties" in Section 11 of the FMFA shall be a reference to the "Association" and the "United Nations Children's Fund" 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, if a satisfactory consolidated review mechanism is established.

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, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to one hundred forty-five million nine hundred thousand Special Drawing Rights (SDR 145,900,000) ("Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. The Recipient's Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Comptroller of the United Nations Children's Fund.
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 IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of 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 the Recipient's 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 date of signature.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as provided in Section 2.02 of this Agreement, the Recipient's Representative is the UNICEF Representative, Yemen.
6.02. The Recipient's Address is:

UNICEF, the United Nations Children’s Fund
Sana’a
Republic of Yemen

Facsimile:

(Attention: The Representative)

With a copy to:

UNICEF, the United Nations Children’s Fund
UNICEF House
Three United Nations Plaza
New York, New York 10017

Facsimile:

+ 1 (212) 326-7004

(Attention: The Comptroller)

6.03. The Association’s Address is:

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

Telex: 248423 (MCI) Facsimile: 1-202-477-6391
AGREED at Cairo, Arab Republic of Egypt, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By:

Asad Alam
Country Director, Republic of Yemen
Middle East and North Africa Region

UNITED NATIONS CHILDREN'S FUND

By:

Olav Kjørven
Director, Public Partnerships Division
SCHEDULE 1

Project Description

The objective of the Project is to provide short-term employment access to selected basic services to the most vulnerable; preserve existing implementing capacity of two service delivery programs; and provide emergency cash transfers to the poor and vulnerable in response to the food crisis.

The Project constitutes the third component of the Original Project and consists of the following parts:

**Part A (component 3.1) Cash Transfers**

1. Provision of cash ("Cash Transfers") assistance to reduce the vulnerability of eligible beneficiaries, and to enable targeted households to purchase food ("Cash Transfer Beneficiaries").

2. Hiring of Payment Agency(ies), to deliver cash and administer the Cash Transfers within the territory of Yemen.

**Part B (component 3.2) Cash Transfers Program Management and Monitoring**

1. Facilitating Project implementation, administration, management and monitoring and evaluation, including: (a) Recipient’s direct cost, including staffing and operating expenses; (b) Recipient’s indirect cost and general management; (c) provision of consultancy services required for technical assistance, and implementation support; and (d) Recipient’s Third Party Monitoring.
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. The Recipient’s Project Management Unit (“PMU”) based in the Recipient’s office in the Republic of Yemen shall be responsible for day-to-day management and implementation of the Project, including the staffing of core functions, including the technical, fiduciary (i.e., procurement and financial management) aspects of the Project, and coordination of all field activities, as detailed in the Project Operational Manual.

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**

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, Payment Agencies and Grievance Redress Mechanism**

The Recipient shall hire Third Party Monitoring Agent(s), Payment Agency(ies), and a Grievance Redress Mechanism firm(s) with terms of reference reviewed and confirmed by the Association, and 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. **Cash Transfers under Part A (component 3.1) of the Project**

The Recipient shall:

(a) ensure that the verification of the Social Welfare Fund (SWF) list of eligible Cash Transfer Beneficiaries in, form and substance satisfactory to the Association, and in accordance with the Project Operations Manual.

(b) submit to the Association, a Third Party Monitoring Agent’s performance audit report on the basis of the terms of reference for the Third Party Monitoring, related to the use of the full proceeds of the Cash Transfers under Category (1) of the table set forth in Section IV.A of this Schedule.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 (formerly re-numbered as Section 4.06) of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report (i.e., a semi-annual interim Project Report providing for a summary of activities covering a period of six calendar months, and a detailed annual Project Report), shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

2. For purposes of Section 4.08(c) (formerly re-numbered as Section 4.06(c)) of the General Conditions, the final report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six months after the Closing Date.

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 document United Nations Children's Fund Financial Regulations and Rules, E/ICEF/2011/AB/L.8 (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 quarterly basis, interim unaudited financial reports, in accordance with accounting standards established pursuant to the Financial Regulations 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 quarter 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 quarter; thereafter, each interim unaudited financial report shall be furnished to the Association not later than forty-five (45) days after each subsequent quarter, and shall cover such quarter.

4. The Recipient shall ensure that the audit of the Project is governed by: (i) Article XIV of the Financial Regulations; and (ii) 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 2 of this Section II.B covering the quarter 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**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions (Disbursement Letter) as the Association shall specify by notice to the Recipient, to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“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:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Cash Transfer under Part A (component 3.1) of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Cash Transfer under Part A.1</td>
<td>135,400,000</td>
<td>100% of the amount paid by the Recipient under the Cash Transfer</td>
</tr>
<tr>
<td>(b) Payment Agency(ies) fees under Part A.2 of the Project</td>
<td>4,039,671</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants' services and Recipient's costs under Part B (component 3.2) of the Project</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) Consultants' services</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(b) Third Party Monitoring</td>
<td>1,100,000</td>
<td></td>
</tr>
<tr>
<td>(c) Recipient's Direct Costs</td>
<td>2,500,000</td>
<td></td>
</tr>
<tr>
<td>(d) Recipient’s Indirect Costs (2% of the total financing)</td>
<td>2,860,329</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>145,900,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for:

   (a) payments made for expenditures prior to the date of this Agreement, except that withdrawal up to an aggregate amount not to exceed one million five hundred thousand Special Drawing Rights (SDR 1,500,000) may be made
prior to this date but on or after April 1, 2017, for Eligible expenditures under Category (1); or

(b) 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 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 6.07 (newly re-numbered as Section 6.05) 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 June 30, 2019.
APPENDIX

Section I. Definitions

1. “Alternative Procurement Arrangements” or “APA” means the special procurement arrangements set forth in Section III.1 of Schedule 2 to this Agreement, said APA as introduced under the Association’s new Procurement Framework, which came into effect in July 2016.


3. “Cash Transfer” means a cash transfer made by the Recipient under Part A.1 (component 3.1) of the Project, to an eligible Cash Transfer Beneficiary out of the proceeds of the Financing.

4. “Cash Transfer Beneficiaries” means eligible vulnerable poor household included in the SWF list, and as detailed in the Project Operational Manual, and to whom the Recipient will make or has made a Cash Transfer.

5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

6. “Emergency” means the occurrence of an event of emergency within the territory of the Republic of Yemen resulting in famine and food insecurity crisis, for which the following notification has been issued: https://www.unicef.org/media/media_95478.html.


9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

10. “Grievance Redress Mechanism” or “GRM” means the system aimed to receive and address grievances and complaints associated with the Cash Transfer under Part A.1 (component 3.1) of the Project.
11. “Original Agreements” mean, respectively, the Disbursement Agreement for the Original Project between the Association and UNDP dated July 20, 2016 (Grant No. D132), and Disbursement Agreement for Additional Financing to the Original Project dated January 24, 2017 (Grant No. D162), all as amended to the date of this Agreement.


14. “Project Management Unit” or “PMU” means the Recipient’s management and Implementation unit referred to in Section I.A.2 of Schedule 2 to this Agreement.

15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 5, 2017, as the same shall be updated from time to time with the concurrence of the Association.

16. “Project Operational Manual” means the manual, satisfactory to the Association, and referred to in Section I.C.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with agreement of the Association.


18. “SWF List” means the Social Welfare Fund beneficiary list as generated for payment in quarter four of 2014 (December 2014), and, acceptable to the Association.

19. “Third Party Monitoring” means monitoring of the Project activities on behalf 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 covered by the Project within the territory of the Republic of Yemen.

20. “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 Third Party Monitoring in accordance with relevant terms of reference reviewed and confirmed by the Association.

Section II. Modifications to the General Conditions

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, are as follows (all references to Sections and the Appendix are to Sections of and the Appendix to said General Conditions):

1. Section 2.06 is deleted in its entirety, and Sections 2.07 and 2.08 are, respectively, renumbered as Sections 2.06 and 2.07.

2. Sections 3.01, 3.02, 3.03, 3.04, 3.05, 3.06, 3.07, 3.08 and 3.10 are, respectively, deleted in their entirety, and Section 3.09 is re-numbered as Sections 3.01.

3. Sections 4.02 (Performance under the Project Agreement), 4.07 (Plans; Documents; Record) and 4.09 (Financial Management, Financial Statements, Audits) are, respectively, deleted, and Sections 4.03, 4.04, 4.05, 4.06, 4.08, 4.10, 4.11 and 4.12 are, respectively renumbered as Sections 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08 and 4.09.

4. The newly re-numbered Section 4.07 (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.”

6. In the newly re-numbered Section 4.08, paragraphs (a) and (b) are, respectively, modified to read as follows:

   “Section 4.08. Visits

   “(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.”

7. Section 5.01 is deleted in its entirety.

8. Section 6.02 is modified as follows:
(a) Paragraph (a) on Payment Failure is replaced with the following:

"(a) 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."

(b) Paragraph (d)(ii) on Cross Suspension is deleted in its entirety, and paragraph (d)(i) is renumbered as paragraph (d).

(c) Paragraph (h) on Co-financing is deleted in its entirety, and paragraphs (i) through (m) are respectively renumbered as paragraphs (h) through (l).

(d) The newly re-numbered paragraph (i) on Membership is deleted in its entirety, and the newly renumbered paragraphs (j) through (l) are, respectively, renumbered as paragraphs (i) through (k).

(e) The newly renumbered paragraph (i) on Condition of Project Implementing Entity is deleted in its entirety, and the newly renumbered paragraph (j) and (k) are, respectively, renumbered as paragraphs (i) and (j).

(f) The newly re-numbered paragraph (i) on Ineligibility is deleted, and the newly re-numbered paragraph (j) is re-numbered as paragraph (i).

9. Sections 6.05 and 6.06, are, respectively, deleted in their entirety, and Section 6.07 and 6.08 are, respectively, re-numbered as Sections 6.05 and 6.06.

10. The newly re-numbered Section 6.06 is modified as follows:

"6.06. (Effectiveness of Provisions after Cancellation, Suspension or Refund)

"Notwithstanding any cancellation, suspension, or refund under this Article, all the provisions of the Legal Agreement shall continue in full force and effect except as specifically provided for in these General Conditions."

11. Sections 7.01, 7.02 7.03 on Arbitration are, respectively deleted and replaced with the provisions of Section 21 of the FMFA are inserted as the new Section 7.03.

12. Sections 8.01 and 8.02 are deleted in their entirety, and Sections 8.03, 8.04 and 8.05 are, respectively, re-numbered as Sections 8.01, 8.02 and 8.03.
13. In the newly re-numbered Section 8.03, paragraphs (a) and (c) are, respectively, deleted, and paragraph (b) is renumbered as Section 8.03.

14. All references in the General Conditions to “Project Implementing Entity”, and “Project Agreement”, are, respectively, deleted.

15. The Appendix (Definitions) is modified as follows:

(a) The following paragraphs are, respectively, deleted in their entirety: paragraphs 1, 2, 4, 5, 10, 11, 12, 13, 14, 15, 16, 23, 24, 28, 34, 35, 36, 37, 38, 40, 41, 42, 43, 48, 49, 53, 54, 55 and 58, and the following paragraphs 3, 6, 7, 8, 9, 17, 18, 19, 20, 21, 22, 25, 26, 27, 29, 30, 31, 32, 33, 39, 44, 45, 46, 47, 50, 51, 52, 56, 57, 59, and 60, are, respectively, re-numbered as paragraph 1 through paragraph 31.

(b) The newly re-numbered paragraph 13 is modified to read as follows:

"13. ‘Foreign Expenditure’ means an expenditure in the Currency of any country other than the Member Country for goods, non-consulting services or services supplied from the territory of any country other than the Member Country.”

(c) The newly re-numbered paragraph 17 is modified to read as follows:

"17. ‘Local Expenditure’ means an expenditure: (a) in the Currency of the Member Country; or (b) for goods, non-consulting services or services supplied from the territory of the Member Country; provided, however, that if the Currency of the Member Country is also that of another country from the territory of which goods, non-consulting services, or services are supplied, an expenditure in such Currency for such goods, non-consulting services or services shall be deemed to be a Foreign Expenditure.”

(d) A new paragraph 20 with the definition of Member Country is added to read as follows, and the subsequent re-numbered paragraphs are re-numbered accordingly:

"20. ‘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.”

(e) The newly renumbered paragraph 21 is modified to read as follows:

"21. ‘Recipient’ means the party to the Financing Agreement to which the Financing is extended.”