

The World BankINTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
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October 23, 2011

H.E. Mr. Abdulkarim I. Al Arhabi
Deputy Prime Minister for Economic Affairs and
Minister of Planning and International Cooperation
Ministry of Planning and International Cooperation
P. O. Box 175
Sana'a, Republic of Yemen

Re: Amendments to Definition of "Incremental Operating Costs", "Training" and
"Project Management Costs" in subject Legal Agreements

Excellency:

We refer to the legal agreements for the projects set out in Attachment I to this amendment letter (individually a "Legal Agreement" and collectively, the "Legal Agreements") between the Republic of Yemen ("Recipient"), on the one part, and the International Development Association ("the Association"), on the other part, as amended to date. We also refer to our recent discussion to amend the definitions of "Incremental Operating Costs", "Training" and "Project Management Costs", as applicable, in the subject Legal Agreements to explicitly include as eligible expenditures the reasonable costs of expenditure related to international travel and per diem.

Please note that in evaluating whether such costs are reasonable, the Association will, among other factors, take into consideration the agreement between the Recipient and the Association on the calculation of international travel and per diem for project implementation units set out in the minutes to the Country Portfolio Performance Review Committee Meeting, dated November 3, 2010.

We propose to amend the Legal Agreements as set out below. For the purposes of these amendments, the term "Recipient" is to be read as "Borrower" if the Legal Agreement is a Credit.

Accordingly, the Legal Agreements are hereby amended as follows:

1. The definition of "Incremental Operating Costs" in the Legal Agreements shown in Part A of Attachment I is amended as follows:

““Incremental Operating Costs” means the reasonable cost of expenditures incurred on account of Project implementation, management and monitoring, including utility charges, maintenance and insurance of vehicle, fuel, office supplies, office rental, banking charges, communication and translation services, advertising, consumables, mailing and shipping costs, travel costs, per diem, audit costs and salaries and labor costs but excluding salaries of officials of the Recipient and the purchase of vehicles.”

2. The definition of “Incremental Operating Costs” in Section IVA.2 of Schedule 2 of the Development Credit Agreement for the Rainfed Agriculture and Livestock Project (listed in Part B of Attachment I) is amended as follows:

““Incremental Operating Costs” means the reasonable cost of expenditures incurred by the Recipient and SFD on account of Project implementation, management and monitoring, including maintenance of vehicles, fuel, office supplies, banking charges, communication services, travel costs, per diem, salaries and labor costs but excluding salaries of officials of the Borrower.”

3. The definitions of “Incremental Operating Costs incurred by the PAU” and “Incremental Operating Costs incurred by the PMU” in the Appendix of the Financing Agreement for the Secondary Education Development and Girls Access Project (listed in Part B of Attachment I) are amended as follows:

““Incremental Operating Costs incurred by the PAU” means the reasonable cost of expenditures incurred by the PAU and by the Recipient on account of Project implementation, management and monitoring for Parts A.1(b), A.2, B, C, and D of the Project, including office supplies, communication and translation services, audit costs, travel costs (including transport, fuel and per diem), vehicle maintenance, advertising, mailing and shipping costs, and support staff but excluding the salaries of officials of the Recipient’s civil service.”; and

“Incremental Operating Costs incurred by the PMU” means the reasonable cost of expenditures incurred by the PMU on account of Project implementation, management and monitoring for Part A.1(a) of the Project, including office supplies, communication and translation services, travel costs (including transport, fuel and per diem), vehicle maintenance advertising, mailing and shipping costs, and support staff but excluding the salaries of officials of the Recipient’s civil service. “”

4. The definition of “Training” in the Legal Agreements shown in Part C of Attachment I are amended as follows:

““Training” means Project related study tours, training courses, seminars, workshops and other training activities which are not included under goods or service providers’ contracts, including reasonable costs of training materials, space and equipment rental, travel, *per diem* costs of trainees and trainers’ fees, and interpretation and translation services.”

5. The definition of “Project Management Costs” in the Legal Agreement in Part D of Attachment I is amended as follows:

““Project Management Costs” means the reasonable cost of expenditures incurred by the Recipient on account of Project implementation, management and monitoring, including utility charges, rent for office space, maintenance of vehicles, fuel, office supplies, banking charges, communication services, audit costs, travel costs, per diem, salaries and labor costs and other consumables but excluding salaries of officials of the Recipient and the purchase of vehicles.”

All the terms and conditions of the Legal Agreements that have not been amended hereby shall remain unchanged and in full force and effect.

Please confirm your agreement with the foregoing by signing and dating the confirmation on the enclosed copy of this Amendment to the Legal Agreements and returning it to the Association. Upon receipt by the Association of this countersigned copy of this amendment letter, the foregoing amendments shall become effective as of the date of countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

AGREED AND CONFIRMED:

REPUBLIC OF YEMEN

By: /s/ Mutahar Abdulaziz Al-Abbasi
Vice Minister of Planning and International Cooperation;

Date: November 16, 2011

**List of Legal Agreements by Project Number and Name,
with reference to applicable provision amended by this Amendment Letter**

Credit/Grant No.	Project Name	Financing Type	Provision amended
Part A: Amendments to definition of “Incremental Operating Costs”			
Credit No. 4279-YEM	Second Vocational Training Project	Credit	Para 4 of Appendix to Financing Agreement
Grant No. H567-RY	Second Port Cities Development Project	Grant	Section IVA.2, Schedule 2 of Financing Agreement
Grant No. H565-RY	Integrated Urban Development Project	Grant	Section IVA.2, Schedule 2 of Financing Agreement
Grant No. H558-RY	Higher Education Quality Improvement Project	Grant	Section IVA.2, Schedule 2 of Financing Agreement
Grant No. H542-RY	Schistosomiasis Control Project	Grant	Section IVA.2, Schedule 2 of Financing Agreement
Grant No. H449-RY	Water Sector Support Project	Grant	Section IVA.2, Schedule 2 of Financing Agreement
Grant No. H570-RY	Social Welfare Fund Institutional Support Project	Grant	Section IVA.2, Schedule 2 of Financing Agreement
Part B: Amendments to definition of “Incremental Operating Costs”			
Credit No. 4220-YEM	Rainfed Agriculture and Livestock Project	Credit	Paragraph 2, Schedule 1 of the Development Credit Agreement
Credit No. 4401-YEM	Secondary Education Development and Girls Access Project	Credit	Paras. 11 and 12 of the Appendix to the Financing Agreement
Part C: Amendments to definition of “Training”			
Grant No. H567-RY	Second Port Cities Development Project	Grant	Section IVA.2, Schedule 2 of Financing Agreement

Grant No H565-RY	Integrated Urban Development Project	Grant	Section IVA.2, Schedule 2 of Financing Agreement
Grant H449-RY	Water Sector Support Project	Grant	Section IVA.2, Schedule 2 of Financing Agreement
Grant No. H570-RY	Social Welfare Fund Institutional Support Project	Grant	Section IVA.2, Schedule 2 of Financing Agreement
Part D: Amendment to definition of “Project Management Costs”			
Credit No. 3575-1-YEM	Taiz Municipal Development and Flood Protection Project	Credit	Section IVA.2, Schedule 2 of Financing Agreement