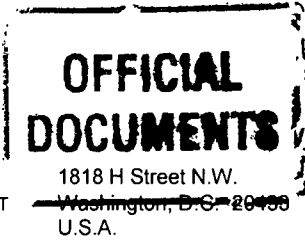


The World Bank

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION



CR 4220-RY

(202) 477-1234
Cable Address: INTBAFRAD
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June 29, 2012

H.E. Dr. Mohammed Saeed Al-Saad
Minister of Planning and International Cooperation
P. O. Box 175
Sana'a, Republic of Yemen

Re: Credit No. 4220-YEM
Rainfed Agriculture and Livestock Project
Amendment to the Development Credit Agreement

Excellency:

We refer to the Development Credit Agreement (Rainfed Agriculture and Livestock Project) between the Republic of Yemen (the Borrower) and the International Development Association (the Association) dated September 11, 2006 (the Development Credit Agreement), as amended. We also refer to your letter dated March 13, 2012, requesting certain amendments to the Development Credit Agreement.

We are pleased to inform you that the Association, after due consideration, has acceded to your requests. Accordingly, the Development Credit Agreement is hereby amended as follows:

1. Part B of the preamble to the Development Credit Agreement is hereby amended as follows:

“(B) Part B.4 (b) and Part C of the Project will be carried out by Social Fund for Development (SFD) with the Borrower’s assistance and, as part of such assistance, the Borrower will make part of the proceeds of the credit provided for in Article II of this Agreement (the Credit) available to SFD, as set forth in this Agreement; and”

2. Section 1.02 (b) of the Development Credit Agreement is amended to read as follows:

“(b) “Eligible Categories” means Categories (1), (4), and (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement in respect of Parts A and B of the Project and Category (2) set forth in said table in respect of Part C of the Project.”

3. Section 1.02(d) of the Development Credit Agreement is amended to read as follows:

“(d) Environmental Management Plan” or “EMP” means the Borrower’s environmental management plan for the Project furnished to the Association on July 21, 2005, and updated May 23, 2012, as such EMP may be updated from time to time by agreement between the Borrower and the Association, setting forth the measures to be taken during the implementation and operation of the Project to offset or reduce adverse environmental impacts to levels acceptable to the Association”

4. Paragraphs (j) and (k) of Section 1.02 of the Development Credit Agreement are amended to read as follows:

“(j) “Parts A and B PIP” means the Borrower’s Project implementation plan, furnished to the Association on November 23, 2005, and updated May 28, 2012, setting forth the procedures, methodology, plans of implementation and specialists acceptable to the Association required for carrying out Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project, as such plan may be updated from time to time by agreement of the Borrower and the Association;

(k) “Part C PIP” means SFD’s Project implementation plan, furnished to the Association on November 23, 2005, and updated May 28, 2012, setting forth the procedures, methodology, plans of implementation and required personnel acceptable to the Association required for carrying out Part A2(a), (3), Part B4(b) and Part C of the Project, as such plan may be updated from time to time by agreement of SFD and the Association;”

5. The Closing Date in Section 2.03 of the Development Credit Agreement is amended to read September 30, 2014.

6. Section 3.01(a) and (b) of the Development Credit Agreement is amended to read as follows:

“Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project through MAI, with due diligence and efficiency and in conformity with appropriate administrative, economic, environmental, engineering, financial and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall for the purpose of Part A2(a), (3), Part B4(b) and Part C of the Project cause SFD to perform in accordance with the provisions of the Project Agreement all the obligations of SFD therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable SFD to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.”

7. Section 3.01 (e) of the Development Credit Agreement is amended to read as follows:

“(e) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement”

8. Section 4.01 of the Development Credit Agreement is amended to read as follows:

“Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project.”

9. Section 4.02(a) of the Development Credit Agreement is amended to read as follows:

“Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set out in Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in implementation of Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project, as at the end of the period covered by said report.”

10 The table at paragraph 1 of Section A of Schedule 1 of the Development Credit Agreement is amended as follows:

“1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR)</u>	<u>% of Expenditures to be Financed</u>
(1) Works, Goods, Training and Incremental Operating Costs under Parts A and B of the the Project	2,170,380	100%
<i>(pro memoria)</i>		
(2) Goods, Consultants’ Services, PRP Grants and Incremental Operating Costs for the Governorates within the Project Area under Part C of the the Project	7,400,000	100%
(3) Unallocated	0	

(4) Works, Goods, Consultants' Services, Training and Incremental Operating Costs under Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project	4,229,620	100%
(5) Goods, Consultants' Services, Training and Incremental Operating Costs under Part A2(a), and (3) and Part B 4(b) of the Project	200,000	100%
<u>TOTAL</u>	<u>14,000,000</u>	

11 Paragraph 3 of Section A of Schedule 1 of the Development Credit Agreement is amended as follows:

“3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR200,000, may be made on account of payments made for expenditures before that date but after December 1, 2005; (b) payments made for PRP Grants under Category (2), unless a Manual of Procedures for PRP Grants, satisfactory to the Association, specifying the eligibility criteria, procedures for selection, disbursement mechanisms and expected Beneficiary contributions for PRP Activities, has been approved by the Association; and (c) under Category (1) after the date of this amendment.”

12. Paragraph 1 of Section B of Schedule 1 of the Development Credit Agreement is amended as follows:

“1. The Borrower may, for the purposes of each of: (i) Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) open and maintain in United States dollars a separate special deposit account in its Central Bank on terms and conditions satisfactory to the Association (Special Account for Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project); and (ii) Part A2(a), (3), Part B4(b) and Part C of the Project, open and maintain in United States dollars a separate special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment (Special Account for Part A2(a), (3), Part B4(b) and Part C of the Project).”

13. In Annex A to Schedule 1 of the Development Credit Agreement, all references to “Parts A and B of the Project” shall hereby be replaced with “Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project”.

14. In Annex B to Schedule 1 of the Development Credit Agreement, all references to “Part C of the Project” shall hereby be replaced with “Part A2(a), (3), Part B4(b) and Part C of the Project”.

15. Part B4 of the project description at Schedule 2 of the Development Credit Agreement is amended to read as follows:

“4. (a) Establishing a public-private partnership based on a contracting system for sanitary mandate and epidemiosurveillance, and (b) promoting accessible delivery of proximity veterinary and animal husbandry services and goods to livestock owners through the provision of goods, technical advisory services and training.”

16. Paragraph 1(a) of Section IIB of Schedule 3 of the Development Credit Agreement is amended to read as follows:

“B. Other Procurement Procedures

1. National Competitive Bidding. (a) Goods and works may be procured under contracts awarded on the basis of National Competitive Bidding, in compliance with the provisions of the Procurement Guidelines and as set out in the Procurement Plan.”

17. Paragraph 2 of Section IIB of Schedule 3 of the Development Credit Agreement is amended to read as follows:

“2. Shopping. Goods may be procured under contracts awarded on the basis of Shopping in compliance with the provisions of the Procurement Guidelines and as set out in the Procurement Plan.”

18. Section IIIA of Schedule 3 of the Development Credit Agreement is amended to read as follows:

“A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.”

19. Section A of Schedule 4 of the Development Credit Agreement is amended to read as follows:

“A. Implementation and Coordination of Parts A and B of the Project

1. The Borrower shall vest the overall responsibility for the implementation of Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project in MAI, and shall cause MAI to implement Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project in accordance with the Parts A and B PIP and the Environmental Management Plan. Except as the Association shall otherwise agree, the Borrower may not amend or waive any provision of the Parts A and B PIP or the Environmental Management Plan if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out Parts A and B of the Project or the achievement of the objectives thereof.

2. For the purpose of ensuring the proper coordination and execution of Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project, the Borrower shall maintain the Steering Committee, with membership and terms of reference satisfactory to the Association. The functions of said Steering Committee shall include, inter alia: (i) overall supervision of the implementation of Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project; (ii) review and approval of the annual work programs budgets and reports for the operation of the PSU; and (iii) review of auditor’s reports.

3. For the purpose of ensuring the proper supervision of the execution of Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project, the Borrower shall maintain the PSU throughout the Project’s implementation with organization, staffing and terms of reference

satisfactory to the Association. The PSU shall be responsible for supervising all procurement, financial management and monitoring and evaluation of Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project.”

20. In Section B of Schedule 4 of the Development Credit Agreement, all references to “Part A and B of the project’ are hereby replaced with “Part A1, A2(b) and (c), A4, and Part B (1), (2), (3), 4(a) and (5) of the Project”.

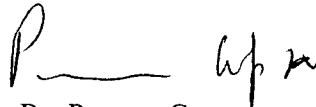
21. The Project Monitoring Indicators in Supplemental Letter No. 2 to the Development Credit Agreement are amended per the Attachment.

All the terms and conditions of the Development Credit Agreement 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 Letter Agreement and returning it to the Association. Upon receipt by the Association of this countersigned copy of this Letter Agreement, the Letter Agreement shall become effective as of the date of countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION



By: Poonam Gupta
Acting Country Director
Yemen, Egypt and Djibouti
Middle East and North Africa Region

AGREED AND CONFIRMED:

REPUBLIC OF YEMEN

By: *Dr. Mohammed Saed Saad*
Authorized Representative



Title: ~~Minister of Planning and International Cooperation~~
Minister of Planning and International Cooperation

Date: 24 July 2012

ANNEX 1:

Results Framework and Monitoring

YEMEN RAINFED AGRICULTURE AND LIVESTOCK PROJECT

Project Development Objective (PDO): to enable poor rural producers to improve their production, processing and marketing systems and protect their assets through the development of farmer based systems of seeds management and promoting productive rural development within the project Area and enhance the livestock husbandry and health services for the benefit of poor rural producers nationwide

PDO Level Results Indicators	Core	UOM ¹	Baseline Original Project Start (2006)	Progress To Date (201X)	Cumulative Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2012	2013	2014				
1. Number of kg of improved seeds produced by seed producer groups	<input type="checkbox"/>	Number	0	321,600	400,000	180,000		annually	Annual report	MAI/PSU	

¹ UOM = Unit of Measurement.

2. Number of seed grower associations with contractual arrangements with public or para-public seed certification entities	<input type="checkbox"/>	Number	0	0	5	5	5	annually	Annual report	SFD	
3. Number of clients per veterinary paraprofessional in project areas	<input type="checkbox"/>	Number	0	23,800	27,800	41,800	59,800	annually	Annual report	MAI/PSU and SFD	One paravet services 200 farmers.
4. Handling capacity of AI Mokha quarantine station (0.6 M a year)	<input type="checkbox"/>	Number of M heads	0.2	0.2	0.2	0.2	0.6	When project end	Project report	MAI/PSU and PWP	Revised Capacity
5. Number of functioning rural producer groups, associations or networks.	<input type="checkbox"/>	Number	0	1,415	1,750	2,400	2,527	Twice a year	Project report	SFD	
6. Additional revenue/capital per beneficiary (groups' members)		YR		16,520	18,000	20,000	20,000	Twice a year	Project report	SFD	Equivalent to cash revenue generated by all the groups divided by number of group members

7. Additional area with improved soil conservation and water harvesting		ha	0	-	40	90	140	annually	Project report	SFD	
Beneficiaries											
Project beneficiaries (group members),	<input checked="" type="checkbox"/>	Number		7,075	8,750	12,000	12,637	annually	Project report	SFD	
Of which female (beneficiaries)	<input checked="" type="checkbox"/>	Number		3,042	3,762	5,160	5,433	annually	Project report	SFD	

Intermediate Results and Indicators

Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (200x)	Progress To Date (2011)	Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2012	2013	2014				
Intermediate Result 1: Component 1: Farmer base System of Seed Improvement and Management											

Intermediate Results and Indicators											
Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (200x)	Progress To Date (2011)	Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2012	2013	2014				
1. Number of landraces characterized and conserved.	<input type="checkbox"/>	Number	0	1,267	1,767	2,067		annually	Project report	MAI/PSU	Component 1 stop at the end of 2013
2. Number of tons of improved seeds produced each year.	<input type="checkbox"/>	Number	0	321.6	721.6	900		annually	Project report	SFD and MAI/PSU	Component 1 stop at the end of 2013
3. Number of seed producer groups formed and trained		Number	0	64	70	80	90	annually	Project report	SFD	
Intermediate Result 2: Component 2: Livestock Husbandry and Health Services											

Intermediate Results and Indicators

Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (200x)	Progress To Date (2011)	Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2012	2013	2014				
4. Number of veterinary paraprofessionals trained, equipped, and operating.	<input type="checkbox"/>		0	119	162	247	290	Twice a year	Project report	MAI/PSU and SFD	
Intermediate Result 3: Component 3: Productive Rural Development											
5. Number of Village Rural Producer Committees	<input type="checkbox"/>	Number	0	230	230	230	230	Twice a year	Project report	SFD	The indicator was achieved

Intermediate Results and Indicators											
Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (200x)	Progress To Date (2011)	Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2012	2013	2014				
created and functioning 1 year after the first sub projects were completed											
6. Number of (a) production sub projects, (b) marketing sub projects and (c) processing sub projects		Number	0	1,170 (a) 313 (b) 78 (c)	1,650 (a) 440 (b) 110 (c)	1,720 (a) 460 (b) 115 (c)	1,720 (a) 460 (b) 115 (c)	Twice a year	Project report	SFD	* 92 inter community

Intermediate Results and Indicators

Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (200x)	Progress To Date (2011)	Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2012	2013	2014				
7. Amount of funding disbursed for the subprojects: (a) production, (b) marketing and (c) processing		YR	0	322 M (a) 85 M (b) 21 M (c)	454 M (a) 121 M (b) 30 M (c)	799 M (a) 213 M (b) 53 M (c)	799 M (a) 213 M (b) 53 M (c)	Twice a year	Project report	SFD	
8. Number of rural producers involved.	<input type="checkbox"/>	Number	0	7,961	11,151	20,385	20,385	Twice a year	Project report	SFD	
9. Number of producer groups having savings		Number	0	504	878	1,428	2,078	annually	Project report	SFD	<ul style="list-style-type: none"> *Saving means these groups have money in their account

Intermediate Results and Indicators

Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (200x)	Progress To Date (2011)	Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2012	2013	2014				
10. Km of terrace wall rehabilitated.	<input type="checkbox"/>	Km	0	30	70.4	87.4	90	annually	Project report	SFD	
11. Number of water harvesting structures rehabilitated.	<input type="checkbox"/>	Number	0	35	107	1,063	1,100	annually	Project report	SFD	
12. Km of wadi banks protected	<input type="checkbox"/>	Km	0	5.2	12.2	15.8	20	annually	Project report	SFD	
13. Number of has of upper catchments areas revegetated		Ha	0	20	20	45	45	annually	Project report	SFD	As a result of 10 & 11

Intermediate Results and Indicators

Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (200x)	Progress To Date (2011)	Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2012	2013	2014				
14. Equivalent person/day jobs generated by these investments	<input type="checkbox"/>	Number	0	6,820	16,502	21,090	25,000	annually	Project report	SFD	