

CONFORMED COPY

CREDIT NUMBER 2953 YEM  
GRANT NUMBER TF 020452

Development Grant Agreement

(In conjunction with the Social Fund Project)

between

REPUBLIC OF YEMEN

and

THE INTERNATIONAL DEVELOPMENT ASSOCIATION  
Acting as Administrator on behalf of  
THE MINISTER FOR DEVELOPMENT COOPERATION  
OF THE NETHERLANDS

Dated September 8, 1998

CREDIT NUMBER 2953 YEM  
GRANT NUMBER TF 020452

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 8, 1998, between THE REPUBLIC OF YEMEN (the Beneficiary) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) acting as Administrator (the Administrator) on behalf of the MINISTER FOR DEVELOPMENT COOPERATION OF THE NETHERLANDS (the Minister).

WHEREAS (A) Pursuant to a Development Credit Agreement (Social Fund for Development Project) dated September 12, 1997, between the Beneficiary and the Association (the Development Credit Agreement), the Association has agreed to extend to the Beneficiary a credit in an amount in various currencies equivalent to twenty one million seven hundred thousand Special Drawing Rights (SDR 21,700,000) to assist in the financing of the Project described in Schedule 2 to the Development Credit Agreement (the Project);

(B) the Minister wishes to make available to the Beneficiary a grant in an amount equivalent to two million Dutch guilders (NLG 2,000,000) (the Dutch Grant) to assist the Beneficiary in the financing of the Project and on the terms and conditions hereinafter set forth;

(C) Pursuant to the General Arrangement, dated May 24, 1995,

entered into between the Minister and the Association (the Administration Arrangements), the Minister has appointed the Association as Administrator of the Grant and has authorized the Association to do all such acts and things as may be necessary or appropriate to carry out such administration, including entering into this Development Grant Agreement on behalf of the Minister, and to extend the Grant on the terms and conditions set forth in this Agreement; and

(D) the Association has agreed, on the basis, inter alia, of the foregoing to act as Administrator of the Grant;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the International Development Association, dated January 1, 1985, (as amended through December 2, 1997) with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) the term "Association", whenever used in the General Conditions (except in the phrase "member of the Association" in Sections 2.01 (5) and 6.02 (e) (i)), means the Association acting as Administrator of the Grant;

(b) the term "Borrower" whenever used in the General Conditions, means the Beneficiary;

(c) the term "Credit", whenever used in the General Conditions, means the Grant;

(d) the term "Credit Account", whenever used in the General Conditions, means the separate account opened by the Administrator in its books in the name of the Beneficiary, pursuant to Section 7.01 of the Administration Arrangements, to which the amount of the Grant is credited;

(e) the term "Development Credit Agreement", whenever used in the General Conditions, means this Development Grant Agreement;

(f) Sections 3.02, 3.03, 3.04, 3.05, 4.02, 4.03, 4.06, 6.05, 7.01, 8.01 (a) 12.02 and 12.05, are deleted; and

(g) in Sections 2.01 and 6.02, the term "Association" shall include also the Association acting in its own capacity.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and the Development Credit Agreement have the respective meanings therein set forth.

#### ARTICLE II

##### The Grant

Section 2.01. The Administrator agrees to extend to the Beneficiary, on the terms and conditions herein set forth or referred to in this Agreement and subject to the receipt of the funds to be made available to the Administrator pursuant to Section 5.03 of the

Administration Arrangements, a grant in an amount equivalent to two million Dutch guilders (NLG 2,000,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with Section 2.02 (a) of the Development Credit Agreement for expenditures made in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant.

(b) Whenever a disbursement from the Grant Account is required to be made in a currency other than Dutch guilders for the purposes of this Agreement, the Administrator shall withdraw from the Grant Account an amount in Dutch guilders sufficient for the Association to purchase the required amount of the appropriate currency.

Section 2.03. Except as the Administrator shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be governed by the provisions of Schedule 1 to the Project Agreement between the Association and the Social Fund for Development, dated September 12, 1997.

Section 2.04. The Closing Date shall be June 30, 2001, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Beneficiary of such later date.

#### ARTICLE III

##### Effective Date; Termination; Representatives

Section 3.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Association shall have received the first installment of the funds referred to in Section 2.01 of this Agreement.

Section 3.02. The date one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 3.03. The Minister of Planning and Development of the Beneficiary shall be the representative of the Beneficiary for the purposes of Section 11.03 of the General Conditions.

Section 3.04. The addresses specified in Section 6.02 of the Development Credit Agreement shall be the addresses specified for the purposes of Section 11.01 of the General Conditions.

#### ARTICLE IV

##### Transfer of Rights and Obligations

Section 4.01. In accordance with Section 5.03 of the Administration Arrangements, the rights and obligations of the Administrator under this Agreement may be transferred to the Minister or one of its agencies designated by him. The Beneficiary accepts and agrees that, upon notice by the Administrator to the Beneficiary to that effect, the Minister (or the agency designated by him) shall, ipso facto, from the date specified in such notice, be substituted in all rights and obligations of the Administrator under this Agreement as if the Minister or such agency had been an original party to this Agreement, without any further action or formality required on the part of any party, and from such date the Administrator shall cease to have any rights or obligations as a party under this Agreement.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, and Sana'a, Republic of Yemen, as of the day and year first above written.

REPUBLIC OF YEMEN

By /s/ Ahmed Sofan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION  
as Administrator on behalf of the  
MINISTER OF DEVELOPMENT COOPERATION  
OF THE NETHERLANDS

By /s/ Inder K. Sud

Country Director,  
Middle East Department

