

CONFORMED COPY

December 7, 2001

H.E. Ahmed M. Sofan
 Minister of Planning and Development
 Ministry of Planning and Development
 Sana'a, Republic of Yemen

Re: Credit No. 3132-YEM
 Sana'a Emergency Power Project
Amendment to the Development Credit Agreement

Excellency:

We refer to the Development Credit Agreement (Sana'a Emergency Power Project) between the Republic of Yemen (the Borrower) and the International Development Association (the Association), dated October 5, 1998 (the Credit Agreement). We also refer to the proposed amendments discussed in the Aide-Memoire dated May 31-June 27, 2001, following the mid term review and as confirmed by our letter thereto dated August 9, 2001.

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

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

“Section 4.02 Except as the Association shall otherwise agree, the Borrower shall: (a) by December 31, 2002, replace the current desalination plant at Hiswa with a smaller desalination plant with capacity sufficient only for the supply of water to the Hiswa Power Plant; and”

2. The table in paragraph 1 of Schedule 1 to the Credit Agreement is amended to read as follows:

“SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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 H.E. Yahya Al-Abyad

expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% Expenditures to be Financed</u>
(1) Works under:		
(a) Part A of the Project	15,390,000	100% of foreign expenditures
(b) Part C of the Project	7,720,000	90%
(2) Consultants' services and training under:		
(a) Parts A through D of the Project	2,820,000	100%
(b) Part E of the Project	2,580,000	100%
(3) Goods	9,720,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost), and 90% of local expenditures for other items procured locally
(4) Operating Costs for PSPIU	800,000	90%
(5) Refunding of Project Preparation Advance	1,200,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(6) Unallocated	370,000	
TOTAL	<u>40,600,000</u>	

3. Part C of Schedule 2 to the Credit Agreement is amended to read as follows:

“Part C: Sana’a Transmission and Sub-transmission Systems

Debottlenecking and reinforcing the Sana’a transmission and sub-transmission systems through expansion of the Asser substation, by connecting into the station the 132kV/33kV double

circuit Dhamar-Amran line, establishing a 132kV double bus reliability, adding a 60 @ MVA transformer, expanding the 33kV switchgear with 3 bus sections, and adding more 33kV outgoing feeder lines, and additional transformer capacity at several substations to provide adequate 33kV interconnection capacity between Dhahban and the Asser substation, to accommodate the Dhahban peaking capacity and provide for reliable supply of the Sana'a load and provision of goods required for the reduction of PEC's grid systems losses."

4. Part E of Schedule 2 to the Credit Agreement is amended to read as follows:

"Part E: Long Term Sector Planning

1. Preparation of a master plan for long term investment to expand electric power generation and transmission and to utilize domestic natural gas for generation.

2. Carrying out of an institutional and organizational study to design a power sector reform program, and establishment of a Power Sector Program Implementation Unit to implement such program.

3. Carrying out advisory services for the Marib Private Power Project."

5. Paragraph 2 of Schedule 4 to the Credit Agreement is amended to read as follows:

"2. The Borrower shall:

(a) prepare, under terms of reference satisfactory to the Association and furnish to the Association, on or about September 30, 2002, a plan for a new tariff structure, tariff schedule, and tariff setting mechanism;

(b) review with the Association, by December 31, 2002, the plan referred to in sub-paragraph (a) above, and taking the Association's comments thereon into account, the Borrower shall carry out said plan for the new tariff program;

(c) prepare under terms of reference satisfactory to the Association, and furnish to the Association, on or about July 31, 2001, the design of an institutional and the organizational reform program for the power sector, based on the Program, and setting out the measures recommended to ensure the achievement of the objectives thereof during the period following such date; and

(d) review with the Association, by June 30, 2002, the design and recommended measures referred to in sub-paragraph (c) above, and thereafter, take all measures to ensure the achievement of the objectives of the Program, based on the conclusions and recommendations of the said reform program and the Association's views on the matter."

6. All the terms and conditions of the Development Credit Agreement, as amended hereby, shall remain in full force and effect.

Please confirm your agreement with the foregoing by signing, dating and returning to us the form of confirmation in the enclosed copy of this letter.

Sincerely yours,

International Development Association

/s/ Mahmood A. Ayub
Mahmood A. Ayub
Country Director
Egypt, Yemen and Djibouti
Country Department
Middle East and North Africa Region

CONFIRMED:

REPUBLIC OF YEMEN

By: /s/ H.E. Ahmed M. Sofan
Authorized Representative

Date: January 6, 2002

