

CONFORMED COPY

October 31, 2002

H.E. Dr. Ahmed Mohamed Sofan
Minister of Planning and Development
Ministry of Planning and Development
P. O. Box 175
Sana'a, Republic of Yemen

Re: Credit No. 2998-YEM
Southern Governorates Rural Development Project
Amendment to the Development Credit Agreement

Excellency:

We refer to the Development Credit Agreement (Southern Governorates Rural Development Project) between the Republic of Yemen (the Borrower) and the International Development Association (the Association) dated November 5, 1997, as amended (the Credit Agreement). We also refer to your letter dated July 24, 2002, requesting the amendment of the Credit Agreement and the reallocation of US\$4.3 million for the Community Development component currently financed only by IFAD.

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

1. Section 1.02 (h) of the Credit Agreement is amended to read as follows:

“(h) “Subproject” means any activity under Part C(2) of the Project for the economic development, improvement of the environment or the social infrastructure of communities and rural access roads in the Southern Governorates, to be financed out of the proceeds of the IFAD Loan and the Credit.”

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

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil Works:		95%
(a) Under Parts A.1, A.2 and A.3 of the Project	3,680,000	
(b) Under Part A.4 of the Project	350,000	
(2) Equipment and Vehicles	2,597,000	100% of foreign expenditures, 100% of local expenditures (ex-factory costs); and 80% of local expenditures for other items procured locally
(3) Consultants' Services and Training	3,200,000	100%
(4) Incremental Operating Costs	700,000	100%
(5) Refunding of Project Preparation Advance	200,000	100%
(6) Subproject	3,250,000	95%
(7) Unallocated	500,000	
TOTAL	<u>14,477,000</u> =====	

3. Paragraph 3 of Schedule 1 to the Credit Agreement is amended to read as follows:

“3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for: (i) expenditures prior to the date of this Agreement; and (ii) payments under Category 6 unless the Borrower has prepared and furnished to the Association amendments to the Manual of Procedures to cover rural access roads referred to in paragraph 6 of Schedule 4 to this Agreement.”

4. A new item (vi) shall be added to paragraph 4 of Schedule 1 to the Credit Agreement which shall read as follows:

“4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) works under contracts not exceeding \$100,000 equivalent; (ii) goods under contracts not exceeding \$200,000 equivalent; (iii) contracts for consulting firms not exceeding \$100,000 equivalent; (iv) Incremental Operating Costs; (v) contracts for individual consultants and training not exceeding \$50,000 equivalent; and (vi) Subprojects not exceeding \$100,000, under such terms and conditions as the Association shall specify by notice to the Borrower.”

5. Paragraph 2 of Part C of the Project (Rural Community Development) under Schedule 2 to the Credit Agreement is amended to read as follows:

“2. Provision of grants for community Subprojects in water supply and sanitation, community centers, flood protection works, rural access roads and other local community infrastructure.”

6. Paragraph 2 (Prior Review) under Part D of Section I of Schedule 3 to the Credit Agreement which shall read as follows:

“2. Prior Review

With respect to: (a) each contract for works estimated to cost the equivalent of \$100,000 or more; (b) each contract for goods estimated to cost the equivalent of \$200,000 or more; and (c) Subprojects costing \$100,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.”

7. Paragraph 7 of Schedule 4 to the Credit Agreement is amended to read as follows:

“7. With regard to Part C(2) of the Project, the Borrower shall ensure that the PMU shall

- (i) appraise Subprojects in accordance with the Manual of Procedures, as amended and that such Subprojects meet the criteria set forth therein;
- (ii) prepare summary environmental assessments identifying any potential adverse environmental effects to be produced by proposed Subprojects; and
- (iii) thereafter, carry out said Subprojects, including measures to screen and mitigate any adverse environmental effects.”

8. A new paragraph 8 shall be added to Schedule 4 to the Development Credit Agreement which shall read as follows:

“8. The Borrower shall, not later than November 30, 2002 prepare amendments to the Manual of Procedures, satisfactory to the Association to include procedures for the

implementation of rural access roads under Part C(2) of the Project and shall thereafter implement the rural access roads component in accordance to said manual.”

9. 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 Amendment and returning it to the Association.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

AGREED AND CONFIRMED:

REPUBLIC OF YEMEN

By /s/ Dr. Ahmed Mohamed Sofan
Authorized Representative

Name: /s/ Dr. Ahmed Mohamed Sofan

Title: Minister of Planning and Development

Date: November 17, 2002

Cleared with & cc: Messers/Mmes: Youness (LEGMS), Nguyen (LOAEL),
Aklilu (MNSRE)

cc: Messrs/Mmes: Macgregor (MNCMS), Darghouth, Sallah, Ngoupou, Allan,
Salang (MNSRE); Barrès, Abu-Hatim (MNCYE)