CONFORMED COPY

CREDIT NUMBER 3861-1 YEM
(Amendment)

Agreement Amending
Development Credit Agreement

(Third Social Fund for Development Project)

between

REPUBLIC OF YEMEN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 12, 2007
AGREEMENT AMENDING DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated July 12, 2007, between REPUBLIC OF YEMEN (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower and the Association have entered into a Development Credit Agreement (Third Social Fund for Development Project), dated April 23, 2004 (the Development Credit Agreement), for the purpose of providing support during the execution of the Third Social Fund for Development Project, as described in the Preamble to the Development Credit Agreement (the Project);

(B) the Borrower has requested the Association to provide further additional assistance in the support of the Project by increasing the amount made available under the Development Credit Agreement by an amount in various currencies equivalent to nine million nine hundred thousand Special Drawing Rights (SDR 9,900,000); and

WHEREAS (C) the Association has agreed, on the basis, inter alia, of the foregoing, to provide such additional assistance to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Amendments to the Development Credit Agreement

Section 1.01, Section 1.02 of the Development Credit Agreement is amended by deleting the “and” at the end of Subsection (l), substituting “; and” for “;” at the end of Subsection (m), substituting “;” at the end of subsection (m) for “;” and “;” and adding a new Subsection (n) as follows:

“(n) “Amending Agreement” means the agreement amending the Development Credit Agreement between the Borrower and the Association, dated April 24, 2004.”

Section 1.02. Section 2.01 of the Development Credit Agreement is amended to read as follows:
“Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions set forth or referred to in this Agreement an amount in various currencies equivalent to fifty-one million six hundred thousand Special Drawing Rights (SDR 51,600,000) (the Credit); which includes: (a) an original amount in various currencies equivalent to forty one million seven hundred thousand Special Drawing Rights (SDR 41,700,000) (the Initial Credit); and (b) an additional amount in various currencies equivalent to nine million nine hundred thousand Special Drawing Rights (SDR 9,900,000) (the Additional Credit).”

Section 1.03. A proviso is added at the end of Section 2.04(b)(i) of the Development Credit Agreement reading as follows:

“; provided however that the commitment charge on the Additional Credit shall accrue from a date sixty (60) days after the date of the Amending Agreement.”

Section 1.04. Section 2.07(a) of the Development Credit Agreement is amended to read as follows:

“Section 2.07.(a) For the purpose of: (A) the Credit included in the Initial Credit, subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing June 15, 2014 and ending December 15, 2043. Each installment to and including the installment payable on December 15, 2023 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount; and (B) the Additional Credit, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing December 15, 2017 and ending June 15, 2047. Each installment to and including the installment payable on June 15, 2027, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.”

Section 1.05. Paragraph 1 and the Table in Schedule 1 to the Development Credit Agreement is hereby revised as indicated in the Annex 1 to this Amending Agreement.

Section 1.06. All other provisions of the Development Credit Agreement, including Schedules 2, 3 and 4 shall remain in full force and effect.

ARTICLE II

Effective Date; Termination
Section 2.01. This Amending Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that the execution and delivery of this Amending Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action.

Section 2.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Amending Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing, on behalf of the Borrower, that this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 2.03. This Amending Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required by Section 2.01 of this Amending Agreement.

Section 2.04. If this Amending Agreement shall not have come into force and effect by a date ninety (90) days after the date of this Amending Agreement, this Amending Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.

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

REPUBLIC OF YEMEN

By / s/ Abdulhakim Al-Eryan
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By / s/ Daniela Gressani
Regional Vice President
Middle East and North Africa Region
ANNEX 1

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 expenditures for items so to be financed in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit under the Initial Credit (Expressed in SDR Equivalent)</th>
<th>Amount of the Credit under the Additional Credit (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-grants under Parts A, B.1, C.1 and C.3 of the Project</td>
<td>30,700,000</td>
<td>7,300,000</td>
<td>100% of amounts disbursed by SFD</td>
</tr>
<tr>
<td>(2) Sub-loans under Part B.2 of the Project</td>
<td>560,000</td>
<td>190,000</td>
<td>100% of amounts disbursed by SFD</td>
</tr>
<tr>
<td>(3) Goods under Part C of the Project</td>
<td>3,200,000</td>
<td>580,000</td>
<td>100% of foreign expenditures, 100% of local expenditures ex-factory cost; and 85% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(4) Consultants’ services under Part C of the Project</td>
<td>2,400,000</td>
<td>480,000</td>
<td>87%</td>
</tr>
<tr>
<td>(5) Training under Part C of the Project</td>
<td>2,400,000</td>
<td>480,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Incremental Operating Costs</td>
<td>2,440,000</td>
<td>580,000</td>
<td>85%</td>
</tr>
<tr>
<td>(7) Unallocated</td>
<td>0</td>
<td>290,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41,700,000</strong></td>
<td><strong>9,900,000</strong></td>
<td></td>
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</table>