H.I. Dr. Mohammed Saeed Al-Saad  
Minister of Planning and International Cooperation  
Ministry of Planning and International Cooperation  
PO Box 175  
Sana'a  
REPUBLIC OF YEMEN  

Yemen: Additional Financing for Public Finance Modernization Project  
(Original Financing Grant Number H635-RY)  
Additional Financing Grant Number H847 - RY)  
Amendment to the Financing Agreement  

Excellency:  

We refer to the Financing Agreement between Republic of Yemen (the Recipient) and the International Development Association (the Association) dated January 4, 2011, (the Agreement). We also refer to your letter dated February 26, 2012, requesting for an additional financing, and amendment to the Agreement.  

We are pleased to inform you that the Association accedes to your request and has agreed to provide for an additional financing for the Project in an amount equivalent to three million four hundred thousand Special Drawing Rights (SDR 3,400,000). Accordingly, we propose to amend the Agreement as set forth in this letter (the Amendment).  

1. Section 2.01 shall be amended as follows:  

"Section 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to eleven million and forty thousand Special Drawing Rights (11,040,000) (the "Financing" or the "Grant), consisting of the original grant in an amount equivalent to seven million six hundred forty thousand Special Drawing Rights (7,640,000) (the "Original Grant") and an additional grant in an amount equivalent to three million and four hundred thousand Special Drawing Rights (SDR 3,400,000) (the "Additional Grant") to assist in financing the project described in Schedule 1 to this Agreement ("Project)."

2. Schedule 1 to the Agreement shall be amended as follows:  

(a) Part A of the Project shall be amended by inserting paragraphs 3, 4 and 5 as follows:  

"Part A: Enhancing the Decision-making Mechanisms of Budget Management"  

"3. "Strengthening the national accounting system, including: (a) upgrading national account systems to System of National Accounts (SNA) 2008
classification (the latest international statistical standard for national accounts); (b) providing personal digital assistants (PDAs) for improved data collection.”

“4. Strengthening the internal audit system, including assisting the Ministry of Finance to: (a) establish an appropriate institutional mechanism for the internal audit system; and (b) developing adequate internal audit procedures, including review of the internal audit manual in line with international standards.”

“5. Strengthening the capacity of Ministry of Finance sectors for effective, accountable and transparent performance of respective functions, including: (a) public expenditure management; (b) revenue administration; c) macro-economic management; (d) management of economic units (e) accounting management; (f) Accounting and Financial Management Information System (AFMIS) user training; and (g) loans and grants management information system (LGMIS) user training, through the provision of technical advisory services and acquisition of goods and equipment.”

(b) Part B.1 of the Project shall be amended as follows:

“Part B: Improving Financial Management Information Systems”

“1. “(a) Expanding the scope and upgrade of the AFMIS and its coverage to include all ministries and selected departments at the level of central government as well as select governorates, and all the treasures under the Central Bank; and (b) carrying out of the recommendations of a process simplification study for the Ministry of Finance.”

(c) Part C.3 of the Project shall be amended as follows:

“Part C: Enhancing the Capacity of Public Procurement”

“3. “(a) Strengthening the public procurement institutions capacity, including: (i) building institutional capacity of HATC in exercising its oversight and regulatory functions, establishing a management information system and procurement complaints mechanism.”

“(b) Implementing the HATC institutional strategy, and provision of training to procurement staff.”

(d) Part E of the Project shall be amended as follows:

“Part D: Strengthening Institutional Capacity of COCA”

“Strengthen the capacity of COCA as the supreme audit institution, including (a) developing standardized audit programs and updating the audit manual; (b) building the capacity of COCA staff on: (i) special audits for key sectors; and (ii) audit of foreign aid and externally-
3. Section III.A.1 of Schedule 2 to the Agreement shall be amended as follows:

"1. "**Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section."

4. Section IV.A.2 of Schedule 2 to the Agreement shall be amended as follows:

(a) the table set forth in Section IV.A.2 of Schedule 2 to the Agreement shall be replaced with the table set forth in the Annex to this Amendment; and

(b) for the purpose of the table set forth in Section IV.A.2 of Schedule 2 to the Agreement, the term "training" means the cost associated with the training of staff of the key ministries, departments, agencies and the PMU, local or external training study tours, training courses, seminars, workshops and other training activities approved by the Association, for reasonable expenditures (other than expenditures for consultants’ services, goods or service providers), including: (i) travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, interpretation and translation services and acquisition, reproduction and distribution expenses."

5. Section IV.B.1 of Schedule 2 to the Agreement shall be amended as follows:

"1. "**Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made out of the Additional Grant for payments made prior to the date of this Amendment.**"

6. The Closing Date set forth in Section IV.B.2 of Schedule 2 to the Agreement shall be December 31, 2015.

7. Section V shall be inserted under Schedule 2 to the Agreement as follows:

**“Section V. "Transitional Provisions in respect of Procurement"**

"1. "**Notwithstanding the terms and conditions of the Agreement and to the extent that the procurement of any goods, or consultants’ services to be financed, at least in part, out of the proceeds of the Original Grant was or will be initiated on or after November 16, 2013, the Recipient acknowledges and agrees that: (a) the Anti-Corruption Guidelines as defined in this Agreement shall apply to the proceeds of the Original Grant utilized to finance such goods, non-consulting services or consultants’ services; and (b) Procurement Guidelines as defined in**
this Agreement shall apply to the procurement of such goods, non-consulting services or consultants’ services.”

8. The Appendix to the Agreement shall be amended as follows:

(a) by deleting reference to Section I and modifying paragraphs 1, 4, 10, 13 and 14 as follows:


“10. “Operational Manual” means the manual, in form and substance satisfactory to the Association, and adopted by the Recipient for the Original Project on November 15, 2010, as updated through a manual dated March 10, 2013, specifying the managerial, administrative, monitoring and evaluation, and procurement policies and procedures for execution of the Project, as the same may be amended from time to time with the agreement of the Association.”


“14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 15, 2010, as updated through the Procurement Plan dated March 10, 2013, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.”

(b) by inserting paragraphs 6, 17 and 18 as follows:


“17. “HATC” means the High Authority on Tender Control of the Recipient, established by Decree No 17, dated August 18, 2009, and includes any successors thereto.”

(c) by deleting Section II in its entirety

9. This Amendment shall not become effective until the Association has, pursuant to Section 8.02 of the General Conditions, received a legal opinion acceptable to the Association
from counsel acceptable to the Association, on behalf of the Recipient, showing that the Amendment to the Agreement in connection with the Additional Grant, has been duly authorized and ratified by, and executed and delivered on behalf of the Recipient and is legally binding upon the Recipient in accordance with its terms.

10. The Effectiveness Deadline for the Amendment is the date ninety (90) days after the date of this Amendment.

11. Unless the context otherwise requires and except where otherwise defined in this Amendment, all capitalized terms contained herein shall have the meanings given to them in the Agreement. All the terms and conditions of the Financing Agreement that have not been amended hereby shall remain unchanged and in full force and effect.

Please confirm your agreement with this Amendment on behalf of the Recipient by countersigning and dating the two original copies of this Amendment and returning one countersigned original to us. The Amendment will become effective on the date on which the Association shall dispatch to the Recipient notice of its acceptance of the evidence that the condition for effectiveness set forth in paragraph 9 above has been satisfied.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

[Signature]

Hartwig Schafer
Country Director for Yemen
Middle East and North Africa Region

CONFIRMED:

REPUBLIC OF YEMEN

By: [Signature]

Authorized Representative

Name: H.E. Dr. Mohammed Saeed Al Sadi

Title: Minister of Planning and International Cooperation

Date: June 19, 2013
The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Original Grant Allocated (expressed in SDR)</th>
<th>Amount of the Additional Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants' services and Training for Parts A and B of the Project</td>
<td>5,104,607</td>
<td>2,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, consultants' services and Training for Part C of the Project</td>
<td>1,012,688</td>
<td>621,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, consultants' services and Training for Part D of the Project</td>
<td>431,309</td>
<td>112,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, Consultants' services, Training and Incremental Operating Costs for Part E of the Project</td>
<td>830,837</td>
<td>367,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Refund of Preparation Advance</td>
<td>160,559</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>7,400,000</td>
<td>3,400,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL GRANT AMOUNT</td>
<td>11,040,000</td>
<td></td>
<td></td>
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</tbody>
</table>

Amount payable pursuant to Section 2.07 of the General Conditions