

**Report No. 21787**

**Yemen  
Country Assistance Evaluation**

**January 29, 2001**

Operations Evaluation Department

## Acronyms

ARDE	Annual Report of Development Effectiveness
ARPP	Annual Review of Portfolio Performance
CAE	Country Assistance Evaluation
CARE	Cooperation for Assistance and Relief Everywhere, Inc. (formerly Cooperation for American Remittances to Europe)
CAS	Country Assistance Strategy
CPPR	Country Portfolio Performance Review
DEI	Development Effectiveness Indicator
ERC	Economic Recovery Credit
ES	Evaluation Summary
ESW	Economic and Sector Work
EVM	Evaluation Memorandum
FIAS	Foreign Investment Advisory Service
FSAC	Financial Sector Adjustment Credit
FY	Fiscal Year
GDP	Gross Domestic Product
GNP	Gross National Product
ICR	Implementation Completion Report
ID	Institutional Development
IDA	International Development Agency
IDF	Institutional Development Fund
IFC	International Finance Corporation
IMF	International Monetary Fund
MENA	Middle East and North Africa
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OED	Operations Evaluation Department
PAR	Performance Audit Report
PBD	Planning and Budgetary Department
PCR	Performance Completion Report
PCN	Performance Completion Note
PDRY	People's Democratic Republic of Yemen
PPP	Purchasing Power Parity
QAG	Quality Assurance Group
ROY	Republic of Yemen
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
WDI	World Development Indicators
YAR	Yemen Arab Republic

Director-General, Operations Evaluation:	Mr. Robert Picciotto
Director, Operations Evaluation Department:	Mr. Gregory K. Ingram
Manager, OEDCR:	Mr. Ruben Lamdany
Task Manager:	Ms. Laurie Effron
Peer Review:	Ms. Ritva Reinikka
Peer Review:	Mr. Robert Buckley

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## MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

### SUBJECT: Yemen: Country Assistance Evaluation

Attached is the report *Yemen: Country Assistance Evaluation* prepared by the Operations Evaluation Department. This Country Assistance Evaluation (CAE) assesses the relevance, efficacy, and efficiency of IDA's assistance strategy since 1970 and makes recommendations for future assistance. A draft CAE was sent to the Government of Yemen and comments received have been incorporated into the report. This report was discussed by CODE on April 21, 1999, and a report of that discussion is attached as Annex VIII. This report is now being re-issued for the purpose of more general disclosure.

Yemen's social indicators are among the worst in the world, in spite of considerable progress since the early 1970s. Yemen today is the result of the fusion in 1990 of two countries with different political and economic orientations. The newly formed Republic of Yemen inherited serious macroeconomic imbalances and suffered a number of exogenous shocks: severe droughts; a huge inflow of returning migrant workers and a halt to aid flows as a result of the Gulf War and the break up of the Soviet Union; and civil war. In 1995, once political stability was achieved, Government started an ambitious program of stabilization and structural reform. With an estimated per capita income of US\$380 and a population of 15.8 million, Yemen faces serious water shortages, high population growth, and large gender gaps. It has limited institutional capacity to deal with these issues.

IDA assistance was, until 1996, modest in scope and appropriately modest in amount. It was limited to investment lending focused on rural development, infrastructure, and education. Although sectoral distribution of assistance was relevant, strategies within sectors were diffuse. OED ratings on 83 completed projects show a high proportion of satisfactory outcomes compared to averages for the MENA Region, Bankwide, and comparator low-income countries. But Institutional Development and Sustainability have low ratings, and sustainability of IDA-financed investments was consistently raised by Government officials as a problem. The Development Effectiveness Indicator, a composite measure of OED ratings for the period FY90-98, is higher for Yemen than comparator countries, but below MENA countries and the Bankwide average.

Because of the absence of policy dialogue or structural adjustment until 1996, IDA's impact at the macroeconomic level was negligible. By contrast, IDA has had a positive, although modest, impact in agriculture, education, and water supply. But with a greater focus on priorities within sectors, more could have been done. On the whole, outcome and IDA performance are considered marginally unsatisfactory up to 1996.

Since 1996, IDA assistance has increased in scale and scope. The first Country Assistance Strategy for Yemen in January 1996 focused on stabilization, structural adjustment, social protection, sustainable natural and human resource development, and improving portfolio performance. Annual commitments in FY96-98 were two and a half times greater than in the preceding ten years; a Resident Mission was established; and adjustment lending was begun, along with targeted interventions to mitigate the impact of adjustment on the poor. The recent strategy and lending assistance are considered more relevant than in the past, but still too diffuse. In the past three years, Yemen has been successful in

restoring stability and resuming economic growth. This success can be partly attributed to IDA assistance. Although it is still early to assess impact and sustainability, IDA performance since 1996 in terms of relevance and consistency is considered satisfactory.

IDA assistance strategy could be improved by greater focus on priorities and sustainability. This includes more effort to foster private sector development; support to institution building in water management and greater consistency in lending; and better integration of gender gap analysis into lending design. To improve sustainability of investments, IDA should eliminate use of project implementation units, provide more support to strengthening sectoral ministries, and attempt less ambitious projects. IDA should also spend more resources on helping Yemeni authorities to build consensus on the need for further reforms.

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This Country Assistance Evaluation was prepared by a team led by Laurie Effron. The team consisted of Messrs./Ms. Ashok Khanna (macro), Nandini Gunewardena (gender) and Bob Boydell (water and sanitation). Ms. Barbara Yale provided statistical analysis and administrative support.

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*A tent can be erected only  
If there are poles to support it,  
And no pole will stand  
Unless the pegs are anchored.  
Only if the pegs work together with the poles  
Will the then serve those living in it.*

Source: al-Afwah al-Awdi  
Sheikh of the Madhij tribe, mid-6<sup>th</sup> century



## Preface

This Country Assistance Evaluation presents the findings of an OED team that visited Yemen over the period from June to October 1998. The team held discussions with government officials, businessmen, project implementation staff, representatives of the academic community, NGOs, other donors, and IDA staff in the Resident Mission. A questionnaire was sent in advance of the mission to some members of the government and can be found in an annex to the report. In addition, the team reviewed a wide array of IDA documents, including correspondence files, appraisal, supervision, and completion reports, credit agreements, audit reports, economic and sector work, strategy papers. The team also interviewed a large number of IDA staff who worked on Yemen in the past or are working on Yemen at present. The contributions and cooperation of all are gratefully acknowledged. Responsibility for the analysis and conclusions of the report rests solely with OED.

Several background papers to this report are in a companion Volume II to the main report and can be obtained upon request. They include: (i) *Macroeconomic performance and analysis of IDA assistance to Yemen, 1991-1997*; (ii) *Gender integration in country assistance to Yemen*; and (iii) *Analysis of IDA assistance in the water and sanitation sectors*.

## 1. Background

*This Country Assistance Evaluation analyzes the extent to which IDA assistance has addressed and had an impact on managing scarce water resources, ensuring sustainable agricultural production, and providing adequate access to and quality of education and health services, particularly for girls and women. The analysis also looks at whether lessons from the past have been incorporated into the current strategy and whether IDA's current assistance is consistent with that strategy. The Evaluation provides recommendations for future assistance.*

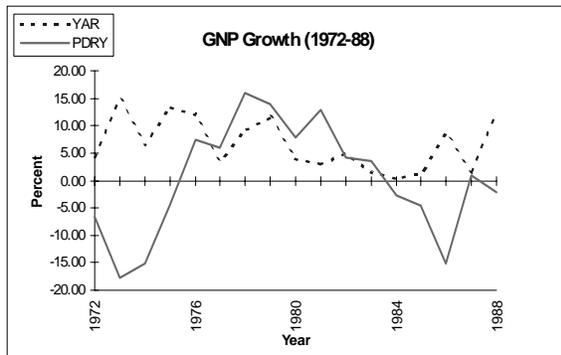
1.1 Thirty years ago Yemen's social indicators were about as low as any place in the world, with only one in ten adults able to read and access to safe water available for some 5% of the population. Although considerable progress has been made since 1970, Yemen's social indicators still place it among the poorest countries in the world. With rapid population growth (3.7% per year), Yemen has serious water shortages, large gender gaps, and limited institutional capacity.

1.2 Yemen today is the result of the fusion in 1990 of two countries with different political and economic orientations (Box 1.1). From 1970 through the 1980s both the Yemen Arab Republic (YAR) in the north and the People's Democratic Republic of Yemen (PDRY) in the south made progress in building political institutions and basic infrastructure and in improving the standard of living of the population. These efforts were financed in both countries mainly by workers' remittances from Gulf countries and bilateral assistance from these countries and the Soviet Union.

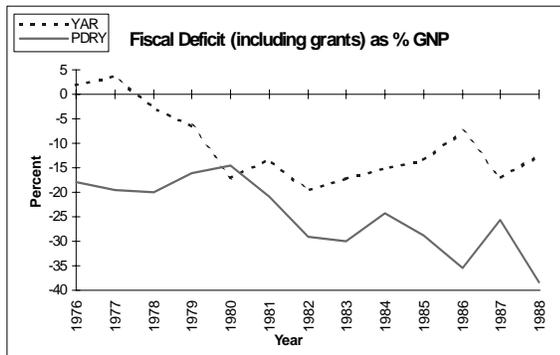
### Pre-unification, 1970–1990: Uneven Macroeconomic Performance

1.3 For most of the twenty years prior to unification, the economies of YAR and PDRY were dominated by neighboring countries' oil boom in the 1970s and subsequent downturn in the 1980s. By the mid-1970s both countries were growing at 7-9% per year. Workers abroad accounted for a significant part of the active labor force, as much as 30% in YAR, to the point that labor shortages became an issue in both countries. Workers' remittances peaked in the early 1980s, at which time they accounted for over 70% of current account foreign exchange receipts in both YAR and PDRY. Demand for merchandise imports grew dramatically while exports were negligible. Oil exports, so important to the economy today, came onstream only at the end of the 1980s.

**Figure 1.1:**



**Figure 1.2:**



Note: Because unification occurred in mid-1990, figures for 1989 and 1990 are not available separately for each country.

**Box 1.1: A Brief History of Yemen**

The first historically documented kingdoms in Yemen date from twenty-six hundred years ago. The early kingdoms developed a sophisticated system of terraced agriculture and irrigation, built cities, and dominated land and sea trading routes, over which Arabian frankincense and Indian and East African goods were transported to Europe. Successive kingdoms lasted for 1200 years. Starting in the sixth century AD, Yemen was occupied by the Abyssinians, Persians, Ottomans, and British. In 1914, the Ottomans and the British divided the area into two states—North and South Yemen.

In North Yemen, the Ottoman presence was limited to the coast and Sana'a, the capital. In 1919 the Ottomans were overthrown by the Imam who dominated the rest of North Yemen. For the next 43 years, in an effort to integrate the tribal groups and ensure strict adherence to Islam, the Imam followed isolationist policies: contact with foreign countries was restricted and secular education banned. In 1962 a coup d'état overthrew the imamate and ushered in a period of internal conflict; peace was finally established in 1967, although tribes remained independent and well-armed. Between 1967 and 1978, two YAR presidents were assassinated and one was deposed in a coup. In 1978, Ali Abdallah Salih became President and has remained so, through unification and two subsequent elections. Although YAR was a market economy, Government had a large presence in economic activity.

In South Yemen, the British took Aden by force from the Ottomans in 1839. With the opening of the Suez Canal in 1869, Aden became an important transit port. Although the British built up a modern Aden, with schools (for both boys and girls) and infrastructure, they were less interested in the rural areas under their protection, and economic and social development of these areas were largely ignored. In 1967, a left-wing nationalist movement, supported by the urban working class and the rural population, won independence from the British, and PDRY was founded. Government was committed to socialist principles: it nationalized services and industries, redistributed almost half of the country's cultivated land among landless families, and began investments in education and other social services.

Relations between the two countries were characterized by periodic border skirmishes, followed by announcements of the intention to unite. In spite of differences, YAR and PDRY had a number of motives for uniting. A united Yemen would become the most populous country in the Gulf, with potential for scale economies. The discovery in the 1980s of oil and gas reserves in both countries and potential for further discoveries in problematic border areas provided greater impetus to unite: the north had greater reserves and the south had a pipeline and associated infrastructure for exporting.

Unification in 1990 was followed by a period of unrest, bombings, assassinations, and urban riots. The 1993 elections concentrated power in the more populous north. The two sides had maintained separate armies and security forces, and increased resentment of the north by the south led to a civil war in May 1994. In July 1994, the southern forces surrendered to the north and peace was restored. Elections were held again in 1997.

1.4 Fueled by the generosity of bilateral donors, both governments had ambitious development plans during the 1970s and 1980s. In YAR, total Government expenditures grew to 55% of GDP in 1982; in PDRY they were higher, at 64% of GDP in the 1982-85 period. With the downturn in oil prices in the mid-1980s, remittances and grants dropped off. Both governments made some effort to cut expenditures and raise tax revenues, but they were unable to control their fiscal deficits, which were substantial in both countries throughout the decade (Figure 1.2). In addition, YAR and PDRY suffered earthquakes, droughts, floods, and periodic border skirmishes during this period, which affected agricultural production and damaged infrastructure. Growth was uneven.

1.5 During the 1980s external debt more than doubled for both countries as a proportion of GNP, although PDRY was the more heavily indebted (in 1989, PDRY's it was 175% of GNP). The Soviet Union accounted for 50-60% of total outstanding debt in both countries.

1.6 At unification in 1990, both YAR (population 9.3 million) and PDRY (2.3 million) had serious macroeconomic imbalances resulting from their inability to adjust to decreases in foreign aid and workers' remittances. They had unsustainable budget and balance of payments deficits, a high rate of inflation (suppressed in PDRY by price controls), and a heavy debt service burden. Although more dominant in PDRY, both countries had a large civil service and loss-making public enterprises, restrictive trade regimes, and overvalued exchange rates.

## After Unification, 1990-Present: Uneven, but Improving, Macroeconomic Performance

1.7 The newly formed Republic of Yemen was not in a strong position to withstand more exogenous shocks. Unfortunately, it suffered a number of these. Between 1990 and 1994, Yemen was characterized by political instability, culminating in a civil war in 1994. A two year drought hit agricultural production. Following the Gulf War in 1991, migrant workers returned to Yemen in huge numbers, creating increased unemployment, demands on education and other public services, and social problems. Workers' remittances and bilateral assistance, on which the economy had depended, dropped precipitously. The break up of the Soviet Union halted the flow of concessional financing from this important source. Oil export revenues that started at the end of the 1980s were not sufficient to prevent the economy from deteriorating. Real non-oil GDP stagnated between 1990 and 1994; inflation reached 71% in 1994.

1.8 In 1995, with the achievement of political stability, Government started an ambitious program of macroeconomic stabilization. It brought down the fiscal deficit from 16.9% of GDP in 1994 to 1.0% in 1997; it liberalized interest rates and restricted increases in the money supply; and devalued the Yemen rial by a substantial amount before introducing a market exchange rate regime. Efforts to stabilize the economy and resume growth have been successful: inflation decreased to 6.3% in 1997; real non-oil growth and overall GDP growth resumed in 1995 and reached 5.3% in 1997 (Table 1.1).

**Table 1.1: Macroeconomic Indicators, 1991-97**

	1991	1992	1993	1994	1995	1996	1997
Real GDP (%)	-2.2	4.9	2.9	-0.5	8.6	3.0	5.2
Real Non-Oil GDP (%)	-3.0	7.0	2.9	-6.3	7.3	3.2	5.3
Government's Overall Cash Balance (% of GDP)	-9.9	-12.6	-13.7	-16.9	-6.5	-2.3	-0.9
Consumer Price Index	44.9	50.6	62.4	71.3	62.5	27.3	6.3
Core Inflation*		50.6	54.8	66.0	48.0	12.3	5.8

\* Core inflation excludes the effects of administered price increases.

1.9 The Government also started a series of structural reforms. The tariff structure was simplified and the tax rates on imports reduced. Investment regulations were also simplified and a privatization program for public enterprises and banks started. Stricter prudential regulations for banks were introduced and the Central Bank started efforts to improve banks' portfolio quality.

1.10 During 1996 and 1997 Government reached agreement with Paris Club creditors on debt rescheduling and sought agreement with remaining bilateral donors for debt relief on similar terms; executed buy-backs with several commercial banks and continued negotiations with the remaining banks; and agreed with the Russian Federation on substantial debt relief that reduced the net present value of debt by some 80%. At the end of these negotiations, Yemen's external debt will have been reduced from about 165% of GDP at the end of 1996 to about 70%, and debt service will go down from 30% of export earnings to 4%.

1.11 The economy remains highly dependent on oil exports, however, representing some 95% of merchandise exports and, since 1995, over 70% of government revenues. The price of oil dropped precipitously toward the end of 1997 (from \$18/barrel to about \$12/barrel), and remained low throughout 1998. It may therefore be difficult for Yemen to maintain economic stability in the near future. In addition, the reform program has been unpopular, resulting in rioting and casualties.

## The Evolution of Social Conditions

1.12 *Poverty.* A poverty assessment carried out in Yemen in 1996 estimated that only 19% of population live in poverty. This figure is remarkably low compared to a group of countries with similar per capita purchasing power parity (PPP), whose poverty incidence ranges from 34% in Nigeria to 86% in Zambia (Annex 2, Table C).<sup>1</sup>

1.13 *Social indicators.* In spite of the small portion of the population living in absolute poverty as measured by consumption levels, most of the country's social indicators, such as life expectancy, infant mortality rates, child malnutrition, school enrollment rates, and access to safe water and sanitation, show that the standard of living for a large portion of the population is low and comparable to other countries at similar PPP (Table 1.2). By these measures, Yemen is a poor country.

1.14 But these indicators in Yemen should be compared to the situation in 1970. At the time of independence, both Yemens had abysmally poor social indicators. With 90% of the northern population and 70% of the southern living in rural areas characterized by mountainous terrain, remote villages, and poor to non-existent roads, the challenge of delivering basic social services was daunting. In addition, neither government was well-equipped, in terms of financial or human resources, to provide basic education and health; in the more populous north, the central government had little control over the strong tribes. Under these circumstances, progress achieved in improving social indicators, shown in Table 1.2, should be recognized.

**Table 1.2 Social Indicators in Yemen and Comparator Countries, 1970 and 1996**

	<i>Yemen</i>		<i>Comparator countries</i>	
	<i>1970</i>	<i>1996</i>	<i>1970</i>	<i>1996</i>
Life Expectancy (years)	39	54	44	49
Infant Mortality (per 1,000 births)	186	98	155	106
Maternal Mortality (per 100,000 births)	Na	1400	1290	960
Access to safe water (% of population)	5	52	Na	42
Gross Primary Enrollment (% of age group)	41	53	55	72
Gross Secondary Enrollment (% of age group)	8	23	9	21
Adult Illiteracy (% of population 15 years and above)	90	62	79	54
Male Illiteracy	87	47	71	43
Female Illiteracy	97	74	86	65

*Note:* Annex II, Tables B and C for details on comparator countries.

1.15 *The gender gap.* The analysis below points to a historical and pervasive gender gap that remains an issue today, even compared to other countries. Progress in the overall quality of life in Yemen has not been evenly distributed between men and women or between boys and girls. Because of the important linkages between educating girls, improving children's health, and reducing population growth, it is important that these gender gaps be consistently and persistently addressed.

1.16 Table 1.2 shows different rates of progress in reducing illiteracy for males and females, and suggests that a bias toward educating boys has existed in Yemen for some time. Both male and female illiteracy in 1970 were high. By 1996, however, male illiteracy in Yemen had dropped by 40 percentage points, while female illiteracy dropped by less than 25 percentage points. The gap in literacy between men and women has increased.

<sup>1</sup> Per capita PPP is an adjusted estimate of per capita income. The group of countries includes African countries such as Kenya, Malawi, Mali, and Uganda, plus Nepal, Bangladesh, and Haiti. For the full list of countries, see Annex 2. For some comparisons, this group is considered more relevant than those in the MENA Region, which are middle-income countries.

1.17 Other data provide further evidence of bias against girls and women in Yemen (Table 1.3). Girls are only 28% of the primary school enrollment. This is much lower than in comparator countries, where 43% of primary school students are girls, and much lower than the eight other Muslim countries in the MENA Region, where 46% of primary school students are girls. At the secondary school level, the disparity in Yemen is even greater: boys comprise about 80% of the student population, girls, 20%.

1.18 In health, research has shown if girls and boys are treated the same, girl children (between 1 and 5 years old) will have lower mortality rates than boys. In Yemen, the child mortality rate for girls is higher than for boys, which suggests a preference for ensuring boys' health over that of girls. Other health indicators that concern women in particular such as fertility rates and maternal mortality rates are among the highest in the world (Table 1.3). Early and frequent pregnancies, combined with heavy workloads, particularly in rural areas, and absence of prenatal care or medical care at birth all contribute to high infant and maternal mortality rates and low birth weights. Low literacy among women hinders their use of health preventive measures; and few health centers offer maternal and child health services or have adequate female staff.

**Table 1.3 Gender Issues: 1994-96**

	<i>Yemen</i>	<i>Comparator Countries</i>
Primary school enrollment: % female	28	43
Total fertility ratio	7.5*	6.0
Maternal mortality rate, per 100,000	1400	960
Child mortality rates: girls (boys), per 1,000	47 (41)	**

\* The Demographic and Maternal and Child Health Survey of 1997 shows a decrease in the fertility ratio to 6.7. For comparator countries, figures from the latest surveys were not yet available.

\*\* Mortality rates are higher for girls in some countries and lower in others; averages would mask these disparities.

1.19 In unified Yemen, the constitution assures equal rights and obligations in marriage, divorce, and child custody, but government's capacity to enforce the laws is weak; courts, lawyers, and other advocates are inadequate to do the job. In particular, where tribal traditions accord greater rights and authority to males, the government is generally reluctant to intervene.

## Role of Aid

1.20 In spite of Yemen's economic and social needs, Yemen has received relatively little attention from the donor community in the last ten years. Net cash grants declined from an average of about 18% of total government revenues including grants in the 1980s to less than 2% in the 1990s. Since the decrease in assistance from Gulf countries, per capita aid has been one of the lowest among countries with similar population and per capita PPP. Table 1.4 below shows average net flows of Official Development Assistance (ODA) on a per capita basis for the FY87-96 period.<sup>2</sup> Yemen's average was less than half that of the other countries; only Nepal had a lower figure, at \$21.50. IDA's net disbursements to Yemen over this period, representing about 13% of Yemen's total ODA flows, were also low relative to the comparator countries.

**Table 1.4: Per Capita Annual Assistance, Average over FY87-96, \$US**

	<i>Net ODA</i>	<i>Net IDA</i>
Comparator countries*	49.11	5.49
Yemen	23.90	3.18

\* Details in Annex 2, Table D. *Source:* OECD Geographical Distribution of Financial Flows to Aid Recipients

<sup>2</sup> The analysis also holds for gross ODA flows, which averaged about 120% of net flows. Unlike some heavily indebted low income countries, Yemen was not using ODA flows to finance debt service; it was instead accumulating arrears.

## 2. Challenges for Sustainable Growth

2.1 *Water.* Yemen has long suffered from increasing water scarcity, and the situation is growing worse. The country has one of the lowest supplies of renewable water in the world and is over-exploiting it at one of the fastest paces. Agriculture uses 90% of the water and urban areas are experiencing serious water shortages. The levels of ground water aquifers are going down, in some places dramatically, and the more shallow aquifers are becoming polluted. Water shortages are causing serious conflicts among competing groups. At the present rate of consumption, experts have estimated that fresh water will be exhausted in fifty to one hundred years. The capital city, Sana'a, is expected to run out of water in about ten years; large parts of the rural economy may disappear within a generation, with major implications for the rate of urbanization and unemployment. Government has not been able to regulate, price, or distribute water efficiently, or to arbitrate among competing demands, such as between urban and rural needs. In addition to the negative health affects of lack of access to safe water and sanitation, Yemen's future economic viability will depend on having a minimum supply of safe water at reasonable cost.

2.2 *Sources of growth.* Where it was once dependent on concessional foreign aid and workers' remittances, Yemen is today dependent on oil and natural gas production<sup>3</sup> and workers' remittances, which account for about one-third of the current account foreign exchange receipts (although down from their high of US\$1.6 billion in the 1980s, they still provide a net inflow of about US\$1.0 billion per year). The long-term challenge is to develop other, non-energy related and more labor-intensive sources of economic growth and exports. Fisheries and tourism have often been cited as potential areas of growth. In fisheries, however, over-licensing of foreign industrial vessels and lack of control over illegal fishing are threatening sustainability of fish stocks. Tourism suffers from inadequate infrastructure (hotels, restaurants, services, water, sanitation facilities) and occasional kidnappings by tribal groups of tourists and other foreign visitors. Aden port, damaged badly in the civil war, might be able to recapture some of its former role as a center of trade and transport, although large investments are required and competition from other ports in the region is stronger than in the past. Government needs to remove a number of perceived and real constraints to increased private sector activity in these potential growth areas.

2.3 *Governance.* In spite of Yemen's impressive performance in returning the country to political and economic stability and growth, the Government is still perceived as weak, unreliable, and lacking in credibility. For ratings on institutional quality, see Annex II, Table F.

2.4 The civil service is overstuffed and underpaid. Since 1990, the number of government workers, excluding the military and public enterprises, has doubled and real wages have declined to about one-sixth of their 1990 level. In addition, most of the civil servants, including teachers, health workers, and agricultural extension workers, are concentrated in Sana'a and other big cities, while most of the population and all of the farmers are in rural areas. Many civil servants hold more than one job and with salaries below a living wage for a family, the quality and efficiency of services is low, the temptation toward corruption high.

2.5 Apart from the petroleum sector, private foreign direct investment has been negligible. A 1997 report by the Foreign Investment Advisory Service (FIAS) noted that impediments to private investors related to governance issues. Following unpleasant experiences, IFC and other international

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<sup>3</sup> Yemen produces about 350,000 barrel of oil/day, which represents 0.5% of world trade.

banks were reluctant to do business in Yemen; between 1987 and 1997, IFC had no new investments or lending commitments there.<sup>4</sup> Private businessmen also report problems of doing business common in other countries.

2.6 The situation is complicated by the political and military strength of the tribes, who are not always on good terms with the central government. The male population is heavily armed and Government does not have complete control over the countryside. Kidnapping of foreigners by tribes, for example, is not uncommon, and is usually followed by negotiations with government officials, who then pay a ransom in cash or new infrastructure (roads, schools, health centers) in the tribal area.

2.7 *Population growth.* Yemen's total fertility rate of about 7.5 children per woman exceeds that of comparator countries and other countries in the Region. At an estimated growth rate of 3.7 percent per year, Yemen's population will double in less than twenty years.<sup>5</sup> Given the enormous challenges in terms of natural resource management, particularly for water, limited employment opportunities, and the low level of social indicators, such a high rate of population growth will increase the difficulty of improving the standard of living for the bulk of the population. An effective, multi-pronged program of population management is a priority.

2.8 *Importance of qat.* Qat is a bush whose young leaves are chewed for several hours; it induces euphoria and suppresses appetite. Over the past twenty years the demand for and production of qat have increased continuously. It is now widely consumed on a daily basis by most of the population, including women and some children. It is an important part of the fabric of society, and political decisions and business deals are often made in qat sessions. Imports are banned and the area cultivated with qat, roughly 90,000 hectares, represents more than half of the area devoted to cash crops such as coffee, sesame, cotton, and tobacco. Qat is estimated to contribute about 25% to GDP and employ about 16% of the labor force; estimates of water devoted to qat vary widely. In spite of the transfer of income from urban consumers to rural producers, qat also has negative welfare implications. For pregnant and lactating women, its consumption is likely to result in the birth of underweight babies, higher infant mortality, and malnutrition of young children. A 1992 expenditure survey shows that even families below the poverty line spend about 10% of their income on qat.

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<sup>4</sup> The IFC, however, recently returned to Yemen. Since FY98, it approved two new loans and is exploring possibilities for further business.

<sup>5</sup> The most recent figures from the 1997 Demographic and Maternal and Child Health Survey in Yemen show a decrease in the fertility ratio to 6.7 and a decrease in the population growth rate over the 1992-97 period to 2.7 percent. Although this may indicate an important downward trend in the rate of growth, it still implies a doubling of the population in 25 years.

### 3. IDA Assistance—Modest and of Limited Relevance

#### Overview of IDA Assistance

*IDA assistance was, until 1996, modest in size and scope. It consisted exclusively of investment lending, focused on agriculture, education, and infrastructure. Starting in 1996, IDA assistance increased substantially in both amount and scope.*

3.1 The first IDA credit to PDRY was in FY71 and to YAR in FY72, both to develop roads. The strategy in the early years was to help build basic infrastructure in the areas of greatest need. IDA assistance was concentrated in three sectors: agriculture, aimed at integrated rural development with emphasis on constructing irrigation systems; transportation, to build road networks; and education, mostly aimed at training teachers.

3.2 Between FY71 and the first quarter FY99, IDA approved 114 credits (both Yemens) for total commitments of US\$1.5 billion.<sup>6</sup> The breakdown by sector is in Table 3.1 below. Adjustment lending began only in FY96 and to date two adjustment credits have been approved, representing about 10% of total commitments. In the ten years leading up to a halt in lending in FY95, average annual per capita commitments (FY85-94) were \$4.48, much lower than the average of \$8.56 over the same period for 14 comparator countries, including \$14.04 for Zambia, \$10.34 for Malawi, and \$6.04 for Haiti. Of this group, only Nepal had lower per capita commitment levels (details, Annex 2, Table E). For most of this period, IDA's assistance strategy was constrained by a combination of difficulties in portfolio implementation; lack of strong government commitment to economic reform; and uncertainties surrounding the political situation.

**Table 3.1 Total IDA Lending (both Yemens), by Sector, FY71-99 (through September 30, 1998)**

<i>Sector</i>	<i>No. of Credits</i>	<i>Gross Amount in US\$ mn</i>	<i>% of Total Amount</i>
Agriculture	35	398.2	26.5
Transportation	19	226.6	15.1
Education	16	206.3	13.7
Electricity, Power, Oil and Gas	12	170.7	11.4
Multi-Sector*	4	168.0	11.2
Finance and Industry	7	121.6	8.1
Water and Sanitation	12	101.1	6.7
Population, Health and Nutrition	5	64.2	4.3
Urban Development	3	42.0	2.8
Public Sector Management	1	4.7	0.3
<b>Totals:</b>	<b>114</b>	<b>1503.4</b>	<b>100</b>

*Note:* \*Multi-sector includes one adjustment loan, post-flood emergency reconstruction, public works, and social fund.

3.3 Starting in FY96, once political stability was achieved and government showed commitment to structural reform, IDA increased its annual total commitments to \$120 million per year over FY96-98, compared to average commitments of \$48 million per year over the previous 10 years. In several

<sup>6</sup> In addition, seven Institutional Development Fund (IDF) Grants have been approved since FY95 for a total of US\$1.2 mn.

respects, FY96 represented a watershed year for IDA assistance to Yemen: a resident mission was established, the first Country Assistance Strategy was presented to IDA's Board of Directors, and adjustment lending was initiated.

### **Relevance of IDA's Assistance Up to FY96: Modest**

*The relevance of IDA's assistance strategy was limited until 1996 by its inability to engage in policy dialogue with the Government. Although IDA identified major issues in economic and sector work and its lending program was broadly consistent with cross-sectoral priorities, within sectors, IDA's lending strategies lacked a strategic focus and clear set of priorities; they also gave too little attention to Government's limited ability to maintain investments.*

3.4 In spite of serious macroeconomic imbalances and sectoral issues in both Yemens prior to unification and the Republic of Yemen after unification, IDA was unable to engage the governments in serious policy dialogue.<sup>7</sup> Economic work over the years consistently highlighted the need to promote diverse sources of growth; address the root causes of the chronic fiscal deficits; upgrade the capacity of the public sector; and address increasing water shortages and rapid population growth. The lending assistance was appropriately directed at basic needs that would reach the largest number of people: infrastructure, rural development, and education.<sup>8</sup> In addition, IDA provided emergency support several times to repair flood damage and to help Government deal with the large influx of returning migrant workers in the aftermath of the Gulf War. Within sectors, however, IDA's assistance suffered from important weaknesses.

3.5 *Agriculture.* Given the virtual absence in the early years of a central governmental ministry or agency capable of implementing rural development programs, IDA concentrated, appropriately, on establishing regional authorities to deliver services and maintain irrigation infrastructure financed under credits. By the end of the 1980s, the Government and IDA agreed to start supporting centralized services, particularly for research, to avoid duplication and enable the government to deal with cross-cutting sectoral issues such as water scarcity and sustainability of land use. In the 1990s, IDA approved a number of relatively ambitious projects to support agricultural sector management, land and water conservation, and seeds and input production.

3.6 As discussed in Chapter 4, a key weakness in IDA's approach in agriculture has been the failure to have an impact on Government's limited ability to maintain investments, either at a regional level or a national level. Sustainability of investments has been, and continues to be, a key issue for IDA's assistance, not only in the agricultural sector, but in other sectors as well.

3.7 *Education.* A consistent objective in the education sector was to replace the expensive expatriate teaching staff, which in the early 1980s made up over 80 percent of the teaching force, with trained Yemeni teachers. Although the early efforts were aimed at primary school teachers, the focus was soon broadened to include training teachers for secondary education, vocational training, adult literacy and other basic skills, and technical training. In an effort to meet the enormous educational

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<sup>7</sup> In the late 1980s and into the 1990s, when the balance of payments worsened and support accompanied by adjustment would have been appropriate, the Governments were preoccupied with internal conflicts and political instability.

<sup>8</sup> In spite of dismal health indicators, however, support to health was modest. IDA credits for health over FY80-98 amounted to about 5% of total commitments (prior to FY80 there were none). This is similar to comparator countries -- over the same period in Bangladesh it was 8%; Haiti, 6%; Kenya, 5%; Nepal 2%.

needs in Yemen, IDA's strategy in the educational sector became diffuse; it lacked a clear strategic focus. Projects were approved in quick succession and strained Yemen's capacity to manage them.

3.8 *Gender.* IDA's approach to gender issues has improved over time. Except in health, sector reports in the 1980s did not provide analyses of the underlying reasons for gender gaps nor practical recommendations of how to address them. As a result, projects in agriculture and education, and even in health, where diagnoses were available, did not systematically address gender disparities. In education, well before gender issues were "mainstreamed" in IDA in the mid-1990s, many projects in the 1980s did include the objective of increasing girls' enrollment, but the approach was ad hoc and supply driven. For example, the focus was on increasing female teachers, without equal focus on providing schools that could be used by girls (close to villages, separate toilets, boundary walls). In agriculture, rural development projects starting in FY86 had specific components to strengthen extension services for rural women, who had increasing responsibilities for running farms as Yemeni men migrated to neighboring countries. But these projects focused on support for crafts production and nutrition, rather than on improving basic services to women farmers.

3.9 In the 1990s gender gaps in Yemen have been addressed more systematically. For example, since 1992 three sector reports have analyzed constraints to full participation by women and girls in the development process. And education, health, and agricultural projects approved in the 1990s have focused on addressing these constraints. Further scope exists, however, for integrating gender concerns into future sector work and project design, particularly in health, agriculture, and education.<sup>9</sup>

3.10 *Water resource management.* Problems of water scarcity have been recognized in sector work since the 1970s. But investment lending gave mixed messages. By failing to call attention to critical issues, IDA may have indirectly encouraged Government to continue to ignore the growing water crisis. IDA has approved some 14 credits for developing water supply and sanitation in urban areas and at least an equal number, if area development projects are included, for rural water supply and irrigation. Early projects focused on physical infrastructure and institutional strengthening of specific branches of national water agencies or regional agencies, with little attention to rural-urban trade-offs, pricing policies, and overarching institutional issues, such as the degree of decentralization of national water authorities. In the 1990s, IDA produced several major sector pieces (Agricultural Sector study, 1993; Environmental Action Plan, 1994; and Towards a Water Sector Strategy, 1997) to identify underlying issues, and recommended development of national policies and strategies, an adequate regulatory framework, and stronger institutions. As water shortages have grown more imminent, IDA's assistance began to focus on the underlying causes and propose relevant actions.

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<sup>9</sup> For example, in June 1992 two separate reports were issued: "A Strategy for Increasing Women's Participation in National Development" and "Human Development: Societal Needs and Human Capital Response." The failure to integrate the two reports is symbolic of the extent to which "gender" issues have been treated apart from other development issues.

## Relevance of IDA's Assistance Since FY96: Better, but Room for Improvement

*IDA's strategy expressed in the 1996 CAS has been substantially relevant and subsequent assistance has been generally consistent with that strategy. On the other hand, it has not been selective and runs the danger of becoming diffuse. Project lending has included activities which might be justifiable on their own grounds but which do not answer urgent, priority needs. IDA has given too little attention to identifying and assisting the Government to remove constraints to private investment and growth; sector work and lending assistance have shown inconsistencies; and IDA has been silent for too long on Government's protection and subsidization of qat production and implicit endorsement of qat consumption.*

3.11 In January 1996, IDA presented the first CAS for Yemen to the Board of Directors. The country strategy consisted of three main objectives: (i) stabilization, structural adjustment, and social protection measures; (ii) sustainable natural and human resource development; and (iii) improvements in portfolio implementation. This strategy identified the major constraints to growth and poverty alleviation: it acknowledged the critical water shortages, limitations of institutional capacity, high population growth, and the importance of narrowing the gender gap. As described below, IDA followed through with credits and sector work that were generally consistent with the strategy.

3.12 Stabilization has been supported in the last three years by a first IMF stand-by program and an extended structural adjustment facility covering fiscal, monetary, and exchange rate reforms. Structural reforms have been supported by IDA through an adjustment operation, the Economic Recovery Credit (ERC, FY96), which included reforms in the trade regime, privatization of public enterprises, and the investment regime. IDA also approved a grant from the Debt Reduction Facility for commercial debt reduction. Other reforms have been supported through IDF grants for privatization (FY96) and civil service reform (FY97). IDA plans to follow up with credits to support investments in these areas. IDA carried out a Public Expenditures Review in FY97, making recommendations to improve fiscal management and efficiency. A Financial Sector Adjustment Credit (FSAC) was also approved (FY98), following informal sector work to analyze the major issues in the sector. On social protection, IDA approved financing of a nation-wide labor-intensive public works program shortly after the ERC, followed about a year later by a Social Fund for Development. Both of these projects have substantial water supply components. In FY98, IDA put in place a more targeted investment project in the southern governorates aimed at farmers dispossessed of land and other poor rural families. IDA also carried out a poverty assessment and a population sector study, both of which made recommendations for medium and long-term strategies for reducing poverty.

3.13 To address the second objective of sustainable human resource development, IDA focused on sector work and policy dialogue to protect the Government's budgetary allocations to education and health. IDA also approved (FY96) a vocational training project, carried out informal sector work in education to develop a long-term strategy, and is proposing investment projects in education and health for the near future (FY99). Gender concerns are being better integrated into the recent efforts in education and health than in the past. In sustainable natural resource development, IDA carried out formal sector work (FY98) on a water strategy for Yemen; was actively engaged in a participatory review of the rural water and sanitation sector; approved a pilot water supply project for Taiz (FY97), an urban area experiencing severe water shortages, and is currently preparing credits for urban and rural water supply and sanitation.

3.14 Finally, improving portfolio implementation, the third objective, has been an on-going process. At the beginning of FY92, implementation of 42 active projects was slow and suffering from

a range of problems. Country and sector implementation reviews and, more recently, country portfolio performance reviews identified a number of corrective measures, and the new Resident Mission played a key role in carrying the measures out. Supervision intensity (staffweeks per project) increased, from 11.5 in FY95 to 17.1 in FY98. By FY98, the number of active projects had been reduced to 21, the disbursement ratio had increased from 10 percent in FY95 to about 18 percent, and the quality of the portfolio as measured by performance ratings had gone up.

3.15 But the strategy in the 1996 CAS was extremely broad, and encompassed all ten sector areas defined by network families and all four cross-cutting areas.<sup>10</sup> Two of the three objectives were really many objectives. Furthermore, they were broadly interpreted to include a wide range of activities: structural reform covered a road rehabilitation project and other support to infrastructure; credits in support of the power sector and financial sector reform and for preserving cultural heritage; grants and credits for civil service reform, judicial reform, and privatization. Natural resources development covered, among other activities, an agricultural seeds and services project which strengthened public sector entities supplying seeds and fertilizers, with a view to eventual privatization of some of them. The strategy encompassed such a broad range of activities that its implementation threatened to become diffuse, lacking a clear focus.

3.16 A second weakness of the assistance strategy is the relatively low priority given to removing constraints to private sector development, a priority for Yemen's future. IDA's efforts in this area have included modest support for privatization of public enterprises; a relatively large credit (\$80 million) for financial sector reforms; and support for private investments for Aden port. But IDA could have done more. Except for the FIAS report in 1997, IDA has carried out no Private Sector Assessment for Yemen. Other examples of where IDA might have contributed earlier to private sector development include support for improving land registration and titling to improve access to unused land, which could be used to build factories. Second, potential for better exploitation and management of fisheries resources for export has long been recognized and IDA has made some effort in this direction, but with limited success; IDA could have given higher priority to reforms in the fisheries sector. In addition, IDA could have supported efforts to limit illegal and destructive fishing practices in the Red Sea to protect the coral reefs, which have tourism potential.

3.17 A third weakness of IDA's assistance has been the absence of a consistent approach to issues across projects. For example, in water management, IDA has long recognized the need for sectoral and institutional reforms and capacity building of key sector agencies, yet it has not yet followed through with expected support. The Government, the National Water Resources Agency (NWRA), and other donors active in the water sector have been disappointed with what they perceive as a failure by IDA to honor specific funding commitments for NWRA. In addition, several active projects and several under preparation are financing investments in rural water supply and sanitation with different approaches to community participation, responsibility for operations and maintenance, and cost recovery arrangements. The Public Works Project has weak community involvement in selecting the investments, although communities are expected to operate the schemes after they have been installed; the Social Fund for Development Project, with stronger community involvement, is recommending that the local community cover some 10-20% of operating and maintenance costs and that the governorate assist in covering these costs for larger projects; the Rural Water Supply and Sanitation Project is proceeding on the principle of community driven demand for investments and

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<sup>10</sup> The sector areas are: macro-fiscal, health, public sector management, education, rural development, infrastructure, private sector development, financial sector development, social protection, and energy. The cross-cutting areas are: environment, poverty, gender, and social development.

maximum community funding of recurrent costs. Although no rigid blueprint for these issues is suggested here, certain principles should be agreed on and followed across projects.

3.18 Finally, IDA has essentially ignored the issue of qat. Sector work has reflected the fact that qat production and consumption are complex and controversial subjects, but IDA could have argued that qat production should be neither protected nor subsidized; it could have urged import liberalization for qat as part of trade liberalization. IDA could have pushed for taxation of irrigated land and provided support for strengthening tax administration, which would have been consistent with generating additional tax revenues and decreasing subsidies on water use. Finally, consistent with human resource development, IDA could have supported government and non-governmental efforts to publicize the ill effects of qat consumption by women on newborns and infants.

## 4. IDA Lending: Outcomes and Impact

4.1 As of October 1998, 83 credits and \$776.6 million in net commitments had been rated by OED. Only one credit, for \$80 million, was for adjustment. Projects in agriculture, infrastructure, and education accounted for 60% of the value of the rated portfolio.

### Outcome, Sustainability, and Institutional Development of IDA Assistance

*According to OED's ratings on lending to Yemen, project performance is better than, or about as good as, that of MENA countries and comparator countries in terms of outcome, sustainability and institutional development. But sustainability of IDA assistance was frequently raised as a concern by Government officials and other observers. In addition, an analysis of the impact of IDA lending suggests that these project ratings overestimate their cumulative effect on the country.*

4.2 Table 4.1 below shows that 81% (by value) of the total lending evaluated was found to have satisfactory outcomes, which is better than the MENA Region and Bankwide and considerably better than the group of 21 comparator countries.

4.3 Sustainability of projects, however, was rated likely for only 46% of the evaluated portfolio, comparable to the MENA Region, below the Bankwide average, and significantly above the average for comparator countries. Institutional development was considered substantial for only 30% of the lending, below the MENA Region and Bankwide, but above that for the comparator countries.

**Table 4.1: OED Evaluation Findings**

Country	No. of Projects	Value \$ million	Satisfactory Outcome (%)	Likely Sustainability (%)	Substantial ID (%)
Yemen	83	777	81	46	30
MENA Region	475	17,751	77	47	33
Bankwide	4,757	229,739	74	56	36
Comparator Countries	559	12,454	67	34	25

Source: OIS/MIS, OED Database, Financial Database.

4.4 An analysis of the ratings by year of approval shows no clear trend. For credits approved between FY71 and FY79, 81% by value had satisfactory outcomes; for those approved in the 1980s, it was only 75%. Credits approved in the 1980s and still being implemented in the early 1990s were

probably affected by civil unrest and inflationary pressures; this may explain the dip in ratings. Only three credits approved in the 1990s have been evaluated, too small a sample to be meaningful.<sup>11</sup>

4.5 As an indicator of future ratings on outcome, we looked at ratings from the Quality Assurance Group (QAG) on Yemen's active portfolio. It is somewhat riskier, at 25% of commitments at-risk, than that of the MENA Region and overall Bank (19% and 22%, respectively), although these ratings are sensitive to the time period examined.<sup>12</sup> The realism index, which is the proportion of projects rated unsatisfactory on the most recent supervision reports compared to the projects-at-risk, was lower for Yemen at 60% than for the MENA Region, at 88%, and Bankwide, at 68%. In addition, QAG examined the quality at entry of two Yemen projects in calendar 1997, neither of which received a "good" overall rating. These findings suggest that the OED outcome ratings of 100% satisfactory from the most recent period may not be a good indicator of the future trend for Yemen.

4.6 Another way to capture the evaluated portfolio is by use of a Development Effectiveness Indicator (DEI), which is a composite measure of the ratings on outcome, institutional development, and sustainability.<sup>13</sup> The DEI has been calculated for loans and credits exiting the portfolio between FY90 and FY98, shown in Table 4.2. Yemen's DEI is below the MENA and Bankwide scores, but above the score for all IDA countries and considerably better than for the comparator countries.<sup>14</sup>

**Table 4.2: Development Effectiveness Indicator (DEI), FY90-98**

	<i>Yemen</i>	<i>MENA</i>	<i>IDA Countries</i>	<i>Bankwide</i>	<i>Comparator countries</i>
DEI	6.24	6.34	6.19	6.43	5.82

4.7 The ratings by sector (Table 4.3) show significant differences. In agriculture, only 69% of the lending by value had satisfactory ratings and sustainability was rated as likely for only 24% of the lending. In education, by contrast, over 95% of lending was considered satisfactory and about half of was considered to have likely sustainability. Infrastructure, with satisfactory outcomes in line with the country average, leads the sectors in terms of likely sustainability. According to an audit of the six most recently closed roads projects, the General Corporation for Roads and Bridges is a well-run institution, with competent management, professional staff, and well-developed systems. It has benefited from IDA and other donor financing over the years, and although disrupted by unification, appeared capable of maintaining the investments financed under the projects.

4.8 For informed observers in Yemen, sustainability of IDA assistance to Yemen was the most frequently raised issue. Most of the Government officials met during the CAE mission mentioned problems of adequate maintenance of physical assets built under IDA-financed projects. In

<sup>11</sup> Interestingly, the net disconnect for credits rated since FY80, which is the difference between the proportion of satisfactory ARPP ratings just prior to exit and the proportion of satisfactory OED ratings, is small, at 9%, compared to 13% for MENA and 18% Bankwide. For the last five fiscal years, the net disconnect has been negative for Yemen.

<sup>12</sup> In March 1998, for example, Yemen's portfolio at risk was only 11%, MENA's was 29% and Bankwide it was 23%.

<sup>13</sup> The methodology of the DEI is explained in the OED's 1998 Annual Report on Development Effectiveness. The score ranges from 0 to 10, with larger values reflecting higher development effectiveness.

<sup>14</sup> As with QAG findings, these numbers are sensitive to the time period examined. For FY91-97, for example, Yemen's DEI (6.00) is below that for IDA (6.12), although still above comparator countries (5.76).

**Table 4.3: Sectoral Evaluation Findings**

<i>Sector</i>	<i>No. of Projects Evaluated</i>	<i>Gross Commitments (US\$ million)</i>	<i>Satisfactory Outcome (% value)</i>	<i>Likely Sustainability* (% value)</i>	<i>Substantial ID* (% value)</i>
Agriculture	27	240	69	24	54
Education	12	98	96	49	29
Infrastructure	16	132	85	100	63
Total	54	470			

\* Only 6 education and 6 infrastructure credits were rated for sustainability and ID; in agriculture, 17 credits were rated.

agriculture, irrigation systems financed under rural development projects are not being maintained and cropping areas and intensities are reported to be lower than their potential. In the education sector, training centers are often not well maintained and in some cases no longer used for the purposes for which they were built. An audit of the Fifth and Sixth Education Projects noted that sustainability of teacher training depended on the management, finance and training of instructors in the new curriculum, and that these were all uncertain. Also, in the absence of systematic follow up of the trained teachers, it is not possible to know whether they are still teaching and, if so, whether their training has made them more effective in the classrooms.

4.9 In Yemen, sustainability of investments relates not only to adequacy of budget resources or Government commitment. In education, for example, budgetary allocations compare favorably with other MENA and low income countries. Sector work has raised other issues on efficiency of expenditures, including allocations between capital and recurrent budgets; within recurrent budgets, allocations among wages and salaries, maintenance and supplies, travel, vehicle and equipment use; effective management of expenditures to minimize waste and losses in the system from ghost workers or petty corruption; and appropriate geographical distribution to balance spending in urban and rural areas, among provinces, and between north and south. Sustainability of investments in Yemen is closely connected to the quality of civil service, corruption levels, and, more generally, governance.

### **Effectiveness of Economic and Sector Work (ESW)**

*ESW in the past ten years has been relevant and consistent with lending priorities; in the past two to three years it has had a direct impact on the design of successful adjustment lending; and is beginning to have an impact at a sectoral level. Overall the effectiveness of ESW is considered satisfactory.*

4.10 ESW is effective if it is useful to or has an impact on Government decision makers, IDA decision makers, or other important actors such as donors or stakeholders in the country. Effectiveness can be measured by the use of questionnaires, by demonstrable links between ESW and formulation of IDA strategies and operations, or by a shift in Government's priorities or programs.

4.11 As noted above, ESW in the past ten years has been both relevant and generally consistent with lending priorities, although relatively few resources have been devoted to it. Between FY89 and FY98, only 18% of the total budget was spent on formal and informal sector reports, while the MENA Region spent an average of 25% of the budget on ESW, the Africa Region (where most of the comparator countries are) as well as the Bank as a whole, an average of 22%. ESW has been of good quality, however, in that it has identified the important issues and made clear recommendations, although reports in the early 1990s contain many recommendations with little guidance on setting priorities among them. For a list of reports since FY89, see Annex III, Table D.

4.12 Recent economic work has had a major impact on the design of the IDA-supported reform program. In particular, the 1995 report entitled, “Dimensions of Economic Adjustment and Structural Reform” reads like a blueprint of the IMF and IDA supported reform packages that have been so successfully implemented. The report also makes recommendations on privatization and civil service reform, which are now part of on-going and pending IDA support. Similarly, informal financial sector work in FY97 was the basis for the discussion with the monetary authorities and the subsequent design of the on-going financial sector reform loan.

4.13 By contrast, sector work, such as in health and agriculture, has had less of an impact, partly because the recommendations have required politically sensitive decisions and fundamental changes in the way technical ministries operate. Nevertheless, OED thinks that sector work in the last several years has served to move the dialogue and reforms in the right direction. Some recommendations have been implemented, such as the creation of a national water authority; many, however, from earlier reports still apply 5 or 6 years later, with even greater urgency. In water resource management, for example, the 1993 agricultural sector report recommends developing a national water master plan; registration of drilling rigs and licensing of all drilling operations; introducing water charges and other fiscal measures such as a tax on irrigated land based on cropping pattern; and improving efficiency of water use in agriculture through extension services. The 1997 *Towards a Water Strategy* made identical recommendations, with a greater focus on building a national consensus and more explicit recognition of the difficulties of implementing an effective strategy. As noted above, sector work on gender issues has only recently been incorporated into the design of education, health, and to some extent, agricultural projects. This testifies not to the poor quality of sector work, but to the extraordinary challenges in implementing change, particularly in Yemen with limited capacity to undertake broad institutional reform.

### **Linking Outcomes to Impact**

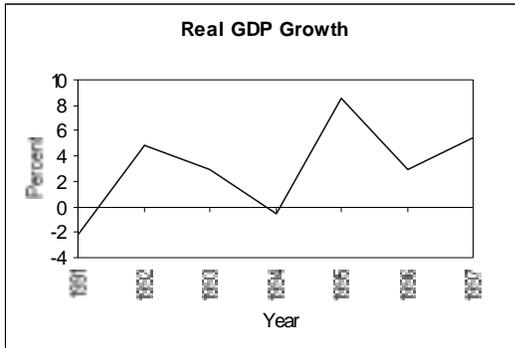
*At a macroeconomic level, the analysis can be divided into two periods: pre-1995 and since 1996. IDA had virtually no impact prior to 1995 on the macroeconomic situation. Since then, Yemen's progress has been particularly impressive and the success can be attributed in part to IDA assistance. At a sectoral level, Yemen's achievements are examined over the past 25 years; they have been mixed, and project performance ratings notwithstanding, IDA lending is considered marginally unsatisfactory, institutional development negligible, and sustainability unlikely. Government bears responsibility as well for these outcomes, and until 1995, Borrower performance is considered unsatisfactory. Gender gaps and water shortages remain paramount in Yemen and IDA assistance has only recently become more attuned to them. Although IDA's assistance has become more relevant since 1995, it is too soon to assess impact at a sectoral level. These findings are summarized in Table 4.4 at the end of this section (page 20).*

4.14 *Linking macroeconomic performance to IDA assistance.* Prior to unification, the economic performance of the two Yemens was uneven and characterized by severe macroeconomic imbalances (Chapter 1). The impact of IDA assistance on overall economic balances in these early years was negligible because, with the exception of economic work, IDA support for stabilization and structural change was virtually absent. This can be attributed to lack of interest on the part of the Yemeni governments rather than to lack of effort on the part of IDA.

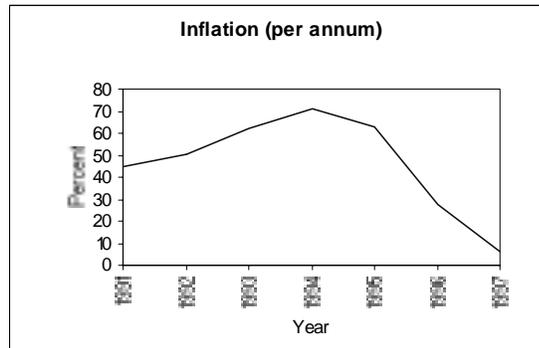
4.15 Average macroeconomic performance over the 1990-96 period masks the recent upward trend, as shown in Table 1.1 and Figures 4.1 and 4.2 below. These improvements are projected to be maintained in 1998, in spite of depressed oil prices. The Government's successful efforts at fiscal

restraint, which were central to the stabilization program, were helped by a large increase in oil revenues (as a result of a revalued exchange rate used for budgetary accounting), a large windfall payment by a foreign oil companies, and a significant reduction in external debt from a Paris Club agreement and debt relief from the Russian Federation. Nevertheless, the Government made important structural reforms. In addition to those mentioned above, Government made sweeping exchange rate and interest rate reforms; tax reforms; and reduction in general subsidies. The successful results of these efforts can be attributed at least in part to IDA assistance.

**Figure 4.1:**



**Figure 4.2:**



4.16 Social unrest has been a problem, however. Riots erupted in 1998 protesting the removal of subsidies on basic goods such as fuel and wheat products. Thus, in spite of concurrent IDA assistance to mitigate their impact,<sup>15</sup> the reforms have been extremely unpopular, which will make it difficult to introduce further budgetary restraint in the future. Although IDA staff met during preparation of the adjustment credit with the business community to discuss the need and scope of the reform program, in retrospect IDA staff could have encouraged greater Government efforts to develop a national consensus for the reforms with other parts of civil society.

4.17 *Linking agricultural performance to IDA assistance.* In the twenty five years since IDA began supporting agriculture, the area under irrigation has expanded by about 40% and a shift has occurred out of rain-fed crops into higher-value irrigated crops. At least some of this shift can be attributed to IDA's support to irrigation development under the succession of rural development projects. Water use efficiency is estimated at only 30-40%, however, and crop yields have remained essentially stagnant over this period in spite of resources and efforts devoted to improve agricultural research and extension services. Thus although the increased value of agricultural production can be partly attributed to IDA assistance, this assistance has had no clear impact on agricultural productivity.

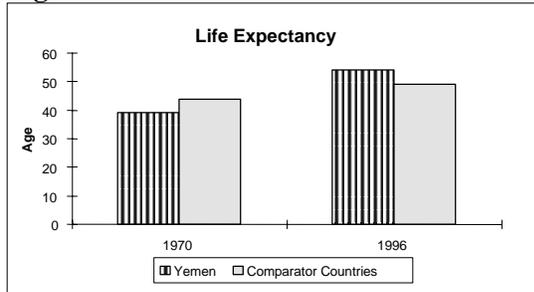
4.18 *Linking the evolution in social indicators to IDA assistance.* As noted in Chapter 1, Yemen has made progress in improving its social indicators since 1970. But to assess whether this progress should be considered significant, it is useful to compare it to the group of countries with similar PPP. The figures below show social indicators in 1970 (for both Yemens combined) and 1996 compared to average indicators for the group of 21 comparator countries in the same years. Life expectancy in Yemen in 1970 compared poorly to the average for comparator group; in 1996, however, Yemen's

<sup>15</sup> The Public Works Project (approved three months after the ERC, for \$25 million) and the Social Fund for Development Project (FY97, for \$30 million).

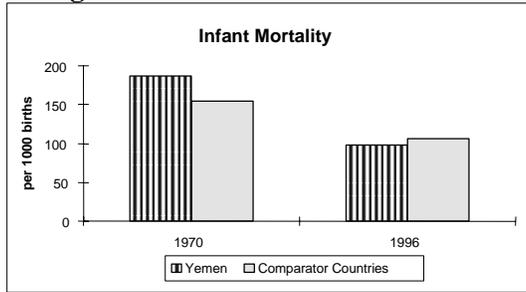
average life expectancy is above the group's average. A similar conclusion holds for infant mortality, worse (higher) than the comparator countries in 1970 and better (lower) now.

4.19 These improvements are likely the result of Government's efforts in early years which were financed mostly by bilateral assistance from the Gulf countries and the Soviet Union (particularly between 1975 and 1985). In any case, these improvements can not be attributed to IDA assistance, which has been modest, late in coming, and generally unsuccessful. The first health project was approved in FY83, and to date only 5 credits have been approved and about \$40 million disbursed in the sector, including on-going health projects—this amounts to less than 25 cents per person per year. Of the three health credits that have been evaluated, over 60% (by value) are considered to have unsatisfactory outcomes, with either uncertain or unlikely sustainability.

**Figure 4.3:**

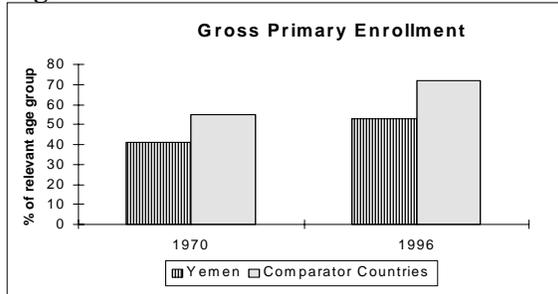


**Figure 4.4:**

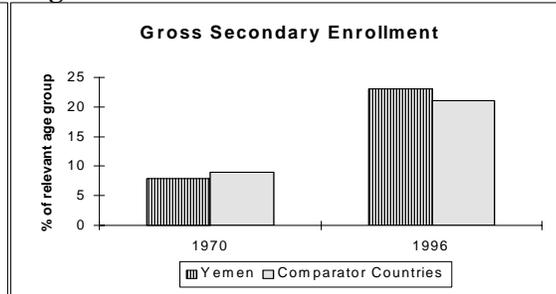


4.20 In education, the high rate of population growth has made it difficult for the Government to keep pace with increasing numbers of school-age children. Gross primary school enrollments in Yemen lagged behind comparator countries in 1970, but they have fallen even further behind since then (Figure 4.5). Progress has been better at the secondary level: gross secondary school enrollment was similar in Yemen and comparator countries in 1970 and now outstrips the comparator countries (Figure 4.6). In adult illiteracy, Yemen lagged by 11 percentage points behind comparators (higher illiteracy) in 1970 and in 1996 the gap had narrowed somewhat to 8 percentage points (Table 1.2).

**Figure 4.5:**



**Figure 4.6:**



4.21 Initially, the Governments of the two Yemens relied on expatriate teachers to meet the increasing demand for education, but this proved expensive and a drain of foreign reserves. By the early 1980s, expatriates accounted for over 85% of the teaching force at the primary school level (in the north). One of the main objectives of IDA's assistance was to train Yemeni teachers to replace the expensive expatriate teaching force. Even as the number of teachers has multiplied,<sup>16</sup>

<sup>16</sup> The number of primary school teachers has increased from about 18,000 in 1980 (both Yemens) to over 66,000 in 1993.

Yemenization has been accomplished; by 1996, only 5% of the primary school teaching force were expatriates. This was due mostly to explicit Government policies, but IDA's assistance over the years in building teacher training institutes, improving the curriculum, and supporting policy changes on required training has likely had a cumulative impact on increasing the qualifications of Yemeni teachers in significant numbers. Nevertheless, because education projects had many objectives, including increasing adult literacy and improving vocational education, polytechnical training, and rural extension worker training, efforts were diluted and the impact less than it could have been.

4.22 One caveat to this generally somber evaluation of IDA's impact on social indicators is that IDA has provided support (totaling about \$70 million) to Yemen to deal with emergencies. This includes support to repair infrastructure (roads, water supply, housing, irrigation structures, schools, and health centers) damaged as a result of floods and to provide inputs, infrastructure, and services to the large influx of returning migrants after the Gulf crisis. The three evaluated investment credits had satisfactory outcomes; sustainability was likely for the two that were rated; and the on-going project has satisfactory supervision ratings. In the absence of IDA assistance at critical times, it is possible that the country would have had even more difficulty in meeting the needs of its population. These emergency loans may have helped Yemen to prevent a backward slide in social indicators.

4.23 *Linking changes in the gender gap to IDA assistance.* Gender issues remain paramount in Yemen. Improving girls' school enrollment and educational achievements could have a significant impact on nutrition, the incidence of childhood disease and malnutrition, and population growth. Reducing the high population growth rate is critical for managing scarce natural resources, improving the distribution of benefits of economic growth, and providing adequate services. One measure of the extent to which Yemen has not succeeded in closing the gender gap is illiteracy rates: in 1970, Yemen lagged behind the comparator countries in terms of male illiteracy but is now about the same as the average. By contrast, female illiteracy in Yemen continues to lag well behind the comparator countries (Table 1.2).

4.24 IDA has made some effort in education, agriculture, and health to focus on issues specific to girls and women. In education, projects that aimed to train more female teachers were mostly successful, but the lack of consistent focus on identifying and dealing with basic constraints to training female teachers and to increasing girls' enrollment<sup>17</sup> has limited IDA's impact on addressing the gender gap in education. An analysis of components in agricultural projects aimed at rural women suggests that they have had an impact on improving the living conditions of rural women through better access extension services (see Working Paper No. 1 for details). Yet many problems persist in ensuring women's access to other services and resources and agricultural projects have not consistently addressed these. Only recently has IDA lending in health reflected sector work that identified so many of the issues critical to the situation of women, such as high maternal mortality, high infant mortality, family planning (earlier projects focused instead on management strengthening at a central level and building health centers). It is too early to say whether the more recent projects will have an impact on indicators of particular concern to women and girls, but in any case, the magnitude of IDA's assistance in this sector is still quite modest, at 8% of total on-going commitments.

4.25 *Linking progress on managing water resources to IDA assistance.* In the 25 years that IDA has been involved in urban and rural water development, access to safe water has increased from

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<sup>17</sup> For girls' enrollments, for example, these include parents' preferences for girls' schools to be located close to villages, separate classrooms or buildings, separate bathrooms.

about 5% of the population to more than half of the population, and meanwhile the population has more than doubled. At least some of the increased access can probably be attributed to IDA, although it is only one donor among many in the country—two German aid agencies, the Netherlands, Japan, UNICEF, and UNDP have also been active in urban and rural water supply and sanitation. Meanwhile, however, the crisis in water resource management has grown, and IDA can be criticized for not having taken a broader approach to the issues earlier on: it is only in the past five years or so that IDA has made efforts to work with Government to address the growing water shortages at a national level. In terms of addressing the many-faceted problems of improving water resource management, it is still too early to evaluate the impact of IDA assistance.

**Table 4.4: OED Ratings on Country Assistance to Yemen**

<i>Period</i>	<i>Outcome</i>	<i>Institutional Development</i>	<i>Sustainability</i>	<i>Bank Performance</i>	<i>Borrower Performance</i>
1990-95	Marginally Unsatisfactory	Negligible	Unlikely	Marginally Unsatisfactory	Unsatisfactory
1996-98*	Satisfactory	Modest	Uncertain	Satisfactory	Satisfactory

\* For this period, ratings refer to macroeconomic performance; ratings for sectoral performance would be premature.

**Box 4.1: Government's Views**

The CAE mission to Yemen sent a questionnaire in advance to the Ministry of Planning and Development and used a similar questionnaire, not sent in advance, as the basis for the meetings with technical ministries. Copies of the questionnaires are in Annex VI. What follows is based on responses to the questionnaire.

*On impact:* IDA got generally favorable reviews in terms of having the right priorities and objectives in the lending. But most Government officials thought that sustainability was the major issue and that the longer term impact of the projects was seriously compromised by the inability of the Government to maintain the physical investments. For some, the problem was due to a failure on the part of Government to allocate sufficient resources or to manage the resources properly; for others, it was a tendency by IDA to overdimension the projects in the design phase.

*On ESW, dialogue, and participation:* Most interviewees were familiar with recent ESW, some had actively participated in the process, and all thought it was of good quality, relevant, and useful to Government. Officials were particularly complimentary toward IDA's input related to the recent reforms, including formal and informal economic and sector work leading up to the operations, technical assistance provided through grants, and the process of preparing the adjustment operations themselves.

*Recurrent issue:* A number of officials raised the use by IDA of Project Implementation Units (see text for fuller discussion). Some objected to their autonomy in the use of funds; others to what they perceived as excessive salaries, vehicles, and funds to carry out the tasks. One official noted that the issue of sustainability was linked to the difficulties of a ministry being required to manage investments over which they had had nothing to do in the implementation phase.

*Particular praise:* The Resident Mission was repeatedly singled out for praise: officials noted that implementation problems were greatly reduced once the resident mission became operational; staff in the resident mission were available and helpful to solve problems as they arose.

## The Counterfactuals

4.26 If IDA assistance had been held hostage to implementation of a reform program, would the country have achieved stabilization and possibly growth any sooner? In the 1980s such an approach would have had no impact, because bilateral aid from neighboring countries dwarfed IDA assistance. In the early 1990s, when the flow of bilateral aid had dried up, such an approach would likewise have

had little impact, because the country was caught up with internal political problems and civil war and not ready to undertake difficult economic reforms.

4.27 On the other hand, it was clear in the 1980s that implementation capacity and indeed, national institutions and central government, were weak. If IDA assistance had focused more effort on building up capacity within Ministries and national agencies, rather than relying on the enclave approach to project implementation as it continues to do today (paras. 4.29-4.32), it is possible that IDA assistance might have had more of an impact on institutional development.

### **Selected Topics**

4.28 *Role of Resident Mission: positive.* The functioning of the Resident Mission in Sana'a since end-1995 appears to have had a positive impact on the improvement in the portfolio performance and, more generally, on country relations. Staff are actively engaged in daily implementation problems, longer-term strategy issues, donor contact and coordination, and working with members of the civil society (academics, journalists, local and foreign non-governmental organizations). The Resident Mission should be given some of the credit for recent improvements in the efficacy of the assistance.

4.29 *Project Implementation Units (PIUs): the good, the bad, and the ugly.*<sup>18</sup> In recent years, IDA has been systematically financing semi-autonomous PIUs. They are staffed through open competition; Bank staff are sometimes involved in the final selection of staff. Salaries, vehicles, equipment, and operating costs are financed from IDA funds, at roughly 10-12% of IDA credit amounts; Government makes no contribution to PIU operations. With the exception of Europe and Central Asia countries, Yemen is one of the few countries using PIUs to carry out Bank/IDA projects. These PIUs are controversial.

4.30 The good. IDA staff, PIU staff in the country, and some Government officials maintain that PIUs are the only way to implement projects. The increased use of PIUs and the close monitoring of PIU performance by IDA staff are credited with improved portfolio performance. PIU staff are expected to work longer hours and have greater responsibilities than ministry staff, who are considered too poorly paid, and as a result poorly motivated, to manage and implement IDA projects.

4.31 The bad. Government officials do not feel committed to operating and maintaining investments put in place by independent PIUs, and the degree of coordination between PIUs and their notional parent ministry varies greatly. Once the credit is disbursed, most PIUs disband and sustainability of at least some of the investments is unlikely or at best uncertain; in some cases the staff of the PIU are expected to be absorbed by the ministry, although the ability of the ministry to do this is in question. In addition, to the extent that institutional development (ID) means capacity building, using independent and temporary PIUs will limit the ID impact under the project.<sup>19</sup> PIUs may be a short-term solution, but are also an impediment to solving the long-term problem.

4.32 The ugly. The high salaries paid to PIU staff, some 8-10 times government salaries, create jealousies and suspicions between the "parent" ministry and the PIU. In some projects, an umbrella

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<sup>18</sup> This discussion is limited to projects where units are established with the sole objective of implementing IDA-financed projects; it does not cover agencies, such as regional development authorities, intended to be an integral part of government or some other public agency, with a mandate to operate and maintain investments.

<sup>19</sup> These arguments may be less valid for projects that use a PIU to encourage community-based developments, where community involvement ensures some ID and where the community will continue to maintain the investments.

project management unit manages a number of PIUs across the country, which in turn have several branches, creating a small “parallel” government. Implicit competition exists among PIUs. Donors compete with each other for PIU managers and bid up salaries. Top salaries are publicly discussed and candidates for PIU positions have tried to negotiate salaries to this level and requested vehicles that match in size and status those used in other PIUs. The public image of these PIUs is not good.

4.33 *Aid coordination: satisfactory.* With a relatively modest aid program and a limited number of donors active in Yemen, aid coordination has not been a major problem. The major donors have representatives in Yemen, some of whom the CAE mission visited. With some exceptions, reports on past cooperation and consultation among donors, at both formal and informal levels, are good. A donors’ meeting co-chaired by IDA and the Dutch was held in January 1996 and a Consultative Group meeting held in June 1997. Formal coordination, however, has been less important than informal, in-country coordination. Within Yemen, since the establishment of IDA’s Resident Mission, donors have met frequently, and communication seems to be particularly strong in selected sectors, such as the water sector, where the Germans, the Dutch, and several UN agencies have important roles. Resident staff have daily contacts with counterparts in the donor community and the Government.

4.34 IDA has encouraged Government to take over responsibility for donor coordination, but to date, Government has relied on the donors to coordinate among themselves. Government is usually represented at donor meetings in the country.

4.35 In addition, in the interest of increasing partnerships within Yemen, IDA has recently taken the initiative to broaden the spectrum of partners to help implement IDA projects, beyond the usual co-financing arrangements. This includes exploring the possibility of working with CARE to implement a rural water supply project and working with UNICEF to implement a health project. IDA’s aid coordination is considered satisfactory.

### **Efficiency of IDA Assistance**

*With relatively few resources, IDA’s assistance has relatively good individual project outcome ratings, but in the aggregate, the assistance has had limited impact. With greater use of resources focused on project preparation, informal sector work, and ensuring internal consistency, IDA might improve its impact.*

4.36 Table 4.5 below shows the average unit costs in terms of staffweeks for the three major activities (lending, supervision, and ESW) for Yemen, the MENA Region, Africa Region where most of the comparator countries are located, and for the Bank over the last 10 fiscal years. Although Yemen concentrated its resources on supervision, mostly at the expense of ESW, supervision intensity was still below average for the period. This, however, masks an important upward trend in supervision intensity of the Yemen portfolio (Annex 5). In FY97 and FY98 supervision intensity for the Yemen portfolio exceeded that of the MENA Region, although it was still below Bankwide averages. Given the improved performance of the portfolio in recent years (para. 2.18), the increased allocations to supervision have been used effectively.

**Table 4.5: Comparative Efficiency of IDA Assistance**

	<i>Lending Completion*</i>	<i>ESW cost per Report</i>	<i>Lending + ESW per project</i>	<i>Supervision Intensity*</i>
yearly average number of staffweeks (and percent of total resources), FY89-98				
Yemen	93.9 (33)	56.7 (18)	139.6	11.3 (49)
MENA	115.4 (38)	46.0 (25)	187.6	12.2 (37)
Africa Region	115.4 (34)	41.6 (22)	183.5	16.9 (44)
Bankwide	117.4 (34)	47.6 (22)	186.5	15.8 (39)

\* Lending completion: staffweeks spent per project between identification through Board presentation; supervision intensity: staffweeks per project.

4.37 In spite of the relatively low proportion of the budget spent on ESW in Yemen (including both formal and informal reports), the cost per report is relatively high. This suggests room for improved efficiency, perhaps by shifting to shorter reports and more informal reports.

4.38 The lending completion costs for Yemen are low compared to the MENA Region, to Africa Region, and to the overall Bank, although the proportion of the budget devoted to lending activities has been only slightly lower than the others. Overall, taking average staffweeks spent on both ESW and lending per project approved over the last ten fiscal years, resources devoted to Yemen's lending program have been very low indeed, at only about 75% of the resources spent per project in the MENA Region and Bankwide. With such limited resources, one might conclude that the high proportion of satisfactory project outcomes, as evaluated by OED, is evidence of high efficiency. The discussion above indicates, however, a limited *impact* of IDA's lending assistance in Yemen. Impact might be improved if more resources were devoted to designing and preparing projects, including informal sector work precedent to lending in a new sector, and to ensuring internal consistency within and across sectors.

## 5. Lessons and Recommendations

*Yemen faces enormous challenges. Assistance to Yemen could be improved, however, if IDA follows two main principles:*

- *establishes priorities in its future assistance strategy and ensures consistency with those priorities in its sector work and lending across and within sectors; and*
- *focuses on ensuring sustainability of the assistance by strengthening capacity within appropriate agencies, moving away from the enclave approach to implementation, reducing the complexity of project design, building broad consensus for reforms, and allocating adequate resources during upstream planning.*

5.1 IDA assistance should be focused in the short to medium term on: (i) assessing and removing constraints to growth; (ii) improving efforts to manage scarce water resources and to address the gender gap, which in turn would have an impact on slowing population growth; and, underlying any efforts to effect change, (iii) improving the quality of governance. This strategy should be carried out, however, with particular attention to reaching a broad consensus on the need for specific reforms and to protecting vulnerable groups likely to be hurt by the changes.

5.2 *Promoting growth.* Now that macroeconomic stability seems to have been achieved in Yemen, IDA should focus on identifying measures to ensure long-term, sustainable economic growth.

Although some constraints are widely acknowledged, there may be others that could be identified and addressed. First, sector work should identify administrative, legal, regulatory, financial, logistical, and other constraints to the private sector. IDA management should discuss and agree with Government and other stakeholders, including donors, on a program of actions for dealing with them. Reforms and investments could be supported by a program of assistance, using a variety of instruments (adjustment lending, technical assistance credits, institutional development grants, learning and innovation loans), to address the constraints.

5.3 *Improving the consistency of assistance in: (a) managing water resources.* Water scarcity is widely recognized as a growing and urgent problem and IDA has done good sector work to identify the issues and potential solutions. The heart of the issues revolve around an adequate institutional capacity to manage the resource and develop and implement sound policies. IDA's assistance should focus on strengthening the institutions responsible for water management as well as on financing badly needed infrastructure. In addition, IDA's assistance could be better monitored internally to ensure more consistency across sectors and projects. IDA should establish a water group, involving all IDA team leaders, project managers of on-going and prospective projects that involve water and sanitation, and team leaders from other donor agencies. Through periodic communications, the group could ensure that investments, arrangements for operating and maintenance, and the approach of each project are consistent with the overall strategy and approach agreed on with Government. Finally, further work is needed in areas such as developing a strategy in the urban environmental sanitation, which could be useful to the Government, to local administrations, and to the donor community.

5.4 *Improving the consistency of assistance in: (b) addressing the gender gap.* Although sector work has identified some of the constraints to girls' and women's full participation in Yemen's economic and social development, IDA projects have approached the issues in an ad hoc and inconsistent manner. Impact has been modest. Because of considerable potential synergies across sectors, IDA should place priority on increasing female literacy (education), improving the health and nutrition status of women (health), and improving women's access to extension services and inputs (agriculture), using a community-based approach to ensure that targets and project designs are demand-driven. Innovative approaches used by IDA in India, Bangladesh, Pakistan could provide useful examples of best practices. In addition, as noted below on a more general level, IDA should support a range of efforts to deliver services to girls and women, within Ministries, non-governmental organizations, and at the grass-roots (community) level.

5.5 *Improving governance.* Finally, the sustainability of any of these efforts will depend partly on the willingness and ability of Government, sub-national entities (Central Bank, local governments, semi-autonomous agencies, public utility companies, financial institutions, etc.), and local communities to maintain the investments and operate the systems put in place. The record to date is not good, due in part to the low level of governance in the country. Improving this through a variety of means will be critical, and IDA is currently supporting civil service reform, judicial reform, financial sector reform, and public enterprise reform. IDA could do more, for example in public expenditure reform, pursuing recommendations in the 1996 public expenditure review; strengthening government's safety net programs; and focusing support in specific sectors such as health and education and, as noted earlier, water resource agencies, with a particular focus on strengthening management at all levels.

5.6 But IDA is undermining its own efforts to improve governance in the long term by persisting in using Project Implementation or Management Units (PIUs) that are totally or semi-autonomous from government or the relevant agency, that disband when the project has been implemented, and that make sustainability of the investments all the more uncertain.

5.7 IDA should abandon this approach and coordinate with other donors in the process. As a first step, it should ask Government to finance part of the operating costs of the PIUs, if only in kind (secretarial staff, vehicles, etc.). The PIUs should be integrated into the line Ministries or other public entities which are supposed to be responsible for maintaining the investments. The long term goal should be to have the line Ministry or other public entity implementing IDA projects with regular staff, supplemented if necessary with specialized (local) consultants, as is done in other countries, such as Bolivia. And projects should be designed with the capacity for implementation and follow up maintenance in mind (see para. 5.9).

5.8 *Reducing project complexity.* Yemen's needs are so great in so many areas that IDA has often attempted to accomplish many objectives in individual projects, increasing the demands on project management and strengthening the argument for PIUs. Individual projects should concentrate on fewer sub-sectors and fewer geographical areas, while the overall lending program should have good geographical distribution.

5.9 *Consensus building and protection for vulnerable groups.* Two critical aspects of this strategy will be reaching a broad consensus within the country on the need for reforms and giving priority to providing protection for vulnerable groups during the reform process. IDA has shown recent sensitivity and made efforts to address both of these issues, but more could be done in the future. The need for consensus and for protecting certain groups applies particularly in the context of proposed privatization, civil service reform, and further reductions in subsidies, which by their design will cause a decrease in family income for specific individuals. As the recent riots have made clear, reforms which visibly and negatively affect people's standards of living will be politically acceptable over time only if they are preceded by active and open discussion and well-publicized and well-designed programs to protect or soften the impact on certain groups of people.

5.10 *IDA's resources.* IDA has been underspending on Yemen's lending program, relative to Regional and Bankwide averages. More resources could be well spent on additional (informal) sector work in connection with lending: on private sector issues to be followed by support for reforms; exploring social and gender issues to integrate into specific credit designs; on more detailed sectoral public expenditure reviews in the context of support to those sectors; and on more efforts in reaching broader awareness and consensus for investment as well as reform programs.

5.11 *The next Country Assistance Strategy.* The work on the upcoming CAS has been undertaken in consultation with a cross-section of stakeholders involved in Yemen and this is a welcome improvement over the past. The attempt to define long-term performance indicators in the context of the medium term strategy should also be thoroughly discussed with these stakeholders. Such indicators would not only provide a framework for measuring future performance of the country and IDA assistance; to the extent that the indicators are internalized in Government operations, they could also become an integral part of efforts toward civil service reform.

**Table A: PPP and Economic Indicators**

Country	PPP	Per Capita GNP	GDP Growth Rates 90-96	GNP (p/c)		Investment % GDP	Current Accts. Bal. % GDP	% of GDP Agricultural
				Growth Rates 90-96	Inflation 90-96*			
Angola	1030	270	-0.9	-5.6	1103.2	11	-7.9	7
Bangladesh	1010	260	4.3	2.7	4.9	17	-5.1	30
Burkina Faso	950	230	2.8	-0.1	7.1	25	0.8	35
Burundi	590	170	-3.8	-6.4	14.3	9	-0.5	57
Chad	880	160	1.5	-1.7	8.6	19	-4.5	46
Congo, Dem. Rep.	790	130	-6.6	-10.4	2746.5	6	n.a.	64
Ethiopia	500	100	3.9	2.0	9.7	21	-7.7	55
Guinea-Bissau	1030	250	3.5	0.5	47.8	22	-10.2	54
Haiti	1130	310	-5.0	-6.9	25	2	-5.3	42
Kenya	1130	320	1.9	-0.5	16.6	20	-0.8	29
Madagascar	900	250	0.4	-2.0	25.4	10	-3.7	35
Malawi	690	180	2.6	-0.2	33.2	17	-34.9	40
Mali	710	240	2.8	-0.2	10.6	27	-8.9	48
Mozambique	500	80	7.1	2.6	47.2	48	-30.4	37
Nepal	1090	210	5.1	2.3	10.1	23	-12.8	42
Niger	920	200	1.0	-2.3	7.4	10	-8.1	39
Nigeria	870	240	2.6	1.2	37.6	19	9.7	43
Rwanda	630	190	-9.7	-8.2	19.5	14	0.1	40
Sierra Leone	510	200	-3.3	-3.9	37.7	9	-9.6	44
Uganda	1030	300	7.2	4.0	20.4	16	-8.2	46
Yemen	790	380	1.8	-2.2	27.1	25	-1.2	18
Zambia	860	360	-1.1	-4.8	86.8	15	n.a.	18
<b>Average</b>	<b>845.2</b>	<b>221.4</b>	<b>0.8</b>	<b>-1.8</b>	<b>23.5</b>	<b>17.1</b>	<b>-7.8</b>	<b>40.5</b>
<b>Standard Deviation</b>	<b>209.87</b>	<b>71.57</b>	<b>4.40</b>	<b>3.99</b>	<b>20.30</b>	<b>9.59</b>	<b>10.18</b>	<b>12.85</b>

Source: World Bank Atlas 1998, WDI

\* Standard Deviation and Average for Inflation rate exclude extreme values for Angola and Congo

**Table B: Early Social Indicators**

<i>Country</i>	<i>Population</i>	<i>PC GDP</i>	<i>Life Expectancy</i>	<i>Infant Mortality</i>	<i>Maternal Mortality Rate*</i>	<i>Child Malnutrition*</i>	<i>Gross Enrollment*</i>		<i>Gross Female Prim. Enroll.*</i>	<i>Illiteracy</i>	
							<i>Primary</i>	<i>Secondary</i>		<i>male</i>	<i>female</i>
Angola	5.5	300	37	178	n.a.	n.a.	66	9	48	84	93
Bangladesh	72.4	100	45	140	n.a.	84.4	73	26	51	64	88
Burkina Faso	5.4	340	43	141	n.a.	n.a.	16	2	12	87	97
Burundi	3.5	210	45	138	n.a.	n.a.	22	2	17	71	90
Chad	3.6	300	40	171	858	n.a.	35	3	18	80	98
Congo, Dem. Rep.	0.9	270	58	131	1000	n.a.	133	33	n.a.	50	81
Ethiopia	24.6	80	47	158	2000	n.a.	24	6	15	92	n.a.
Guinea-Bissau	0.6	140	35	185	n.a.	n.a.	64	3	39	87	94
Haiti	4.9	110	49	141	n.a.	n.a.	60	8	n.a.	74	83
Kenya	11.3	150	52	102	n.a.	n.a.	95	13	87	56	81
Madagascar	7.3	130	45	181	n.a.	n.a.	95	12	88	44	57
Malawi	4.4	80	40	193	n.a.	n.a.	36	n.a.	n.a.	58	82
Mali	5.0	70	40	204	n.a.	n.a.	24	7	17	89	96
Mozambique	7.7	240	40	171	n.a.	n.a.	47	5	n.a.	71	86
Nepal	11.1	80	41	166	n.a.	69.6	51	13	16	77	97
Niger	4	90	45	171	n.a.	n.a.	20	2	14	94	98
Nigeria	55.1	120	43	139	n.a.	23.1	51	8	27	65	86
Rwanda	3.6	60	48	142	n.a.	n.a.	56	2	51	57	79
Sierra Leone	2.6	190	34	197	n.a.	31.0	39	11	30	82	92
Uganda	9.8	130	50	109	n.a.	n.a.	44	4	35	48	70
Yemen	7	130	39	186	n.a.	n.a.	41	8	17	87	97
Zambia	4.1	400	46	106	n.a.	24.1	95	15	88	34	63
<b>Average</b>		<b>171.0</b>	<b>44.0</b>	<b>155.4</b>	<b>1286.0</b>	<b>46.4</b>	<b>54.6</b>	<b>9.1</b>	<b>37.2</b>	<b>70.5</b>	<b>86.1</b>
<b>Standard Deviation</b>		<b>100.20</b>	<b>5.74</b>	<b>29.87</b>	<b>622.41</b>	<b>28.55</b>	<b>30.35</b>	<b>7.97</b>	<b>26.58</b>	<b>17.20</b>	<b>11.55</b>

Source: World Bank Atlases, World Resources 1992-93, Social Indicators of Development 1995.

Note: All figures stem from FY70 unless otherwise noted.

\* Figures represent the latest year between 1970-75.

**Table C: Social Indicators - 1996**

Country	Population	Life Expectancy	Total Fertility	Infant Mortality	Maternal Mortality Rate	Child Malnutrition	Gross Enrollment		Net Female Prim. Enrollment	Primary School Enrollment (% Female)	Illiteracy		National Poverty Line	Access to Safe Drinking Water	Access to sanitation
							Primary	Secondary			male	female			
Angola	11.1	46	6.8	124	1500	35	88	14	n.a.	n.a.	n.a.	n.a.	n.a.	32	16
Bangladesh	121.7	58	3.4	77	850	68	92	n.a.	58	n.a.	51	74	35.6	79	35
Burkina Faso	10.7	46	6.7	98	930	33	38	8	24	39	71	91	n.a.	78	18
Burundi	6.4	47	6.4	97	1300	38	70	7	48	45	51	78	36.2	n.a.	n.a.
Chad	6.6	48	5.6	115	900	n.a.	55	9	n.a.	32	38	65	n.a.	24	21
Congo, Dem. Rep.	45.2	53	6.3	90	n.a.	34	72	26	50	43	17	33	n.a.	n.a.	n.a.
Ethiopia	58.2	49	7	109	1400	48	31	11	19	38	55	75	n.a.	27	10
Guinea-Bissau	1.1	44	6	134	910	23	64	n.a.	n.a.	n.a.	32	58	48.8	23	20
Haiti	7.3	55	4.3	72	600	28	n.a.	n.a.	26	n.a.	52	58	n.a.	28	24
Kenya	27.4	58	4.6	57	650	n.a.	85	24	n.a.	49	14	30	42.0	53	77
Madagascar	13.7	58	5.7	88	660	32	72	14	n.a.	49	n.a.	n.a.	n.a.	29	3
Malawi	10.0	43	6.5	133	620	28	135	98	100	47	28	58	54.0	45	53
Mali	10.0	50	6.7	120	580	31	34	9	19	39	61	77	n.a.	37	31
Mozambique	18.0	45	6.1	123	1500	47	60	7	35	42	42	77	n.a.	32	21
Nepal	22.0	57	5	85	1500	49	110	38	n.a.	39	59	86	42.0	48	20
Niger	9.3	47	7.4	118	593	43	29	7	18	38	79	93	n.a.	53	15
Nigeria	114.6	53	5.4	78	1000	35	89	30	n.a.	44	33	53	34.1	39	36
Rwanda	6.7	41	6.1	129	1300	29	82	11	76	50	30	48	51.2	n.a.	n.a.
Sierra Leone	4.6	37	6.5	174	1800	29	n.a.	n.a.	n.a.	n.a.	55	82	n.a.	50	58
Uganda	19.7	43	6.7	99	550	26	73	12	n.a.	44	26	50	55.0	34	57
Yemen	15.8	54	7.2	98	1400	30	53	23	n.a.	28	47	74	19.1	52	51
Zambia	9.2	44	5.8	112	230**	29	89	28	76	48	14	29	86.0	43	23
<b>Average</b>		<b>48.7</b>	<b>6.0</b>	<b>106.3</b>	<b>957.2</b>	<b>36.1</b>	<b>72.0</b>	<b>20.8</b>	<b>45.8</b>	<b>42.9</b>	<b>42.5</b>	<b>63.9</b>	<b>48.5</b>	<b>41.9</b>	<b>29.9</b>
<b>Standard Deviation</b>		<b>6.11</b>	<b>0.98</b>	<b>26.59</b>	<b>397.88</b>	<b>10.83</b>	<b>27.43</b>	<b>22.09</b>	<b>27.18</b>	<b>5.08</b>	<b>18.92</b>	<b>19.94</b>	<b>15.26</b>	<b>16.43</b>	<b>19.48</b>

Source: World Bank Indicators 1998

Note: \* Indicators are for latest year between 1990-1996.

\*\* rate based on sampling - figures not represented in average or standard deviation figures

**Table D: Per capita annual assistance to Yemen and comparator countries, average FY87-96**

	<i>Net ODA (US\$)</i>	<i>Net IDA Disbursements (US\$)</i>
Burundi	42.75	6.97
Chad	42.99	6.12
Haiti	41.64	2.82
Kenya	33.12	3.02
Madagascar	28.89	5.47
Malawi	49.76	8.94
Mali	50.73	6.52
Mozambique	63.81	5.43
Nepal	21.47	3.68
Niger	42.45	5.19
Rwanda	60.13	4.48
Sierra Leone	33.84	3.63
Uganda	33.55	6.31
<b>Yemen</b>	<b>23.90</b>	<b>3.18</b>
Zambia	93.25	8.22
<b>Average</b>	<b>49.11</b>	<b>5.49</b>

*Source:* OECD Geographical Distribution of Financial Flows to Aid Recipients

Note: The average excludes Yemen.

**Table E: Gross IDA Commitments FY89-98**

	<i>Gross Commitment</i>	<i>Gross Per Capita Commitment</i>
Burundi	46.20	8.15
Chad	44.43	7.38
Haiti	39.72	6.33
Kenya	134.42	7.29
Madagascar	64.80	6.23
Malawi	97.42	10.63
Mali	59.94	7.41
Mozambique	154.49	9.93
Nepal	71.40	3.62
Niger	22.28	3.39
Rwanda	46.28	7.33
Sierra Leone	47.92	10.72
Uganda	169.69	10.08
<b>Yemen</b>	<b>63.90</b>	<b>4.97</b>
Zambia	144.66	17.78
<b>Average</b>	<b>81.67</b>	<b>8.30</b>

*Source:* OECD Geographical Distribution of Financial Flows to Aid Recipients

Note: The average excludes Yemen.

**Republic of Yemen**  
Table F: PREM Indicators

**Institutional Quality**

	Year	Value	Refer.	Rating	Trend
Governance					
ICRG Law and order	1998	3.0	3.4	B	D
ICRG corruption	1998	3.0	2.6	B	S
TI corruption	1998	..	..	..	..
Quality of Public Service					
ICRG bureaucratic quality	1998	1.0	1.4	B	S

**Poverty & Employment**

	Year	Value	Refer.	Rating	Trend
Population below nat. pov. line (%)	b/	19.1	33.6	A	..
Population below \$1 a day (%)	b/	..	24.5	..	..
Population below \$2 a day (%)	b/	..	51.9	..	..
Poverty gap (%)	b/	..	24.4	..	..
Gini index	b/	39.5	39.4	B	..
% Population with access to health care	b/	..	#N/A	..	..
Child malnutrition (%)	b/	30.0	28.5	B	..
Under-5 mortality rate	b/	130.0	117.6	B	I
Access to safe water (% pop.)	b/	52.0	53.0	B	..
Access to sanitation (% pop.)	b/	51.0	39.2	B	..
Adult illiteracy rate, male	b/	..	#N/A	..	..
Adult illiteracy rate, female	b/	..	#N/A	..	..
Gross primary enrollment ratio	b/	79.0	84.9	B	..
% of cohort reaching grade 4 - male	b/	..	87.5	..	..
% of cohort reaching grade 4 - female	b/	..	87.9	..	..
Child labor (% of 10-14 years group)	b/	19.9	23.1	B	I

**Financial Sector**

	Year	Value	Refer.	Rating	Trend
Banking develop. index (LAC only)	1995	..	-0.1	..	..
Domestic credit/GDP (%)	1996	29.0	38.3	B	D
Interest rate spread (lending-deposit.) (%)	..	..	12.3	..	..
Lending rate spread over LIBOR (%)	..	..	23.0	..	..
Banking index (Heritage)	1998	4.0	3.1	C	S

**Private Sector Framework**

	Year	Value	Refer.	Rating	Trend
Private investment/GDP (%)	1996	14.1	15.1	B	D
Stock market capitalization/GDP (%)	..	..	29.0	..	..
Govt. intervention index (Heritage)	1998	4.0	2.9	C	S
Regulation index (Heritage)	1998	4.0	3.6	C	S
Wage & price control index (Heritage)	1998	3.0	2.9	B	S

**Macroeconomic & Fiscal Policies (see note below)**

	Year	Value	Refer.	Rating	Trend
GDP per cap. ann. ave. growth rate (%)	1994-96	1.1	0.9	B	I
Inflation (%)	..	..	17.5	..	..
Real interest rate (%)	..	..	a/	..	..
Gross national savings/GNP (%)	1996	23.3	21.0	B	I
Current account bal./GNP (%)	1996	-1.3	-2.8	A	D
Fiscal balance/GDP (%)	1995	-5.5	-2.4	C	I
Central govt. expenditure/GDP (%)	1995	24.7	26.2	B	I
Tax revenues/GDP (%)	1995	9.9	a/	C	I
Public sector debt/GDP (%)	1996	93.4	61.7	B	D
Govt. debt interest/revenue (%)	1995	17.1	15.2	B	I
Aid dependence (% of GNP)	1996	4.9	9.6	B	D

**Trade Policies & Competitiveness**

	Year	Value	Refer.	Rating	Trend
WTO member		NO	..	..	..
Trade/GDP (%)	1996	90.7	78.8	B	I
Mfrg. exports/Merchandise exports (%)	1995	0.6	44.4	C	..
Mean tariff (%)	1992-97	..	15.1	..	..
Trade policy index (Heritage)	1998	5.0	3.8	C	S

**Access to Capital**

	Year	Value	Refer.	Rating	Trend
Euromoney creditworthiness rating	1997	..	42.5	..	..
Moody's LT foreign currency debt rating	1998	..	..	..	..
Arrears/DOD (%)	1996	54.2	11.9	C	D
Present value., Debt/GNP (%)	1996	99.1	58.7	C	..
Short-term debt/Total debt (%)	1996	9.7	11.8	B	I
Short-term debt/Gross reserves (%)	1996	59.1	79.3	B	I
M2/(Total reserves minus gold)	1997	..	..	..	..
Gross reserves, mth. of imp	1996	3.4	4.0	B	I
Date of last rescheduling	Nov-97	n.a.	n.a.	n.a.	n.a.
Foreign invest. index (Heritage)	1998	4.0	2.8	C	D
Integration of priv. cap. flows	1992-94	..	n.a.	n.a.	n.a.

**Gender**

	Year	Value	Refer.	Rating	Trend
Total fertility rate	b/	7.2	3.9	C	I
Maternal mortality ratio	b/	1400.0	608.8	C	..
Gross primary enroll. ratio gap (M-F)	b/	68.0	8.1	C	..
Secondary school pupils - % females	b/	..	#N/A	..	..
Life expectancy at birth, male	b/	53.5	55.1	B	I
Life expectancy at birth, female	b/	54.4	58.7	B	I
Life expectancy at birth gap (F-M)	b/	0.9	a/	C	..
Females as % of labor force	b/	28.7	42.3	C	D

a/ See rating method on page 3 of the attached explanatory notes (item 5 for real interest rates, item 7 for tax revenue as % of GDP and life expectancy gap).

b/ Latest year available since 1990.

Rating: A = High outlier    B = Medium    C = Low outlier (shaded cell).

Trend: I = Improving    S = Stationary    D = Deteriorating (shaded cell).

Note: At the end of 1997, the fiscal balance in Yemen was -1% of GDP; public sector debt was about 70% of GDP, and interest on government debt as a proportion of export revenues was about 4%.

# SUMMARY OF PROJECT INFORMATION: YEMEN

Revised  
10/7/98

TOTAL APPROVED PROJECTS*					TOTAL APPROVED PROJECTS, BY PERIOD (FY)				
	Number	Percent	Value \$m	Percent	Period	Number	Percent	Value \$m	Percent
Adjustment Loans	2	2%	160.0	11%	1971-1979	33	29%	237.6	16%
Non-Adjustment Loans	112	98%	1343.4	89%	1980-1989	54	47%	561.2	37%
<b>TOTAL</b>	<b>114</b>	<b>100%</b>	<b>1503.4</b>	<b>100%</b>	1990-1999*	27	24%	704.6	47%
<b>OED OUTCOME RATINGS</b>							0%		0%
	Number	Percent	Value \$m	Percent	<b>TOTAL</b>	114	100%	1503.4	100%
<i>Satisfactory Outcome</i>					<b>OED SATISFACTORY OUTCOME RATINGS BY PERIOD**</b>				
Adjustment Loans	1	100%	80.0	100%		Loans Rated	% Satisfact.	Value \$m	% Satisfact.
Non-Adjustment Loans	61	74%	545.6	78%	1971-1979				
<b>Total</b>	<b>62</b>	<b>75%</b>	<b>625.6</b>	<b>81%</b>	Adjustment Loans	0		0.0	
<i>Unsatisfactory Outcome</i>					Non-Adjustment Loans	30	80%	226.9	81%
Adjustment Loans		0%		0%	<b>Period Total</b>	30	80%	226.9	81%
Non-Adjustment Loans	21	26%	151.0	22%	1980-1989				
<b>Total</b>	<b>21</b>	<b>25%</b>	<b>151.0</b>	<b>19%</b>	Adjustment Loans	0		0.0	
<b>TOTAL RATED</b>	<b>83</b>		<b>776.6</b>		Non-Adjustment Loans	50	70%	429.8	75%
<b>OED SUSTAINABILITY RATINGS</b>					<b>Period Total</b>	50	70%	429.8	75%
	Number	Percent	Value \$m	Percent	1990-1999				
<i>Likely Sustainability</i>					Adjustment Loans	1	100%	80.0	100%
Adjustment Loans	1	100%	80.0	100%	Non-Adjustment Loans	2	100%	39.9	100%
Non-Adjustment Loans	16	33%	164.3	37%	<b>Period Total</b>	3	100%	119.9	100%
<b>Total Likely Sustainability</b>	<b>17</b>	<b>34%</b>	<b>244.3</b>	<b>46%</b>					
<i>Uncertain Sustainability</i>									
Adjustment Loans	0	0%	0	0%					
Non-Adjustment Loans	25	51%	225.4	51%					
<b>Total Uncertain Sustainability</b>	<b>25</b>	<b>50%</b>	<b>225.4</b>	<b>43%</b>	All:1971-1999				
<i>Unlikely Sustainability</i>					Adjustment Loans	1	100%	80.0	100%
Adjustment Loans	0	0%	0	0%	Non-Adjustment Loans	82	74%	696.6	78%
Non-Adjustment Loans	8	16%	56.7	13%	<b>TOTAL RATED</b>	<b>83</b>	<b>75%</b>	<b>776.6</b>	<b>81%</b>
<b>Total Unlikely Sustainability</b>	<b>8</b>	<b>16%</b>	<b>56.7</b>	<b>11%</b>	<b>FY98 ARPP RATINGS OF ONGOING PROJECTS</b>				
<b>TOTAL RATED</b>	<b>50</b>	<b>100%</b>	<b>526.4</b>	<b>100%</b>		Number	Percent	Value \$m	Percent
<b>OED INSTITUTIONAL DEVELOPMENT RATINGS</b>					<i>Development Objectives</i>				
	Number	Percent	Value \$m	Percent	Satisfactory	16	73%	342.7	79%
<i>Substantial ID</i>					Unsatisfactory	6	27%	91.3	21%
Adjustment Loans	0	0%	0.0	0%	<b>TOTAL</b>	<b>22</b>	<b>100%</b>	<b>434.0</b>	<b>100%</b>
Non-Adjustment Loans	15	31%	155.9	35%	<i>Implementation Progress</i>				
<b>Total Substantial ID</b>	<b>15</b>	<b>31%</b>	<b>155.9</b>	<b>30%</b>	Satisfactory	19	86%	381.7	88%
<i>Moderate ID</i>					Unsatisfactory	3	14%	52.3	12%
Adjustment Loans	1	100%	80.0	100%	<b>TOTAL</b>	<b>22</b>	<b>100%</b>	<b>434.0</b>	<b>100%</b>
Non-Adjustment Loans	21	44%	205.3	47%	<b>DISCONNECT FOR YEMEN</b>				
<b>Total Moderate ID</b>	<b>22</b>	<b>45%</b>	<b>285.3</b>	<b>55%</b>	<i>No. of projects</i>	ARPP % Sat	OED % Sat	<i>Net disc. at exit*</i>	
<i>Negligible ID</i>					Since FY80: 77	82%	73%	9%	
Adjustment Loans	0	0%	0	0%	Last 5 FYs: 16	62%	75%	-13%	
Non-Adjustment Loans	12	25%	80	18%	(*) The net disconnect (based on ARPP FY exit) is an indication of the optimism in supervision ratings.				
<b>Total Negligible ID</b>	<b>12</b>	<b>24%</b>	<b>80</b>	<b>15%</b>	The number of projects for which both the OED and ARPP ratings are available may differ from the total number of projects evaluated by OED.				
<b>TOTAL RATED</b>	<b>49</b>	<b>100%</b>	<b>521.0</b>	<b>100%</b>					

\*Through September 1998.

\*\*Based on FY of Board approval.

Note: includes projects evaluated through August 26, 1998.

Sources: OED, FDB, OIS.

OEDCR/GW

**Table B: OED Evaluation Findings: Yemen vs. Comparator Countries**

Country	Evaluated Projects							Projects Under Supervision (FY98 ARPP)				Past Disconnect (*)	
	Total Approved Projects \$ million (**)	FY 98 Actual Commit.\$ million (**)	Number of Projects	Value \$ million	Satisfact. Outcome (%)	Likely Sustain. (%)	Substantial Instit. Devt. (%)	Number of Projects	Value \$ million	Satisfact. Development Objectives (%)	Satisfactory Implement. Progress (%)	Since FY80 (%)	Last 5 FYs (%)
Yemen	1,503	125	83	777	81	46	30	22	434	79	88	9	-13
MENA	31,224	969	475	17,751	77	47	33	112	6,867	87	84	13	4
Bank-wide	436,635	28,776	4,757	229,739	74	56	36	1,470	114,098	90	87	18	11
<i>14 comparator countries:</i>													
Burundi	730	0	39	486	62	14	9	5	71	15	15	6	8
Chad	620	5	21	302	72	62	32	9	194	55	55	15	0
Haiti	629	0	25	382	62	15	17	8	178	84	100	41	33
Kenya	4,160	0	91	2,525	59	20	6	21	944	50	85	30	29
Madagascar	1,765	115	52	947	58	37	33	18	450	91	93	27	21
Malawi	1,840	51	53	1,137	77	55	24	14	592	77	87	26	44
Mali	1,211	22	42	713	74	43	25	15	496	87	94	38	11
Mozambique	1,655	36	12	792	90	73	63	18	815	88	94	8	10
Nepal	1,540	128	52	778	75	37	25	13	440	81	81	25	14
Niger	828	28	33	505	45	19	19	10	230	92	83	11	14
Rwanda	829	45	35	423	52	21	12	11	315	84	79	16	9
Sierra Leone	422	0	15	141	71	47	47	8	244	0	0	27	25
Uganda	2,642	172	39	1,440	51	53	20	20	767	62	60	35	29
Zambia	2,590	145	50	1,884	82	3	37	15	624	95	80	31	27
14 Comparators Grouped	21,460	745	559	12,454	67	34	25	185	6,358	78	73	26	20

(\*) Based on projects evaluated by OED through August 26, 1998. The disconnect (based on ARPP FY exit) is the difference between the share of projects rated satisfactory during their last supervision year and the share of the same projects rated satisfactory after completion. Thus, it is an indication of the optimism in supervision ratings.

(\*\*) Through September 1998.

**TABLE D: LIST OF ECONOMIC AND SECTOR WORK, FY90-98**

<i>Date of Report</i>	<i>Report No.</i>	<i>Title</i>
November 1989	7777-YAR	Country Economic Memorandum - Agenda for Sustainable Growth during the Oil Era
June 1990	9098-ROY	Human Resources: Development, Issues and Prospects (covered only PDRY)
March 1991	ESM126	Household Energy Strategy Study, Phase 1: a Preliminary Study of Northern Governorates
May 1991	WPS676	Higher Education in the Republic of Yemen: the University of Sana'a
December 1991	9008-ROY	Institutional and Policy Environment for Industrial Development
January 1992	9172-YEM	A Medium-Term Economic Framework
June 1992	9765-YEM	Human Development: Societal Needs and Human Capital Response
June 1992	8883-YEM	A Strategy for Increasing Women's Participation in National Development
September 1993	11126-YEM	Agriculture Sector Study: Strategy for Sustainable Agricultural Production
November 1993	11439-YEM	Health Sector Review
March 1994	12537-YEM	Toward a National Environmental Action Plan: Strategy Paper
May 1995	14029-YEM	Dimensions of Economic Adjustment and Structural Reform
June 1996	15158-YEM	Poverty Assessment
July 1996	no number	Rural Water and Sanitation Sector Study
November 1996	no number	Financial Sector Note
November 1996	16147-YEM	Public Expenditure Review
June 1997	no number	Investors' Perceptions and Diagnosis of the Environment for Foreign Investment (FIAS)
August 1997	15718-YEM	Towards a Water Strategy, An Agenda For Action
August 1997	16322-YEM	Enhancing Policy Options, A Population Sector Study

**Table A: Projects in the Republic of Yemen**

No.	Proj. ID	Country	Name	Net Commit (US\$M)	Board Approval Date	Effective Date	Revised Closing Date	Imp Prg	Dev Obj	At Risk
1	5893	Yemen	AL MUKALLA WATER	12	07-19-1988	06-09-1989	12-31-1998	S	S	NONRISKY
2	5904	Yemen	BASIC EDUCATION	20	07-09-1992	05-26-1993	12-31-1999	S	S	NONRISKY
3	5911	Yemen	EDUCATION SECTOR	33	02-17-1994	03-23-1995	09-30-2001	S	S	NONRISKY
4	5910	Yemen	FAMILY HEALTH	27	06-24-1993	09-13-1994	09-30-2000	U	S	ACTUAL
5	43101	Yemen	FINANCIAL SEC.ADJ.CR.	80	11-04-1997	04-24-1998	06-30-1999	U	S	ACTUAL
6	5892	Yemen	FISHERIES IV	13	06-13-1991	07-30-1992	06-30-1999	S	S	NONRISKY
7	48522	Yemen	FLOOD EMERGENCY	30	12-23-1996	03-21-1997	07-31-2000	S	S	NONRISKY
8	5822	Yemen	HEALTH SECTOR DVLPMT.	15	05-31-1990	07-31-1991	12-31-1998	S	S	POTENTIAL
9	5836	Yemen	LAND & WATER CONSERV.	28	05-28-1992	05-14-1993	06-30-1999	S	S	NONRISKY
10	5806	Yemen	MULTI-MODE TRANSPORT	36	09-11-1990	03-21-1991	12-31-1999	S	S	NONRISKY
11	5810	Yemen	NAT. AGRIC.SECT.MGMT.	9	09-17-1991	09-15-1992	12-31-1999	U	U	ACTUAL
12	5878	Yemen	POWER III	16	06-21-1990	08-06-1991	12-31-1998	S	S	NONRISKY
13	43109	Yemen	PUBLIC WORKS	25	06-11-1996	12-30-1996	06-30-2000	S	S	NONRISKY
14	5902	Yemen	S.GOV. AGRIVATIZA.	25	11-04-1997	06-29-1998	06-30-2004	S	S	NONRISKY
15	50530	Yemen	SANA'A EMERG.POWER	54	09-24-1998		06-30-2003			NONRISKY
16	5835	Yemen	SECONDARY TEACHER TR	19	03-28-1991	05-04-1992	12-31-1998	S	S	NONRISKY
17	39171	Yemen	SEEDS & AG. SERVICES	13	08-21-1997	02-09-1998	06-30-2003	S	S	NONRISKY
18	41199	Yemen	SOCIAL FUND DEVPT.	30	05-22-1997	09-24-1997	06-30-2003	S	S	NONRISKY
19	5808	Yemen	TAIZ FLOOD DISASTER	15	06-14-1990	05-14-1991	12-31-1998	S	S	NONRISKY
20	43367	Yemen	TAIZ W.S. PILOT PROJ.	10	09-03-1996	02-24-1997	06-30-2000	S	S	NONRISKY
21	5884	Yemen	TARIM WATER SUPPLY	12	06-28-1990	11-04-1991	06-30-1999	S	S	POTENTIAL
22	41267	Yemen	TRANSPORT REHAB.	37	02-20-1996	09-11-1996	06-30-2002	S	S	NONRISKY
23	5912	Yemen	VOC. TRAINING	24	12-12-1995	08-07-1996	06-30-2003	S	S	NONRISKY

Note: Ratings as of October 17, 1998

**Table B: QAG Findings - Portfolio at Risk**

	<i>Projects</i>	<i>Net Commit. (\$USB)</i>	<i>Projects at Risk (%)</i>	<i>Commit at Risk (%)</i>	<i>Realism Index<sup>1</sup> (%)</i>	<i>Proactivity Index<sup>2</sup> (%)</i>
Yemen	23	0.6	22	25	60	75
MENA	113	6.4	21	19	88	72
Africa	339	14.6	32	32	68	61
Bankwide	1556	124.3	25	22	68	67

<sup>1</sup> Percent of projects rated unsatisfactory on DO and/or IP to projects at risk.

<sup>2</sup> Percent of projects rated as problem projects 12 months earlier that have since been restructured, closed upgraded suspended or partially cancelled.

*Note:* Ratings as of October 17, 1998.

## SENT IN ADVANCE OF MISSION

### 1. Questionnaire for Ministry of Planning and Development

Operations Evaluation Department (OED) is an independent unit of the World Bank whose task it is to assess the relevance, effectiveness, and efficiency of World Bank operations.

OED is planning to carry out a Country Assistance Evaluation (CAE) for Yemen, whose main objectives are to assess whether the Bank has been effective in the past; whether it has incorporated lessons from the past into its current strategy of Bank assistance to Yemen; whether the current strategy is appropriate for Yemen; and whether the assistance, in the form of credits, grants, and economic work, is consistent with that strategy. We are working with the Bank staff in the Region to ensure that the CAE findings will be incorporated into the Country Assistance Strategy which is now under preparation.

**Please note that we are sending this questionnaire in order to provide a framework for discussions during our upcoming mission. We do not expect written answers.**

#### The past

In the 1970s and 1980s, the Bank's strategy in both Yemens was oriented towards rural development (particularly focused on increasing agricultural production), education (teacher training and adult literacy), and infrastructure (highways). A summary table of total commitments is in Attachment 1. The mission will be looking in some detail at the projects in the first two sectors in particular, but would like your candid views and thoughts on this approach.

1. From a national perspective, do you think that this was the right emphasis?
2. Do you think that rural development and agricultural and extension projects had a lasting impact in their sectors? the education projects had a lasting impact in their sectors? and infrastructure projects in their sector?
3. If the projects have had a positive and lasting impact, can you elaborate on what that impact has been?
4. If the projects have not had lasting impacts, why not: design problems, implementation problems, maintenance problems after the investments were made, or other?
5. What do you think have been the main factors contributing to the successes or failures of Bank-financed projects in Yemen?

6. Bank reports have viewed water resources, for agriculture and for domestic consumption, as serious problems in Yemen. How serious do you think these two problems are? Do you think the Bank has made a significant contribution in the past to dealing with each of these issues? If yes, could you give specific examples in each sector (agriculture and domestic consumption)? Has the contribution been through sector work (analysis and recommendations) or through the design of investment projects (putting in place institutional arrangements and policies for water management and use)? If the Bank has not made a positive contribution, do you think the Bank has had a negative impact in each sector? or not much of any impact?
7. To what extent have other donors played an important role in the management of water resources, in agriculture or in domestic consumption? How would you compare their approach and impact to those of the Bank?
8. As early as the 1970s and early 1980s, the Bank made a particular effort within rural development and education projects to reach women and girls. Do you think that incorporating gender objectives into rural development projects was practical? Do you think that highlighting the important role of women in rural areas was acceptable at local levels? Do you think the approach of targeting women in rural areas had an impact in terms of ensuring that extension advice and income generating opportunities reached more women than they would have otherwise?
9. In the education sector, do you think focusing on the education of girls and women make policy makers more favorable to increased education for women and girls? Did this approach make education administrators or teachers more favorable to increased education for women and girls? Did it make parents more favorable to educating their daughters?

#### The present and future

10. What do you think are the main challenges to promoting growth and reducing poverty in Yemen in the next ten years?
11. Given these challenges, where do you think is the Bank's best comparative advantage and where should the Bank concentrate its resources?
12. In what sectors or areas do you think the Bank should be relatively less active and Yemen should rely more on its own resources or on assistance from other donors?
13. Do you think the Bank's coordination and cooperation with other donors is adequate? In what way could/should it be improved?
14. Do you think there is an issue for Yemen of possible aid-dependence, at either a macroeconomic level or at a more micro level? If yes, can you give examples of the problems such dependence might cause?

Current assistance: loans and sector work

15. The Bank has moved away from emphasis on rural development and infrastructure. The current portfolio of projects is more diversified, although with continued emphasis on education. A list of the current projects is in Attachment 2. Given your views of the main challenges facing Yemen and the Bank's comparative advantage, is this an appropriate balance of lending?

16. In the last two years, the Bank has produced a number of sector reports that you may have seen. Could you tell us if you recall each of these reports:

Poverty Assessment (June 1996)

Rural Water Supply and Sanitation Sector Study (white cover only -- July 1996)

Public Expenditure Review (November 1996)

Investors' Perceptions and Diagnosis of the Environment for Foreign Investment (by the Foreign Investment Advisory Service, June 1997)

Towards a Water Strategy (August 1997)

Population Sector Study (August 1997)

17. For each of the reports that you recall, how would you rate its overall quality in terms of technical insights; relevance to Yemen's needs; usefulness of recommendations; discussion and dissemination in Yemen of findings and recommendations?

18. For each report that you recall, were the recommendations implemented? If yes, can you give examples? If they have not been implemented, why not?

19. If the recommendations were implemented, do you think that they had the impact expected? If yes, can you give examples? If not, why do you think that the results were not as expected?

20. How can the Bank improve the effectiveness of its assistance in Yemen?

21. Do you have any recommendations for the role played by the Resident mission?

22. Based on your observations of Bank assistance over the past 10 years or so, what do you think are the most important lessons from the past that should be incorporated into future assistance, both lending and non-lending?

**IDA commitments summary by sector (both Yemens)**

<i>Sector</i>	<i>Commitment (US\$m)</i>	<i>Percent</i>
Agriculture	398.2	28
Education	206.3	14
Electric and Power	80.7	6
Finance & Industry	121.6	8
Oil and Gas	36.0	2
Multi-sector	80.0	6
Health and Nutrition	97.2	7
Public Sector Management	4.7	>1
Social Sectors	55	4
Transportation	220.76	15
Urban Development	42.0	3
Water and Sanitation	101.1	7
<b>TOTAL</b>	<b>1443.6</b>	<b>100</b>

**IDA's current portfolio in Yemen**

<i>Name</i>	<i>FY approval</i>	<i>Commitment amount US\$m</i>
<u>Water supply</u>		
Al Mukalla Water	89	12
Tarim Water Supply	90	12
Taiz Water Supply Pilot	97	10
<u>Transport</u>		
Multi-Mode Transport	91	30
Transport Rehabilitation	96	37
<u>Electric and Power</u>		
Power III	90	16
<u>Education</u>		
Secondary Teacher Training	91	19
Basic Education	93	20
Education Sector	94	33
Vocational Training	96	24
<u>Finance</u>		
Institutional Development for Public Administr	89	10
Financial Sector Adjustment	98	80
<u>Population, Health, and Nutrition</u>		
Health Sector Development	90	15
Family Health	93	27
<u>Agriculture</u>		
Eastern Regional Agricultural Development	89	13
Hadramut Agricultural Development	89	7
Fisheries IV	91	13
Land & Water Conservation	92	28
National Agricultural Sector Management	92	9
Flood Emergency	97	30
Seeds and Agricultural Services	98	13
Southern Governorate Agricultural Privatization	98	25
<u>Social Sector</u>		
Public Works	96	25
Social Fund Development	97	30
<u>Urban Development</u>		
Taiz Flood Disaster and Municipal Development	90	15
<b>TOTAL</b>		<b>552</b>

**NOT SENT IN ADVANCE OF MISSION****2. Questionnaire for the Ministry of Agriculture**

Operations Evaluation Department (OED) is an independent unit of the World Bank whose task it is to assess the relevance, effectiveness, and efficiency of World Bank operations.

OED is planning to carry out a Country Assistance Evaluation (CAE) for Yemen. The main objectives of the CAE are to assess whether the Bank has been effective in the past; whether it has incorporated lessons from the past into its current assistance strategy for Yemen; whether the current strategy is appropriate for Yemen; and whether the assistance, including credits, grants, and economic work, is consistent with that strategy. We are working with the Bank staff in the Region to ensure that the CAE findings will be incorporated into the Country Assistance Strategy now under preparation.

**Please note that we are sending this questionnaire in order to provide a framework for discussions during our upcoming mission. We do not expect written answers.**

The early years

Since the beginning of the Bank's assistance to both Yemens in the 1970s, the total amount of funds committed to the agriculture sector is US\$398 million, which is 28% of the total lending program and includes 31 projects. A list of these projects, with summary information, is in Attachment 1.

In the 1970s and early 1980s, the strategy of the assistance in agriculture seems to have focused on rural development, which usually included irrigation development or improvements, strengthening extension services, and building rural infrastructure (rural roads and water supply).

1. Could you tell us whether you are familiar with these early projects? For those projects with which you are familiar, do you think they focused on priority needs for Yemen, that is, did they have the right objectives?
2. Were these projects well-designed, taking into account the particular constraints in Yemen?
3. Do you think these projects have made a positive impact at a national level? If so, can you elaborate on what that impact has been?
4. If the projects have not had lasting impacts, why not: design problems, implementation problems, maintenance problems after the investments were made, or other?
5. If you think the projects have had an impact, do you think that it has been sustained: has the Government maintained the project implementation units and the physical infrastructure? If the projects have not had an impact, why do think this is so?

6. What do you think have been the main factors contributing to the successes or failures of Bank-financed agricultural projects in Yemen?

7. Several of the early agriculture projects had particular focus on the role of women in agriculture: do think this approach has a strong impact on income-generating activities for women?

The more recent years: lending and non-lending services

8. Since about 1990, IDA has financed five agricultural projects, which include support for, among other things, fisheries, improvements in irrigation, and support for seed production. Do you think this shift away from rural development and irrigation projects was in line with Yemen's priority needs?

9. To what extent have other donors played an important role in supporting investments in agriculture? How would you compare their approach and impact to those of the Bank?

10. In the last two years, the Bank has produced a number of sector reports that have dealt in part with agricultural and other rural development issues. In addition, in 1993, the Bank produced a report specifically on a strategy for agricultural production. You may have seen or been involved in them. Could you tell us if you recall each of these reports:

Agriculture Sector Study: Strategy for Sustainable Agricultural Production  
(September 1993)

Rural Water and SaniationSector Study (June-July 1996)

Towards a Water Strategy (August 1997)

11. For each of the sector reports that you remember, how would you rate the overall quality of the report in terms of technical insights; relevance to Yemen's needs; usefulness of recommendations; discussion and dissemination in Yemen of findings and recommendations of these reports?

12. For each report, could you tell us whether the recommendations in the report have been implemented? If yes, can you give examples? If they have not been implemented, why not?

13. If the recommendations are being implemented, do you think that they had the impact expected? If yes, can you give examples? If they have not had the impact expected, why not?

The future

14. What do you think are the main challenges in the rural sector in Yemen in the next ten years?

15. Given these challenges, where do you think is the Bank's best comparative advantage and where should the Bank concentrate its resources in this area?

16. In what areas of rural development do you think the Bank should be relatively less active and Yemen should rely more on its own resources or on assistance from other donors?

17. Do you think the Bank's coordination and cooperation with other donors in rural development has been adequate? In what way could/should it be improved?

18. Based on your observations of the Bank's assistance, both lending and non-lending over the past 10 years or so, what do you think are the most important lessons from the past that should be incorporated into future strategy and assistance in the agriculture/rural development sector?

19. Can you give specific examples of how these lessons should be incorporated that might be useful for the Country Assistance Strategy now under preparation?

### List of Agriculture Projects financed by IDA in Yemen

Credit No.	Year of approval	Amount (US\$m)	Name/purpose	Status
370	1973	5.1	Fisheries Project (PDRY)	Closed: FY79
376	1973	21.2	Tihama Agricultural Development Project (YAR)	Closed: FY79
545	1975	10.0	Southern Uplands rural development project (YAR)	Closed: FY82
615	1976	7.0	Wadi Hadramawt Agricultural Project (PDRY)	Closed: FY83
636	1976	5.2	Grain Storage and Processing Project (YAR)	Closed: FY83
662	1977	4.5	Livestock credit and processing project (YAR)	Closed: FY84
768	1978	5.2	Wadi Tuban Agricultural Development Project (PDRY)	Closed: FY84
805	1978	10.5	Second Tihama Agricultural Development (Wadi Rima) (YAR)	Closed: FY86
880	1979	14.4	Third Tihama Agricultural Development Project (YAR)	Closed: FY89
932	1979	10.0	Second Fisheries Development Project (PDRY)	Closed: FY87
978	1980	5.5	Fourth Tihama Agricultural Development (second Wadi Rima) Project (YAR)	Closed: FY86
1025	1980	17.0	Fisheries Development Project (YAR)	Closed: FY90
1067	1981	17.0	Second Southern Uplands Rural Development Project (YAR)	Closed: FY87
1145	1981	8.0	Wadi Beihan Agricultural Development Project (PDRY)	Closed: FY89
1259	1982	6.0	Agricultural Research and Development (YAR)	Closed: FY92
1274	1982	6.0	Third Fisheries Development Project (PDRY)	Closed: FY91

**List of Agriculture Projects financed by IDA in Yemen (cont.)**

Credit No.	Year of approval	Amount (US\$m)	Name/purpose	Status
1308	1983	8.0	Agricultural Credit Project (YAR)	Closed: FY90
1346	1983	9.0	Second Wadi Hadramawt Agricultural Development Project (PDRY)	Closed: FY92
1453	1984	8.0	Central Highlands Agricultural Development Project (YAR)	Closed: FY93
1557	1985	5.0	Agricultural Research and Extension (PDRY)	Closed: FY92
1584	1985	10.0	Wadi Al-Jawf Agricultural Development Project	Closed: FY93
1667	1986	10.0	Tihama V Regional Agricultural Development Project	Closed: FY96
1772	1987	12.3	Southern Regional Agricultural Development Project (YAR)	Closed: FY96
1886	1988	17.6	Northern Regional Agricultural Development Project (YAR)	Closed: FY96
1983	1989	12.7	Eastern Region Agricultural Development Project (YAR)	To close 12/97
2045	1989	6.8	Wadi Hadramawt Agricultural Development Project III (PDRY)	To close 09/97
2265	1991	13.2	Fisheries IV	Ongoing
2299	1992	9.1	Agricultural Sector Management Support Project	Ongoing
2373	1992	27.8	Land and Water Conservation Project	Ongoing
N034	1998	12.5	Seeds and Agricultural Services	Not yet effective
2998	1998	24.7	Southern Governate Agriculture Privatization	Not yet effective

## NOT SENT IN ADVANCE OF MISSION

### 3. Questionnaire for the Ministry of Education

Operations Evaluation Department (OED) is an independent unit of the World Bank whose task it is to assess the relevance, effectiveness, and efficiency of World Bank operations.

OED is planning to carry out a Country Assistance Evaluation (CAE) for Yemen. The main objectives of the CAE are to assess whether the Bank has been effective in the past; whether it has incorporated lessons from the past into its current assistance strategy for Yemen; whether the current strategy is appropriate for Yemen; and whether the assistance, including credits, grants, and economic work, is consistent with that strategy. We are working with the Bank staff in the Region to ensure that the CAE findings will be incorporated into the Country Assistance Strategy now under preparation.

**Please note that we are sending this questionnaire in order to provide a framework for discussions during our upcoming mission.**

**We do not expect written answers.**

#### The early years

Since the beginning of the Bank's assistance to both Yemens in the 1970s, the total amount of funds committed to the education sector is US\$206 million, which is 14% of the total lending program and includes 17 projects. A list of these projects, with summary information, is in Attachment 1.

In the 1970s and early 1980s, the strategy of the education assistance seems to have focused on primary school teacher training, expanding vocational schools, improving adult literacy, and increasing agricultural training. A major objective was to replace expensive expatriate teachers with local Yemenis.

1. Could you tell us whether you are familiar with these early projects? For those projects with which you are familiar, do you think they focused on priority needs for Yemen, that is, did they have the right objectives?
2. Were these projects well-designed, taking into account the particular constraints in Yemen?
3. Do you think these projects have made a positive impact at a national level? If so, can you elaborate on what that impact has been?
4. If the projects have not had lasting impacts, why not: design problems, implementation problems, maintenance problems after the investments were made, or other?
5. If you think the projects have had an impact, do you think that it has been sustained: has the Government maintained the schools built; have the teachers trained gone into teaching?

6. Many of the early education projects had a particular focus on increasing girls' enrollment, particularly in primary school: do you think this approach led to a more favorable attitude by policy makers to increased education for women and girls? Led to a more favorable attitude by teachers and their supervisors towards greater participation of women and girls? Led to a more favorable attitude of husbands and parents toward greater educational opportunities for wives and daughters?

The more recent years: lending and non-lending services

7. Since about the mid-1980s, IDA has financed education projects that appear to focus more on the need for teachers at the secondary level of education. Do you think this shift toward secondary education was in line with Yemen's priority needs?

8. What do you think have been the main factors contributing to the successes or failures of Bank-financed education projects in Yemen?

9. To what extent have other donors played an important role in supporting investments in education? How would you compare their approach and impact to those of the Bank?

10. In the last two years, the Bank has produced a number of sector reports that have dealt in part with education issues. In addition, in 1992, the Bank produced a report dealing with human resource issues that dealt substantially with education issues. You may have seen or been involved in them. Could you tell us if you recall each of these reports:

Human Development: Societal Needs and Human Capital Response (June 1992)

Poverty Assessment (June 1996)

Public Expenditure Review (November 1996)

Population Sector Study (August 1997)

Strategy for the Educational Sector (March 1998)

11. For each of the sector reports that you remember, how would you rate the overall quality of the report in terms of technical insights; relevance to Yemen's needs; usefulness of recommendations; discussion and dissemination in Yemen of findings and recommendations of these reports?

12. For each report, could you tell us whether the recommendations in the report have been implemented? If yes, can you give examples? If they have not been implemented, why not?

13. If the recommendations are being implemented, do you think that they had the impact expected? If yes, can you give examples? If they have not had the impact expected, why not?

The future

14. What do you think are the main challenges in the education sector in Yemen in the next ten years?

15. Given these challenges, where do you think is the Bank's best comparative advantage and where should the Bank concentrate its resources within the education sector?

16. In what areas of education do you think the Bank should be relatively less active and Yemen should rely more on its own resources or on assistance from other donors?

17. Do you think the Bank's coordination and cooperation with other donors in education has been adequate? In what way could/should it be improved?

18. Based on your observations of the Bank's assistance, both lending and non-lending over the past 10 years or so, what do you think are the most important lessons from the past that should be incorporated into future strategy and assistance in the education sector?

19. Can you give specific examples of how these lessons should be incorporated that might be useful for the Country Assistance Strategy now under preparation?

### List of Education Projects financed by IDA in Yemen

Credit No.	Year of approval	Amount (US\$m)	Name/purpose	Status
421	1974	11.0	First Education (YAR): teacher training; secondary, vocational and non-formal schools.	Closed: FY81
494	1974	5.4	Education I (PDRY): teacher training; vocational schools.	Closed: FY82
611	1976	8.0	Second Education (YAR): teacher training; vocational and non-formal schools.	Closed: FY82
865	1979	4.0	Second Education (PDRY): vocational schools.	Closed: FY 85
915	1979	10.0	Third Education (YAR): agricultural secondary schools; civil servants training.	Closed: FY89
1203	1982	12.0	Fourth Education Project (YAR): teacher training; educational planning.	Closed: FY92
1222	1982	5.4	Third Education (PDRY): teacher training; agricultural and technical training.	Closed: FY91
1340	1983	12.0	Fifth Education (YAR): teacher training; vocational training; adult literacy.	Closed: FY92
1470	1984	10.0	Sixth Education (YAR): teacher training; vocational training; adult literacy.	Closed: FY93
SF019	1984	10.4	Fourth Education (PDRY): teacher training for primary, vocational, and trade schools; agricultural schools.	Closed: FY93

**List of Education Projects financed by IDA in Yemen (cont.)**

Credit No.	Year of approval	Amount (US\$m)	Name/purpose	Status
1645	1986	12.7	Technical Training (YAR): technical training at secondary and post-secondary level; training technical instructors; women targeted.	Closed: FY94
1773	1987	10.4	Teacher Training (YAR): improve teacher training programs; expand primary and secondary teacher training; promoted female participation.	Closed: FY95
2015	1989	9.7	Institutional Development for Public Administration: strengthen civil service, particularly Ministry of Civil Service and Administrative Reform and the National Institute of Public Administration.	To close 6/98
2222	1991	19.4	Secondary Teacher Training: improve quality of secondary teacher training.	On-going
2412	1993	19.7	Basic Education: improve quality of primary school teachers through in-service training; increase classrooms in rural areas to increase girls' enrollment.	On-going
2570	1994		Education Sector Investment: improve quality of secondary and post-secondary education; increase female participation.	On-going
2793	1996	24.3	Vocational Training: improving quality and expanding quantity of vocational schools; improve adult training for women.	On-going

**Annex VI B: List of people met****Government officials****Ministry of Planning and Development**

Anwar R. Al-Harazi  
Assistant Deputy Minister for Project Planning and  
Programming

**Central Bank of Yemen**

Mohamed A. Bin Humam  
Sub Governor Foreign Operations and Research

Mohmoud Qaid M. Naji  
General Manager of Loans and Grants Department

**Ministry of Finance**

Ahmed A. Ghaleb  
Undersecretary Foreign Relations

Ibrahim Al-Nahari

**Ministry of Industry**

Mohammed A. Al Haimy  
Deputy Minister

Abdul-Malik Ali Ahmed Sharafuddin  
Director General  
International Relations Department

Yahya Y. Almutawakel

**Minister of Agriculture and Irrigation**

H.E. Mr. Salem Al Jabali  
Minister of Agriculture

Dr. Abdul Rahman Ba Matraf  
Vice Minister of Agriculture

Abdulmalik Al-Thawr  
General Director of Planning and Monitoring

**Ministry of Supply and Trade**

Ali A. Al-Siaghi  
Vice Minister

Abdulkarim A. Al Saidi  
Head of Communication and Coordination  
Head of Technical Office for Privatization

**Project Implementation Units**

Dr. Fawzia Jaffer  
Director, PIU Family Health Project

Dr. Towfick Sufian  
Executive Director, Coordination Unit  
Education Sector Investment Project

Ayub Taher  
Director, PIU Basic Education Project

Dr. Mohamed H. Al-Mekhlafq  
consultant to PIU

**Donors**

Khaled Alloush  
Deputy Resident Representative, UNDP

Ronald Goldberg  
Second Secretary  
Royal Netherlands Embassy

Rainer Freund  
European Commission Technical Advisory Office

**Non-governmental organizations**

Tim Kennedy  
Country representative, CARE

**Academics**

Marta Colburn, Resident Director  
American Institute for Yemeni Studies

Raoufa Hassan Al-Sharki, Executive Director  
Empirical Research and Women's Studies Center

**Journalists**

Abdulaziz Al-Saqqaf  
Editor-in-Chief, Yemen Times

**Private sector****International Bank of Yemen**

Mohamed A. Muqbil Al-Amery  
General Manager

Ahmed Thabit Al-Absi  
Deputy General Manager

**Crédit Agricole Indosuez**

Jean Pierre Imbert  
Regional General Manager

Gerard Carles  
Assistant Manager Credit Department

**Yemen Commercial Bank**

Sikander Mahmood  
General Manager and Chief Executive Officer

**KPMG**

M. Zohdi Mejanni, Senior Partner  
Mejanni, Hazem Hassan & Co.

**Al Rowaishan**

Kamal Salem Ali Abdo, Managing Director  
Al Rowaishan Investment and Development Co., Ltd.

Mohamed H. Zawia  
General Manager  
Al Rowaishan Establishment for Universal Trade and Agencies

**Rayman Trading Company**

AbdulGhani Al-Iryani  
Chairman

**World Bank Resident Mission staff**

Chris Ward, Rural Sector  
Ali Husni, Human Development  
Naji Abu Hatim, Rural Sector

THE WORLD BANK/IFC/MIGA

# OFFICE MEMORANDUM

**DATE:** January 18, 1998

**TO:** Laurie Effron, TM, OEDCR

**FROM:** Gert van Santen, Sr. Fisheries Specialist, MNSRE

**EXTENSION:** 32458

**SUBJECT:** YEMEN: Country Assistance Review

1. Following the January 13, 1999 review meeting, I would like to comment on the role of fisheries in Yemen, and on a few statements about the sector in the report.

2. The report treats fisheries as part of Agriculture. While this may be logical from the point of view of overall portfolio analysis, it ignores the rather different role the fisheries sector has played in the economy, notably over the past 10 years. To summarize:

i) The five IDA fisheries projects have successfully transformed the sector (notably in the former South Yemen) from one which was largely based on (foreign and local ) industrial fleets to one in which the bulk of the catch is being caught by local, small-scale fishermen.

ii) This transformation took place mainly through project investments in infrastructure, a highly successful fisheries credit program handled by CACB, and a number of policy changes affecting boat ownership, fish pricing, liberalization of fish marketing and some privatization of public services. The latter took place following the merger of North and South and reflected informal Bank Sector work.

iii) This transformation has over the past 8 years increased fish production of the local, small-scale fisheries by at least 300%; the small-scale fleet grew by at least 400%, while employment in the sector may have grown even more (because of a rapid expansion of fish marketing). It is likely that the sector has created between 40 and 60,000 new jobs. Because of private fish marketing, fish is now available in most inland cities where it was not available in the past. {Note: Yemen has no longer a functioning fish catch recording system; the above figures are based on the recorded increase in the number of small-scale fishing boats, and reported catch figures of selected individual vessels}.

iv) While a few foreign and local industrial vessels continued to fish in Yemeni waters following the departure of most of the foreign fleets in the late 1980s, about 4 years ago the Ministry of Fishwealt h started a process of licensing large numbers of foreign industrial vessels. This jeopardizes the very basis of the country's successful sector strategy (limiting the role of the industrial fleet, and developing a sustainable, largely small-scale fishery). The licensing took place in spite of Bank, EC and other recommendations to limit such licensing of foreign vessels. The country currently has about 140 foreign industrial vessels plying its waters, which has a major negative impact on small-scale fishery production (and rural incomes). Foreign vessels directly export shrimp, cuttlefish and other valuable fish; these fish are not landed and not recorded as exports. The value of these unrecorded exports may be of the order of \$50 million or more. The expansion of foreign fishing has quickly depleted Yemeni's major fish resources, which were moderately fished by the small-scale fleet until 1994. Collapses of the cuttle fish, lobster and demersal stocks (Yemen's most valuable fish resources) appear imminent according to highly respected Yemeni scientists.

v) Bank impact on sector institution building (ministry, research, privatization of public production corporations ) has a poor record, largely because Bank and local objectives sometimes do not coincide. Lack of operating funds has substantially reduced the role of public corporations.