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PROJECT PERFORMANCE ASSESSMENT REPORT

REPUBLIC OF YEMEN

INSTITUTIONAL DEVELOPMENT FOR PUBLIC ADMINISTRATION PROJECT
(Credit No. 2015-YEM)

LEGAL AND JUDICIAL DEVELOPMENT PROJECT
(Credit No. 3274-YEM)

PUBLIC SECTOR MANAGEMENT ADJUSTMENT CREDIT
(Credit No. 3178-YEM)

October 16, 2006

Country Evaluation and Regional Relations
Independent Evaluation Group

IEG WORLD BANK
INDEPENDENT EVALUATION GROUP

Currency Equivalents (annual averages)

Currency Unit = Yemen Rial (YR)

1989	US$1.00	YR 12	1999	US$1.00	YR 147
1990	US$1.00	YR 12	2000	US$1.00	YR 152
1991	US$1.00	YR 12	2001	US$1.00	YR 165
1992	US$1.00	YR 12	2002	US$1.00	YR 176
1993	US$1.00	YR 12	2003	US$1.00	YR 178
1994	US$1.00	YR 103 (Official Rate YR 12.00)	2004	US$1.00	YR 184
1995	US$1.00	YR 115 (Official Rate YR 50.00)	2005	US$1.00	YR 191 (*Average from Jan-Nov 2005*)
1996	US$1.00	YR 135	2006	US$1.00	YR 196
1997	US$1.00	YR 135			
1998	US$1.00	YR 135			

Abbreviations and Acronyms

AFMIS	Accounting and Financial Management Information System
APC	Adaptable Program Credit
CS	Civil Service
CSMP	Civil Service Modernization Project
ERC	Economic recovery Credit
ESAF	Enhanced Structural Adjustment Facility
FIAS	Foreign Investment Advisory Service
FSAC	Financial Sector Adjustment Credit
HJI	Higher Judicial Institute
ICR	Implementation Completion Report
IDA	International Development Association
IDPAP	Institutional Development for Public Administration Project
IEG	Independent Evaluation Group
IMF	International Monetary Fund
KPI	Key Performance Indicator
LIC	Learning and Innovation Credit
LJDP	Legal and Judicial Development Project
LJR	Legal and Judicial Reform
MENA	Middle Eastern North Africa Region
MIS	Management Information System
MoCSAR	Ministry of Civil Service and Administrative Reform
MoCSI	Ministry of Civil Service and Insurance
MoJ	Ministry of Justice
MoLA	Ministry of Legal Affairs
MoPD	Ministry of Planning and development
MPIC	Ministry of Planning and International Cooperation
MTEF	Medium term Expenditure Framework
NIAS	National Institute of Administrative Sciences
NIPA	National Institute of Public Administration
PAD	Project Appraisal Document
PDRY	People's Democratic Republic of Yemen
PIU	Project Implementation Unit
PPAR	Project Performance Assessment Report
PR	President's Report
PSMAC	Public Sector Management Adjustment Credit
RoY	Republic of Yemen
SAR	Staff Appraisal Report
SJI	Supreme Judicial Institute
SOE	State Owned Enterprise
TAC	Technical Assistance Credit
YAR	Yemen Arab Republic

Fiscal Year

Government: January 1 – December 31

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IEG Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses about 25 percent of the Bank's lending operations. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons. The projects, topics, and analytical approaches selected for assessment support larger evaluation studies.

A Project Performance Assessment Report (PPAR) is based on a review of the Implementation Completion Report (a self-evaluation by the responsible Bank department) and fieldwork conducted by IEG. To prepare PPARs, IEG staff examine project files and other documents, interview operational staff, and in most cases visit the borrowing country for onsite discussions with project staff and beneficiaries. The PPAR thereby seeks to validate and augment the information provided in the ICR, as well as examine issues of special interest to broader IEG studies.

Each PPAR is subject to a peer review process and IEG management approval. Once cleared internally, the PPAR is reviewed by the responsible Bank department and amended as necessary. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

About the IEG Rating System

The time-tested evaluation methods used by IEG are suited to the broad range of the World Bank's work. The methods offer both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (more information is available on the IEG website: http://worldbank.org/IEG/eta-mainpage.html).

Relevance of Objectives: The extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). *Possible ratings:* High, Substantial, Modest, Negligible.

Efficacy: The extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance. *Possible ratings:* High, Substantial, Modest, Negligible.

Efficiency: The extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. *Possible ratings:* High, Substantial, Modest, Negligible. This rating is not generally applied to adjustment operations.

Sustainability: The resilience to risk of net benefits flows over time. *Possible ratings:* Highly Likely, Likely, Unlikely, Highly Unlikely, Not Evaluable.

Institutional Development Impact: The extent to which a project improves the ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources through: (a) better definition, stability, transparency, enforceability, and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Institutional Development Impact includes both intended and unintended effects of a project. *Possible ratings:* High, Substantial, Modest, Negligible.

Outcome: The extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently. *Possible ratings:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry and supported implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of the project). *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower assumed ownership and responsibility to ensure quality of preparation and implementation, and complied with covenants and agreements, towards the achievement of development objectives and sustainability. Possible ratings: Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

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Principal Ratings

Institutional Development for Public Administration Project (Credit No. 2015-YAR)

	ICR	ICR Review*	PPAR
Outcome	Unsatisfactory	Highly Unsatisfactory	Highly Unsatisfactory
Institutional Development Impact	Negligible	Negligible	Negligible
Sustainability	Unlikely	Likely	Unlikely
Bank Performance	Unsatisfactory	Highly Unsatisfactory	Unsatisfactory
Borrower Performance	Unsatisfactory	Highly Unsatisfactory	Highly Unsatisfactory

Legal and Judicial Development Project (Credit No. 32740-YEM)

	ICR	ICR Review*	PPAR
Outcome	Unsatisfactory	Moderately Satisfactory	Moderately Unsatisfactory
Institutional Development Impact	Modest	Modest	Modest
Sustainability	Unlikely	Unlikely	Unlikely
Bank Performance	Satisfactory	Unsatisfactory	Unsatisfactory
Borrower Performance	Satisfactory	Satisfactory	Satisfactory

Public Sector Management Adjustment Credit (Credit No. 31780-YEM)

	ICR	ICR Review*	PPAR
Outcome	Satisfactory	Moderately Unsatisfactory	Moderately Unsatisfactory
Institutional Development Impact	Modest	Modest	Modest
Sustainability	Likely	Likely	Unlikely
Bank Performance	Satisfactory	Satisfactory	Moderately Satisfactory
Borrower Performance	Satisfactory	Unsatisfactory	Moderately Satisfactory

* The Implementation Completion Report (ICR) is a self-evaluation by the responsible operational division of the Bank. The ICR Review is an intermediate Independent Evaluation Group (IEG) product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

Project	Task Manager/Leader	Division Chief/ Sector Director	Country Director
Institutional Development for Public Administration Project			
Appraisal	Yogendra Saran	Douglas H. Keare	Everadus J. Stoutjesdijk
Completion	Vasilios C. Demetriou	Jacques F. Baudouy	Mahmood A. Ayub
Legal and Judicial Development Project			
Appraisal	Hadi Abushakra	Wafik Grais	Inder Sud
Completion	Elizabeth Sherwood	Zoubida Allaoua	Mahmood A. Ayub
Public Sector Management Adjustment Credit			
Appraisal	Sudhir Chitale	John Page	Inder Sud
Completion	Monali Chowdhurie-Aziz	Mustapha Kamel Nabli	Mahmood A. Ayub

Preface

This report evaluates two investment credits and one adjustment credit to the Republic of Yemen over the period 1989 to 2000, in the field of governance. The first operation is the Institutional Development for Public Administration Project, financed by a credit of $10.8 million, approved in 1989 and closed in 1998. The second is the Legal and Judicial Development Project financed by a credit of $2.5 million. It was approved in June, 1999, and closed four years later, in June, 2003. The third operation is the Public Sector Management Adjustment Credit, a quick disbursing operation of $50 million approved in 1999 and closed in March, 2000. The projects were designed and implemented as part of a country strategy which recognized the importance of governance in good development outcomes in Yemen.

The PPAR was prepared by the Independent Evaluation Group (IEG) building upon Implementation Completion Reports, project documents, and related documents. An IEG mission visited Yemen in July 2005 to prepare the Country Assistance Evaluation, for which this PPAR was an input. It held discussions with Government officials, business and civil society representatives and donors on the impact of the three projects. Their assistance, along with that of the staff of the resident mission in Sana'a, is gratefully acknowledged.

The Bank's Regional Management had no comments.

A draft report was sent to the Government of Yemen for comment, and their comments are attached as Annex B.

This report was prepared by Mr. Mike Stevens (Consultant), who assessed these projects in July 2005, under the supervision of Mr. Chad Leechor (Task Manager). Mr. Ismail Arslan peer reviewed the report. Ms. Vikki Taaka provided administrative support.

Summary

1. The objectives of these three projects were sensible: to build capacity by strengthening civil service training institutions, to support the rule of law by training judges and clerks and reviewing laws, and to initiate a process of civil service and public financial management modernization. For the most part, designs were sound and project components were appropriate. However, the environment in which they were implemented proved exceptionally challenging, undermined outcomes and compromised sustainability. Government commitment was variable. Better project supervision could have mitigated this, but not fully.

2. The Institutional Development for Public Administration Project (IDPAP) was a conventional capacity building project, financing the strengthening of the country's main civil service training centre and initiating some mostly relevant studies. The project also financed investment in a manpower data system. On the face of it, the project was an appropriate first operation by the Bank in civil service reform in Yemen. However, events, in the form of the unification of North and South Yemen, the sudden return from the Gulf of Yemeni guest workers in the first Gulf war, and an internal civil war propelled the civil service on a steep upward path of staffing growth, causing payrolls to become fiscally unsustainable, and when adjustment came, pay structures collapsed. This made the project's modest capacity building goals untenable.

3. The project should have been restructured much earlier than in its closing stages. Soon after the project started, the Government, faced with unification and other political and security challenges, put civil service reform on the back burner and reverted to patronage appointments and using the public payroll as a social security net. On its part, the Bank should have had a stronger dialogue with the Government on wage bill control and public employment policy. It did not, and when the project ended, the goal of civil service modernization seemed more distant than when it started.

4. The Legal and Judicial Development Project (LJDP) was a modest "testing of the waters" for more intensive future support for this key governance sector, comprising training of clerks and judges and review of laws. On the arrival of a new justice minister, critical of the project and Bank support, the Bank backed away from the sector and cancelled the planned follow-up operation. This left Ministry of Justice and Ministry of Legal Affairs officials, who had been running the project effectively, without external support, and will make re-engagement in this sector more difficult in the future. The Bank should have taken a longer view and remained engaged in the sector.

5. The Public Sector Management Adjustment Credit (PSMAC) was the third adjustment credit extended to Yemen, since economic stabilization began in the mid 1990s. It was also the last (to date) because the Government's fiscal grip slackened, and, with rising oil prices, Yemen's need for balance of payments support diminished. PSMAC, with its delayed companion technical assistance credit--Civil Service Modernization Project (CSMP) which remains active today, took up the civil service reform challenge that the IDPAP had first embraced a decade earlier, but in a more comprehensive way. The program of civil service and financial management reforms

that PSMAC helped launch had innovative features. It was developed in a consultative way and this made for initially strong local ownership.

6. However, although PSMAC was successfully disbursed, the program of civil service modernization it supported was slow to get off the ground, due principally to a weakening of political commitment and, again, a change of minister. This time, the Bank stayed with the program, but there was rapid turnover of task team leaders, and supervision from Washington was spasmodic. Although the project made progress, albeit slower than anticipated, at the technical level, the manpower data system that the project financed revealed that total civil service employment was continuing to grow at an unsustainable rate, rendering nugatory efforts to create fiscal space for pay reform and “right size” government by orderly retrenchment. In the PSMAC project document, the Bank rightly stressed risks and the need to see civil service reform over a long time span. But as numbers grew, real pay eroded, and the civil service fragmented into donor protected pay enclaves. This threw into question the viability of the reform model. Bank supervision missions for the CSMP came to see this, but had no answer other than to press the Government to implement the program as designed.

7. Lessons of general applicability include:

- Moving quickly to restructure the project when country circumstances change, and new factors emerge which threaten project outcomes and require addressing.

- Staying the course in critical governance sectors, even when reform champions are replaced by new leadership lukewarm to project objectives.

- Where technocratic counterparts are trying to push through ambitious but vital reforms, the need for a resident mission to have experienced staff with both country and global knowledge, backed up by on-call support from Washington.

Vinod Thomas
Director–General
Evaluation

1. Introduction

POLITICAL BACKGROUND AND GOVERNANCE

1.1 Until 1990 Yemen was, in recent times, two countries, comprising the Yemen Arab Republic (YAR) or North Yemen, and the Peoples Democratic Republic of Yemen (PDRY) or South Yemen. Though it had been under the suzerainty of the Ottoman Empire, North Yemen had been an independent state since, ruled by its traditional leader, the Imam, until overthrown in a coup in 1962. Although substantial military and technical assistance was provided by Egypt to YAR's government, its governance remained traditional in character, and the size of its public sector was small. Many of the institutions of modern governance were absent and public administration and financial management systems were only partly developed. The YAR's president since 1978 was H.E. Ali Abdulla Saleh, now President of the Government of Yemen. By contrast, South Yemen had been administered since the early nineteenth century by the British, who valued the port of Aden at the mouth of the Red Sea as an important coaling station on the sea route to India. They established British style governance institutions in the capital, but rule over the rest of the country was largely indirect. The colonial period ended abruptly in 1967, and a socialist republic was established shortly thereafter. The latter initiated a rapid expansion of the public sector, mainly through the creation of state owned enterprises.

1.2 In 1990 the two parts of Yemen were unified and the Government of Yemen was formed, with its capital in Sana'a. The new country adopted a democratic constitution, which provided for free elections and an independent judiciary. With unification came the need to fuse the two civil services. Although the South's population was much smaller, its civil service was larger, and on the whole better endowed with technical and managerial skills. Unification, however, led to duplication or organizations and functions. This propelled civil service expansion and wage bill growth which have continued until this day. In the past decade the civil service wage bill share of GDP has varied between 11-15 percent of GDP, an exceptionally high ratio for a poor country.[1]

1.3 Public sector employment was given a further boost by the unexpected return of some 800,000 Yemenis who were expelled from Gulf States in 1991 because of Yemen's alignment with Iraq during the first Gulf war. Social and political pressures made the government absorb many of them into the civil service, causing further expansion.

1.4 In 1994 a short but violent civil war broke out, which precipitated an economic crisis. The Government tried to relieve social hardship through public sector job creation. Since then, Yemen has been more peaceful, though security continues to be an issue. After September 11, 2001, geopolitical factors have increasingly conditioned the political environment in the region. The country's military and security forces are, consequently, an influential factor in the political equation.

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1. Yemen uses a broad definition of the civil service, which includes all government employees, such as administrators, teachers, health workers, police, and staff on the payrolls of subvented agencies and state enterprises. The only major exclusion is the armed forces. Even so, the ratio is much higher than in countries with similar per capita income levels, where 8-9 percent of GDP would be considered high.

1.5 Although Yemen has a democratic constitution with periodic elections, political power is exercised by building alliances and balancing the interests of tribal leaders, political and business elites and other important power centers.[2] The President and many government leaders have committed themselves to modernization. However, the space for reform is highly constrained. Reformers must contend with the conservatism of elites, tradition minded religious and tribal leaders, vested interests in the status quo, a fragile social balance and ever present security concerns. This has important implications for the design of Bank financed projects and how their implementation is supervised.

1.6 Corruption is systemic in Yemen and the country was grouped in the bottom quintile of the latest World Bank Institute ranking of country governance conditions. Corruption is also a challenge to the civil service, where informal practices undermine formal rules of public financial management, including procurement. A contributory factor has been the erosion of real pay in the civil service during the 1990s, due to the rapid expansion of numbers and high annual rates of inflation. For low level civil servants, pay and allowances are below a living wage, and have become, in effect, a form of social relief, with predictable effects on productivity. For middle and professional grade civil servants official pay is a fraction of what the same skills command in the modern private sector. Since across the board pay increases are unaffordable, government functions through a system of pay enclaves. Staff who work in project implementation units funded by donors, in autonomous bodies like the Yemen Social Fund, or have been designated by a minister as critical to departmental functioning, receive pay enhancements that are a multiple of official pay, sufficient to motivate them to work, and to get the critical business of government done. Such pay enhancements generally don't extend to the large numbers of teachers and health workers on the government payroll, and thus service delivery suffers.

Economics

1.7 The services sector is the largest contributor to GDP in Yemen, followed by industry and agriculture. Oil began to be exported in the 1980s in moderate amounts, and is the main source of revenue to the Government. However, Yemen's reserves are modest. Production has already peaked, and is now on a declining trend, currently masked by high international oil prices. Scarcity of water limits agricultural production; indeed, much of present production is unsustainable, being fed by fossil groundwater, with water tables dangerously falling.

1.8 During the period 1991-94 real GDP growth averaged 4.1 percent per annum, notwithstanding the three shocks to the economy caused by unification, the return of the Gulf Yemenis, and the civil war. These led to severe economic imbalances, with rising fiscal deficits, a high rate of inflation, and a deteriorating external position. A turning point came in 1995 when the Government adopted a stabilization and economic reform program, which was supported by a IMF Stand-by Program and a IDA Economic Reform Credit. Growth accelerated to 8.3 percent per annum between 1995 and 1997, but declined to an average of 4.6 percent for the rest of the decade, and has remained at around 4 percent since then. Population growth remains rapid at over 3 percent. In recent years increasing international oil prices have boosted government revenues and

2. See Democracy and Governance Assessment of Yemen, February 2004, USAID.

strengthened the balance of payments, but with oil reserves depleting rapidly, it has been estimated that the non-oil primary deficit will need to improve by approximately 2 percent per annum over the next decade if Yemen is to have sustainable public finances by the time oil reserves run out, assuming no new discoveries (see Table 1).

Table 1: Yemen Selected Economic Indicators

	1998	***1999***	***2000***	***2001***	***2002***	***2003***
GDP Growth (%)	5.3	3.5	4.4	4.6	3.9	3.1
GNP per capita ($)	342	394	495	478	482	523
Inflation (CPI%)	6.0	8.7	4.6	11.9	12.2	10.8
Central Govt Finances						
Total Revenue (% GDP)	26.0	30.9	37.9	38.2	32.0	32.6
Oil Revenue	13.8	19.8	24.4	27.5	22.3	23.6
Non-Oil revenue	12.2	11.1	13.5	10.7	9.7	9.1
Inflation (CPI%)	6.0	8.7	4.6	11.9	12.2	10.8
Central Govt Finances						
Total Revenue (% GDP)	26.0	30.9	37.9	38.2	32.0	32.6
Oil Revenue	13.8	19.8	24.4	27.5	22.3	23.6
Non-Oil revenue	12.2	11.1	13.5	10.7	9.7	9.1
Total Expenditure (% GDP)	35.3	30.9	31.2	32.8	34.8	38.2
Current Expenditure	28.7	25.5	25.8	25.2	27.7	28.6
Development Expenditure	6.6	5.4	5.4	7.5	7.1	9.7
Fiscal Balance	-9.3	0,0	6.7	5.4	-2.8	-5.6
Balance of Payments						
Current Account (% GDP)	-2.8	2.7	13.2	5.3	5.4	1.1
Overall Balance	-7.4	4.2	17.1	8.5	9.3	4.7
FX Reserves (months imports)	4.2	6.0	12.3	14.9	17.0	16.0

Source: International Monetary Fund.

1.9 Growth prospects reside chiefly in agriculture, fishing, tourism and manufacturing, but for these sectors to realize their potential requires policy reform and supportive infrastructure investments. Domestic and regional security issues are inhibiting the growth of tourism. Excessive and arbitrary regulations inhibit industry and commerce, there are difficulties in securing land title, and the unpredictable and slow performance of the legal and judicial system harms the investment climate. Furthermore, the generally weak capacity of the government to provide basic health and education services holds back human resource development.

1.10 Against this background, addressing shortcomings of the legal and judicial system, and moving forward with far reaching public sector management reforms, to improve government performance in policy making, regulation and service delivery, are seen to be critical to securing future prosperity in Yemen. This provides the context and justification for the three IDA operations evaluated in this PPAR.

2. Institutional Development for Public Administration Project

BACKGROUND AND OVERVIEW

2.1 The Institutional Development for Public Administration Project (IDPAP) was approved by the Board of IDA in May 1989 and closed in December 1997.[3] The credit amount was $10.8 million, and the total size of the project was $15.4 million. The project was designed to strengthen the civil service of one country, the Yemen Arab Republic (YAR) or North Yemen, but very quickly found itself coping with capacity building in a civil service twice the size. The project was unsuccessful in doing this, due partly to the events which followed unification, but also because of failures of design and implementation, the fault of both the Bank and the Borrower.

2.2 Until 1962, North Yemen had been a tribal state governed by its traditional ruler, the Imam. There was no civil service in any recognizable sense of the term–officials were appointed by the ruler, mostly to collect taxes and ensure law and order. There was little service delivery, education was in the hands of religious schools and health services were rudimentary. South Yemen, by contrast, had been under colonial rule for more than a century, until the departure of the British in 1967.

2.3 For the first eight years of its existence the YAR was embroiled in civil war, with an Egyptian expeditionary army tied down in fighting loyalist forces and other elements resisting central authority. There were also many Egyptian civilians occupying positions as administrators, health workers and teachers (reportedly as many as 30,000 at its peak).

2.4 It was only when conflict had ended that the new government could turn its attention to building institutions of modern public administration, which it proceeded to do. In 1972 the Central Planning Organization was established, and the YAR began an era of Five Year Plans – as practiced by many other developing countries at that time. A civil service bureau was created and the main sector ministries were formed. In 1981 the bureau was upgraded to the Ministry of Civil Service and Administrative Reform (MoCSAR). In 1988 a Civil Service Code was enacted. At the same time, the civil service grew, from 25,000 in 1980 to 63,000 in 1988, and continued expanding.

2.5 MoCSAR came into existence with a conventional mandate: to establish personnel procedures and ensure their application across government, to develop a training strategy, and to approve ministerial and departmental organizational structures. Its broader purpose was to spearhead the modernization of public administration in the YAR.

2.6 However, there were formidable obstacles to discharging this mandate. In the first place, there was a shortage of qualified manpower in the civil service, necessitating heavy reliance on expatriates from other Arab countries, especially Egypt. These expatriates were often inefficiently utilized. There was a lack of clarity in ministerial mandates,

3. Although there is good project documentation, notably an excellent Implementation Completion Report (ICR), the project design team is no longer on staff, and few in government could remember the project, or the circumstances in which it was designed.

organizational structures, and authorized staffing levels. Many of the policies and procedures for effective management of a civil service, such as open and competitive recruitment based on clear job descriptions, procedures for the annual review of staff performance and promotion on merit were either absent or still being put in place. Most critically, MoCSAR itself lacked staff with the skills to spearhead change and bring into being a modern civil service.

2.7 At the same time, at the policy level the government recognized the importance of modernizing public institutions, and assigned it high priority in the country's Third Five Year Plan (1987-91). Consequently, the Government approached the Bank with a request for civil service capacity building.

DESIGN, IMPLEMENTATION AND OUTCOME

2.8 The project was designed as an investment operation, blending construction and equipment of facilities with technical assistance and training. The total cost of the project was $15.1 million, of which the IDA Credit portion was $10.8 million. There were two main beneficiaries: MoCSAR and NIPA (later re-named National Institute of Administrative Sciences–NIAS). For MoCSAR the project was to finance the installation of a personnel management information system (MIS) and the construction of a building to house it, staff fellowships, mostly abroad, and consultancy studies in critical policy areas. NIPA was to benefit from a similar mix of capacity building interventions. These included the expansion of the Institute's facilities in Sana'a and the construction of a regional campus in Ibb with furniture and equipment; long term training fellowships for NIPA staff together with the provision of expatriate TA to fill the gap while national staff were abroad on training, and studies to help NIPA develop its own consultancy capacity and to plan its future.

2.9 In this respect, the project was similar to other civil service capacity building projects of the period. The Bank elsewhere had supported civil service training institutions like NIPA.[4] Although nowadays donors are averse to long term training fellowships abroad, it was an accepted vehicle of capacity building two or three decades ago, and had proven effective in many countries. The policy studies which accompanied this heavy input of training fellowships were to be carried out by outside consultants, as a way of bringing contemporary practice to Yemen. Five topics were eventually decided upon: manpower planning, job classification, wages policy, records management, and training policy.

2.10 On the face of it, this was a reasonable set of policy studies. Although manpower planning is no longer in fashion, it was normal practice, particularly if the country had also embraced development planning into whose five year plans manpower planning could be integrated. Yemen seriously lacked civil service capacity. Skill gaps required quantification and, consistent with the planning paradigm, reflected in public investment in training institutions.[5] If staff were to be matched against positions according to

4. For example, the Bank financed a similar mixture of facilities and staff capacity building for the Bangladesh Public Administration Training Centre and the Malawi Institute of Management.
5. Manpower planning, as practiced in those days, entailed the projection of private and public sectors' needs for skilled manpower and the shaping of public investment in the education system to meet those needs. In many countries it was associated with the assignment of training institution graduates to positions in the public sector, typically leaving the residual to the private sector, and accompanied by a national

qualifications and experience, there needed to be a system of job descriptions classified for pay and grading purposes. In turn, this called for a salary structure and a wages policy for the civil service. Records management is essential for well functioning public administration, and the project was one of the first in the Bank to recognize this dimension of civil service modernization. NIPA needed a training policy so that a more strategic approach could be taken to the curriculum (which unduly emphasized long duration accreditation courses, mostly pre-entry, over more functionally specific short courses to upgrade existing staff skills–a situation which prevails also today). The range of these studies demonstrates the interconnectedness of civil service reforms, and the design of the project seemed appropriate to the circumstances of Yemen's civil service at the time.

2.11 The project got off to a slow start, notwithstanding the creation of two Project Implementation Units (PIUs), one in MoCSAR and one in NIPA. However, very quickly IDPAP's design assumptions were overtaken by events. While the project's capacity building objective was relevant, the means to achieve it failed to weather events and proved deficient.

2.12 The first change in the project environment was the unification of North and South Yemen, in 1990. This meant the fusion of two hitherto distinct public administrations. This was a challenging undertaking given the different bureaucratic histories of the two countries, and the fact that South Yemen, although smaller in population, had a bigger public sector. In particular, South Yemen had a large number of overstaffed and loss making state owned enterprises (SOEs). Ministries were merged and their staffing was greatly expanded. Even if the technical capacity had existed to rationalize structures and staffing levels, political conditions made the avoidance of organizational duplication and over manning a secondary consideration.

2.13 The second major disruption to the project was the return of about 800,000 Yemeni workers from the Gulf in 1991. This was a consequence of the Yemen Government's decision not to align the country with the US led coalition to expel Iraqi forces from Kuwait, and it resulted in the Gulf States expelling Yemeni guest workers. Their exodus placed huge pressure on the government to provide jobs in the public sector. This proved irresistible, and the size of the civil service increased rapidly with the hiring of large numbers of unskilled workers, mostly surplus to departmental requirements.[6]

2.14 The third event was the eruption of a short but violent civil war in 1994. Security concerns and the war's economic consequences drew policymakers even further away from the civil service modernization agenda, and project implementation.

2.15 Faced with lagging disbursements and an altered context for reform, the Bank initiated a restructuring of the project in 1995. The services of a local consulting firm,

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incomes policy to prevent skilled workers in short demand exploiting their monopoly advantage to bid up wages.

6. The civil service doubled in the 1990s. Yemen uses a broad definition—the term encompasses all public employees including teachers, health workers, central and provincial administrations, state owned enterprise employees, and police—everyone except the armed forces and militia. In 1990, after amalgamation, the total size of the civil service was 168,000. By 1999 it had risen to 352,000, by 2003 to 430,000 and by 2005 to 475,000.

Pan-Yemen Consultant Services, were enlisted. Pragmatically the firm recommended focusing the project on those elements which had the greatest chance of being completed by project closure, scheduled for December 1997. As a result, $3 million of the credit was cancelled.

2.16 As the Implementation Completion report (ICR) tells it, the project was restructured around the following priority areas:

- Support for simplification of administrative systems and procedures
- Restructuring of key ministries
- Reform of Civil Service personnel management
- Establishment of the MIS, linking MoCSAR to other key ministries
- Selected studies
- NIAS (as NIPA was renamed) staff development through fellowships
- Support to NIAS in research and consultancy methods
- Development of a long term training plan
- Construction of facilities in Sana'a and Ibb
- Substitute teachers while NIAS staff were away on training.

2.17 At the same time, the Bank decided to intensify its supervision, which had suffered from lack of Arabic speaking local staff, due to the absence of a resident mission, and infrequent visits from Washington-based staff.

2.18 While this was a sensible focusing of project efforts, very little was achieved. No discernable simplification of procedures occurred. Some computers were provided for the MIS in MoCSAR, but not linked to other ministries (this is now happening under a new project, the Civil Service Modernization Project-CSMP). There was no restructuring of key ministries (studies are currently underway under the CSMP). Training took place, but there was poor selection of candidates, course content was often inappropriate, and when trainees returned, they were often posted to jobs unrelated to their training. Buildings were completed, but furniture was not provided. Funds were diverted, procurement was irregular, contractor arrears accumulated, and the Bank had to ask the Government to refund money stolen by the project director who absconded to Egypt. The building constructed for MoCSAR to house the MIS was ultimately occupied by ministry officials, not by computers and their operatives (CSMP is now addressing this deficiency). The studies were undertaken, but they were of uneven quality. The manpower planning, wages policy and job classification studies were generic, insufficiently linked to Yemen conditions and could not be implemented. The records management study and the training plan were done well but not acted upon. Out of the total credit of $10.6 million, actual utilization was $9.6 million, and the project was closed at the end of December 1998, two and a half years later than envisaged at appraisal.

2.19 As a capacity building project, the IDPAP signally failed to achieve its objectives. Other than the bricks and mortar of a new office building for MoCSAR and the additions to NIAS's facilities in Sana'a and the new campus at Ibb, there is little to show for the project. NIAS itself continues to focus on long pre-service courses, compensating for the deficiencies of the national education system, rather than supplying functionally relevant short courses for existing civil servants. The easy explanation is that the project's failure was inevitable given the unforeseen events that changed the project environment—the unification of North and South Yemen, requiring the rapid amalgamation of the two administrations, the sudden return of Yemenis from the Gulf and the explosion in civil service numbers, and a civil war.

2.20 But the project would have encountered problems even if these events had not happened. There was weak ownership and insufficient understanding of the broader civil service modernization agenda it was supposed to support. Specifically:

- There was no clear vision of the sort of civil service Yemen sought to create, and thus no road map to get there
- MoCSAR was unengaged in the studies and unwilling to implement their findings
- There was mistrust between MoCSAR and NIPA/NIAS (which was to surface again under the CSMP).
- Neither MoCSAR nor NIPA/NIAS effectively supervised the PIUs which spent the project's money, but had little interest in the outcomes.
- Bank supervision was weak and ineffective, until too late in the life of the project.

2.21 Given the obvious need for capacity building in the civil service, whether of the YAR or of the combined North and South Yemen, how should have the Bank proceeded?

2.22 With hindsight the model of civil service capacity building the Bank was trying to apply in Yemen was deficient. Building civil service training capacity and financing overseas study fellowships for key ministry staff was something donors (less so the Bank since at the time it did not lend for civil service capacity building) had done a great deal of in the first decade of independence in many poor countries—especially in Sub-Saharan Africa. Countries lacked experienced local staff and for a number of years after independence, governments were heavily dependent on expatriate technical assistance, just as the YAR was. But there was an important difference. With colonial rule the basics of sound public administration had been embedded, and systems of public financial management and personnel administration were firmly established.[7] Thus the formal rules of public administration were in place, well internalized by the first generation of local civil servants to rise to management positions. Consequently, investments in overseas fellowships and the creation of local civil service training capacity normally yielded good returns.

2.23 This was not the case in Yemen. North Yemen had no such tradition and was trying to make the transition from personal rule to a modern civil service responsive to the

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7. For example, while an MIS that facilitates the prompt reporting of personnel actions by Ministries Department and Agencies is desirable, it is only one part of a system of establishment control, exercised by the civil service ministry and linked to the budget. If patronage is a risk (as it was) systems of open, competitive recruitment against approved positions need to be in place and personnel evaluation routines established to support promotion on merit. If professionalism required nurturing, cadres based on schemes of service could have been introduced.

development challenge without the prior entrenchment of sound administrative systems. South Yemen had experienced colonial rule, but the imperial mandate had been more strategic than developmental, and had, for much of the country, been indirect. The departure of the colonial power was rushed, without an orderly hand-over of responsibilities. Furthermore, any bureaucratic traditions that had been inherited were soon eroded by the socialist policies of the PDRY. In the rush to amalgamate the two administrations there was thus little institutional capital to draw upon.

2.24 The foregoing suggests that before providing inputs such as training fellowships, studies and the construction of facilities, Bank staff should have engaged the stakeholders in government and civil society in intensive dialogue on the type of public administration the country was seeking, and undertaken more thorough diagnostic studies on the condition of civil service management systems ahead of detailed project preparation. A road map for creating the institutions of a modern civil service should have been worked out before the project began.[8] The IDPAP was too much an "off the shelf" project to succeed in such a complex governance environment as Yemen—even if the challenges posed by unification, Gulf returnees and a civil war had been absent. Conversely, had more time been invested in dialogue and consensus building before detailed project design, even with these events, the project might have achieved more. The eventual restructuring of the project was necessary, but by then it was too late to affect outcomes. When it came, it was more of a tidying up of loose ends, than a fundamental re-shaping of project inputs to meet the new circumstances. Project restructuring should have happened once it became clear that the two administrations were to be merged.

RATINGS

Outcome

2.25 The outcome of the IDPAP is *highly unsatisfactory* because the project failed to build any discernable capacity in the target institutions of the MoCSAR and NIPA/NIAS. Many of the capacity problems experienced by these organizations, notwithstanding a considerable growth in staff, remain today. Staff trained by the project mostly came back to Yemen, but returned to a public sector environment which did not use their new skills well (to the extent courses were relevant). The MIS was installed, but not effectively utilized, and played no role on checking the headlong expansion of the civil service in the 1990s, and a subsequent project (the CSMP) had to re-invent a MIS which only now (2005) is yielding reliable data on civil service employment. A new office block for MCSAR was built but was occupied by officials and not IT equipment and operatives. Without improvements in the relevance of course curricula, adding additional physical capacity to NIPA/NIAS achieved little.[9]

8. This seems to be a lesson well learned by the CSMP, which used an Institutional Development Fund (IDF) to support diagnostic studies and a national conference leading to an action plan on civil service modernization, prior to the detailed preparation of an investment project.
9. To this day, NIAS remains primarily a pre-service training institution, focusing on providing new entrants to the civil service year-long courses of, in effect, remedial teaching to make good the educational deficiencies of the secondary school system.

Sustainability

2.26 Since the achievements of the project were so limited, sustainability is moot, but for the purposes of project rating, should be deemed *unlikely*. The most damaging blow to sustainability was the headlong expansion of the civil service that began with the unification of the civil services of the North and South and continued with the return of the Gulf workers and the aftermath of the civil war. Large numbers of unqualified and unnecessary staff were added to payrolls, causing gross overstaffing and intensified pressure on the wage bill. In the face of high inflation, this led to the collapse of regular pay scales, the proliferation of informal salary augmentation mechanisms, and the emergence of special pay enclaves.

Institutional Development Impact

2.27 The institutional impact of the project was *negligible*, partly because the circumstances under which the project was designed changed so dramatically soon after it commenced, with unification, return of Gulf workers, and civil war. Impact was also undermined by the failure to take sufficient account of the absence of basic systems of public administration, around which capacity could be built. Leadership commitment dwindled, and the project lacked a local champion. Inheriting excess numbers, collapsed pay structures and an unsustainable wage bill, IDPAP's successor project, the CSMP, faces much more difficult circumstances in which to pursue civil service modernization. In short, the institutional development goal of a well functioning civil service was more distant when the project ended than when it began.

Bank and Borrower Performance

2.28 The Bank cannot be blamed for external events, but should have undertaken more diagnostic work and policy dialogue prior to project preparation. This would have resulted in the project more explicitly supporting the basic personnel control and management systems that a well functioning civil service is built upon. In turn this would have focused subsequent training, both abroad and in NIPA/NIAS. Had there been strong supervision from the outset, some of these deficiencies might have been made up, but supervision was weak in the early years of the project, and the Bank should have acted quicker to restructure the project and step up supervision. Absence of a resident mission with Arabic speaking staff able to read project reports and interpret the local setting led to Washington-based staff taking PIU reports on trust, which was misplaced. Furthermore, the Bank could have exercised greater quality control over the studies. Thus the Bank's performance was *unsatisfactory*, partly because of faults in preparation, but mainly because supervision was inadequate (the same rating as the ICR).[10]

10. The ICR review rated Borrower performance as *Highly Unsatisfactory*, partly because of inadequate supervision, but also because of deficient approach and design appropriateness. However, while the ICR Review felt that the design was too ambitious for the country's level of development, the PPAR take on design is different. IDPAP's design was not too ambitious, rather it was too conventional, and made assumptions about the existence of basics systems and institutions of civil service management that were not in place in Yemen. With proper diagnostics, the focus of the project should have been the building of those

2.29 The Borrower's performance was *highly unsatisfactory* (the rating of the ICR Review). First, because it took little interest in the outputs of the project, failed to supervise the project PIUs, managed project finances badly, and ignored the studies the Government had sought and the project had financed. More broadly, it forsook the reform premises of the project. For much of the 1990s the Government abandoned the goal of civil service modernization, and preferred to use the civil service as an instrument of employment creation and political patronage. This destroyed the basis assumption of capacity building on which the project had been designed. By the time the wheel had turned full circle and the government was ready in the late 1990s to once more take up the challenge of civil service modernization, the task had become more complex and difficult. Undoubtedly, the political and social pressures on the government to expand civil service employment by using the public sector as employer of last resort were huge. But, judged by the goals of the project, the result was to make these more distant at the end of the project than they were at the beginning. In the period the project was being implemented, the Government's expansion of the payroll, regardless of whether the new employees possessed skills, had a job to do and could be afforded, had the effect of destroying whatever existing institutional capacity existed at the start of the project, through the departure of professionals from government (some to donor-financed project enclaves), and the filling of departments with politically appointed unproductive employees. This made the eventual task of civil service modernization several times more difficult.[11]

basic systems, such as clarifying ministerial mandates and organizational structures, staffing levels, job descriptions and establishment control mechanisms, and open. competitive entry and promotion on merit.

11. By the early 2000's the wage bill for both the civil service and the armed forces, for example, had risen to about 15 percent of GDP, at the same time the real value of government pay had collapsed, necessitating informal supplements for key staff so that they could work fulltime. Yemen now faces politically difficult retrenchment of large numbers of excess staff if it is to create the organizational and staffing structures and the pay scales for a well functioning public administration. Current high oil revenues, while permitting pay adjustment in the short run, are not sustainable, and a general pay increase without addressing overstaffing would simply make the future fiscal adjustment more painful.

3. Legal and Judicial Development Project

BACKGROUND AND OVERVIEW

3.1 The Legal and Judicial Reform Development Project was approved in June 1999 at a total cost of $2.9 million, and was financed with an IDA credit of $2.5 million. It closed four years later, in June 2003.

3.2 The legal and judicial system in Yemen is a fusion of several traditions, reflecting the country's varied history. South Yemen inherited a predominantly common law system, established when Aden was administered by British India during the nineteenth century. In North Yemen the legal system was shaped by Ottoman influences. Overlaying these formal structures is a deep rooted tradition of referring both criminal and civil matters, and commercial disputes to tribal authorities. Since unification the Government of Yemen has faced the challenge of combining these elements into a single coherent national system. This work is still underway. Although many new laws have been passed since unification, there are still gaps in the legal framework, particularly in the areas of finance and commerce. Another challenge has been to improve the implementation of the law—raising the capacity of prosecutors, improving the knowledge of judges, strengthening court administration, renovating buildings and modernizing equipment, and eliminating corruption among lower court judges and clerks. As a result, concerns over the discretionary application of laws, lack of protection for property rights, and uncertainty about the enforcement of contracts have adversely affected both domestic and foreign investor attitudes towards Yemen.[12]

3.3 The 1990 Constitution provides for the independence of the judiciary, but the performance of judges and courts detracts from the investment climate in Yemen. Particularly costly are delays in obtaining court decisions for commercial matters and land disputes, and the quality of decisions when judgment is rendered is often questionable. Consequently, the private sector, which will go to great lengths to keep disputes out of the courts, has little confidence in the judicial process. These deficiencies are recognized by the Government which has made legal and judicial reform an important component of Yemen's governance reform agenda.

3.4 Under the leadership of the Ministry of Justice (MoJ), which is responsible for the deployment of judges and the administration of courts, a strategy for legal and judicial reform was developed and approved by the Council of Ministers in 1997. The strategy called for strengthening the independence of the judiciary, exposing judges to modern legal concepts through external training, and more efficient and transparent court administration. The strategy also identified a need for modernizing the legal framework (the responsibility of the Ministry of Legal Affairs-MoLA), and enhancing the oversight role of the Supreme Judicial Council.

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12. Foreign Investment Advisory Service (FIAS) report on Yemen, 1997.

3.5 It was against this background that the Government of Yemen approached IDA for assistance in taking the strategy forward.

Design, Implementation and Outcome

3.6 Rather than embark on a conventional investment credit in a completely new sector, the Bank decided to test the waters for legal and judicial development with a Learning and Innovation Credit (LIC). If this proved successful, the Bank would follow with a larger Adaptable Program Credit (APC) operation. This was a sensible strategy, given not just the lack of prior engagement in the sector in Yemen, but also the relative newness of LJD operations in the Bank. The project's designers were aware that the risks were great, and that high level political commitment to the reform strategy was critical. These conditions appeared to exist, given the Government's development of a LJD strategy, and its endorsement by the Cabinet. At the same time, the team and its counterparts in government were aware that there could be opposition to reform. Traditionalists, those with vested interests in the *status quo* and others hostile to the Bank's engagement in such a sensitive sector could derail the project's objectives.

3.7 The project, as designed, had three components:

A. Capacity building in MoJ and the judiciary ($2.2 million), specifically:
   - Training of sitting judges
   - Curriculum revision in the Supreme Judicial institute (SJI)
   - Design of a program of court renovation

B. Capacity building in MoLA ($0.6 million)
   - Diagnostic assessments of legal framework for business, economic and financial activities
   - Drafting of laws in these areas
   - Diagnostic assessments of legal, administrative and regulatory framework for land

C. Baseline survey of public attitudes to law and judiciary in Yemen ($0.1 million)

3.8 It was decided to implement the project through the regular staff of the two ministries, rather than create a parallel Project Implementation Unit (PIU). This turned out to be the right decision. The two ministries administered the project capably, and ownership was correspondingly greater than if a PIU had been created to run the project.

3.9 The choice of a LIC was appropriate, given the risks to reform in the legal and judicial sector, and the need for both the Bank and the Government to learn from an initial modestly sized project, before deepening support for the sector. Thus, the project's design was simple, relevant to the country's needs, and its implementation was in line with the country's capacity.

3.10 The project was declared effective in January 2000 and closed in June 2003. Most of the project components were implemented satisfactorily. Some 212 judges received training in commercial law and penal law at the Supreme Judicial Institute in Egypt (which generously waived fees, enabling the project to increase the number of judges trained). A further 650 judges, arbitrators and clerks were given training in these subjects in Yemen at the High Judicial Institute (HJI) and the Yemen Arbitration Centre, by lecturers from Egypt and Jordan. And some 375 judges, prosecutors and clerks received training at the Justice Information Centre in Yemen. All told some 80 percent of Yemen's judges received training under the project.

3.11 The diagnostic assessment of court administration was carried out. However, the survey of court house infrastructure renovation and equipment needs was not undertaken. Thus the project addressed only part of the "enforcement gap" identified across the Region as a factor inhibiting the rule of law. And the planned revision of Yemen's Higher Judicial Institute (HJI) curriculum did not take place.

3.12 The two diagnostic studies of the legal frameworks for finance and business, and of land matters, that were the responsibility of MoLA were carried out satisfactorily, as was the baseline survey of public attitudes to the law and the judiciary. Furthermore, MoLA staff attended courses on commercial law at the Supreme Judicial Institute in Egypt.

3.13 As outputs go, the project was mostly successful. The main component of the project, the training of judges, resulted in the exposure of four fifths of Yemen's judiciary to new concepts of law and justice, particularly in the area of business law. However, notwithstanding the good performance of officials in both MoJ and MoLA, project implementation proved problematic. Halfway through implementation, reform-minded officials in the Ministry of Justice who had been pivotal in developing Yemen's LJD strategy were replaced by those who believed the traditional system worked fine for commercial cases. The new management was ambivalent about the project's objectives, and did not share its predecessor's positive attitude to cooperation with the Bank on LJD. There was a hiatus in the implementation of the MoJ components of the project, and the sending of judges abroad from training ceased. This had unfortunate repercussions. The inability of the Bank to resume a constructive dialogue and get the project going again caused the country management to eliminate the follow-up APC from the country lending program. After a period, there was a further shuffling of portfolios, the minister changed again, and the training of judges resumed. However, without the incentive of a follow-up project which would have provided finance for court renovation, work on the identification of renovation needs and the preparation of designs ceased.

RATINGS

Outcome

3.14 While the outputs of the project were mostly achieved, the change in MoJ leadership and the Bank's decision to cancel the follow-up APC, caused the LJD momentum in Yemen to stall. Measured against the Key Performance Indicators (KPI) in the project log frame, the outcome was clearly less than hoped for by project designers.[13]

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13. The KPIs in Annex 1 of the PAD expected that supervision reports would be able to determine whether court administration, the performance of judges, and recourse to arbitration had improved, through court

3.15 Although the baseline survey of public attitudes to the law and the judiciary was carried out, no follow-up surveys were done, and there are no metrics on which to determine whether the performance of judges and the courts improved through training and diagnostic work. MoJ officials interviewed in the course of this PPAR maintain strongly that judges have benefited from training, and case administration has improved. Chamber of Commerce representatives, on the other hand, could detect no improvement in the court system as a result of the project.

3.16 Even if results are difficult to demonstrate and other constraints on judges' performance, such as pay and conditions, remain to be addressed, exposing 80 percent of the country's judges to training by lecturers from legally more advanced Arab countries (feedback by trainees was very positive) must have had a long term benefit. Nevertheless, it is clear that reform momentum was lost, and the underlying rationale of the LIC, to test approaches, achieve initial success, begin to change public perceptions, and build knowledge, was not fulfilled. On this basis, the outcome of the project was *moderately unsatisfactory*[14].

Sustainability

3.17 By the same token, sustainability must be judged as *unlikely*. Without a renewal of Bank support for the sector, the reform momentum that clearly existed when the project started is unlikely to be regained. Although, in theory, the Government could use its own budget resources to take reform forward, in practice, there are too many competing demands on scarce resources. LJD is unlikely to happen without a committed external partner who can bring both financial resources and good practice knowledge from comparable reforming countries.

Institutional Development Impact

3.18 The institutional development impact of the project is judged to be *modest*. This is not because the outputs of the project were not, in the main, achieved, but because the reform momentum stalled. First because the Government replaced reform minded officials with more traditional ones, unsympathetic with both the direction of reform and the Bank's presence in the sector, and second, because the Bank withdrew the APC.

3.19 Here a comment on the yardsticks used to judge project success is in order. The PAD lists both output and outcome performance indicators in the project logframe matrix, and most of the latter were not fulfilled. But a LIC is a first intervention, aimed at achieving some initial outputs, testing approaches and building knowledge and political commitment. More tangible outcomes than these come later in the reform process. The training of judges opens judicial minds to modern concepts, but noticeable improvements in court performance are more likely when complementary actions are taken outside the

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statistics and surveys of businesses. But court data were not timely, and follow-up surveys were not undertaken.

14. The ICR Review's rating was m*oderately satisfactory* on the grounds that some of the project outputs were achieved. While this is true, the broader purpose of the project, as a LIC, was to pave the way for larger scale Bank support to LJD, which did not happen, and the Government's LJD strategy languished.

present project to renovate buildings, provide basic equipment, and improve the pay and working conditions of judges and court staff.

Bank and Borrower Performance

Bank Performance

3.20 The project team helped the Government develop the LJD strategy and then proceeded to prepare the project in a sensitive and highly participatory way, taking care to consult with relevant stakeholders. It was also able to supervise the project effectively, despite interruptions in mission travel to Yemen due to security concerns in the aftermath of 9/11. Notwithstanding the exemplary performance of the project team, the Bank's performance is rated *unsatisfactory* (the same as the ICR Review, the ICR itself rated Bank performance as *satisfactory)*[15]. This arises from the country management's decision to eliminate the follow-up APC from the lending program, which had the effect of undercutting the rationale of the LIC. While this was an understandable reaction to a reversal in ministerial ownership, it was a hasty decision, given that the setback proved temporary. Although implementation slowed, before the project closed the minister had again changed, commitment was renewed, and the training of judges abroad resumed. The LIC was an initial project, and the fulfillment of its goals largely depended upon moving seamlessly to a follow-up APC.

3.21 Uneven commitment of the Government to LJR was, in fact, anticipated by the design team, which signaled that the project was high risk. For this reason, it was decided that the Bank's initial venture into this sector in Yemen should be a modestly sized LIC. Had project implementation been slow and problematic prior to the change in minister, cancellation of the APC would have been in order. But project implementation was good, there was ownership among the officials of MoJ administering the project, and MoLA's commitment to the project remained unaffected and solid. During preparation, the project team had undertaken extensive stakeholder consultations, and knew that there were traditionalists and others with vested interest in the existing order opposed to LJD. They also knew that progress would not be linear, and there might be setbacks. When this happened, the Bank should have been more robust. It should have stayed the course, at least until the preparation of the APC suggested otherwise. By disengaging from LJD, the Bank backed out of a sector which it had deemed critical for both governance and the investment climate—two of the main pillars of the country assistance strategy. Country management should have expected setbacks to reform in such a problematic political environment, and should have been more prepared to take the longer view.

Borrower Performance

3.22 Undoubtedly the Government's performance was uneven, but it is nevertheless deemed *satisfactory*, since withdrawal of political commitment to the project in MoJ, although highly regrettable, was time limited. Commitment was renewed, and the bulk of

[15] The ICR Review considered the Bank's performance unsatisfactory because of weak supervision. The PPAR concludes that supervision by the TM was generally good, but that the decision by sector and country management to withdraw from the successor project was ill-judged.

project outputs were achieved. Additional positive factors are the participatory way in which the Government developed the LJD strategy, on which the project was based, and the good performance of MoJ and MoLA officials in administering the project effectively. Identifying and sending four fifths of a country's judges for external training is no small achievement.

4. Public Sector Management Adjustment Credit

BACKGROUND AND OVERVIEW

4.1 The Public Sector Management Adjustment Credit (PSMAC), a $50 million adjustment operation, was approved by the Board of IDA in March 1999, became effective in September of that year, and closed at the end of March 2000. Although it was not the first quick disbursing credit extended to Yemen (it had been preceded by an Economic Recovery Credit (ERC) and a Financial Sector Adjustment Credit (FSAC) in the preceding years), it was the first adjustment operation focused on public administration. Moreover, PSMAC was supposed to be the first of a series of public sector adjustment credits, aimed at supporting the Government's program of public sector management reform. At the same time, the Bank intended it and its successors to be the main vehicle for dialogue on reform policy.

4.2 PSMAC was a single tranche credit, designed to disburse in full on effectiveness. By making disbursement conditional on up-front actions, the Bank sought to avoid the risks of a multi-tranche operation. At the same time, the public sector reform program it was supporting was seen as a long term process, and succeeding credits would provide an opportunity to agree on a further set of reform actions.

4.3 PSMAC was accompanied by a technical assistance credit, the Civil Service Modernization Project (CSMP), a well tested combination often used by the Bank to support public management reform. However, due to delays in preparation and negotiation, CSMP did not get submitted to the Board until the middle of the following year, by which time the PSMAC, fully disbursed, had closed. Fortunately, a project preparation facility enabled a start to be made with technical assistance.

4.4 PSMAC's origins are in the mid-1990s, when the Government of Yemen began to stabilize the economy, and develop a strategy for the modernization of public administration. Stabilization had followed a period of administrative turmoil (described in more detail earlier in this report). This began with the unification of North and South Yemen, which required the fusion of two civil services with quite different administrative traditions, and continued, with the forced return of 800,000 Yemenis from Gulf States during the first Gulf War and the absorption of many into the civil service, and a short but violent civil war in 1994.

4.5 The Government's reform program, launched in 1996, aimed at (i) economic stabilization, (ii) structural changes to promote investment and growth, and, (iii) measures to protect the poor from the adverse effects of the adjustment process. Supported by the Bank and the IMF, this program was highly successful. The fiscal deficit, 17 percent in 1994, was reduced to 2.3 percent in 1997. In the same period, inflation fell from 71 percent to 6.3 percent, and the exchange rate stabilized. Accompanying the economic stabilization program were measures to improve trade policy through tariff reform, reform of public enterprises including closures and privatization, strengthening of the investment regime, particularly with respect to foreign direct investment, and financial sector reform. At the same time social protection measures were taken, such as the creation of the Yemen

Social Fund for Development and the Public Works Project, a special agency to undertake infrastructure projects in a labor intensive way.

4.6 Although the economic reform program was successful in reducing macro economic imbalances and laying the foundations for investment, economic growth and poverty reduction, the Government was aware that sustainable improvement depended upon raising the performance of government itself, through capacity building and the reform of core systems. In the meantime, eroded by inflation and constrained by the fiscal situation, real pay of the now greatly expanded civil service fell to below a living wage. Thus a program of civil service and financial management reform was launched, initially using an Institutional Development Fund (IDF) grant with additional assistance from UNDP. Studies were undertaken and there was extensive stakeholder consultation. The outcome was a comprehensive reform plan, the Strategic Framework for Public Sector Reform, approved by the Cabinet in 1998.

4.7 In recognition of the long term nature of public sector reform, and the need to build political support for reforms as they were implemented, a step-by-step approach was taken to the design and implementation of the reforms, in four principal areas:

- Public administration strengthening
- Budget and financial management reform
- Public expenditure rationalization
- Revenue mobilization and administration.

4.8 The program of reforms in each of these areas contributed the first year actions to be supported by the credit. The stabilization and adjustment program supported by the IMF's ESAF provided the macro-economic underpinnings of the credit, and the sharp fall in international oil prices in 1998 and 1999 supplied an additional reason for untied budget support. Given the importance assigned to governance in the country assistance strategy, the project fitted the country's needs well.

Design, Implementation and Outcome

4.9 The ambit of PSMAC, as indicated above, was broad. It entailed launching reforms in the areas of civil service and public financial management. It also aimed to rationalize spending, and lessen the government's dependence on oil for budget revenues.

Civil service reform included:

- undertaking functional and process reviews in four pilot agencies, with a view to expanding the number later,
- developing an employee data base to remedy the lack of personnel information that had bedeviled efforts in the past to control numbers,
- designing a new wages structure to replace the excessively compressed pay scales,
- Cleaning the payroll and creating an exit mechanism, the civil service fund, whereby retrenched workers could be taken off departmental payrolls while severance payments and pensions were processed.

Budget and financial management reforms entailed:

- taking initial steps towards a Medium Term Expenditure Framework (MTEF), by establishing a MTEF Unit in the Ministry of Finance,
- begin unifying the dual budget system and agreeing a new budget classification,
- drawing up specifications for an integrated financial management system– AFMIS,
- a new Finance Law setting out the respective roles of the finance and planning ministries, and the civil service ministry.

Public expenditure reforms envisaged:

- focusing funding on high priority projects, deferring lower priority ones and shifting recurrent type activities such as maintenance from projects to the recurrent budget,
- cleaned up the project implementation plan (PIP), improving , project cost data,
- Developing sector strategies.

Revenue reforms included:

- a new income tax law,
- amendments to the excise law,
- introducing a taxpayer identification number,
- initiating tax administration reforms.

4.10 Thus, PSMAC laid out an ambitious agenda, in retrospect overly so. But there were cogent reasons for the comprehensiveness of the reforms. In the first place, the Government had developed the reform program itself, and there was strong ownership among technocrats, who sought support from the Bank and other donors. Second, both the Bank and its counterparts in the Government saw these reforms as a long term process, which could take up to ten year to implement. Under the PSMAC, many of the conditions for Board presentation either reflected actions already taken, or commitments to “begin” a reform process in a particular area. This was a sensible approach under the circumstances. Third, as is often the case in public sector reform, actions were interconnected. A new public sector wage scale with pay better related to responsibilities and national labour market realities requires the retrenchment of surplus staff and the elimination of payroll fraud, otherwise it is unaffordable. It also requires departmental organizational structures which link positions to jobs, and in turn this entails a department by department review of mandates, functions and processes, so that organizational structures and staffing levels can be properly defined. Fourth, civil service reform, in turn, both facilitates and is facilitated by public financial management reforms. Rationalizing projects and improving tax administration increase fiscal space for improving pay and working conditions, and development of a MTEF should help prioritization of spending. Furthermore, in an uncertain governance setting, opportunities to move forward are not always predictable, and prudent technocrats try to have alternative lines of advance, in case some are blocked. Thus, while the underlying reform program at first glance might seem too ambitious, on closer examination, it was a rational response by the Bank’s counterparts to local circumstances that favoured reform, but whose limits were uncertain and required testing across a broad front.

4.11 Given that PSMAC was a single tranche operation, with disbursement conditions to be met prior to Board presentation, conditionality had been met once the credit had been approved. In this sense, PSMAC was designed to be implemented, and its outputs achieved.

4.12 Viewed in this light, PSMAC succeeded. Disbursing its single tranche implied effectiveness, both in terms of the civil service and financial management reforms it initiated, but also macro-economic performance. But single tranche operations conceived as the first in series need to be evaluated not just in terms of whether they met their disbursement conditions, but also whether they contributed successfully to the larger reform process they sought to launch. Here, the record is mixed. The public sector modernization program that PSMAC launched has continued, not always at expected speed, and with interruptions until the present. At the level of technical process development, the record is one of qualified advance. The accounting and financial management information system (AFMIS) experienced contract delays and difficulties, but its development is now moving ahead. So far, though, it has had little impact on public financial management. There has been an improvement in budgeting, but though macroeconomic forecasting capacity has improved, Yemen has yet to develop a Medium Term Expenditure Framework to discipline policy making with costs, guide annual budgeting and help Yemen begin the substantial fiscal adjustments needed to bring public finances to a more sustainable position as oil reserves are depleted. The few sectoral strategies which have been developed were driven more by needs than availabilities, and thus prioritization choices were generally not faced up to. Functional reviews of the four pilot ministries are now nearing completion, and the MoCSI for the first time has a well functioning personnel data base. A new salary structure has been devised, though not yet implemented. The most progress has been in the revenue area, with improvements in tax administration and amendments to the income tax law including elimination of exemptions and deductions, accompanied by reforms to indirect taxes.[16]

4.13 However, in a larger sense, real change has proved elusive. The culture of annual budgeting remains incremental and investment decisions are taken without sufficient attention paid to incremental recurrent costs. Policies are made without serious consideration of the long run costs, and financial management remains accommodating of impropriety and tolerant of laxity. Studies of the four pilot ministries were pursued without vigor, and, while the new manpower data base is a significant achievement, what it reveals is continued rapid growth in numbers, and thus a failure of establishment control which cast doubt on the entire reform process. It also makes the Civil Service Fund an exercise in futility.

[16] While these reforms have improved tax administration, tax revenue has remained a fairly constant 7-8 percent of GDP through the period.

Ratings

Outcome

4.14 The outcome of the project is deemed *moderately unsatisfactory* (the same as the ICR Review)[17] While the project did launch the Government into a process of public sector reform across a broad front, through the up-front actions required for credit effectiveness, the totality of these actions have subsequently proven to be less than the sum of their parts. The objectives of the project were to begin a process of redefining the state, strengthening budget performance, improving the efficiency; effectiveness and poverty focus of public expenditures, and strengthen tax administration. Although in each of these areas, reforms did move forward, they have yet to make a difference to civil service performance or public financial management. Arguably, with the total size of the civil service nearly twice what it was when PSMAC started, the goal of a modern, well performing civil service is now further away.

Sustainability

4.15 Viewed narrowly, sustainability of the project appears likely given that the actions taken under PSMAC as a condition of Board presentation, such as elimination of double dippers, and revenue mobilization reforms are unlikely to be reversed. Studies are now nearly completed for the pilot agencies selected under the project for reform of organizational structures, processes and staffing. A computerized Employee Data Base has been established, and the government is now moving to integrate biometric information. Although not yet implemented, a merit based salary structure has been devised and approved by the cabinet. There has been some reduction of illegal payroll entries, and the Civil Service Fund is now operational, even if insufficiently funded at present. But in a larger sense, the continued increase in payroll numbers puts in question whether there has been any real progress towards the goal of a better performing civil service. Sustainability, in this light, is viewed as *unlikely*.

Institutional Development Impact

4.16 The institutional development impact of the project is rated as *modest.* This is a cautious rating, since the civil service reform program (and the parallel reforms to PFM) is still ongoing. In countries like Yemen, progress will always be uneven, because of the country's complex governance situation, and the political pressures for maintaining the *status quo*. While there has been some progress at the technical level, in a larger sense the civil service in Yemen remains driven by patronage considerations, and the tradition of regarding government employment as social welfare still dominates. This in turn affects how public financial management systems are in practice operated.

[17] The ICR Review rated the outcome *moderately unsatisfactory* because the project's objectives, being mostly studies and initiating process changes, were too modest to constitute adjustment. The PPAR's rating, made with the benefit of greater hindsight, judges the project also *moderately unsatisfactory* because the process changes went very slowly, and had little discernable effect on government performance. The ICR itself rated the outcome as *satisfactory.*

Bank and Borrower Performance

Bank Performance

4.17 Bank performance was good during the design of the adjustment operation and the companion CSMP, with the latter's task team leader based in Sana'a and the PSMAC TTL visiting frequently. This resulted in a thoughtful and well structured program design, the outcome of a wide consultative process. In turn, this created strong country ownership of the civil service and PFM reform programs that both PSMAC and the CSMP were supporting. However, Bank performance deteriorated during project implementation, due to a change in task management responsibilities, and an inability of the Bank to place enough resources behind the Washington-based staff responsible for supervision. As a result, although the credit was quickly declared effective and disbursed, the underlying civil service and public financial management reform programs the credit was supporting got off to a slow start, and the policy dialogue that the credit was intended to support suffered. It also led to a tension between the CSMP PIU and Washington that was detrimental to project goals, eventually to surface a review of the CSMP.[18] And there were also tensions between the PIU in MoCSAR and the PIU responsible for the PFM reforms in the Ministry of Finance which could have been assuaged by on-the-spot supervision.

4.18 The Bank's and the Government's decision not to follow PSMAC with a second operation. was justified in macro-economic terms (government revenues had sharply risen with oil prices), but left the Ministry of Civil Service and Insurance with insufficient resources to process surplus staff through the Civil Service Fund, and without a new adjustment operation to prepare, the intensity of dialogue on critical reform issues was less. Complex institutional reform programs like the one PSMAC helped launch (and its companion project, CSMP, was intended to sustain) need close support in countries with weak institutional capacity. Missing for much of the period was the technical advice and encouragement, best provided by experienced international staff seconded to the resident mission. The Bank's performance is therefore deemed *moderately satisfactor*y.

Borrower Performance

4.19 Borrower performance was *moderately satisfactory*, in that the actions taken prior to credit effectiveness were timely, and enabled the process of public sector management reform to begin. Since then, however, there was limited follow-up implementation to achieve the goals envisaged.

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[18] This unusually long document, , argued that the CSMP/PSMAC emphasis on retrenchment and quantitative performance indicators put the PIU in a "vulnerable" position, implementing project priorities of Washington, not Sana'a, and that much more emphasis should have been placed on building capacity within MoCSI for managing change. The MTR is best interpreted as a smokescreen for a slow start to the project – there were plenty of resources in the project for capacity building and change management – but it is also an implicit criticism of the way the project was supervised in the early stages, after the CSMP task manager who had piloted the program through preparation and approval, passed on her responsibilities to a Washington-based TTL. Had there been continuity of supervision from the resident mission, these misunderstandings would have been avoided.

5. Overall Progress and Lessons

OVERALL PROGRESS

5.1 Overall progress during the period covered by the three credits was uneven, with gains at the technical level outweighed by the fact that throughout the review period, public employment in Yemen kept expanding at a fast rate, undermining the goal of a more effective civil service. We cannot be sure that if the Bank had been more engaged with policy advice and project support when the two civil services were unified after 1990, the rapid expansion in numbers would have been much reduced, but more might have been done to strengthen control systems, limit organizational duplication, and discuss with the government the tension between treating public sector employment as a social safety net and building a civil service that could meet the government's service delivery goals. Conditions for civil service modernization were much more difficult at the end of the decade than they were at the beginning, when total numbers were less than half, wage bills were more affordable, payroll fraud less and retrenchment and pension costs lower. In turn, this made capacity building for public financial management and legal and judicial development more difficult.

5.2 Nevertheless, during the period, some progress was made in laying the foundations for modernization on both the civil service, public financial management and legal and judicial sides of government. The process will take several decades, during which time there will be many setbacks, when governance conditions are unfavorable. The first project, the IDPAP was misdirected, overtaken by adverse unforeseen events, and had a marginal impact. The second project, the Legal and Judicial Development Project, was a modest and reasonably successful "testing of the waters", but faced with temporary adversity, the Bank drew back, and failed to take the long view the sector required. The third project, PSMAC, launched an important process of public sector reform, which broadly continues at the technical level, but in a larger sense, with the tension between traditional and modern styles of governance still to be resolved, has yet to meet expectations.

LESSONS

- **Restructuring when country circumstances change:** When the project environment changes dramatically, the Bank should be ready to restructure key projects in the portfolio. When North and South Yemen were unified, and the new country faced the challenge of integrating two distinctly different civil service traditions, the Bank should have moved quickly to discuss the new circumstances with the government, and have been prepared to restructure the IDPAP. Resources could have been shifted to new priorities as required. The Bank eventually did restructure the project, but only in its closing stages when the relevance of what it had originally set out supporting had diminished. An opportunity was lost to play a more constructive role in the fusing of the two civil services. The consequences in the form of excess numbers and an unaffordable wage bill made the Bank's subsequent efforts to assist with public administration reform more difficult.

- **Staying the course in critical governance sectors:** Having correctly concluded that legal and judicial reform was vital to improving governance and economic performance, the Bank drew up a clear strategy for sector engagement, commencing with a LIC with a view to succeeding it with an APC. The Bank should have been more prepared to stay the course, notwithstanding the unexpected appointment of a minister less committed to reform. Although the LIC did not achieve all its goals, the main components were adequately implemented, lessons were learned, and a good basis established for going forward. The Bank's withdrawal from the sector left their counterparts in the sector ministries (MoJ and MoLA) unsupported, and will make re-engagement in strengthening the rule of law more difficult.

- **Supporting reforms with experienced staff based in the Yemen field office:** The PSMAC project and the program of civil service and financial management reform it launched illustrate the need for close supervision and technical support in countries where the Bank's counterparts are exploiting a window of reform opportunity. This type of support can be provided only by experienced and dedicated staff based in the resident mission, possessing global as well as country expertise, and with quick access to back-up from Washington. This was available during PSMAC and CSMP preparation and early implementation, but not thereafter and implementation suffered as a result.

Annex A. Basic Data Sheet

INSTITUTIONAL DEVELOPMENT FOR PUBLIC ADMINISTRATION PROJECT (CREDIT 2015-YAR)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Original commitment	10.8	15.06	--
Total cancellation	--	--	--
Total project cost	10.8	15.06	100
Cancellation	--	--	--

Project Dates

	Original	*Actual*
Departure of Appraisal Mission	04/17/1989	04/17/1989
Board approval	05/12/1989	05/12/1989
Signing	01/03/1990	01/03/1990
Effectiveness	04/12/1990	04/12/1990
Closing date	06/30/1996	12/31/1998

Staff Inputs (staff weeks)

	Actual/Latest Estimate	
	N° Staff weeks	*USUS('000)*
Preappraisal	72.7	151.8
Appraisal /Negotiations	61.2	157.2
Supervision	134.2	309.0
Other	11.2	75.0
Total	279.6	693.0

Mission Data

Date (month/year)	No. of persons	Specializations represented	Performance rating	
			Implementation Progress	Development Objective
Identification/Preparation				
12/87	3	ED, MS, PA		
03/88	4	ED, PA, M, O		
06/88	5	A, ED, PA, M, O		
Appraisal/Negotiation				
01/89	3	A, EC, DC		
06/89	2	O, TM, EC		
Supervision				
10/89	1	A, TM		
06/90	2	PA, TM U S		
08/92	4	PA, TM, IS, O	U	S
05/93	3	TM, PA, EC	S	S
07/92	3	TM, A, PA	S	S
01/94	3	TM, E, PA	S	S
10/94	3	TM, E, IS	S	S
2/94	2	ED, O S S	S	S
03/95	4	TM, ED, O, IS	S	S
06/95	3	TM, ED	S	S
10/95	3	TM (IS, A)	S	S
03/96	1	TM (IS, A)	S	S
07/96	1	TM (IS, A)	S	S
10/96	1	TM (IS, A)	S	S
05/97	1	TM (IS, A)	S	S
11/97	1	TM (IS, A)	S	S
01/98	1	TM (IS, A)	S	S
05/98	1	TM (IS, A)	S	S
12/98	Update	TM (IS, A)	U	U
ICR				
07/98	3	TM (IS, A), O, PA	U	U
02/99	1	TM	U	U

Travel was not possible during June 1990 and August 1992 due to the Gulf War and security problems.

Keys to overall performance ratings:

Prior to FY94: 1: problem free; 2: moderate; 3: major problems.

FY94 onwards: HS: Highly satisfactory; S: Satisfactory; U: Unsatisfactory; HU: Highly unsatisfactory.

Abbreviations: A: Architect; EC: Economist; ED: Education Specialist; MA: Management Specialist; PA: Public Administration Specialist; 0: Operations Officer; IS: Implementation Specialist; TM: Task Manager; DC: Division Chief

Other Project Data

Borrower/Executing Agency:

FOLLOW-ON OPERATIONS			
operation	***Credit no.***	***Amount (US$ million)***	***Board date***
Civil Service Modernization Project	Cr. 3335	33.0	04/20/2000

LEGAL AND JUDICIAL DEVELOPMENT PROJECT (CREDIT 3274-YEM)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Original commitment	--	--	--
Total cancellation	--	--	--
Total project cost	2.94	1.89	100
Cancellation	--	--	--

Project Dates

	Original	*Actual*
Departure of Appraisal Mission	10/23/1998	10/23/1998
Board approval	06/14/1999	06/29/1999
Signing	08/04/1999	08/04/1999
Effectiveness	10/30/1999	01/24/2000
Closing date	03/31/2002	06/30/2003

Staff Inputs (staff weeks)

	Actual/Latest Estimate
	US$('000)
Preappraisal	32
Appraisal/ Negotiations	70
Supervision	161
Other (ICR)	10
Total	273

Mission Data

	Date (month/year)	No. of persons	Specializations represented	Performance rating	
				Implementation Progress	Development Objective
Identification/ Preparation	05/22/1998	2	Sr. Counsel TTL; Counsel		
Appraisal					
	10/16/1998	3	Sr. Counsel/TTL; Disbursement Specialist; Financial Management Specialist;		
	10/31/1998	2	Sr. Counsel/TTL; Economist		
	05/24/1999	3	Sr. Counsel/TTL; Economist; Financial Management Specialist		
Supervision					
	05/25/2000	3	Sr. Counsel/TTL; Economist;	S	S
	10/10/2000	2	Sr. Counsel/TTL; Economist;	S	S
	02/14/2001	3	Sr. Counsel/TTL; Economist; Financial Management Specialist	S	S
	07/29/2001	1	Sr. Counsel/TTL;	S	S
	02/06/2002	2	Sr. Counsel/TTL; Senior Economist	S	S
	07/16/2002	1	Senior Counsel/TTL	S	S
Completion	Desk Review only	1	Financial Sector Specialist/TTL	S	U

Other Project Data

Borrower/Executing Agency:

Follow-on Operations			
Operation	***Credit no.***	***Amount (US$ million)***	***Board date***
Civil Service Modernization Project	Cr. 3335	33.0	04/20/2000

PUBLIC SECTOR MANAGEMENT ADJUSTMENT CREDIT (CREDIT-3178-YEM)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Original commitment	50	50	100
Total cancellation	--	--	--
Total project cost	50	50	100
Cancellation	--	--	--

Project Dates

	Original	*Actual*
Departure of Appraisal Mission	10/30/1998	10/28/1998
Board approval	03/23/1999	03/23/1999
Signing	04/13/1999	04/13/1999
Effectiveness	09/09/1999	09/09/1999
Closing date	03/31/2000	03/31/2000

Staff Inputs (staff weeks)

	Actual/Latest Estimate	
	N^o Staff weeks	*USUS('000)*
Preappraisal	11.6	74.5
Appraisal /Negotiations	17.6	119.0
Supervision	14.2	81.0
Other	5.1	29.0
Total	48.1	303.5

Mission Data

	Date (month/year)	*No. of persons*	*Specializations represented*	*Performance Rating*	
				Implementation progress	**Development Objective**
Identification/ Preparation	0/30/1998	3	Economists	S	S
Appraisal	02/01/1999	3	Economists	S	S
Supervision	03/23/1999	2	Economists	S	S
Completion	04/10/2001	1	Public Sector Specialist	HS	HS

Other Project Data

Borrower/Executing Agency:

FOLLOW-ON OPERATIONS			
Operation	*Credit no.*	*Amount (US$ million)*	*Board date*
Civil Service Modernization Project	Cr. 3335	33.0	04/20/2000

Annex B. Borrower Comments

FROM : PRSFMU FAX NO. : 009671239703 Feb. 29 2000 03:50PM P1

بسم الله الرحمن الرحيم

REPUBLIC OF YEMEN
Ministry Of Planning &
International Cooperation
Minister

الجمهورية اليمنية
وزارة التخطيط والتعاون الدولي
الوزير

Ref : [illegible]
Date: 19-9-2006

الرقم :
التاريخ :

Mr. Jorge Garcia-Garcia,
Acting Manager,
Country Evaluation and Regional Relations Independent Evaluation Group,
The World Bank,
Washington, D.C.
Fax: (202) 522-3124

19 September, 2006

Dear Mr. Garcia,

Re: YEMEN – Institutional Development for Public Administration Project (Cr. 2015)
Legal and Judicial Development Project (Cr. 3274) and Public Sector Management Adjustment Credit (Cr. 3178)
Draft Project Performance Assessment Report

I have gratefully received your letter of August 21, 2006 and the attachment on the above subject. Hence, we are pleased to convey our appreciation of the IEG assessment understanding.

As regards to the three above projects, we generally agree with the findings and conclusions as set out and justified in the draft Project Performance Assessment Report (PPAR). Nevertheless, it would be more commonly perceived if you could clarify the following:

- the reason for neglecting the criteria of Efficacy and Efficiency while they are at the top of the IEG rating scale.
- the absence of national counterpart in the reporting teams.
- the benefits that can be gained from such late reports on projects that have been closed before 5 years or more, while similar or parallel ones have been designed and implemented along with several critical and corrective changes.

Finally, we anticipate more enriching contributions from the other stakeholders looking forward to the final version of the required PPAR with sound and relevant recommendations to the status.

Best regards.

Dr. Yahya Y. Almutawakel
Vice Minister

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Annex C: List of Persons Met

Current and Former Government officials

Mr. Nabil A. Shamsan	Deputy Minister, MoCSI, Director, Civil Service Modernization Project
Col. Aish Al –Nassiry	IT Expert, MoCSI
Mr. Mohammed S. Al-Hindi	Head Centre of Information, MoCSI
Mr. Mohammed M. AL-Sabbry	Deputy Minister, Economic Studies and Forecasts, MPIC
Mr. Yahaya Y. Al-Mutawakel	Adviser & Head Poverty Reduction Unit, MPIC
Mr. Nassr S. Al-Harbbi	Deputy Minister, External Financial Relations, Ministry of Finance
Mr. Ibrahim Alnahari	Director-General, External Relations Dept, Ministry of Finance
Mr. Anwar Hibatullah Al-Kamarani	Vice Director-general for External Financial Relations, MoF
Judge Ahmed Omer Bamatraf	Deputy Minister, Ministry of Justice for Technical Affairs
Eng. Mohammed N. Al-Burayhi	Capacity Building Manager, Taiz Municipal Development and Flood Protection Project
Mr. Abdulhakeem Shamsan	PIU-IBB Manager, Rural Water Supply and Sanitation Project, Ministry of Water and Environment
Dr. Mamoun Ahmed Al-Shami	Deputy Minister, Ministry of Legal Affairs
Lawyer Abdullah Al-Ansi	General Manager, Government Cases, Ministry of Legal Affairs
Mr. Abdualsalam M Qassim	Area (I) Manager, Public Works Project
Mr. Hassan M Hubaishi	Area (2) Manager, Public Works Project
Mr. Jameel Abdo Hizam	MIS Manager, Public Works Project
Mr. Abdulkarim I. Al-Arhabi	Managing Director, Social Fund for Development
Dr. Abdullah Abdullah Al Sanafi	President Central Organization for Control and Auditing
Mr. Shukri Al-Furais	General Manager YCGSI
Mr. Mahfoodh S. Shammakh	Chairman of Board, Chamber of Commerce & Industry, Sana'a
Mr. Mohammed A. Saeed	Chairman of Board, Federation of Yemen Chambers of Commerce and Industry
Engineer Khaled Taha Mustafa	Vice Chairman, Industrial Sector, Federation of Yemen Chambers of Commerce and Industry
Mr. Ahmed Abu Bakr Bazara	VP Branch General Director, Automotive and Machinery Trading Centre
Mr. Amin Ahmed Kassem	Yemen Trading & Construction Co. Ltd
Mr. Wahab Thabet	Resident Director, Thabet Group of Companies
Dr Abdul Hadi H. Al-Hamsani	Vice Director, the Presidential office
Dr Khadiga Ahmed Al-Haisami	Dean of NIAS
Mr. Majid AL-Fahed	Executive Director, Civic Democratic Initiatives Support Foundation

Donors

Mr. Thom Sprenger	First Secretary for Institutional Development, Royal Netherlands Embassy
Mr. Jeehan N. Abdul Ghaffar	Deputy Head of Office, DFID

World Bank

Mr. Alaa Mahmoud Hamed Abdel-Hamid	Senior Health Specialist, World Bank
Mr. Allen Richard	Lead Public Sector Economist, World Bank
Ms. Linda Van Gelder	Lead Economist, World Bank
Mr. Robert P. Beschel	Lead Public Sector Specialist, World Bank
Mr. Giulio De Tommaso	Senior Public Sector Mgmt. Specialist, World Bank
Mr. Hadi Abushakra	Chief Counsel, World Bank
Mr. Richard E. Messick	Senior Public Sector Specialist, World Bank
Mr. Sudhir Chitale	Lead Economist, World Bank