PROJECT PAPER

FOR

SMALL RETF GRANT

(US$ 4.50 MILLION EQUIVALENT)

TO THE

REPUBLIC OF YEMEN

FOR A

SUPPORT TO THE EXECUTIVE BUREAU FOR ACCELERATION OF AID ABSORPTION AND IMPLEMENTATION OF THE MUTUAL ACCOUNTABILITY FRAMEWORK (SEBAA) PROJECT

July 2013

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CURRENCY EQUIVALENTS

(Exchange Rate Effective July 11)
Currency Unit = Yemeni Rial (YR)
YR 215.12 = US$1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

BETF  Bank-executed trust fund
EB    Executive Bureau for the Acceleration of Aid Absorption
ECDF  Emergency Capacity Development Facility
GCC   Gulf Cooperation Council
GNR   Government of National Reconciliation
GoY   Government of Yemen
IFC   International Finance Corporation
IFRs  Interim Financial Reports
IMF   International Monetary Fund
ISN   Interim Strategy Note
M&E   Monitoring and Evaluation
MAF   Mutual Accountability Framework
MDTF  Multi-donor trust fund
MENA  Middle East and North Africa
MFIs  Microfinance Institutions
MOPIC Ministry of Planning and International Cooperation
NDC   National Dialogue Conference
PDO   Project Development Objectives
PIP   Public Investment Program
PPP   Public-private partnership
RETF  Recipient-executed Trust Fund
SME   Small-medium enterprise
TA    Technical Assistance
TPSD  Transitional Plan for Stabilization and Development
UNDP  United Nations Development Program
WBG   World Bank Group

<table>
<thead>
<tr>
<th>Regional Vice President:</th>
<th>Inger Andersen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country Director:</td>
<td>Hartwig Schafer</td>
</tr>
<tr>
<td>Sector Director:</td>
<td>Hartwig Schafer</td>
</tr>
<tr>
<td>Sector Manager:</td>
<td>Wael Zakout</td>
</tr>
<tr>
<td>Task Team Leader:</td>
<td>Nabila Assaf</td>
</tr>
</tbody>
</table>
YEMEN
Support to the Executive Bureau for Acceleration of Aid Absorption and Implementation of the Mutual Accountability Framework (SEBAA) Project

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DATA SHEET

YEMEN

Support to the Executive Bureau for Acceleration of Aid Absorption and Implementation of the Mutual Accountability Framework (SEBAA) Project

Small RETF Grant Project Paper

MENA

Egypt, Yemen, and Djibouti

### Basic Information

<table>
<thead>
<tr>
<th>Date:</th>
<th>July 11, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country Director:</td>
<td>Hartwig Schafer</td>
</tr>
<tr>
<td>Sector Manager/Director:</td>
<td>Wael Zakout</td>
</tr>
<tr>
<td>Project ID:</td>
<td>P145338</td>
</tr>
<tr>
<td>Instrument:</td>
<td>IPF</td>
</tr>
<tr>
<td>Team Leader(s):</td>
<td>Nabila Assaf</td>
</tr>
<tr>
<td>Sectors:</td>
<td>Central Government Administration (100%)</td>
</tr>
<tr>
<td>Themes:</td>
<td>Other Public Sector Governance (100%)</td>
</tr>
<tr>
<td>EA Category:</td>
<td>Category C</td>
</tr>
</tbody>
</table>

Recipient Republic of Yemen

Executing Agency: Executive Bureau for the Acceleration of Aid Absorption

Contact: Dr. Ali Al-Jabal

Title: Head of Technical Office, MOPIC

Telephone No.: Email: aljabal_9@hotmail.com

<table>
<thead>
<tr>
<th>Project Implementation Period:</th>
<th>Start Date:</th>
<th>End Date:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 25, 2013</td>
<td>June 30, 2015</td>
</tr>
</tbody>
</table>

Expected Effectiveness Date: July 25, 2013

Expected Closing Date: June 30, 2015

### Project Financing Data (US$M)

<table>
<thead>
<tr>
<th>[ ] Loan</th>
<th>[ X ] Grant</th>
<th>[ ] Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>[ ] Credit</td>
<td>[ ] Guarantee</td>
<td></td>
</tr>
</tbody>
</table>

For Loans/Credits/Others

- Total Project Cost: US$ 4.50 million
- Total Cofinancing: US$ 4.50 million
- Total Bank Financing: 0
- Financing Gap: 0

### Financing Source

<table>
<thead>
<tr>
<th>Amount (US$M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BORROWER/RECIPIENT</td>
</tr>
<tr>
<td>IBRD</td>
</tr>
<tr>
<td>IDA: New</td>
</tr>
<tr>
<td>IDA: Recommitted</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Financing Gap</td>
</tr>
</tbody>
</table>

US$4.50 million
## Expected Disbursements (in USD Million)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual</td>
<td>2.25</td>
<td>2.25</td>
</tr>
<tr>
<td>Cumulative</td>
<td>2.25</td>
<td>4.50</td>
</tr>
</tbody>
</table>

**Project Development Objective(s)** The objective of the project is to support government capacity to: 1) implement policy reforms committed to in the Mutual Accountability Framework and, 2) plan and implement acceleration of aid absorption.

### Components

<table>
<thead>
<tr>
<th>Component Name</th>
<th>Cost (USD Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Bureau Start-up Activities</td>
<td>0.50</td>
</tr>
<tr>
<td>Support for Executive Bureau Operations</td>
<td>4.00</td>
</tr>
</tbody>
</table>

### Compliance

#### Policy

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes [ ]</th>
<th>No [ x ]</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Does the project depart from the CAS in content or in other significant respects?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the project require any exceptions from Bank policies?</td>
<td>Yes [ x ]</td>
<td>No [ ]</td>
<td></td>
</tr>
<tr>
<td>Have these been approved by Bank management?</td>
<td>Yes [ x ]</td>
<td>No [ ]</td>
<td></td>
</tr>
<tr>
<td>Is approval for any policy exception sought from the Board?</td>
<td>Yes [ ]</td>
<td>No [ x ]</td>
<td></td>
</tr>
<tr>
<td>Does the project meet the Regional criteria for readiness for implementation?</td>
<td>Yes [ ]</td>
<td>No [ x ]</td>
<td></td>
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</tbody>
</table>

#### Safeguard Policies Triggered by the Project

<table>
<thead>
<tr>
<th>Policy</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Assessment OP/BP 4.01</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Natural Habitats OP/BP 4.04</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Forests OP/BP 4.36</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Pest Management OP 4.09</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Physical Cultural Resources OP/BP 4.11</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Indigenous Peoples OP/BP 4.10</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Involuntary Resettlement OP/BP 4.12</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Safety of Dams OP/BP 4.37</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Projects on International Waters OP/BP 7.50</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Projects in Disputed Areas OP/BP 7.60</td>
<td>X</td>
<td></td>
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#### Legal Covenants

<table>
<thead>
<tr>
<th>Name</th>
<th>Recurrent</th>
<th>Due Date</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>CONDITIONS OF EFFECTIVENESS</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Description of Covenant
1. Preparation of an Operations Manual approved by the Executive Bureau and acceptable to the World Bank.

2. Development of a financial management system approved by the Executive Bureau and acceptable to the World Bank.

3. Preparation of a procurement plan approved by the Executive Bureau and acceptable to the World Bank for the first six months following the start-up period.

4. Hiring of the Managing Director (or Interim Administrator), the Finance and Administration Manager, and Procurement Specialist by the Executive Bureau.

<table>
<thead>
<tr>
<th>Team Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bank Staff</strong></td>
</tr>
<tr>
<td>Name</td>
</tr>
<tr>
<td>Nabila Assaf</td>
</tr>
<tr>
<td>Nabil Shaiban</td>
</tr>
<tr>
<td>Moad Al-Rubaidi</td>
</tr>
<tr>
<td>Samira Al-Harithi</td>
</tr>
<tr>
<td>Nikolai Soubottin</td>
</tr>
<tr>
<td>Hassine Hedda</td>
</tr>
</tbody>
</table>

<p>| <strong>Non Bank Staff</strong> |</p>
<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Office Phone</th>
<th>City</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Locations</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Country</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
</tbody>
</table>
I. STRATEGIC CONTEXT

A. Country Context

1. After almost a year of crisis, in the wake of the Arab Spring movement, Yemen has embarked on a political transition based on an agreement brokered by the Gulf Cooperation Council (GCC). The Government of National Reconciliation\(^1\) was formed and confirmed by the Parliament in December 2011. Presidential elections were held in February 2012, and President Abd Rabbuh Mansur Al-Hadi sworn in soon afterward. The National Dialogue Conference (NDC), a key element of the GCC agreement and transition process, has just been launched in an atmosphere of much hope, trepidation, and protest. The transition is expected to end in February 2014 with legislative and presidential elections, to be held under the new constitution, followed by the inauguration of a new president and formation of a new parliament. Implementation of the GCC agreement is largely on track, though gains achieved so far are fragile and important challenges lie ahead and much depends on the outcome of the NDC.

2. In the meantime, this transition government has an opportunity to start addressing the underlying causes of instability and social strife in order to rebuild Yemen’s social and economic base and restore macroeconomic stability. Despite the challenges and unrest, there is an overall sense of optimism and hope for inclusive change in post-revolution Yemen. However, Yemen’s transition may face significant risks if reforms do not materialize quickly and if substantive changes are not felt by the population, thus contributing to disillusionment with the efforts of the new government and potentially a return to unrest and a reversal of gains made. Yemen needs the collective support of the development community as it works to sustain its transition and recovery, while fighting strong countervailing forces, including regional grievances that have led to enduring separatist violence in the north and south, al-Qaeda militancy, and recalcitrant elements of the previous regime in Sana’a.

B. Sectoral and Institutional Context

3. The government has recently finalized an ambitious Transitional Program for Stabilization and Development (TPSD), which projects a total financing gap of about US$11.91 billion, with US$4.26 billion for short-term security, stabilization, and humanitarian needs and US$7.65 billion for medium-term growth and development priorities (Table 1). The limited absorption and implementation capacity of various government institutions, especially in a transitional context, brought this issue to the forefront of development partner and GoY concerns given the large scale of donor pledges to the TPSD. A Joint Donor Group worked closely with the government to strengthen and prioritize the TPSD and its Public Investment Program (PIP) through: (i) consultations with line ministries, donors, private sector, and civil society organizations (CSOs); (ii) preparation of a “Mutual Accountability Framework” (MAF) that defines government and donor commitments, roles, and responsibilities; and (iii) development of a “Resource Mobilization

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\(^1\) The transitional government, known as the Government of National Reconciliation, is the recognized government of Yemen. Throughout this document, it is referred to as the Government of Yemen, GoY, or government.
Strategy” that defines funding flows by short and medium term priorities, provides details on the costing, suggested funding modality, and implementing agency.

Table 1: TPSD Priorities and Estimated Financing Requirements*

<table>
<thead>
<tr>
<th>Short-Term Priorities (US$4.3 billion)</th>
<th>Requirements</th>
<th>Pledges</th>
<th>Percent pledged</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Peaceful Power Transfer: inclusive national dialogue, constitutional reforms, elections</td>
<td>$4.26b</td>
<td>$2.873</td>
<td>67%</td>
</tr>
<tr>
<td>2 Security Stabilization and Rule of Law: emergency security measures, counterterrorism and counter piracy, restructuring of the Army and security establishments</td>
<td>$0.42b</td>
<td>$0.153</td>
<td>36%</td>
</tr>
<tr>
<td>3 Emergency and Humanitarian: basic food supplies and services, human damage compensation, service restoration and reconstruction</td>
<td>$3.22b</td>
<td>$1.187</td>
<td>37%</td>
</tr>
<tr>
<td>4 Macroeconomic Stabilization: budget deficit, national currency, inflation, IMF program reforms</td>
<td>$0.47b</td>
<td>$1.471</td>
<td>313%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Medium-Term Priorities (US$7.6 billion)</th>
<th>Requirements</th>
<th>Pledges</th>
<th>Percent pledged</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Economic Growth Sectors: agriculture, fisheries, manufacturing, oil, gas, minerals, tourism</td>
<td>$1.2b</td>
<td>$0.04</td>
<td>33%</td>
</tr>
<tr>
<td>2 Improvement of Basic Infrastructure: environment, water, electricity, transport, information and communications technology (ICT), public works and roads, housing and urban development</td>
<td>$2.39b</td>
<td>$1.672</td>
<td>70%</td>
</tr>
<tr>
<td>3 Expansion of Social Protection: social safety net</td>
<td>$0.95b</td>
<td>$0.725</td>
<td>76%</td>
</tr>
<tr>
<td>4 Youth Aspirations and Human Resources Development: education, health, job creation, women’s empowerment</td>
<td>$1.98b</td>
<td>$0.805</td>
<td>41%</td>
</tr>
<tr>
<td>5 Private Sector and Business Enabling Environment / PIP</td>
<td>$0.74b</td>
<td>$0.55</td>
<td>74%</td>
</tr>
<tr>
<td>6 Good Governance and State-Building: civil service reforms, judiciary, transparency, accountability and anticorruption, legal affairs, rights and liberties, local governance</td>
<td>$0.39b</td>
<td>$0.161</td>
<td>41%</td>
</tr>
<tr>
<td>TOTAL (short and medium term)</td>
<td>$11.91b</td>
<td>$6.692</td>
<td>56%</td>
</tr>
</tbody>
</table>

* Source: Government of Yemen Transitional Program Priorities and Resource Summary Matrix

4. The final TPSD and PIP were presented at a Donor Conference held in Riyadh on September 4-5, 2012, and received initial pledges of more than US$6 billion from the international community in support of Yemen’s short-term development agenda. The meeting was co-chaired by the Government of Yemen, Kingdom of Saudi Arabia, and the World Bank, and attended by representatives from 27 bilateral donor countries and 36 regional development and international finance institutions. During the Friends of Yemen Meeting which was held in New York City on September 27, 2012, additional pledges of US$1.5 billion were made. The pledged funds are expected to support the country’s urgent stabilization and development needs and to assist its ongoing political transition over the next 18 months. Following the transition, a second donor conference is expected to be organized to invite support for the subsequent phases of the country’s
development plan. The Riyadh meeting endorsed the MAF, which will help the government monitor the implementation of the TPSD over the transition period and ensure that donor pledges are aligned with national priorities and matched with specific programs and projects that are implemented both effectively and transparently.

5. An analysis of disbursements between 2006–2010 showed a total of US$1.5 billion disbursed over the five year period, on average just US$300 million annually. The billions pledged for development projects together with the limitations on technical and institutional capacity led the donors and GoY to the conclusion that the GoY is in need of significant capacity building and implementation support. As such, the Bank has been asked to manage a Technical Assistance Trust Fund to enhance government ability to work with donors and move forward the reform commitments made under a Mutual Accountability Framework –MAF (Annex 5) and accelerate the absorption of the pledged funds.

6. The MAF contributes towards the overarching goals set out by the Government of Yemen to restore political, security and economic stability and enhance state building. It presents a realistic approach to key economic policy reforms that complement political and security related reforms under the ongoing GCC political initiative and its implementation mechanism. The Government has taken leadership and ownership to the MAF process and document. Subsequent to the MAF endorsement by the Donor Meeting in Riyadh, the Cabinet has also endorsed the framework. The MAF defines visible and high impact reforms that will help restore public confidence and enhance governance, transparency and accountability.

7. The Yemen MAF will benefit from international lessons learned and best practice on mutual accountability frameworks/transition compacts. The MAF includes key policy reforms and implementation commitments by the Government, and commitments from donors to respect Government ownership; deliver timely support; and strengthen the Government’s ability to manage external support effectively. The six pillars of the MAF are selected high priority actions aimed at: 1) budget coherence and macroeconomic stability; 2) creating employment opportunities particularly for women and youth; 3) good governance rule of law and human rights; 4) increasing the effectiveness of key service sectors, and partnering with the private sector in public private partnership, (especially in the power sector); 5) meeting emergency humanitarian and material needs and delivering basic services to citizens (including strengthening the effectiveness of the Social Fund); and 6) civil society empowerment and partnership.

8. The government of Yemen is establishing an institutional mechanism to take responsibility for providing support and monitoring for the implementation of the MAF policy reforms and acceleration of aid absorption. The Executive Bureau (EB) for the Acceleration of Aid Absorption and Policy Reforms as established by Presidential decree (see Annex 6) will be set up within the Ministry of Planning and International Cooperation (MoPIC). The EB will enhance the government’s absorptive capacity of donor funding and establish transparent and structured mechanisms, processes, and criteria for pledge allocation as well as for project prioritization, implementation capacity, and project preparedness. The entity and its functions are discussed later in the document. Annex 3 details out the organizational setup and units with their main functions.

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9. The GoY and development partners have already demonstrated some progress in the implementation of the MAF. The GoY reported the following progress on MAF commitments:

(a) MAF administration:

(i) The MAF has been institutionalized within the government. An Executive Bureau has been established by Presidential decree to monitor and support the implementation of the MAF and the acceleration of delivery and absorption of donor pledges.

(ii) The government has mobilized support for areas included in the MAF from the MENA Transition Fund with projects supported by the World Bank including SME development, civil society, anti-corruption, and information and communication technology.

(iii) Recruitment of key positions, including an Interim Administrator, is underway, and preparations for effectiveness of the grant for support of the Executive Bureau are near completion.

Pillar I: Coherence between TPSD, PIP and the budget

(i) On macroeconomic stability, the budget deficit has been contained within safe limits during FY 2012. Budget deficit did not exceed 5.2% of GDP. This has been attributed namely to generous donor direct budget support (i.e. Saudi oil grants totaling US$2.8 billion) and the partial lifting of oil subsidies.

(ii) On the pillar related to budget coherence with the transition plan and its public investment program, a joint team of MoPIC, Ministry of Finance, and Ministry of Legal Affairs was established. Workshops have been conducted in Sanaa and Taiz and an action plan has been produced on harmonizing the budget, the TPSD and the public investment program and agreed with donors.

(iii) The Government-IMF dialogue is underway.

(iv) Donor pledges have totaled over US$7.5 billion. Over US$5 billion in donor pledges have been programmed to projects, over US$1.75 billion have been signed (effective) and US$1.5 billion have been disbursed so far.

Pillar II: Create Employment opportunities particularly for youth and women

(i) Allocated additional financial resources for the Social Fund for Development and the Public Works Project.

(ii) Launched a pilot project for revitalization of SMEs and youth employment for funding from the MENA Transition Fund established under the Deauville Partnership Initiative.

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3 As reported by the Ministry of Planning and International Cooperation in the presentation at the donor conference, June 19, 2013 in Sanaa.
Preparation for the Labor Force Survey.

Pillar III: Good governance, rule of law, human rights

(i) A special three judge anti-corruption bench has been approved by the Supreme Judicial Council.

(ii) Released 24 detainees out of 68 persons.

(iii) Published a tender for the purchase of a large server to hold the biometric fingerprint data of civil servants, army and security.

(iv) Advertised vacant senior positions in the newspapers in the province of Taiz (as a model for transparent civil service employment).

Pillar IV: Public-private partnership

(i) A PPP Unit has been formally established.

(ii) The PPP draft law is under review.

(iii) Preparing for a GoY-private sector dialogue and partnership conference.

(iv) In the process of finalizing the submission of 27 PPP projects for approval by the Cabinet.

Pillar V: Meet emergency humanitarian and material needs

(i) Set up the Abyan Reconstruction Fund and began to compensate the affected population and rebuilding the damaged areas.

(ii) In the process of preparing the multi-sectoral national nutrition response plan.

Pillar VI: Civil society empowerment and partnership

(i) Submitted the Government-CSOs partnership project to Deauville Partnership Fund.

(ii) Set up a technical committee to prepare the operational guide for NGOs working in Yemen.

(iii) Set up a technical committee to prepare for the Government-CSOs dialogue and Partnership Conference.

C. Higher Level Objectives to which the Project Contributes
This project is ultimately meant to contribute to the accomplishment of the policy reform commitments in the MAF and increasing the aid absorption capacity of Yemen, both of which contribute to the successful political and economic transition in Yemen towards security, stability, and economic growth. These higher level objectives depend on the actions of a wide range of stakeholders, including entities in the GoY, donors, and other institutions, so they are not identified as development objectives for this project. However, the degree to which this project successfully contributes to these higher level objectives, can and will be gauged through the monitoring of the MAF policy reforms and of aid absorption during the transition period. An independent assessment will be undertaken (with funding from the Bank Executed component of the umbrella Yemen MAF multi-donor trust fund, which is distinct from the Bank-executed component of this project which is for start-up activities on behalf of the recipient) at the end of the project to assess not only the project’s performance towards the PDO below, but also to assess progress made towards achievement of the higher order objectives of actual implementation of the policy reform commitments in the MAF and increasing aid absorption and appropriateness of the EB approach in contributing to achieving these high level objectives.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

11. The objective of the project is to support government capacity to: 1) implement policy reforms committed to in the Mutual Accountability Framework and 2) plan and implement the acceleration of aid absorption.

Project Beneficiaries

12. The direct beneficiary of this project is the Government of Yemen, which will receive support for improving its policy reform and aid delivery capacity through the establishment of the Executive Bureau as well as through technical assistance which will be provided to other government agencies through the EB. The indirect beneficiaries are the potentially the people of Yemen, since the higher objectives at which this project is aimed are to implement governance and economic policy reforms that improve the economic environment in Yemen and improve the effectiveness of aid pledged to the benefit of Yemen.

13. The Executive Bureau’s operate in a complementary role to MOPIC. While its mandate of supporting the MAF implementation and increase of aid absorption will be in support to all GoY and other agencies involved in these activities, its relationship with MOPIC will be particularly critical given MOPIC’s central role in setting the national development plan, development policies, and investment program.

PDO Level Results Indicators

14. The PDO Level results indicators are:

   (a) Indicator 1: Functionality of the Executive Bureau established.
(b) Indicator 2: MAF results framework, monitoring, and reporting mechanism established and in use.

(c) Indicator 3: System and criteria for allocation of resources to the public investment program institutionalized and in use.

(d) Indicator 4: Proposals for increasing aid absorption for reconstruction and labor-intensive programs adopted by the EB Board of Directors and implemented.

III. PROJECT DESCRIPTION

A. Project Components

Component 1: Executive Bureau Start-up Activities

15. Under this component, the proposed project will support the start-up of the Executive Bureau of the MAF. These start-up activities will be undertaken during period of up to six months under direct execution of the World Bank on behalf of the recipient (the Executive Bureau). This start-up period will allow EB functionality to be established while the Board of Directors of the EB complete the recruitment of the Managing Director and core staff for the EB. This component will finance contracting national and international staff and expertise for the interim administration of the EB; development of its fiduciary systems; providing equipment and furnishings, and covering incremental operating costs during an inception period not to exceed six months. The EB will be housed within MOPIC.

Component 2: Support for Executive Bureau Operations

16. Under this component, the project will finance the Executive Bureau’s activities through the first eighteen months of its operations after the start-up period; this will cover the EB’s staff, procurement of consultants and goods, training, travel, and incremental operating costs.

17. This component will include the implementation of the MAF monitoring and reporting mechanism, and the establishment of a development partner/ GoY dialogue mechanism, in the form of regular meetings and other devices, around the implementation of the MAF and progress in the transition period. Monitoring and reporting on the progress of the MAF and on progress in PIP allocations will allow the EB to identify areas of policy reforms whose implementation is impeded by lack of technical capacity or coordination failures, to which the EB will deploy its resources as appropriate to further the achievement of the MAF policy reforms. The EB will deploy its resources and staff in a focused and dense manner on areas with high need and likelihood of success, rather than thinly across the entire MAF and potential investment project areas.
18. An EB work program will be developed as part of the EB start-up activities and updated regularly, and will identify the specific areas of EB intervention in terms of the policy reform agenda and specific public investment programs in need of technical assistance or other intervention to begin implementation. The following activities have been identified for inclusion in the work program during project appraisal and have been included in the results framework for this project:

(a) Launch and implement MAF monitoring and reporting, including results framework, reporting mechanism, and associated aid coordination structure.

(b) Institutionalize public investment allocations.

(c) Develop a proposal for increasing aid absorption for reconstruction and labor intensive works programs, including those in the Social Development Fund (SFD) Public Works Project (PWP), Rural Access Roads Project (RAR) as well as the reconstruction funds Saada Reconstruction Fund (SRF) and the Abyan Reconstruction Fund (ARF)

B. Project Financing

Project Cost and Financing

19. This is a small recipient-executed grant financed by the umbrella Yemen Mutual Accountability Framework multi-donor trust fund (TF072002).

<table>
<thead>
<tr>
<th>Table 2: Project Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project Components</td>
</tr>
</tbody>
</table>

14
IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

20. The two components of this project will be implemented as two phases. First, the start-up activities will be undertaken through Bank execution on behalf of the recipient to set up the basic functionality of the Executive Bureau, and then as EB staff are hired and prepared to take over, the Bank’s direct execution will be phased out and implementation handed over in full to the EB staff. There may be some overlap between the two phases with Bank execution continuing in some support aspects, such as training or technical support, even after the government has taken on execution.

Implementation Arrangements for Component 1 - Start-up Activities:

21. The World Bank will execute these activities on behalf of the recipient for a duration planned to be no more than six months during which the Bank will procure consultants, goods, and non-consulting services using World Bank systems and capacity. World Bank execution on
behalf of the recipient is an exceptional arrangement allowable with a request from the client and approval from Bank management under capacity constrained conditions due to fragility.

Implementation Arrangements for Component 2 – Support of Executive Bureau Operations

22. This component will be executed by the Executive Bureau itself. Upon the hiring of a Managing Director (or an Interim Administrator) by the EB Board of Directors (rather than by the Bank under the Bank-executed component) and core staff, the Bank will hand over the systems and activities to the EB staff.

23. The EB will be responsible, generally, for overseeing and monitoring and supporting the implementation MAF reform agenda and unlocking constraints and building capacities that contribute to the acceleration of aid inflows, in close coordination and consultation with relevant government institutions. The EB will establish its work program with the engagement of the various stakeholders. More specifically, the EB shall be tasked, as outlined in the decree to undertake the following:

(a) Assist relevant agencies in the preparation of bankable projects, as needed;
(b) Support the capacities of MoPIC and government agencies in the implementation of pledged donor funded projects;
(c) Strengthen capacities in monitoring project implementation and provide relevant solutions and remedies;
(d) Support the engagement of government agencies and donors in the follow-up of absorption of donor pledges;
(e) Coordinate with respective government agencies relevant to the implementation of MAF reforms and commitments;
(f) Develop and strengthen an information system for projects;
(g) Prepare monthly, quarterly and bi-annual reports and follow-up the implementation of their recommendations;
(h) Organize consultative meetings among government, donors and civil society;

24. The EB is supervised by a 16-member ministerial-level Board of Directors chaired by the Prime Minister. The Board is mandated to guide and approve overall policy directions, aid pledge allocation and project prioritization and facilitate the delivery of functions of the EB. The Board held its first meeting in February 2013 during which the Presidential decree establishing the EB was discussed and decisions on recruitment of the Managing Director and other executive staff were taken.

25. The EB is expected to recruit the best caliber of Yemeni nationals with professional credentials that match the profile of tasks. The EB will have an organizational set up headed by a Managing Director, who will be selected on competitive and transparent grounds. The EB’s organizational set-up shall also comprise three key functional units: 1) Policy Reforms Follow-up Unit, 2) Projects Unit and 3) Monitoring and Evaluation and Communication Unit. In addition, a Finance and Administrative Unit with financial management and administration staff,
and a Procurement Specialist reporting separately to the Managing Director (see Annex 3). From the organizational setup of the EB, it is envisaged that up to a total of 20 staff may eventually be recruited for positions of national professional and support staff.

26. The EB was established by decree on February 2, 2013, but has no staff as of yet. The interviews for the Managing Director were completed by end of March 2013, with subsequent recruitment of other management staff to follow. However, the selected Managing Director declined the position, and a new recruitment process will be undertaken. Therefore, no assessment of its technical or fiduciary capacity is possible until its basic operational and fiduciary systems are established as part of the start-up activities under Component 1. The establishment of these basic systems and capacity will constitute conditions of effectiveness for the grant which will finance Component 2. Specifically, Component 2 will have the following conditions of effectiveness:

a) Preparation of an Operations Manual approved by the Executive Bureau and acceptable to the World Bank.

b) Development of a financial management system approved by the Executive Bureau and acceptable to the World Bank.

c) Preparation of a procurement plan approved by the Executive Bureau and acceptable to the World Bank for the first six months following the start-up period.

d) Hiring of the Managing Director (or Interim Administrator), the Finance and Administration Manager, and Procurement Specialist by the Executive Bureau.

B. Results Monitoring and Evaluation

27. The results framework for the project is centered around the PDO and specifies PDO level and intermediate indicators which will be monitored to evaluate project performance towards the objectives (see Annex 1). Monitoring and evaluation of project components and activities will be kept simple and integrated into project implementation at every stage. Primary responsibility for results monitoring will fall on the World Bank during the start-up activities, and on the Executive Bureau for the remainder of the project. The Executive Bureau will provide monthly project implementation progress reports to the World Bank including updates on the EB work program, reports prepared and submitted, and results achieved.

C. Sustainability

28. The functions, systems, and frameworks to be developed by the EB in the course of this project should not be deemed temporary, but rather functions that should be institutionalized into the GoY. On the other hand, this project is not designed to establish the Executive Bureau as a sustainable, independent entity in the long term. Rather, the Executive Bureau is a response to and product of this transitional period in Yemen. The future of the EB as an institution would be determined by the GoY at a later date, likely be the next government, based on an evaluation of the GoY’s needs and results of the EB at that time. Should the GoY choose to maintain the EB as
a permanent institution, its functions and relationship to other GoY entities, and in particular MOPIC, would need to be determined at that time.

29. Accordingly, systems and mechanisms related to MAF monitoring and reporting, the criteria and mechanism for public investment program allocations, and similar initiatives developed by the Executive Bureau will be undertaken in close coordination with MOPIC. This is not only critical to the successful implementation of these initiatives, but lay the groundwork for their continued sustenance should the Executive Bureau’s role or existence as an institution be revisited in the future.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary Table

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Risk Rating</th>
<th>Mitigation measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder Risk</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Implementing Agency Risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Capacity</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>- Governance</td>
<td>Substantial</td>
<td></td>
</tr>
<tr>
<td>Project Risk</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Design</td>
<td>Substantial</td>
<td></td>
</tr>
<tr>
<td>- Social and Environmental</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>- Delivery Monitoring and Sustainability</td>
<td>Substantial</td>
<td></td>
</tr>
<tr>
<td>- Other</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Overall Implementation Risk</td>
<td>High</td>
<td></td>
</tr>
</tbody>
</table>

B. Overall Risk Rating Explanation

30. The overall risk for this operation is High due to country political context as well as high stakeholder, and capacity risks (see Annex 4). The Bank will maintain operational flexibility to adapt to changing needs and demands on the ground. In a fragile context like Yemen, reform implementation will likely be slow due to the political context, entrenched resistance and institutional capacity constraints within the wider government. The political environment in which the EB will function is volatile and evolving and political developments, not least of which is the National Dialogue Conference, may affect progress on the MAF.

31. The project faces a high capacity risk. The project seeks to establish the capacity of a new government institution, and there is a high risk of complications or delays in meeting the conditions of effectiveness which would enable the GoY to take on execution of the project, and in building the capacity necessary to fulfill the functions and mandate of the EB. This risk is further complicated by stakeholder risk, specifically the risk of diminishing GoY ownership and donor community buy-in. Speedy implementation, realistic goals and programs, and a strong
communications strategy will all be necessary to mitigate these risks, but the overall project risk remains High even with mitigation measures.

VI. APPRAISAL SUMMARY

32. The project will help build government capacity for the implementation of policy reforms identified as national priorities and improve the ability of the government to plan and implement absorption of aid pledges to the public expenditure plan. This is expected to contribute to the improved service delivery and economic growth. Considering the depth of the reform agenda and the scale of the aid pledges, over US$7 billion during the transition period, the investment in this small recipient-executed grant is deemed well justified, even while accounting for the high risk of the project.

33. The appraisal of fiduciary systems and capacity concludes that no financial management and procurement systems are currently in place. While the Executive Bureau’s Board of Directors has been assembled and has been meeting, there is no executive staff or capacity in place. The first component of this project would be used to develop the financial management system and the operations manual, which would include the financial management and procurement policies and procedures, and to train and hand over these policies, procedures, and financial system to EB staff as they are hired. The Bank safeguards policies are not triggered by this project. The project has been rated as Category C and the responsibility for safeguards delegated by the Regional Safeguards Advisor to the Yemen Country Manager.

34. Once the EB is adequately staffed and the required fiduciary systems are in place and the project is declared effective, the EB will be responsible for the financial management and disbursement arrangements of project implementation. The financial management assessment has been conducted by the Bank and determine the overall FM risk to be High. It concluded that the project has the following major FM risks: The EB in charge of managing the project is newly established, thus does not have well defined comprehensive formal procedures and controls applicable to the Project, does not have an acceptable accounting system, and does not have any staff yet. These conditions are expected to be met within the first six months of implementation of the component executed by the Bank on behalf of the Government. The financial management staffing of the EB will initially consist of the finance and administration manager only. Subsequently and during project implementation and as deemed necessary, the EB will hire an accountant to support to the manager. The accounting system will be procured based on TOR acceptable to the Bank. The system will be able to record all project transactions and capable of generating quarterly financial reports. The project’s financial statements will be subject to an audit by an independent external auditor covering the entire project period based on TOR acceptable to the Bank.
### Annex 1: Results Framework and Monitoring

**Yemen: Support to Executive Bureau for Acceleration of Aid Absorption and Implementation of the MAF (SEBAA) Project**

**Project Development Objective (PDO):** The objective of the project is to support the establishment of government capacity to: 1) implement policy reforms committed to in the Mutual Accountability Framework and, 2) plan and implement acceleration of aid absorption.

<table>
<thead>
<tr>
<th>PDO Level Results Indicators</th>
<th>Core</th>
<th>Unit of Measure</th>
<th>Baseline</th>
<th>Cumulative Target Values</th>
<th>Frequency</th>
<th>Data Source/Methodology</th>
<th>Responsibility for Data Collection</th>
<th>Description (indicator definition etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator One:</strong> Functionality of the Executive Bureau established.</td>
<td>Qualitative</td>
<td>EB established by decree, Board of Directors created</td>
<td>EB execution transferred from the World Bank to the GoY.</td>
<td>EB partially staffed and functional as demonstrated by an up to date work plan (updated at least within three months) and financial reports delivered and accepted.</td>
<td>at 3 months, then every 6 months</td>
<td>Project implementation reports provided by EB staff to WB</td>
<td>WB Team (during Bank-execution), then EB management</td>
<td></td>
</tr>
<tr>
<td><strong>Indicator Two:</strong> MAF results framework, monitoring, and reporting mechanism established and in use.</td>
<td>Qualitative</td>
<td>No MAF monitoring and reporting mechanism exists</td>
<td>At least one MAF monitoring report delivered by EB to GoY and donor community</td>
<td>Regular MAF monitoring reports delivered by EB on an agreed regular basis to GoY and donor community</td>
<td>6 months</td>
<td>Project implementation reports provided by EB staff to WB</td>
<td>EB management</td>
<td></td>
</tr>
<tr>
<td><strong>Indicator Three:</strong> System and criteria for allocation of resources to the public investment program institutionalized.</td>
<td>Qualitative</td>
<td>Criteria implemented for traditional donor funded projects, but not consistently for government or regional donor funding</td>
<td>Criteria and system documented and agreed by the EB Board of Directors across all public and donor funding allocations</td>
<td>Criteria and Systems adopted and in use within MOPIC for 2015 public investment program.</td>
<td>6 months</td>
<td>Project implementation reports provided by EB staff to WB</td>
<td>EB management</td>
<td></td>
</tr>
<tr>
<td><strong>Indicator Four:</strong> Proposals for increasing aid absorption for reconstruction and labor-intensive programs developed.</td>
<td>Qualitative</td>
<td>Current PIP funds for reconstruction and labor intensive programs allocated at</td>
<td>Proposals for increasing allocations and support for increasing aid absorption capacity for</td>
<td>Proposals for increasing allocations and support for increasing aid absorption capacity for</td>
<td>6 months</td>
<td>Project implementation reports provided by EB staff to WB</td>
<td>EB management</td>
<td>The absorptive capacity is as reported by five agencies with focused labor</td>
</tr>
</tbody>
</table>
absorptive capacity of US$320 million annually
reconstruction and labor intensive programs 50% (to target US$480 million annually) adopted by the EB Board of Directors
reconstruction and labor intensive programs 25% (to target US$400 million annually) implemented

## INTERMEDIATE RESULTS

| Intermediate Result indicator One: EB operational manual and basic financial management systems developed | Yes/No | No | Yes | Yes | Yes | At 3 months and if necessary at 6 months | WB team reports | WB team management |
| Intermediate Result indicator Two: MAF results framework, monitoring, and reporting mechanism agreed by the EB Board of Directors | Yes/No | No | Yes | Yes | Yes | 6 months | Project implementation reports provided by EB staff to WB | EB management |
| Intermediate Result indicator Three: Number of distinct MAF reforms and investment programs supported by the EB | 0 | 3 | 7 | 12 | 6 months | Project implementation reports provided by EB staff to WB |
Annex 2: Detailed Project Description

YEMEN: Support to Executive Bureau for Acceleration of Aid Absorption and Implementation of the MAF (SEBAA) Project

Component 1: Executive Bureau Start-up Activities

35. Under this component, the proposed project will support the start-up of the Executive Bureau (EB) of the MAF. This includes contracting national and international staff with expertise for the administration of the EB; development of its fiduciary and information systems; providing equipment and furnishings; and covering incremental operating costs during an inception period not to exceed six months. The EB will be housed within MOPIC.

36. These start-up activities will be undertaken during a six month period under direct execution of the World Bank on behalf of the recipient. This start-up period will allow EB functionality to be established while the Board of Directors of the EB complete the recruitment of a Managing Director and core staff for the EB. During the start-up period, the World Bank will recruit consultants to establish core operational and fiduciary systems, including an EB work plan, the MAF results framework, the operations manual, and the fiduciary systems for the EB (financial manual and system, and procurement policies, procedures, and six month procurement plan), working with the Interim Administrator hired for (on on behalf of) the GoY. The start-up activities will be completed when training and hand over activities to the EB staff are undertaken on the systems and manuals put in place and any other work undertaken. This component will also finance basic equipping and furnishing of the EB premises (offices made available in the MOPIC building).

37. Under this component, the project will also develop a preliminary work program for the EB, which will set the beginning course of the EB’s activities but which will be adapted based on progress of the MAF and public investment allocations. The project will include in this work program, to be initiated under this component and in partnership with GoY and stakeholders, a results framework for the MAF and a reporting mechanism on this results framework. This framework will be deployed to define desired results and monitor and evaluate progress towards those results by development partners and the GoY and is expected to inform future donor conferences and Friends of Yemen meetings. This will allow the EB to contribute to the implementation of the MAF as a whole even within the first year when it is building its own capacity and focusing on concentrated actions.

38. The Bank-executed component of the umbrella Yemen MAF trust fund will be leveraged during this start-up phase to provide analytical work and technical assistance for the benefit of the EB and other GoY ministries and institutions, laying the groundwork for reform activities or potential projects. Technical assistance to other GoY agencies may be provided on specific high priority policy reforms in the MAF such as Public-Private Partnerships and power sector reforms as foundational analytical work or as more direct technical assistance while the EB establishes its own procurement capacity.
Component 2: Support for Executive Bureau Operations

39. Under this component, the project will finance the Executive Bureau’s activities through the first eighteen months of its operations after the start-up period. The activities which fall within the mandate of the EB are defined in the Presidential Decree (Annex 6 which established the EB; the areas of focus in the first 18 months of the EB’s operations after Bank-execution are highlighted here. This component will finance expenditures associated with those activities, including the EB’s staff, procurement of consultants and goods, training, travel, and incremental operating costs.

40. This component will include the implementation of the MAF monitoring and reporting mechanism, and the establishment of a development partner/ GoY dialogue mechanism, in the form of regular meetings and other devices, around the implementation of the MAF and progress in the transition period. This dialogue mechanism will likely be linked to a broader aid effectiveness coordination structure which is absent in Yemen and would be beneficial in the medium term as well beyond the transition period. It will be established in close collaboration with MOPIC and in coordination with the UNDP Emergency Capacity Development Facility (ECDF) project, which includes among its activities the provision of support for establishing an aid coordination mechanism in Yemen.

41. Monitoring and reporting on the progress of the MAF and on progress in PIP allocations will allow the EB to identify areas of policy reforms whose implementation is impeded by lack of technical capacity or coordination failures, to which the EB will deploy its resources as appropriate to further the achievement of the MAF policy reforms. The EB will deploy its resources and staff in a focused and dense manner on areas with high need and likelihood of success, rather than thinly across the entire MAF and potential investment project areas.
42. An EB work program will be updated regularly, and will identify the specific areas of EB intervention in terms of the policy reform agenda and specific public investment programs in need of technical assistance or other intervention to begin implementation. The following activities have been identified for inclusion in the work program during project appraisal and have been included in the results framework for this project:

(a) Launch and implement MAF monitoring and reporting, including results framework, reporting mechanism, and associated aid coordination structure.

(b) Institutionalize public investment allocations.

(c) Develop a proposal for increasing aid absorption for reconstruction and labor intensive works programs, including those in SFD and PWP as well as the reconstruction funds (SRF, ARF)

43. The EB will deploy its resources and capacity by providing technical consultants, training, coordination, or the support of its own staff. These resources will be deployed to:

(a) Develop, agree, and gain top leadership support for the strategy and approach for implementation. The best-fit approach to accelerating results for key investment actions may be to establish a new capacity, expand capabilities or mandate of an existing institution, or other, depending on the action. High level leadership support is likely to be needed to move forward on creative approaches not following “business as usual”.

(b) Provide technical support for the preparation of projects in the PIP (e.g., preparation of bidding documents, or similar) where needed. This also includes troubleshooting or coordination activities to expedite projects were past inaction due to reasons beyond technical capacity may have caused delays. (In some cases, the Executive Bureau may propose to the Board of Directors new projects not included in the PIP).

(c) Facilitate project progress and coordination among agencies and stakeholders. This includes problem-solving where needed and escalation to higher leadership to get solutions where necessary, which will be possible for the EB through its Board which is headed by the Prime Minister. It may also include the drafting of briefs to parliament or the President to gain action where needed.

(d) Inject capacity into existing institutions as needed if identified as implementation agencies for the key actions. This could include advisory services on restructuring or re-organizing existing institutions in the interest of achieving results, as well as providing training, financing for secondees, or other resources.

44. Implementation of this component may also continue to leverage the BETF under the umbrella Yemen MAF Trust Fund (distinct from Component 1 of this project for startup activities executed by the Bank on behalf of the recipient) to procure consultants for technical assistance as the EB continues to establish its procurement capacity and to augment EB resources with Bank staff expertise where appropriate. The BETF under the umbrella YMAF MDTF will
also continue to be used to finance analytical work deemed necessary to lay the groundwork for reforms or potential projects. Furthermore, the BETF will be used to finance an independent evaluation of the EB towards or at the end of the project implementation period.
Annex 3: Implementation Arrangements

YEMEN: Support to Executive Bureau for Acceleration of Aid Absorption and Implementation of the MAF (SEBAA) Project

Project Institutional and Implementation Arrangements

Component 1: Start-up Activities

1. Bank-execution of Component 1 will be achieved through the hiring of a team of consultants to undertake the startup and administration of the EB until the GoY has hired staff to take over administration and for a period not to exceed six months. The Bank team of consultants will include (but not necessarily be limited to) an Interim Administrator, Procurement specialist, Financial management specialist, M&E specialist, and interior designer (for office equipping). The team, led by the Interim Administrator (immediately upon being hired by the GoY), will be overseen by the Bank Task Leader and Task Team, but will work closely with the appointed representative of the EB Board of Directors, the Head of the Technical Office at MOPIC, as well as the Minister of Planning and Board of Directors itself as necessary. Outputs produced by the team will be submitted to the Head of the Technical office for approval by the EB Board of Directors and Bank acceptance.

Component 2: Support of EB Operations

2. Component 2 execution will be undertaken by the Executive Bureau itself. Component 2 will commence as soon as the conditions of effectiveness for the grant have been satisfied as defined in paragraph 25, namely:
   a) Preparation of an Operations Manual approved by the Executive Bureau and acceptable to the World Bank.
   b) Development of a financial management system approved by the Executive Bureau and acceptable to the World Bank.
   c) Preparation of a procurement plan approved by the Executive Bureau and acceptable to the World Bank for the first six months following the start-up period.
   d) Hiring of the Managing Director (or Interim Administrator), the Finance and Administration Manager, and Procurement Specialist by the Executive Bureau.

3. The remainder of the EB team will be hired expeditiously. The EB Board of Directors has already established recruiting committees comprising of GoY officials from the ministries represented on the Board to competitively fill the EB staff positions. The hiring of an Interim Administrator, and ultimately the Managing Director, is expected to speed up this process.

4. The organizational structure for the full EB staff is shown in the Figure below. According to the Presidential decree, the EB will comprise of three operational units as defined below, and will also have one support unit:
   a. Policy Reforms Unit,
   b. Projects Unit,
   c. Monitoring and Evaluation and Communications Unit, and the supporting
d. Administration and Finance Unit.

5. The functions of these units are defined in the Presidential Decree (see Annex 6) with key functions of each unit being:

   a. Projects Unit: establishing the prioritization system and criteria for the public investment program, monitoring absorption of aid pledges and reporting on progress, providing technical assistance to ready projects for aid allocations and implementation.

   b. Policy Reform Unit: Maintaining the MAF results framework and implementing the monitoring and reporting mechanism for the MAF policy reforms and providing technical assistance for the implementation of reforms.

   c. M&E and Communications Unit: Compiling monitoring and evaluation reports based on inputs from the Projects and Policy Reform Units, establishing and maintaining reporting mechanisms and coordination structures, undertaking communications with other GoY agencies, the donors, and the public on the EB’s activities.

   d. Finance and Administration Unit: Managing the EB’s procurement activities, managing the EB’s expenditures, preparing financial reports, and managing the administrative and logistics of the EB, including administration and maintenance of the premises and services.

6. The EB will have a range of resources to execute these functions, as delineated in the Table below. As previously noted, the consultants hired by the Bank under Component 1 will be
resources for building the fiduciary and technical capacity of the EB staff, particularly at the outset of Component 2 when the government takes over execution of the project.

Table 3: Executive Bureau Resources

<table>
<thead>
<tr>
<th>Expense Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core Human Resources</strong></td>
<td></td>
</tr>
<tr>
<td>Bank-executed startup team of consultants</td>
<td>May include but not limited to financial management consultant (or firm), procurement consultant, monitoring and evaluation consultant, and facilities administration assistant (temporary).</td>
</tr>
<tr>
<td>Executive Bureau Staff</td>
<td>Managing Director (or Interim Administrator) and EB staff hired by the government (rather than the Bank) as defined in the organizational structure.</td>
</tr>
<tr>
<td><strong>Goods and Consulting Services</strong></td>
<td></td>
</tr>
<tr>
<td>IT Systems and equipment</td>
<td>Computer and office equipment, financial system software, IT systems, and miscellaneous project related goods.</td>
</tr>
<tr>
<td>Office furnishings</td>
<td>Furnishing for the EB offices located in MOPIC.</td>
</tr>
<tr>
<td>Consulting and audit services</td>
<td>Technical consultants providing technical assistance to the EB and to other institutions. Legal, external audit, and other project related consulting services.</td>
</tr>
<tr>
<td><strong>Incremental Operating Expenses, Training, and Travel</strong></td>
<td></td>
</tr>
<tr>
<td>Training fees</td>
<td>Project related training courses, workshops, study tours, materials, registration, tuition, facilitator’s fees, translation and interpretation, and other miscellaneous training costs all based on budgets acceptable to the World Bank.</td>
</tr>
<tr>
<td>Travel expenses</td>
<td>Reasonable and necessary travel, accommodation, and per diem of related to project activities based on budgets acceptable to the World Bank.</td>
</tr>
<tr>
<td>Incremental Operating Expenses</td>
<td>Reasonable and necessary incremental expenditures incurred by the recipient on account of Project implementation, management and monitoring, including office rental and maintenance; leasing of vehicles; operation and maintenance of office equipment; stationary, office supplies and utilities; office consumables; office administration including translation, interpretation, printing and advertising, communication costs, costs associated with the production of bidding documents; reasonable commercial bank charges; reasonable and necessary transportation and travel costs of members of the staff and of consultants, maintenance, insurance and fuel of vehicles; costs of carrying out meetings and any other miscellaneous costs directly associated with Project implementation, all based on periodic budgets acceptable to the Bank.</td>
</tr>
</tbody>
</table>
Trust Fund Arrangements

7. The Yemen Mutual Accountability Framework Umbrella TF will finance two grants:

8. Grant for Component 1, Bank-execution on Behalf of Recipient for Executive Bureau Startup Activities. This will be in the form of a letter agreement which will be effective immediately upon signature.

9. Grant for Component 2, Recipient-executed Support of Executive Bureau Operations. This will be in the form of a grant agreement signed simultaneously with the letter grant agreement for the Bank-executed Component 1, but which will be effective only upon the meeting of the following conditions of effectiveness described above in paragraph 2 of this Annex.

Financial Management, Disbursements and Procurement

Financial Management

10. The EB currently has no financial management systems or capacity in place thus the overall FM risk is High. In order to fulfill conditions of effectiveness for the recipient executed grant (Component 2), the EB will need to demonstrate the following elements of the financial management system:
   a. The inclusion in the Operations Manual of a financial management manual which defines (i) roles and responsibilities for all financial management staff, (ii) documentation and approval procedures for payments, (iii) project reporting requirements, and (iv) quality assurance measures to help ensure that adequate internal controls and procedures are in place and being followed.
   b. A financial management system of records, accounts, and reports in accordance with consistently applied accounting standards acceptable to the World Bank and adequate to reflect the operations, resources, and expenditures related to the project as defined in its Operations Manual. At the outset of the EB’s operations, this FM system may be manual (e.g., Excel workbooks) until a computerized system is put in place (which will also require acceptance by the World Bank at that time).
   c. The ability to generate Interim Financial Reports (IFRs) on a quarterly basis to be submitted to the World Bank within 45 days from the end of each quarter.
   d. The hiring of a Finance and Administration Manager.

11. The EB shall hire an external private audit firm acceptable to the Bank to undertake an independent audit of all project transactions covering all expenditure categories of the project. The EB will submit to the Bank the Project audited financial statements within six months of the end of the project.

12. The EB will be responsible for the planning, budgeting, and reporting on all project activities. The EB will maintain acceptable internal control procedures based on documented operations manual. The EB will maintain a monthly reconciliation of bank accounts, fixed assets registry, reconciliation of DA with the client-connection, and an active DA.
13. The financial management consultant hired by the World Bank during the Bank-execution phase of the project (Component 1) will develop and establish the FM sections of the Operations Manual, the FM system, prepare the IFR templates, and provide support and training to the incoming financial management staff.

**Disbursements**

14. The Project funds will be deposited into a separate segregated US Dollar Designated Account (DA) in the Central Bank of Yemen, to be opened and maintained by the EB and under conditions acceptable to the World Bank. Eligible expenditures will be financed out of the Grant proceeds including Goods, Non-Consulting Services, Consultant' Services, Training, and Incremental Operating Costs.

15. The Designated Account would be replenished monthly based on withdrawal applications supported by appropriate documentation based on the project’s disbursement letter. The Designated Account will be audited by external auditors acceptable to IDA as part of the overall project audit. Payment requests from the DA for eligible expenditures will be approved by the EB’s Finance Manager and the Managing Director and then the payment requests will be sent to the Ministry of Finance (MoF) for approval of payment from the DA at CBY. Payments from the DA will be made for eligible expenditures under the project.

16. The proceeds of the Grant would be disbursed in accordance with the disbursement procedures of the Bank and will be used to finance project activities through Direct Payments, Advances, Reimbursements and Special Commitment. Replenishment and Reimbursement Withdrawal Applications will be accompanied by Statement of Expenditures (SOEs) in accordance with the procedures described in the Disbursement Letter and the Bank's "Disbursement Guidelines". The quarterly IFRs and the Annual Financial Statements will be used as a financial reporting mechanism and not for disbursement purposes. The minimum application size for direct payment and reimbursement will be the equivalent of 20% of the Advance ceiling amount. The Bank will honor eligible expenditures completed, services rendered and delivered by the Project closing date. A four-month grace period will be granted to allow for the payment of any eligible expenditure incurred before the grant closing date.

**Procurement**

17. The EB currently has no procurement policies, procedures, or capacity in place. In order to fulfill conditions of effectiveness for the recipient executed grant (Component 2), the EB will need to demonstrate the following elements of procurement policy, procedures, and capacity and additional mitigation measures, if any identified during its procurement capacity assessment:
   a. The inclusion in the Operations Manual of procurement policies and procedures.
   b. Preparation of an agreed preliminary procurement plan for the first six months of operations after Bank-execution; and before the start of procurement activities under Component 2.
   c. The hiring of a Procurement Officer, and provide him necessary support and training.
   d.
19. Procurement for the project will be administered in accordance with the World Bank’s Guidelines: Procurement of Goods, Works and non-consulting services under IBRD Loans and IDA Credits and Grants dated January 2011 and Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers dated January 2011 and the provisions stipulated in the Grant Agreement. In addition, the World Bank’s Guidelines on Preventing and Combating Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants dated October 15, 2006 and revised January 2011 will be shared with the recipient. The World Bank’s Standard Bidding Documents, Requests for Proposals, and Forms of Consultant Contract will be used. Procurement of goods will follow National Competitive Bidding (NCB) procedures and shall be procured using the agreed Standard Bidding Documents (SBDs) for Yemen. In the event of a conflict between IDA Procurement/Consultant Guidelines, as per Article 4 (2) and the Procurement Law of July 2007 and its by-law 1999 of the GoY, the IDA Procurement/Consultant Guidelines shall prevail. For each contract financed by RETF, the different procurement or consultant selection methods, estimated cost, time frames, and prior review requirements, will be as included in the agreed procurement plan. The Procurement Plan will be updated at least annually or as required to reflect the actual implementation needs.

20. Procurement of goods and non-consulting services will be done using Bank’s SBD for Goods for all contracts following International Competitive Bidding (ICB) procedures. National SBDs agreed with IDA, or satisfactory to IDA, will be used for the procurement of goods following National Competitive Bidding (NCB) procedures. Shopping shall be in accordance with paragraph 3.5 of the Bank’s Guidelines. Any contract estimated costing more than US$500,000 shall be procured following ICB procedures. Any contract estimated to cost more than US$50,000 equivalent and less than US$500,000 shall be procured following NCB procedures. Any contract estimated to cost less than US$50,000 equivalent shall be procured following shopping procedures. Goods that meet the requirements of paragraph 3.7 of the World Bank Procurement Guidelines may be procured following direct contracting procedures with prior agreement with IDA. These goods, spare parts for example, are as indicated in paragraph 3.6 of the World Bank Procurement Guidelines in “cases that no advantage could be obtained by further competition and that the prices on the extended contract are reasonable”. NCB method shall use the procedures set forth in Law No 23 of 2007, concerning Government Tenders, Auctions and Stores, and related Regulations, and shall be subject to application of the laid down additional procedures;

(a) a Recipient-owned enterprise in the Republic of Yemen shall be eligible to bid only if it can establish that it is legally and financially autonomous, operates under commercial law, and is not a dependent agency of the Recipient;

(b) bidding (or pre-qualification, if required) shall not be restricted to any particular class of contractors or suppliers, and non-registered contractors and suppliers shall also be eligible to participate;

(c) the modified national standard bidding documents approved by the Association shall be used;

(d) registration shall not be used to assess bidders’ qualifications; qualification criteria (in case pre-qualification was not carried out) and the method of evaluating the qualification of each
bidder shall be stated in the bidding documents, and before contract award the bidder having submitted the lowest evaluated responsive bid shall be subject to post-qualification;

(e) a foreign bidder shall not be required to register or to appoint an agent as a condition for submitting its bid and, if determined to be the lowest evaluated responsive bidder, shall be given reasonable opportunity to register, without let or hindrance; the registration process shall not be applicable to sub-contractors;

(f) no bidder shall be requested or permitted to modify its bid after the bid closing date shall have elapsed and bids submitted after the deadline for submission of bids shall be returned to the bidder unopened;

(g) post-bidding negotiations with the lowest or any other bidder shall not be permitted;

(h) under exceptional circumstances, the procuring entity may, before the expiration of bid validity, request all bidders in writing to extend the validity of their bids, in which case bidders shall not be requested nor permitted to amend the price or any other condition of their bids; a bidder shall have the right to refuse to grant such an extension without forfeiting its bid security, but any bidder granting such extension shall be required to provide a corresponding extension of its bid security;

(i) price adjustment provisions may be included in contracts for works with a duration of more than eighteen (18) months;

(j) rejection of all bids is justified when there is lack of effective competition, or bids are not substantially responsive, however, lack of competition shall not be determined solely on the basis of the number of bidders; and

(k) each contract financed from the proceeds of the Grant shall provide that the contractor or supplier shall permit the World Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have such accounts and records audited by auditors appointed by the World Bank.

21. Consultant firms and individuals will be selected in accordance with IDA Guidelines for selection and Employment of Consultants (dated January 2011). For firms, all contracts above US$300,000 would be procured using Quality and Cost Based Selection method (QCBS). Least Cost-Based Selection (LCS) and selection based on consultant qualification procedures would be used for small contracts of standard or routine nature estimated to cost less than US$300,000 or equivalent. Shortlist of consulting firms for services estimated to cost less than US$300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. All consulting services contracts above US$300,000 would be subject to IDA’s prior review. All individual consulting assignments would be selected on the basis of comparison of CVs in accordance with Section V of the Guidelines for Selection of Consultants.

22. The procurement and selection procedures and contract template will be detailed in the Project Operations Manual.
23. The procurement consultant hired by the World Bank during the Bank-execution phase of the project (Component 1) will develop and establish the procurement sections of the Operations Manual and the preliminary procurement plan, and provide support and training to the incoming procurement staff.

**Environmental and Social (including safeguards)**

24. The nature of the activities undertaken by this project are technical assistance, primarily through the provision of consultants, to government and other agencies. Under no circumstances would the project be supporting any implementation activities of public investment projects by the EB since this is in any case not the mandate of the EB, therefore there are no social or environmental safeguards implications for the project and the project has been classified as Category C. The Regional Safeguards Advisor has concurred with this assessment and has delegated safeguards responsibility to the Yemen Country Manager.

**Monitoring & Evaluation**

25. A monitoring and evaluation system will be developed to report on results defined in the project results framework (see Annex 1) with processes and responsibilities for monitoring and information collection and evaluation defined in the Operations Manual. The M&E and Communications Unit will be primarily responsible for the implementation of the M&E system and for preparing quarterly reports on project progress for submission to the World Bank.

26. The more complex aspect of M&E in this project is the reporting on the progress of the implementation of the MAF and of the implementation of the allocations and disbursements against the public investment program (PIP). The development and implementation of the monitoring and reporting systems for the MAF in particular are one of the key results of the project. The monitoring and reporting on the PIP is expected to be produced by the Development Assistance Database (DAD) system, currently held in UNDP, which is planned to be deployed in MOPIC with technical assistance from the UNDP ECDF. The EB could potentially play a role in the deployment and implementation of the DAD if necessary, however the UNDP ECDF currently plans for the deployment of the DAD directly within MOPIC.

27. The monitoring of the MAF implementation and PIP allocations will be used by the EB to inform and update the EB work program. Opportunities and bottlenecks will be identified and EB resources and capacity then deployed to further those reforms and produce progress on aid allocations deemed to be in need of support.
Annex 4: Simplified Operational Risk Assessment Framework (ORAF) for small RETFs

<table>
<thead>
<tr>
<th>1. Project Stakeholder Risks</th>
<th>Rating</th>
<th>High</th>
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<tbody>
<tr>
<td><strong>Description:</strong> Key stakeholders commitment to YMAF waning due to lengthy deliberations and preparations. Members of the donor community have expressed concerns over the ambitiousness of the MAF and sustainability of the EB model and country ownership seems increasingly tenuous. The Bank’s prominent role in administering the associated TF puts it at reputational risk.</td>
<td><strong>Risk Management:</strong> Speed up the establishment of the YMAF EB and begin to demonstrate its value to the GoY, donor community and the public. The issuing of the Presidential decree on February 2nd, meetings of the Board of Directors, and the recent meeting between GoY and YMAF donors reaching an MOU on moving forward has sustained some momentum. The Bank requested the appointment of a counterpart from the GoY in the absence of any executive staff of the EB with which to liaise, and the Minister of Planning (as Deputy Chair of the EB Board of Directors) appointed the Head of the Technical Office in MOPIC, which is a positive development and mitigating factor. Sustaining communications between the World Bank, GoY, and key donors can mitigate this risk to some extent, however if there is not significant progress on establishing the EB’s functionality even a strong communications strategy cannot be effective. Communications are currently ongoing through 1) reporting by the Country Manager to regular and ad-hoc donor forums in Yemen, 2) consultations and meetings of the Bank task team during preparation and supervision missions, 3) regular discussions and joint planning between the Bank task team members in Sanaa with the Head of the Technical Office representing the EB Board and other GoY officials.</td>
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<tr>
<td>Resp: Client Due Date: throughout the project Status: Ongoing</td>
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| Description: Factors beyond the control of the Executive Bureau may cause delays in donors proceeding with their pledged funding commitments limiting the scope available for the EB to affect change in supporting acceleration of aid absorption and policy reforms. | **Risk Management:** Little can be done at the project level to mitigate this risk, however the project design has a strong focus on monitoring and reporting on both the donor aid, which can help raise the visibility of the implementation of donor pledges. |
| Resp: Client Due Date: throughout the project Status: Ongoing | |

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<tr>
<th>2. Implementing Agency Risks (including fiduciary)</th>
<th>Rating</th>
<th>High</th>
</tr>
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<tbody>
<tr>
<td><strong>Description:</strong> There is a risk that the client will not complete the necessary conditions of effectiveness to take on project implementation due to inability to attract competent staff, low ownership, or capacity.</td>
<td><strong>Risk Management:</strong> The Bank will execute on behalf of the recipient to help put in place the systems and capacity needed to startup the EB’s activities. However, the Board of Directors of the EB will need to oversee and ensure that core staff hiring, and in particular a Managing Director or a GoY hired Interim Administrator, is completed in a timely manner. Offering competitive compensation to attract the best caliber of staff and maximizing existing capacities within MoPIC and other relevant institutions will help mitigate this risk, however the risk remains that the recruitment could drag out and the Client will need to commit to a due date for the hiring of the core staff, within 6 months of the beginning of Bank-</td>
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</table>
**Governance**

**Description:** Potential risk of competing interests within the multi-agency Board of Directors and dwindling consensus on reforms and prioritization of aid pledge allocations and projects.

**Risk Management:** Transparency on the Board’s activities and decisions can help mitigate this risk. Reporting on of the MAF and PIP allocations will help to give transparency on progress of reforms.

<table>
<thead>
<tr>
<th>Resp:</th>
<th>Client</th>
<th>Due Date: December 2013</th>
<th>Status: Not yet due</th>
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</thead>
</table>

**3. Project Risks**

### Design

**Description:** There is a risk that pressing ahead with too many reform demands in a fragile context and on a weak transition government can be counterproductive.

**Risk Management:** This risk is a function of the MAF itself, which indeed includes an extensive number of reforms to be completed in a short period of time, half of which has already passed. Selecting just a small number of MAF commitments on which to focus will relieve this overall risk to YMAF project design and implementation.

<table>
<thead>
<tr>
<th>Resp:</th>
<th>Client and Bank</th>
<th>Due Date: July 2013</th>
<th>Status: Not yet due</th>
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</table>

### Implementation

**Description:** The success of the EB is dependent to a large degree on its ability to deploy technical assistance to resolve aid absorption or reform bottlenecks. There is a risk that the EB may have difficulty in identifying and attracting qualified consultants able to provide the necessary TA and willing to come to Yemen.

**Risk Management:** The Bank team will provide the client with support on the identification and hiring of international consultants throughout implementation support. This may entail help in searching for qualified consultants and advertising procurements as being for a World Bank supported project, and providing a level of support and security by making an armored vehicle available to international consultants hired by the EB.

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<tr>
<th>Resp:</th>
<th>World Bank</th>
<th>Due Date: Throughout implementation</th>
<th>Status: Not yet due</th>
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### Social & Environmental

**Description:** No social or environmental safeguards are triggered.

**Risk Management:**

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<th>Resp:</th>
<th>Due Date:</th>
<th>Status:</th>
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### Delivery Monitoring and Sustainability

**Description:** The EB may face a challenge in sustaining activities beyond the duration of the project.

**Risk Management:** The sustainability of the EB itself as an institution beyond the transition period is an open question that will need to be determined by the GoY in place after the transition period. A mid-term review of the project will assess options for short-term measures to sustain activities.
### Risk Management:
The sustainability of the systems and functions which are developed through the EB’s activities will be reinforced by ensuring that MOPIC in particular is a partner with the EB in the development of the system and criteria for the public expenditure allocation criteria, in the approach for monitoring and reporting on MAF commitments (since this reporting structure may be expected to be part of a broader donor coordination mechanism). This will be verified in the proposals put forward for both of these activities.

### Other

**Description:** Possibility of an outbreak of political unrest and insecurity could derail project implementation, which could make it difficult for implementation of reforms. It could also undermine the benefits of the project to public policies and programs.

**Risk Management:** There is little that can be done to mitigate for this risk, however it has been mitigated somewhat in the project design as a small, short duration project that allows for maximum flexibility and adjustment of its course as necessary. Given the nature of the project, some activities could proceed even in the event of some unrest, however if the situation deteriorates to the extent that the viability of the MAF and potential benefits of reforms and projects being supported is in question, the Bank team will need to revisit the utility of the project with the client, so a review will be triggered in the event of such developments.

### 4. Overall Risk Rating

**Comments:** The overall risk rating of this project is High, due in particular to the combination of stakeholder and capacity risks combined with the continued volatility in the political and security environment.
Introduction:

At the Yemen Donor Conference, 4th September 2012 in Riyadh, the Government of Yemen and its Development Partners, reaffirmed their partnership through Yemen’s transition and agreed on a Mutual Accountability Framework (MAF). The MAF draws on the Gulf Cooperation Council (GCC) brokered political initiative and its implementation mechanism, signed on 23rd November 2011 in addition to the UN Security Council Resolution 2014 and most notably the Transitional Program for Stabilization and Development (TPSD) 2012-2014, the Resources Summary Matrix of the TPSD and the Joint Social and Economic Assessment. The Ministerial Meeting of the Friends of Yemen Group in Riyadh, on 23 May 2012, has also reaffirmed the commitment of the international community to support Yemen’s economic transition. The MAF presents a realistic approach to key economic policy reforms that complement political and security related reforms under the ongoing GCC political initiative and its implementation mechanism. The framework builds on government ownership and guides flexible, effective and relevant engagement of all partners during the transition. The MAF contributes towards the overarching goals set out by the Government of Yemen to restore political, security and economic stability and enhance state building.

Section One: International Good Practice Principles Guiding the MAF

- Capacity building is an integrated approach in the delivery of the MAF.
- National ownership should be respected and promoted by all stakeholders.
- International cooperation should be aligned with national priorities.
- Aid should be predictable, transparent and go to key priorities of the government.
- Monitoring of implementation including benchmarks should be established to enhance accountability and sustainability and the monitoring should include citizens’ representatives.
- Good governance has a direct bearing on development performance across the transition agenda and must display tangible improvements to the citizens in the transition period.
- Business as usual should be discontinued to create a successful transition.

Section Two: Framework Pillars

The framework pillars of the MAF (below) are proposed on the basis of namely the TPSD (2012-2014) and its Resources Summary Matrix. The MAF proposes key actions of mutual accountability to be carried out by the Government and the donors during the transition period. Other actions listed in the Resource Summary Matrix will also be

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4 Overarching goal of the TPSD.
implemented, but the MAF boils down the many actions of the Resource Matrix to those that the Government and donors proposed are the most realistic to be able to measure given the limited time span of the transition period.

Finalizing the Peaceful Transfer of Power and Restoring Political Stability, and Achieving Security Stability and Enhancing the Rule of Law is of highest priority for the Government of Yemen, but the actions are not included in the MAF matrix, as the priorities are implemented and monitored within the GCC Political Initiative and its Implementation Mechanism.

**Pillar I. Work towards Coherence between the Priorities of the Budget, the Public Investment Plan (PIP) and the TPSD.**
(Draws on Short Term Priorities, Policy Action 4: Achieve Macroeconomic Stability of the Resources Summary Matrix).

The Government confirms to:
- Ensure coherence between the TPSD, the PIP and the budget in order to implement key short-term priorities and accelerate key medium term priorities.
- Continue the implementation of stable macro-economic policies and keep engaged in a conducive dialogue with the IMF, beyond the completion of the ongoing program under the Rapid Credit Facility.

The Development Partners confirm to:
- Commit to allocate financial pledges in accordance with priorities of TPSD and the PIP by the end of 2012 at the latest, reflecting the urgency of the transition.
- Provide indicative disbursement plans before the end of Yemen’s fiscal year 2012.
- Re-align un-committed pledges including those from 2006 to the extent possible to priorities identified in the Transition Program and PIP.

**Pillar II. Create Employment Opportunities particularly for Youth and Women.**
(Draws on Medium Term Priorities 1: Revive Economic Growth; 2: Improve Infrastructure; and 4: Develop human Resources and Enhance the Role of Youth and Women).

The Government confirms to:
- Promote labour intensive public works where possible to maximise employment.
- Adopt more conducive policies for micro, small and medium enterprise development and expand micro and SMEs programs.
- Establish a conducive environment for attracting Foreign Direct Investment from the GCC and other countries.

The Development Partners confirm to:
- Direct existing and new programs in ways that strengthen employment opportunities targeting youth and women.
- Provide financial and technical assistance to promote micro, small and medium enterprise employment, particularly targeting youth and women.
• Support the government to create a conducive environment for the private sector to participate in these efforts.

Pillar III. Good Governance, Rule of Law and Human Rights.
(Draws on Medium Term Priority 6: Support for Good Governance and State Building)

The Government confirms to:
• Take the necessary steps to allow investigation, prosecution and trial of high officials charged with corruption.
• Initiate administrative action against civil servants against whom competent courts have issued conviction orders.
• Ensure autonomy of the Anti-Corruption Commission and establish an anti-corruption court.
• Observe budget transparency – including revenues from oil and gas and other natural resources.
• Initiate practical steps towards realizing the autonomy of the Central Organization for Control and Auditing (COCA).
• Observe independent and transparent merit-based recruitment through vetting process of senior civil service appointments,
• Implement the program to remove ghost workers and double dippers in the civil service system including the military and security.
• Release those that have been detained without charges.

The Development Partners confirm to:
• Provide financial and technical assistance to support public accountability and anti-corruption and human rights.

Pillar IV. Increase effectiveness of key service sectors, and partnering with the private sector in PPP.
(Draws on Medium Term Priority 5: Enhance the Role of the Private Sector and Improve the Business Climate).

The Government confirms to:
• Finalize and submit to parliament PPP and special economic zones legislation.
• Initiate pilot PPP transactions in infrastructure sectors.
• Implement power sector reforms for scaling up investment and efficient service delivery.

The Development Partners confirm to:
• Provide Technical Assistance (TA) in the finalization of the PPP legislation, and the special economic zones legislation.
• Provide TA and financing for launching pilot PPP projects.
• Provide financing and TA for power sector reforms.
Pillar V. Meet Emergency Humanitarian and Material Needs and Deliver Basic Services to Citizens

(Draws on Short term Priority 3: Meet urgent Humanitarian and Material Needs and Medium Term Priority 3: Expand Social Protection and Safety).

The Government confirms to:

- Expand food for education programs.
- Establish consolidated programs to address malnutrition.
- Improve the effectiveness and targeting mechanisms of the Social Welfare Fund.
- Implement re-construction of affected regions.

The Development Partners confirm to:

- Provide direct budget financing for the Social Welfare Fund.
- Provide financing for re-construction and service rehabilitation.
- Provide technical Assistance and financing in the fields of malnutrition and conditional cash transfers under food for education schemes.
- Assist the government with communication outreach to citizens nationwide.
- Finance to the extent possible the full cost of projects.

Pillar VI. Civil Society Empowerment and Partnership.

(Draws on Short term Priority 3: Meet urgent Humanitarian and Material Needs and Medium Term Priority 3: Expand Social Protection and Safety).

The Government confirms to:

- Establish a partnership framework with civil society organizations.
- Expedite the finalization of civil society organization legislation and bylaws.
- Engage civil society organisations as partners and active players in the transition and the short and medium term development agenda.

The Development Partners confirm to:

- Provide financial and technical assistance to enhance the capacities and empowerment of civil society organizations to become effective development partners.

Section three: Monitoring and Dialogue Structure

The Government of Yemen and the Development Partners agree to establish an institutional mechanism to review and monitor the progress of implementation of the MAF. Monitoring and dialogue will enable decisions to accommodate changing realities in the transition period and optimize resources to meet the priorities of the government. Post the Yemen Donor Conference, the government and partners shall come together and establish within 3 months a technical secretariat, and a light and efficient monitoring and coordination mechanism to review progress of implementation of this document against a set of a manageable number of indicators to be established in a form of a matrix.

A structured dialogue for post-conference coordination and monitoring is envisaged to be co-led by the Government of Yemen and the two co-chairs of the Yemen Donor Conference (i.e., the World Bank and the Kingdom of Saudi Arabia) as follows:
1. High-level policy dialogue on bi-annual basis or as needs arise.
2. Head of Agency – level in-country dialogue every 3 months.

Civil society and private sector representatives will be part of the monitoring and dialogue processes. Manageable modalities should be developed.
ANNEX 6: Presidential Decree
Republican Decree No (..) for 2012
on the Establishment of
“The Executive Bureau for Acceleration of Absorption of Donor Pledges”

The President of the Republic

In reference to:
- The Constitution of the Republic of Yemen; and
- Republican Decree no. 184 for 2011 on the formation of the National Reconciliation Government and its Members; and following;
- the approval of the Council of Ministers:

Decrees the following:

ONE: Establishment, Objectives and Tasks
Article (1): An independent “Executive Bureau (EB) for the Acceleration of Absorption of Donor Pledges” shall be established within the Ministry of Planning and International Cooperation.

Article (2): The EB’s objective shall be to scale up levels of absorption of donor pledges and support the implementation of the government-donor Mutual Accountability Framework (MAF). The EB shall have the following overall objectives:

- Provide a clear vision and a general framework for the acceleration of absorption of donor pledges in line with national priorities and leveraging their effectiveness;
- Support the implementation of the government-donor MAF;
- Contribute to overcoming administrative, bureaucratic, legal and human resource under-capacity in some agencies that are responsible for project approval and implementation.
- Strengthen the monitoring and evaluation process of project implementation and their consistency with technical, timeframe and physical criteria.
- Improve government capacity in maximization of donor technical assistance through the provision of consultancy, expertise and local capacity building;
- Contribute to the establishment of a common and credible data base for external development aid.

Article (3): The EB shall be tasked to undertake the following:
- Assist relevant agencies in the preparation of bankable projects, as needed;
- Support the capacities of MoPIC and government agencies in the implementation of pledged donor funded projects;
- Strengthen capacities in monitoring project implementation and provide relevant solutions and remedies;
- Support the engagement of government agencies and donors in the follow-up of absorption of donor pledges;
- Coordinate with respective government agencies relevant to the implementation of MAF reforms and commitments;
- Develop and strengthen an information system for projects;
- Organize consultative meetings among government, donors and civil society;
- Prepare monthly, quarterly and bi-annual reports and follow-up the implementation of their recommendations;
- Any other task as assigned by the Board of Directors.

TWO: Executive Bureau Organizational Setup

1. Board of Directors

   Article (4): The Executive Bureau shall be supervised by a Board of Directors to be established with the following membership:

   1. Prime Minister Chair
   2. Minister of Planning & International Cooperation Deputy Chair
   3. Minister of Foreign Affairs Member
   4. Minister of Finance Member
   5. Minister of Civil Service Member
   6. Minister of Industry and Trade Member
   7. Minister of Local Administration Member
   8. Minister of Agriculture and Irrigation Member
   9. Chairman of Control and Auditing Organization COCA Member
   10. Chairman of the High Tender Board Member
   11. Chairman of the High Board for Tender Control Member
   12. Secretary General of the Presidency Member
   13. Secretary General of the Council of Ministers Member
   14. A Private Sector Representative Member
   15. A CSOs Representative Member
   16. Managing Director of the Executive Bureau Board Repertoire

   Article (5): The Board shall have the following mandate and tasks:

   - Approval of overall policy directions of the Executive Bureau;
   - Approval of project priorities to be financed from donor pledges in line with the MoPIC Transition Programme for Stabilization and Development;
   - Approval of the EB’s annual work plan and budget;
   - Supervision and evaluation of EB performance;
   - Monitoring of the level of project implementation and obstacles and recommend appropriate remedies;
   - Discussion and approval of EB progress reports;
   - Approval and endorsement of EB’s final accounts.

   Article (6): The Board shall invite to its meetings whoever it deems necessary for technical advice on relevant issues, without having any bearing on the deliberations of the Board.

   Article (7): The Board can form from among its members one or more specific task committees and can mandate its Chair or any of its members to undertake a specific task;
Article (8): The Board shall meet at least once a month upon invitation from the Chair and can convene emergency meetings whenever necessary or whenever requested by at least a third of its members.

2. EB’s Organizational Setup
Article (9): The EB’s organization setup shall have an executive management to be responsible for the implementation of the EB’s work plan in accordance with agreed tasks and timeframe.

Article (10): The Executive Management shall be headed by a Managing Director, who will be selected on competitive and transparent grounds.

Article (11): The EB’s organizational set-up shall also comprise the following units:

1. **Projects’ Unit**, to be tasked with:
   - Putting in place project implementation plans;
   - Provision of assistance in the development of a selection and prioritization criteria for development investment programs and projects in harmony with overall macro development and sector objectives;
   - Provision of assistance in the adoption of a fast track (process and procedure standardization of project preparations and implementation of donor funded projects);
   - Provision of assistance for government agencies in the preparations of bankable investment development projects, to be funded from donor pledges, that include preparations of feasibility studies, designs, PIUs’ establishment and support;
   - Contribution to technical capacity building of MoPIC and agencies relevant to development projects;
   - Provision of assistance in the knowledge transfer of best international practices in project implementation and rules and procedures of negotiations and transparency in foreign resource allocations;
   - Improvement of monitoring and evaluation procedures and in relation to projects under implementation;
   - Preparations of periodic reports on progress of project implementation (physical and financial) and proposition of relevant solutions and remedies.

2. **Monitoring & Evaluation and Communication Unit**, to be tasked with:
   - Data compilation and processing by investment programs and projects;
   - Awareness raising and enhancement of engagement of government agencies and development partners on progress of pledge absorption;
   - Capacity building of government agencies in project monitoring and evaluation;
   - Negotiations’ capacity building for government agencies;
   - Development and strengthening of a project and foreign aid information system;
   - Preparation of regular reports and follow-up of implementation of their recommendations.

3. **Policy Reforms’ Follow-up Unit**, to be tasked with:
• Completion of the preparation of a MAF Timeframe Action Matrix;
• Follow-up and coordination with relevant agencies on the implementation of MAF reforms and commitments;
• Organization of stock-taking consultations between the government and donors;
• Preparation of regular reports on the progress of implementation of reforms;
• Assistance in making available the necessary funding for the implementation of relevant MAF reforms and provision of technical and institutional capacity support for relevant institutions;
• Transfer of international experiences on reforms and good governance.

Article (12): The Executive Bureau shall establish an internal regulations by-law governing its work, meetings, decision-making mechanism and procedures, which shall then be issued in a decree by the Managing Director after an endorsement of the Board of Directors.

Article (13): This Decree is valid from the date of its issuance and shall be published in the Official Gazette.

Issued at the Presidency – Sana’a
Date:

AbdRabo Mansoor HADI
President of the Republic