Statement by Andrei Bugrov  
Date of Meeting: May 25, 1999

Yemen: Country Assistance Strategy

We support the proposed Country Assistance Strategy for the Republic of Yemen and commend the CAS team for preparing a very good document. We would also like to commend OED team for preparing a very useful Country Assistance Review.

In case of Yemen, with its extremely wide spectrum of pressing development needs, selectivity in targeting IDA financial assistance is both a crucially important and a rather difficult principle to exercise. In this regard, the approach based on the one hand on the participatory process of CAS preparation involving a broad range of the stakeholders, and on the other hand on the Country Assistance Review process and incorporation of the OED findings, seems to have been very helpful. As a result, the proposed lending program looks appropriately focused.

We agree with the four basic development objectives of the new CAS which are: creating a modern public administration, attracting diversified productive private investment, preventing an imminent fresh water crisis and improving social services for early and direct poverty alleviation. We also welcome the special attention to the issue of technical and managerial capacity constraints of the Government.

We support the proposition to increase substantially the lending to Yemen up to about US$160 million per annum under the Base Case scenario. Such an increase would be fully justified given the Government’s continued commitment to the reform agenda and so far lower than average level of IDA assistance to this country which is one of the poorest in the world.

Among the specific factors underlying poverty and impeding development in Yemen are the gender gap, khat consumption, powerful tribalism and domestic security problem. I
wonder whether the Staff could elaborate further on how these issues should be effectively addressed taking into account the high sensitivity of most of them, and what direct role, if any, the Bank can play to make the difference.

As far as I know, this is the first CAS document which contains a frank and serious discussion of the problem of "enclave" project implementation units (PIUs). OED also deserves credit for initiating this discussion in the CAR paper which recommended phasing out such PIUs along with other measures to ensure sustainability of IDA investment projects in Yemen. In many respects the PIU problem is similar for many client countries of the World Bank. Therefore, I read with great interest every passage about the status and performance of Project Management Units (local version of PIU) in Yemen and CAS approach to PMU dilemma which I found quite reasonable.

IFC was inactive in Yemen for almost two decades. The recent approval of two IFC projects was regarded as a good fresh start. However, according to para. 48 of the CAS document, IFC sees the opportunity for its new investment operations only under the High Case scenario. It seems to me that IFC should not exclude the possibility of supporting feasible projects in a somewhat less favorable environment. Staff comments in this regard would be appreciated.