

**PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE**

Report No.: AB6130

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| | |
|---|---|
| Project Name | FOURTH PUBLIC WORKS PROJECT |
| Region | Middle East and North Africa Region |
| Country | Republic of Yemen |
| Sector | General education 40%; General water, sanitation and flood protection 30%; Health 10%; General transportation 10%; Other social services 10% |
| Lending Instrument | Specific Investment Loan |
| Project ID | P122594 |
| Borrower(s) | Government of Yemen |
| Implementing Agency | Ministry of Planning and International Cooperation P.O.Box 18316, Al-Mahrookat Street, Sana'a, Republic of Yemen Contact Person: Saeed Abdo Ahmed Tel: +967 1 409 283 Fax: +967 1 409 303 Email: pwp-yem@y.net.ye |
| Environmental Screening Category | []A [X]B []C []FI []TBD (to be determined) |
| Date PID Prepared | November 18, 2010 |
| Estimated Date of Appraisal Completion | January 24, 2011 |
| Estimated Date of Board Approval | April 5, 2011 |
| Concept Review Decision | December 20, 2010 |
| Other Decision <i>{Optional}</i> | |

I. Introduction and Context

1. When the First Public Works Project was appraised in 1995, Yemen was faced with a number of challenges including unification of north and south in 1990, the return of over a million overseas workers from the Gulf States in 1991 and the civil war in 1994. The country was then close to collapse with an unemployment rate of 38 percent and budget deficit of 50 percent and hard currency reserves of not more than US\$30 million. In response to these challenges, the Government of Yemen (GOY) embarked on a major reform program designed to stabilize the economy and stimulate growth. The reform program was making steady progress when in 2003 the first war in Sa'ada started. The costs of the Sa'ada six successive wars- are higher than the country can afford and the situation has been exacerbated in recent years by social and political unrest in the southern governorates (secessionist movements) and the presence of Al-Qaeda elements in some parts of the country. On the external front, Yemen faces the challenge of reduced earnings as a result of depressed oil prices on the world market, a slower growth in the Gulf economies that is affecting remittances, and a rise in sea piracy which has had a negative impact on maritime and off-shore activities and in particular the fishery sector. As a result, most of the country's

economic indicators are a bit concerning. Indeed, the fiscal deficit rose to 8 percent of GDP in FY2009 and foreign exchange reserves reduced to US\$6.2 billion by the end of 2009.

2. The above challenges are affecting the country's capacity to deliver basic infrastructure services especially in rural areas, home to 70% of the country's 23 million people out of which 42% live below the poverty line. Despite years of Bank and other donor involvement in the country, the demand for basic services remains high mainly due the living habits of the population who are widely dispersed and scattered over 100,000 villages all across the country. Within this context, it is unlikely that the Government would be able to meet this demand through its own resources, at least in the medium term. The proposed project (PWP-IV)¹ is therefore intended to scale up the development objective of the ongoing Third Public Works Project and continue to complement the government's and other donors' efforts in improving access to basic services.

B. Sectoral and Institutional:

1. The project is designed to deliver labor-intensive, small-scale, demand-driven basic services through investments in: schools, health units, water supply, sanitation, roads, agriculture/water harvesting and vocational training. The series of Public Works Projects (PWPs) was created as part of the Yemen's social safety net program to mitigate the impacts of the adjustment program on the country's most vulnerable population. To date, IDA has supported Yemen's social safety net program through a series of interventions including the PWPs under which two phases have been completed with positive results. The first PWP in the amount of US\$25.0 million, closed on June 30, 2000; and the Second PWP for US\$50.0 million, closed on June 30, 2003. The Third PWP in the amount of US\$74.84 million including US\$29.84 million in Additional Financing is still ongoing and will close on June 30, 2011.
2. As a result of the successful implementation of the PWPs, IDA's resources have catalyzed the mobilizing of substantial donor support. When the Second PWP was being processed, a co-financing target of US\$40-50 million from other donors was established and GOY was able to mobilize US\$55.00 million. While no such target was set for the Third PWP, total donors' resources mobilized have exceeded US\$300.00 million. Generally, PWPs donors include the Arab Fund for Development, US Commodity Grants, European Union, AFD, IFAD, OPEC Fund, Italian Fund, Saudi Fund for Development, Dutch Grants and Oman.

C. Relation to Country Assistance Strategy.

1. Yemen's Country Assistance Strategy (CAS) for the period FY 2010-2013² has four goals: (i) accelerate economic growth through private sector-led diversification; (ii) enhance governance; (iii) improve living conditions and social indicators and; (iv) manage natural resources scarcity and natural risks. The proposed project will support the third and fourth goals of the CAS; strengthen delivery of education and health services and employment

¹ Around 80% of the project allocations would go to the rural and remote areas and 20% to urban poor areas.

² IDA/R2009-0101; IFC/R2009-0098.

generation, and; better management of water resources and improved rural access to water supply and sanitation services. The proposed project would also support the Government's Third Socio-Economic Development Plan for Poverty Reduction (DPPR) for the period 2006-2010³ in relation to goals number (iv) water, environment, and basic infrastructure and, (iii) social safety net, social protection and social security.

I. Proposed Development Objective(s)

- A. ***Project Development Objectives.*** The project's development objective (PDO) is to assist GOY in (i) providing needed infrastructure to improve access to basic services and environmental conditions, and (ii) creating short term employment.
- B. ***Key Performance Indicators.*** A socio-economic benefit impact assessment conducted in 2003 under PWP-2 established a baseline and indicators to measure impact. Since PWP is only a facilitator of services, the indicators being used to measure the project outcome are the number of people in the targeted areas provided with improved access but the actual operation of such services is the responsibility of the concerned line ministries and targeted communities who are committed to operate and maintain these services. Sector specific indicators such as waterborne diseases, infant mortality or students' dropout rates are not included in the Results Framework and Monitoring table because these indicators are too specific and therefore they have always been left to the sectoral ministries to take care of. With some minor changes introduced, the project would use the same indicators as established under the previous phases to measure performance and progress towards achieving the principal project outcomes, and these are: (a) number of beneficiaries with improved access to primary healthcare units; (b) number of students enrolled per year with improved access to primary schools; (c) number of beneficiaries with improved access to water supply; (d) number of beneficiaries with improved access to sewage services; (e) number of beneficiaries benefiting from water harvesting systems; (f) number of beneficiaries in villages/town/informal settlements with improved streets and road access; and (g) number of beneficiaries enrolled annually with improved access to vocational training due to provision of training centres. Below is the proposed Results Framework and Monitoring Indicators by component:

³ These goals will continue to be valid in the new DPPR 2011-2014 now under preparation.

| Results Framework and Monitoring | | | | | |
|--|---|--|-------------|-------------|--------------------------|
| Project Development Objective Level Results Indicators | Baseline at Preparatio n Stage of PWP-IV | Target Values (Incremental to the baseline) | | | |
| | | YR1 2012 | YR2 2013 | YR3 2014 | YR4 2015 |
| Health : Improved access to primary health care services (no. of beneficiaries) | 805,224 | 66,400 | 115,500 | 207,900 | 330,000 |
| Education: Improved enrollment capacity (student per year) | 258,054 | 26,400 | 46,200 | 83,160 | 132,000 |
| Water Supply: Improved access to water (no. of beneficiaries) | 249,700 | 30,000 | 50,000 | 90,000 | 132,000 |
| Sewage: Improved access to sewage network (no. of beneficiaries) | 730,654 | 58,000 | 101,500 | 183,000 | 290,000 |
| Water Harvesting : Improved access to water reclamation (no. of beneficiaries) | 325,320 | 27,000 | 47,250 | 85,000 | 135,000 |
| Roads: Improved streets and access roads to villages/towns/informal settlements (no. of beneficiaries) | 1,141,000 | 29,000 | 51,000 | 93,000 | 147,000 |
| Training: Improved access to vocational training (trainees enrolled per year) | 4870 | 750 | 1312 | 2360 | 3750 |
| Employment: Short term employment generated (No. of person-months) | 256,237 | 40,000 | 70,000 | 126,000 | 200,000 |
| Intermediate Results by Components | | | | | |
| Component 1: Community Infrastructure | | | | | |
| Health: No of units replaced, extended, or rehabilitated | 146 | 6 | 12 | 21 | 33 |
| Education: No. of new classrooms built | 6834 | 300 | 540 | 960 | 1524(=254 ⁴) |
| Water supply: No. new of schemes built | 225 | 8 | 14 | 25 | 40 |
| Sanitation: No. of new schemes built | 62 | 4 | 7 | 13 | 20 |
| Water Reclamation: No. of new water harvesting schemes built | 246 | 24 | 42 | 77 | 122 |
| Access roads: New roads & streets constructed ⁵ | 146 | 4 | 7 | 13 | 20 |
| Training: No. of new training facilities built or rehabilitated | 16 | 3 | 6 | 9 | 15 |
| Component 2: Technical Assistance and Consulting Services | | | | | |
| No. of consultancy firms developed | 46 | 5 | 13 | 23 | 30 |
| Component 3: Project Management: | | | | | |
| Number of sub-projects implemented | 1912 | 86 | 238 | 366 | 504 |

II. Preliminary Description

1. **Description.** The proposed project is a follow on to the first two phases of PWPs and the ongoing Third PWP. It aims to scale-up the impact of previous PWPs by increasing the number of people with access to improved basic services by increasing the number of sub-projects to be delivered. The need for basic infrastructure services remains high, as evidenced by the close to 17,000 requests from communities pending financing and execution. PWPs have worked very well over the last 14 years mainly due to the following: (i) responsiveness of the project design to the needs of the people, labor market, the country's geographical conditions and the living habits of the people; (ii) existence of a well established and experienced PMU; and (iii) continuous monitoring and evaluation of realistic and achievable project performance indicators. Based on the current market prices, the

⁴ Number of schools to be built.

⁵ All works will be carried out on the right-of-way i.e. no land acquisition is expected under these sub-projects.

average cost of a sub-project would approximately be US\$130,000⁶ with an implementation period ranging between 6-12 months. Within this average cost, which includes 8% price contingencies, the proposed project is expected to deliver 504 sub-projects. Sub-project selection and distribution of project allocations between the country's 21 governorates would follow the same procedures used under the ongoing Third PWP with some modifications to take care mainly of evolving issues related to safeguards. Sub-projects will be screened against the following nine screening criteria: (i) not less than 5% community contribution; (ii) minimum labor content of 30%; (iii) investment cost per person-month is within benchmark for each sector; (iv) contribute to poverty alleviation; (v) investment cost per beneficiary is within benchmark for each sector; (vi) improvement in environment; (vii) include plans for sustainability; (viii) there is no involuntary resettlement/land acquisition⁷; and (ix) any sub-projects proposal that would involve trans-boundary aquifers or other international waterways in accordance with OP/BP 7.50. Baseline surveys for all sub-projects regardless of size and type are conducted before a sub-project is selected to ensure that it is feasible in term of economic of scale and operational considerations. Additionally, distribution of project allocations of US\$67.15 million under Component 1 would be as follows: (a) 50% population size; (b) 30% poverty index; (c) 20% remoteness⁸ and deprivation. The design of the project will be kept flexible, responsive and conducive to the existing conditions on the ground and will finance the following three components:

- Community Infrastructure (US\$67.15 million): This component would provide infrastructure services and goods in sectors such as health, education, water supply and sewage networks, water harvesting schemes; roads; and training centers.
- Technical Assistance/Consultancy Services (US\$4.46 million): This component would finance preparation of sub-project design and supervision including: (i) preparation of engineering design, bidding documents and construction supervision; (ii) auditing and benefit assessment surveys; (iii) training and workshops and; (iv) environmental assessments, monitoring and other necessary technical advisory services.
- Project Management (US\$3.39 million): This component would finance incremental operational costs of the PMU including training of staff.

2. Safeguard Policies that might apply

The Project is classified Environmental Category "B" in accordance with World Bank Operational Policy 4.01, "Environmental Assessment," as the list of eligible sub-projects are expected to have generally positive health and environmental impacts. Additionally, due to the small-scale nature of the investments (costing on average about US\$130,000), no significant or irreversible impacts are anticipated. However, based on the Borrower's experience in the first three projects, and the preliminary review of eligible sub-projects in

⁶ The average cost per sub-project over the last 14 years has increased from US\$65,000 under PWP-1 to US\$110,000 under PWP-III.

⁷ Land acquisition not involving involuntary resettlement, if any, will be handled in accordance with the procedures as detailed in the Manual of Procedures.

⁸ Remoteness and Poverty Indexes are usually taken from reports and studies produced by the Government and UN Agencies which are updated every 5 years.

the pipeline, negative impacts, if any, would be minor and could be mitigated effectively by implementing the mitigation measures as recommended in the EMP. The MOP includes provisions for screening sub-projects and rejecting any that would have a negative impact on the environment (or that would not result in a positive impact to improve the environment).

| Safeguard Policies Triggered by the Project | Yes | No |
|---|-----|----|
| Environmental Assessment (OP/BP 4.01) | X | |
| Natural Habitats (OP/BP 4.04) | | X |
| Pest Management (OP 4.09) | | X |
| Physical Cultural Resources (OP/BP 4.11) | | X |
| Involuntary Resettlement (OP/BP 4.12) | | X |
| Indigenous Peoples (OP/BP 4.10) | | X |
| Forests (OP/BP 4.36) | | X |
| Safety of Dams (OP/BP 4.37) | | X |
| Projects in Disputed Areas (OP/BP 7.60)* | | X |
| Projects on International Waterways (OP/BP 7.50) | | X |

III. Financing (US\$ Million)

Source:

Recipient: US\$06.50

IDA: US\$65.00

Local Communities: US\$03.50

Total Project Cost: US\$75.00

IV. Contact point

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* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

V. For more information contact:

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