

Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No: 29043-YR

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED IDA CREDIT

IN THE AMOUNT OF SDR44.3 MILLION
(US\$65 MILLION EQUIVALENT)

TO THE

REPUBLIC OF YEMEN

FOR A

BASIC EDUCATION DEVELOPMENT PROJECT

August 24, 2004

Human Development Sector
Middle East and North Africa Region

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

CURRENCY EQUIVALENTS
(Exchange Rate Effective June 30, 2004)

Currency Unit = Yemeni Rial (YR)
US\$1 = YR184
US\$1.469 = SDR1

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADRA	Adventist Development and Relief Agency	IDA	International Development Agency
APL	Adaptable Program Loan	IMSC	Inter-ministerial Steering Committee
BEDP	Basic Education Development Project	IT	Information Technology
BEDS	Basic Education Development Strategy	MDB	Multi-Donors Bank
BEEP	Basic Education Expansion Project	MDGs	Millennium Development Goals
CARE	Cooperative for American Relief Everywhere	MDTF	Multi-donor Trust Fund
CAU	Credit Administration Unit	MENA	Middle East and North Africa Region
CPU	Community Participation Unit	MIS	Management Information System
CSMP	Civil Service Modernization Project	MoE	Ministry of Education
DFID	Department for International Development	MoF	Ministry of Finance
EFA	Education for All	MoPIC	Ministry of Planning and International Cooperation
EMP	Environmental Management Plan	NPM	National Procurement Manual
ESIP	Education Sector Investment Project	PAU	Project Administration Unit
FMR	Financial Management Report	PHRD	Policy for Human Resource Development
FTI	Fast-Track Initiative	POM	Project Operational Manual
GEO	Governorate Education Office	PRSP	Poverty Reduction Strategy Paper
GDP	Gross Domestic Product	SA	Special Account
GDDP	General Directorate Department for Projects	SBD	Standard Bidding Document
GNP	Gross National Product	SFD	Social Fund for Development
GoY	Government of Yemen	SWAP	Sector-wide Approach Project
GTZ	Gesellschaft Für Technische Zusammenarbeit	TA	Technical Assistance
IBRD	International Bank for Reconstruction and Development	TF	Task Force
		TT	Technical Teams
		UNICEF	United Nations Children's Fund
		UPC	Universal Primary Completion

Vice President:	Christiaan Poortman
Country Manager/Director:	Mahmood Ayub
Sector Director:	Michal Rutkowski
Sector Manager:	Regina Bendokat
Task Team Leader:	Ousmane Diagana

FOR OFFICIAL USE ONLY

**REPUBLIC OF YEMEN
Basic Education Development Project**

CONTENTS

	Page
A. STRATEGIC CONTEXT AND RATIONALE	1
1. Country and sector issues.....	1
2. Rationale for Bank involvement	2
3. Higher level objectives to which the Project contributes.....	2
B. PROJECT DESCRIPTION	3
1. Lending instrument	3
2. Project objective and Phases.....	3
3. Project development objective and key indicators.....	3
4. Project components.....	4
5. Lessons learned and reflected in the Project design	5
6. Alternatives considered and reasons for rejection	6
C. IMPLEMENTATION	7
1. Partnership arrangements.....	7
2. Institutional and implementation arrangements.....	7
3. Monitoring and evaluation of outcomes/results.....	8
4. Sustainability.....	9
5. Critical Risks and Possible Controversial Aspects	10
6. Loan/credit conditions and covenants.....	11
D. APPRAISAL SUMMARY	11
1. Economic and financial analyses	11
2. Technical.....	11
3. Fiduciary	12
4. Social.....	12
5. Environment.....	13
6. Safeguard policies	14
7. Policy Exceptions and Readiness.....	14

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not be otherwise disclosed without World Bank authorization.

Annex 1: Country and Sector or Project Background.....	15
Annex 2: Major Related Projects Financed by the Bank and/or other Agencies	17
Annex 3: Results Framework and Monitoring.....	18
Annex 4: Detailed Project Description	21
Annex 5: Project Costs.....	28
Annex 6: Implementation Arrangements.....	29
Annex 7: Financial Management and Disbursement Arrangements.....	32
Annex 8: Procurement.....	38
Annex 9: Economic and Financial Analysis	52
Annex 10: Safeguard Policy Issues.....	56
Annex 11: Project Preparation and Supervision	59
Annex 12: Documents in the Project file.....	60
Annex 13: Statement of Loans and Credits.....	61
Annex 14: Country at a Glance	63

Map No.: IBRD 30347R1

REPUBLIC OF YEMEN
 BASIC EDUCATION DEVELOPMENT PROJECT
 PROJECT APPRAISAL DOCUMENT
 MIDDLE EAST AND NORTH AFRICA
 MNSHD

Date: August 20, 2004	Team Leader: Ousmane Diagana
Country Director: Mahmood A. Ayub	Sectors: Primary education (100%)
Sector Manger/Director: Michal J. Rutkowski	Themes: Education for all (P)
Project ID: P076185	Environmental screening category: Partial Assessment
Lending Instrument: Sector Investment and Maintenance Loan	Safeguard screening category:

Project Financing Data

Loan Credit Grant Guarantee Other:

For Loans/Credits/Others:

Total Bank financing (US\$m.): 65.00

Proposed terms:

Financing Plan (US\$m)

Source	Local	Foreign	Total
BORROWER/RECIPIENT	7.34	0.80	8.14
INTERNATIONAL DEVELOPMENT ASSOCIATION	36.00	29.00	65.00
UK: BRITISH DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)	14.00	11.00	25.00
NETHERLANDS: MIN. OF FOREIGN AFFAIRS / MIN. OF DEV. COOP.	13.00	10.00	23.00
Total:	70.34	50.80	121.14

Borrower:

Ministry of Education
 Sana'a, Republic of Yemen
 Tel: 967 1 274 548 Fax: 967 1 274487

Responsible Agency:

Program Administration Unit
 Sana'a, Republic of Yemen
 Tel: 967 1 470272 Fax: 967 1 403 572
 sttp@y.net.ye

Estimated disbursements (Bank FY/US\$m)							
FY	2005	2006	2007	2008	2009	2010	
Annual	0.30	7.00	15.50	19.00	17.50	5.70	
Cumulative	0.30	7.30	22.80	41.80	59.30	65.00	
Project implementation period: Start December 1, 2004 End: December 31, 2009							
Expected effectiveness date: December 1, 2004							
Expected closing date: June 30, 2010							
Does the project depart from the CAS in content or other significant respects? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>Ref. PAD A.3</i>							
Does the project require any exceptions from Bank policies? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>Ref. PAD D.7</i>							
Have these been approved by Bank management? <input type="checkbox"/> Yes <input type="checkbox"/> No							
Is approval for any policy exception sought from the Board? <input type="checkbox"/> Yes <input type="checkbox"/> No							
Does the project include any critical risks rated "substantial" or "high"? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>Ref. PAD C.5</i>							
Does the project meet the Regional criteria for readiness for implementation? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>Ref. PAD D.7</i>							
Project development objective <i>Ref. PAD B.2, Technical Annex 3</i> The project objective is to assist Yemen in expanding the provision of quality basic education (grade 1-9) to all with special attention on gender equity by: (i) increasing access particularly for girls and disadvantaged groups; (ii) improving quality of learning inputs; and (iii) enhancing management and efficiency.							
Project description [one-sentence summary of each component] <i>Ref. PAD B.3.a, Technical Annex 4</i> Component 1: Expanding Access. This component focuses on the increase of enrollment and retention of students in impoverished districts in all governorates, special attention will be paid to girls and children with special needs. Component 2: Improving the quality of education. This component finance the identification and provision of additional resources to deliver quality-focused interventions mainly to: improving curriculum, enhancing provision of educational materials, supporting school management and supervision, and enhancing teachers and headmasters/headmistress training. Component 3: Building and Strengthening the Capacity of MOE. This component aims at enhancing the efficiency of the education sector at: (i) the central level for policy, strategic planning and monitoring and evaluation; and (ii) the governorates and districts level for the implementation of education programs, management, account for resources planning and budgeting processes.							
Which safeguard policies are triggered, if any? <i>Ref. PAD D.6, Technical Annex 10</i> Environmental Assessment							
Significant, non-standard conditions, if any, for: <i>Ref. PAD C.7</i>							

Board presentation:

- Establishment of the General Directorate for Community Participation.
- Adoption of a Sector Policy Letter.

Loan/credit effectiveness:

- Upgrading of the Project Financial Management System.

Covenants applicable to project implementation:

- Before November 15 of each year (and beginning by November 15, 2005) send the Project Financial monitoring report and procurement plan.
- Before December 31 of each year, send the monitoring and evaluation report covering progress in achieving agreed indicators and in implementing project activities.

A. STRATEGIC CONTEXT AND RATIONALE

1. Country and sector issues

Yemen is one of the poorest countries in the world. The estimated gross national product (GNP) per capita for 2002 was US\$460. In 1998 about 42 percent of Yemen's 18.7 million people lived below the US\$2 per day poverty line and an estimated 5 percent of the population subsisted on less than US\$1 per day. With 76 percent of the population and 83 percent of the poor living in rural areas, poverty is primarily a rural phenomenon in Yemen. The country also faces a rapidly expanding population. Although the total fertility rate has fallen from 7.6 births per woman in 1990 to a current estimation of 5.9 births, the population growth rate is still very high, estimated by the Government at 3.5 percent. Children under the age of 15 represent about 32 percent of the total population.

Basic social indicators have improved since 1990 but remain very poor. Yemen's infant mortality rate of 76 per 1000, the under-five mortality rate of 94 per 1000 and life expectancy of 56 years are worse than the regional average. Yemen has made great strides in improving access to education but it still has a long way to go to achieve the Millennium Development Goals (MDGs) of universal primary completion and gender parity. Enrolment in primary education has increased from 25,000 students in 1970 to more than 4,000,000 in 2003. However, significant inadequacies in access, quality and efficiency exist; enrolment is approximately 65 percent, and the adult literacy rate is only 48 percent. Equity is an especially severe problem, with only 55 percent of primary school-aged girls in schools country-wide and less than 30 percent in rural areas. There are also major disparities across governorates. These factors contribute to Yemen's low ranking – 149 among 162 countries that were rated on the 2003 Human Development Index.

With the improvement of its macroeconomic position, the Government of Yemen (GoY) has implemented policies and social programs to help reduce poverty and promote access to basic social services. In particular, the GoY has made education a high priority. The overall financial allocation to the education sector is elevated at 7.5 percent of GDP (in 2003) and 20 percent of total Government spending (in 2003) but results are not commensurate with this investment. Education was one of the pillars of the First Five-Year Plan (1996-2001). Developing human resources remains the strategic objective of the ongoing Second Five-Year Plan (2001-2005), the recently approved Poverty Reduction Strategy Paper (PRSP), and the Yemen Vision 2025. Education challenges are being addressed specifically in the Basic Education Development Strategy (BEDS), which was prepared with the involvement of all stakeholders. BEDS has been approved officially by the GoY and endorsed by the international community; it is a ten-year program that serves as a schemata toward achieving the MDGs related to education.

As Yemen implements its PRSP and BEDS, pressures on the education system will intensify, both as a result of steady and rapid demographic growth and an increased demand for improved education quality. The GoY is aware that improved sector management and improved utilization of sector resources are crucial to advancing its educational objectives. To meet the goals of the BEDS and its obligation under the MDGs, the GoY also needs to continue ensuring strong participation of communities in the management of primary level education and the provision of education facilities and services. The challenges for the GoY and particularly the MoE are, therefore, to increase access to education for a growing school-age population and to improve the quality of teaching and learning within a constrained financial envelope.

This operation will be jointly financed by IDA and the Governments of the Netherlands and the United Kingdom, and is designed to support the implementation of agreed priority programs identified in BEDS and the human development objectives of the PRSP and MDGs and to lay the foundation for a Sector-wide Approach Project (SWAP).

2. Rationale for Bank involvement

The Bank has a long tradition of support for Yemen's education sector and it has gained considerable sector experience and the trust of the Government. Over the past two decades IDA-funded operations have provided assistance for the development of all education system sub-sectors, including basic and secondary education, tertiary education, vocational education, and distance education. Inputs have included both hardware (construction of classrooms and teacher training institutes, and equipment) and software (capacity building for teacher training, curriculum and instructional material development).

Progress in implementing the ongoing Basic Education Expansion Project (BEEP) is satisfactory. BEEP achievements exceed the targets set at its design phase and this has dramatically contributed to the expansion of the system in terms of increases in enrolment in rural areas, especially for girls. Data available in the Project files show that girls outnumber boys in Grade 1 of most schools built under BEEP. Furthermore, the implementation approach of BEEP has contributed to reducing the unit cost of school construction while improving quality. However, BEEP interventions are limited to four governorates only. Additional system expansion and enhancement requirements far outstrip current sector capacity and resources, thus the need to scale up BEEP. With the annual growth rate of the basic education age cohort at 3.2 percent, an additional 80,000 classrooms will be required to achieve universal basic education by 2015. Providing and sustaining good quality education against this background is a challenge. It is clear (see Annex 9 - Economic and Financial Analysis) that there is, and will remain, a need for external funding. In the short term, this is needed to help meet the intense pressures extended on fragile systems by current unmet demand. In the longer term, the population growth, the shift to Universal Primary Completion (UPC) and the need to improve education quality will require increased budgets.

Bank intervention in the area of quality and inclusion is critical. In addition to classroom construction and rehabilitation, qualified teachers and effective learning materials are required. Yemen is reducing its dependency on external teachers and it has no need for additional urban teachers. However, significant shortages of teachers are found in the rural areas, especially female teachers. This is due to various factors -- recruitment and deployment practices that result in a graduate, male and urban bias. The quality of teacher preparation has also been uneven and generally weak, which has led to the need for significant investment levels for in-service training. The pre-service training curriculum also needs to be upgraded. To meet Education for All (EFA) goals, inclusive education and support to literacy programs are essential. The Bank can share global experience in supporting innovative models in these areas.

The Bank already plays a lead role in the areas of macroeconomic policy environment, public finance management and civil service reform. Bank experience in these areas will allow it to: (i) help ensure that institutional change and capacity building supported by the Project draws on international best practice and on developments within Yemen and (ii) target the knowledge base of international and local experience in implementing programs to expand educational access, particularly for girls and under-served groups.

3. Higher level objectives to which the Project contributes

The Bank's current Country Assistance Strategy for Yemen (2002-2005 Report No. 24372-YEM), discussed by the Board of Directors on August 6, 2002, proposed Bank support to Yemen in four major directions: (i) improving public sector governance; (ii) building human capital, emphasizing girls' education, health and capacity building; (iii) safeguarding the environment with an emphasis on effective water management; and (iv) improving the environment for private sector investment. The current Project directly supports the first two objectives.

The GoY's PRSP identifies better human capital and improved governance through public sector rationalization and efficient use of public resources as particularly important in addressing poverty and inequality. In human capital development, the PRSP emphasizes the need to expand basic education and

to close the gender gap in basic and secondary education. The Basic Education Development Project will directly contribute to this higher-level objective and will develop a better link between basic and secondary education.

B. PROJECT DESCRIPTION

1. Lending instrument

BEDP is a Sector Investment and Maintenance Credit.

2. Project objective and Phases

N/A

3. Project development objective and key indicators

This Project, the Basic Education Development Project (BEDP), forms a major part of a wider program of implementation of the Basic Education Development Strategy (BEDS). To achieve the objectives of BEDS, the Government and donors have committed themselves to working in an increasingly coherent fashion, and BEDP is committed to complementing and working in close collaboration with such efforts. The strategic objective of this operation is thus to support the reform and development of basic education in Yemen for the provision of high-quality, equitable basic education for every 6-14 year old child (Grades 1 to 9). The objective of the BEDP is to assist the government in expanding the provision of quality basic education for all, with particular attention given to gender equity. The Project will pay special attention to: (i) increasing the enrolment and retention of girls and (ii) promoting equity at all levels of the basic education system by ensuring the inclusion of all children in the education system, especially those with special needs. The Department of Inclusive Education, building on the rights-based approach, is expected to contribute greatly to this. Gender mainstreaming will be an integral part of all Project design, implementation, supervision and monitoring. Progress against these objectives will be measured by indicators shown in Table 1, which have been agreed and the data verified by MoE. The results/outcomes indicated in Table 1 are those of the Yemeni program as a whole, i.e., the activities under this Project **and** those undertaken by others will lead to these aggregate results. Outputs will be monitored at the Project level but the nature of this Project (nationwide, promoting complementarity and synergy in support to basic education) means that outcomes of this program can and should not be isolated.

Table 1: Project Objective, Results and Indicators

	Baseline	Year 1		
	2002/03	2005		
Key Indicators		Target	Target MTR	Target End of Project
1. Access				
Objective: Increase enrollment in basic education				
Total GER in basic education (%)	64	68	76	84
Ratio of girls to total student population (%)	38	39	43	47
Gross intake rates (%) – Female/Male	72/96	76/97	90/97	95/97
2. Quality				
Objectives: Improve student’s learning achievement and retention in basic education				
% of qualified teachers (%)	52	53	62	68
Female completion rates in grades 6 and 9 (%)	40/28	43/32	53/45	70/58
Female promotion rate from grade 4 to 5 (%)	91	92	93	95
3. Sector Management and Efficiency				
Objectives: Improve implementation capacity of education policies and efficiency of resource usage				
Percent of the districts that prepare their own education plan at the MoE satisfactory level *	--	tbd	tbd	30
Student-teacher ratio in publicly financed basic education schools	23	24	27	30
Recurrent spending on items other than teacher remuneration as % of total recurrent spending on basic education	29	31	33	35

Source: Education Statistics Report; Government’s Projected Population; and Government’s Budget Data.

Note: A population census will be conducted in 2004 and the school-age population will be revised.

4. Project components

BEDP aims to provide equitable access to quality basic education in Yemen. It will prepare the groundwork for a sub-sector-wide program that can be supported in its entirety by the Government and donors. BEDP has three main components: (i) expanding access; (ii) improving quality; and (iii) building the capacity of the Ministry of Education (MoE). Cutting across all of the activities will be the inclusion of relevant gender mainstreaming activities in order to achieve the gender equity objectives.

Component 1 — Expanding Access. The objective is to increase the enrolment and retention of students. The component will focus on impoverished districts in all governorates where there is low management capacity, where other donors or programs are not active, or where there is a need to enhance the effectiveness of other operations by making complementary inputs available. Special attention will be

paid to access for girls and children with special needs in the initial grades and to ensure that there are the facilities for them to complete primary education. During the first eighteen months, 528 new classrooms will be built, 120 classrooms extended and 765 classrooms will be rehabilitated; all will be equipped and furnished. This Project will commence in 10 governorates (Ibb, Abyan, Taiz, Lahej, Shabwa, Hadramawt, Saadah -- for new building and rehabilitation -- and Al-Mahra, Mareb, Al-Jawf -- for rehabilitation only) and will then expand in a phased manner to cover the entire country by the closing date of this operation. These governorates selected for the first phase are from those not covered by the ongoing BEEP or by the Education For All-Fast Track Initiative Catalytic Fund (EFA-FTI CF). Priorities will be given to under-served districts and populations. It is expected that by the end of this Project, enrolment will have increased by more than 20 percent country-wide.

Component 2 — Improving Quality. The objective of the second component is to improve the quality of education service provision. The emphasis will be on curriculum review and development, enhancing the quality and provision of educational materials, supporting better teacher management, improving pre-service and in-service training and strengthening the education system supervision and support structures. School and classroom-based reforms will be supported to enhance the teaching-learning environment to enable children, particularly girls, to acquire basic competences, better-understand subject matter and at the same time enjoy school.

Component 3 — Supporting institutional change and building the capacity of the MoE. Supporting institutional change and building and strengthening the capacity of the MoE is the objective of this component. Institutional change and capacity will be improved at: (i) the central level in policy development, strategic planning, monitoring and evaluation, implementation in curriculum review and teacher development; and (ii) the governorate and district levels to implement education programs, manage and account for resources, monitor and evaluate the impact of education services at school levels and support schools in their planning and budgeting processes. A school-centered development pilot will establish holistic approaches to school-based planning, budgeting and general development with an emphasis on school-community interaction, including community-based literacy provision. Schools will be provided with modest capitation grants. Community participation will also be enhanced by the Project through a community participation function within the MoE.

5. Lessons learned and reflected in the Project design

Several lessons have been learned through previous and ongoing IDA- and other donor-supported experiences and are factored into the Project design. These are:

- Building capacity at the center and in the governorates and districts to implement all aspects of the Project and a steering committee with a clear oversight function has been a critical factor in assuring the success of the multi-dimensional Project component of BEEP. BEDP will pay particular attention to getting the administrative structures of the MoE ‘right’ for ensuring that the core service delivery functions can be met and to ‘join up’ the different commencements of BEDP and other donor inputs. The Inter-Ministerial Steering Committee will provide oversight that includes other ministries and agencies that have a role in guiding the process and providing the framework for sustainability.
- Having a structure that manages contracts and performs quality assurance tasks while reporting directly to a Steering Committee chaired by the Minister. This greatly expedites Project implementation as seen in experience with the Credit Administration Unit (CAU) for BEEP. The same arrangement will be kept for BEDP. Greater emphasis will be placed on strengthening government procurement and financial management capacity throughout the sector, with the help of the CAU, in preparation for SWAP-based budgetary support envisaged as a later phase of multi-donor support to the sector. The CAU will become the Project Administration Unit (PAU).

- Involving targeted beneficiaries, communities and partners in the Project preparation phase improves Project design and builds widespread support. BEDP preparation and design has conducted wide consultations, including workshops, field trips and meetings with school staffs, community representatives, local administrations and other concerned ministries. Other donors have also been consulted and will be involved in implementation of parallel but commonly agreed complementary activities.
- Addressing concerns about the design and construction costs of schools, a study was carried out as input to the present Project, and it presented options for designs and construction of new schools that provide accommodation and equipment for the complete primary cycle (Grades 1– 9). Follow-up on studies will be conducted and the implementation of their recommendations carefully monitored to enable Yemen to further reduce the cost of its school construction and bring costs in line with the benchmark set in EFA-FTI indicative framework.
- As a result of addressing teacher (re)deployment and teacher development in BEEP and in other Projects, the need for a coherent, overall teacher deployment and development program became clear. This will be prepared by an MoE-led task force with some of the priority investment activities being funded from the Project.
- Succeeding in involving communities more in the development and management of the education system. The Community Participation Unit (CPU) has accomplished greater community participation. However, the CPU was not a formal institution within the MoE and thus restricted its reach and budget allocations. The MoE will establish a General Directorate for Community Participation, and the BEDP will support community participation functions in the context of a sustainable development plan which now will be prepared.
- Achieving long-term policy development benefits from capacity building at an early stage. Experience from Yemen and elsewhere indicates that knowledge transfer and capacities development interventions through technical assistance activities can have a significant impact on the successful implementation of a reform agenda. Knowledge transfer and skills development ensure both ownership and sustainability; therefore the Project includes Technical Assistance (TA) activities that enable the MoE to learn from others, collect information and analyze options to inform policies and decisions.

6. Alternatives considered and reasons for rejection

Several options were considered in terms of scope and design and were rejected:

- i) An Adaptable Program Loan (APL) was considered because of the long-term vision that underpins changes in the sector and the satisfactory performance of BEEP, which has reduced the uncertainties surrounding implementation capacity within the sector. An APL was rejected, despite the GoY's commitment to reform, for content management reasons: it was decided not to tie up additional and future country resources.
- ii) Gradual regional expansion rather than nationwide coverage: adding another four governorates to the present four covered by BEEP was rejected as the GoY and the MoE have made it clear that they would like to see the success of BEEP scaled up to become nationwide and they have prepared the proposals for BEDP on this basis. However, given the capacity constraint, this expansion will be undertaken in a phased manner over the life of the Project.
- iii) Designing a full sector-wide program as a prerequisite was rejected. Experience in other countries has shown that in order to have a holistic sector development program considerable preparation, planning and capacity building is required. So as not to delay investment in clearly defined areas, it was

decided to include the ongoing design of a sector program into the current Project -- particularly through the institutional change and capacity building components.

- iv) Supporting BEDS through direct budget support was rejected because, for the time being, the present public finance management, monitoring and audit system is not believed to be sufficiently robust to consider budget support. The changes planned and currently taking place to ensure transparent policy-based budgeting, resource releases and forward financial planning will all be supported under the institutional development component of the Project.
- v) Limiting BEDP to formal primary education (Grades 1 to 6) was rejected as the Government indicated that the Project needs to be fully consistent with the objectives of the BEDS, which targets Grades 1 to 9, and that the Project needs to be the key vehicle toward achieving the EFA goals. These goals include a reduction in adult illiteracy, and this will be directly supported through the Project since parental literacy has a major impact on pupil attendance and school performance.

C. IMPLEMENTATION

1. Partnership arrangements

The GoY and the MoE are eager to manage and allocate all resources from their development partners to support the priorities identified in the BEDS. The BEDS offers the opportunity for the Government to manage and direct resources to priority programs and for donors to jointly support programs rather than isolated Projects. While the public finance, planning and monitoring conditions are not yet robust enough for direct budget support, it is possible for partners to work together in a common program framework and to reduce the transaction costs of their support; this will provide the grounding for future support to an overall sector program. In order to formalize management, monitoring and evaluation arrangements, eight donors formally agreed to the Partnership Declaration signed in January 2004.

In the light of the Partnership Declaration and following detailed discussions, the World Bank and the Governments of the Netherlands and the United Kingdom have agreed to combine resources through a pooled financing arrangement as a single contribution to the comprehensive Project prepared by the GoY in their submission for BEDP. Other donors may choose to contribute to this pooled funding arrangement in the future. The consortium will use similar procurement mechanisms to those that have been refined in BEEP and the reporting, monitoring and evaluation mechanisms will be those that are specified in the Partnership Declaration. The Partnership Declaration makes provision for Joint Annual Reviews during which the progress against agreed work plan process indicators, output and outcome indicators will be considered. At this time, annual work plans will be rolled forward and refined. In addition, provision is made for: (i) a BEDS Inter-Ministerial Steering Committee (IMSC) which will meet quarterly to review progress and includes representative from the donors; and (ii) monthly meetings between the Partners and to be chaired by the Minister of Education to review operational and technical matters.

2. Institutional and implementation arrangements

The Project will be implemented by the MoE, with management assistance from the existing Credit Administration Unit (CAU) and technical assistance from selected consultants as may be necessary. The CAU is a small unit of five professional staff established within the MoE that deals with Project fiduciary matters. The MoE's normal structure is responsible for strategic planning, program implementation, donor coordination, monitoring and evaluation, and reporting. The CAU staff has gained expertise through BEEP execution, and efficient management structures have been put in place. The BEDP Project Administration Unit (PAU) will be strengthened with additional personnel with accounting, procurement and management skills as support to the newly included governorates as they are phased into the Project.

The current BEEP implementation arrangements will continue for BEDP. The primary responsibility of the PAU will be to administer BEDP. The PAU will ensure that Project funds are planned for and disbursed according to the schedule and within the framework agreed upon during the preparation of the Project. PAU will also have responsibilities for actively promoting the partnership approach to basic education development and may be assigned tasks in this context that go beyond BEDP. The PAU will report to the IMSC sub-committee, which is chaired by the Minister of Education and includes among others personnel from the Ministry of Finance, Ministry of Planning and International Cooperation and Ministry of Civil Service. The IMSC will therefore assume oversight responsibility for BEDP.

The Project warrants a flexible implementation approach because its objective is to contribute to the long-term goals of BEDS. The MoE has agreed with BEDP donors on an action plan for the first 18 months of the Project including support to the recently established MoE-led Task Forces (TF) which will prepare and monitor comprehensive programs covering, inter alia, teacher development; curriculum and educational materials review; community participation and literacy; and monitoring and evaluation. The program for years beyond this plan will include, among other things, activities as proposed by the TFs and approved by the IMSC sub-committee. This approach is necessary because the Project is building the foundation for programmatic support to the sector and will finance activities not supported by other donors. Donor coordination will be essential to assure complementarity within a commonly agreed framework for BEDS implementation.

To support the process of program development and increasing coherence in the pursuit of BEDS objectives, the MoE has created a temporary Technical Team. In accordance with the Partnership Declaration and financially supported by the Project, this team assists MoE departments and all other stakeholders in planning and managing the implementation process of BEDS at national and decentralized levels. It will advise and support the MoE-led Task Forces, strengthen the strategic planning and monitoring function of the Ministry, support integrated planning process, take a lead in donor coordination and act as the secretariat for the Inter-Ministerial Steering Committee.

3. Monitoring and evaluation of outcomes/results

BEDP Monitoring and Evaluation (M&E) will be in line with the Donor and Government Partnership Declaration for the implementation of BEDS. The main oversight role falls to: (i) the quarterly IMSC meetings, which will be attended by a donor representative; (ii) the two annual joint supervision missions; and (iii) the monthly progress meetings between donors and the MoE. Prior to the supervision missions, semi-annual reports on Project implementation will be prepared by the MoE with the support of the PAU and BEDS Technical Team (TT).

The overall BEDP will be monitored and evaluated against a set of agreed outcome indicators enumerated in Table 1. These are a subset of those indicators that are already used for national and international monitoring and for which data is already being collected. Baselines for 2002-2003 have been agreed and targets set to 2009. The outcome indicators have been further elaborated as outputs against the Project development objectives (Annex 3). In order to monitor these, further questions will be added to the annual school survey forms as agreed with the Technical Office.

The MoE is aware that the collection, recording, management and use of data is a crucial input for policy and Project development, priority setting, resource allocation and annual planning at the central, governorate, district and school levels. The structures and mechanisms (including software and hardware) are not yet fully developed to collect and use data. A comprehensive review of current activities will be carried out and an overall agreed action plan developed to ensure that information is in the right place at the right time and that different users have the capacity to employ this in their work. The plan would identify all likely inputs with a view to ensuring better coordination and complementarity and any further investment needs will be discussed during supervision missions.

4. Sustainability

The economic and fiscal sustainability of the BEDS supported by this operation were assessed using a country-specific simulation model that integrates recurrent and investment expenditures for basic education and by source of financing. Simulations indicate that objectives of the BEDS are financially feasible if the government: (i) rationalizes its cost structure through a reduction of schools construction costs, improvement in student/teacher ratios and controlling the rate of growth of the sector wage bills; and (ii) improves management of current resources and mobilizes additional resources over the medium term. The economic and financial sustainability of BEDP have been ensured in the following ways: (i) classroom construction costs have been agreed on the basis of cost-effectiveness analysis taking into account BEEP, SFD and Public Works Project experiences; (ii) school designs are being revised to enable MoE to further reduce construction costs so as to achieve the benchmark set for EFA-FTI countries within the indicative framework; and (iii) the Project supports a process of institutional change and capacity development that is intended to be responsive to the changing management needs of the different levels of the system -- a more accountable and efficient management cadre will help to ensure that investment is sustainable.

There is a clear commitment from the GoY to the Project development objective, which is an essential element of sustainability. In addition, the Minister of Planning officially requested Bank support for this Project in a letter addressed to the Country Director in November 2001. Following this request, a GoY delegation visited Bank headquarters to present its vision for the expansion of basic education in Yemen and to obtain technical and financial support from the Bank and other donors. Since then, the MoE has taken the lead in the Project preparation process.

Finally, the community participation and literacy subcomponents of the Project will strengthen and expand the role of the community and build the capacity of parents in school management and monitoring. It is expected that improved community involvement in and responsibility for education will contribute to the sustainability of the Project.

5. Critical risks and possible controversial aspects

Risks	Risk Mitigations Measures	Risk Rating
Sites are not selected according to criteria approved by MoE.	Criteria have already been tested and successfully applied in BEEP. School mapping is nearing completion. Communities will be involved in site selection and will be familiarized with the process before implementation.	L
Resistance within MoE to support the restructuring process within the framework of the Civil Service Modernization Project (CSMP).	Civil Service reform is promoted by the GoY and supported by key partners. MoE top management will work closely with the Ministry of Civil Service and Insurance and will build horizontal and vertical ownership of the process through an effective communication strategy. There will be extensive consultation and capacity building in an agreed time frame.	S
Resistance within and lack of capacity of the MoE to support the technical assistance program.	The IMSC and the PAU will keep all concerned parties well informed of progress and/or delays. Project plans will be discussed on a regular basis during IMSC meetings.	S
Tasks Torces (TF) are not fully operational.	TFs will be established and their terms of reference and work plans will be developed prior to effectiveness. IMSC and local donors will monitor progress.	M
Sufficient numbers of female teachers are not available or not hired at the district level.	Procedures for identifying local female teachers and encouraging them to become teachers are being promoted by several partners and will be supported by BEDP as well. The IDA-funded ESIP is supporting secondary education for girls in 50 districts and the Bank will finance a girls' secondary education Project by 2006.	S
Community participation (CP) is not widely recognized as a vital ingredient for education reform and/or communities are not involved in Project and education activities.	Support to CP under BEDP will continue and will build on previous experiences promoted by other donors. The establishment of a new department in charge of CP will markedly help. Achievement will be closely monitored by the MoE and local donors.	L
Capitation grants to schools will be misused.	School grants will be provided against pre-agreed plans and monitored by the local community as well as MoE, donors, selected schools from BEEP governorates where fathers and mothers councils are established, governorates, districts and the CAU.	M
A country-wide approach is beyond the current capacity of the governorates and the PAU.	Expansion will be gradual. The PAU will be strengthened with a qualified team who will support governorates in accounting and procurement. The BEDS TT will be supported in the preparation of multi-annual plans against known resources.	S
Implementation of macroeconomic reforms is delayed.	Contributing donors to BEDP will closely monitor the space and the nature of macroeconomic reforms.	S

6. Loan/credit conditions and covenants

Board Approval Conditions:

- Establishment of the General Directorate for Community Participation, also covering Girls' Education and Inclusive Education.
- Adoption of a Sector Policy Letter

Effectiveness Conditions:

- Standard Conditions (i.e., legal opinion and ratification).
- Upgrading the financial management system.

Dated Covenants:

- Before November 15 of each year (and beginning by November 15, 2005), send IDA the Project Financial Monitoring report as well as the implementation and procurement plans for the coming year.
- Before December 31 of each year, send the M&E report covering progress in achieving agreed indicators and in implementing Project activities to IDA.

D. APPRAISAL SUMMARY

1. Economic and financial analyses

As part of Project preparation, an economic analysis was prepared (report available in the Project file) financed by the Japanese PHRD grant and issued by the MoE during pre-appraisal. Building on this work, the pre-appraisal and appraisal missions carried out various policy, financial and economic analyses of the sector expenditure program. The analyses built on the past experience and focused on the GoY's financial envelope and requirements between 2005 and 2010, including inter alia: (i) estimates of the GoY's resource envelope for basic education, which includes estimated donor funding; (ii) estimated recurrent financial requirements for the BEDP; and (iii) recurrent and capital financial requirements to achieve BEDS targets. The unit cost of classroom construction is based on actual BEEP costs, in which a low-cost standard design for schools and community participation for school construction was introduced.

Results show that the GoY is devoting sizeable resources to the education sector. While GDP and total public expenditure on education have increased, the share of education expenditure as a percentage of GDP has increased from 5 percent in 1996 to 7.5 percent in 2003. This trend reflects a rise in teachers' salaries and increased investment expenditure. However, within the education sector, the proportion of expenditure devoted to Grades 1 to 6 of basic education has declined from 46 percent in 1996 to 44 percent in 2002. The economic and financial soundness of BEDP has been assured through the following agreements with the Government: (i) an increased share of spending on primary education; (ii) an increased amount spent promoting the education of females and under-served groups; and (iii) an increased share of public recurrent spending on education as a percentage of public spending as indicated in the PRSP. (More details are provided in Annex 9.)

2. Technical

Results from simulation studies suggest that, if the GoY is to achieve EFA objectives, BEDS efficiency measures have to be fully implemented. These measures include: (i) increasing the student-teacher ratio to 35; (ii) decreasing the proportion of repeaters; (iii) increasing the number of schools operating double shifts; and (iv) reducing the cost of school construction. The Government is acutely aware of this

challenge and is considering how BEDP can implement policies such as: (i) new school designs; (ii) teacher development plans; (iii) school development plans that improve internal efficiency and cost-effectiveness; and (iv) instituting an efficient service-oriented management structure.

With the support of the PHRD grant, local and international consultants were hired to share with the national Project preparation team the best international and national practices (reports are available in the Project file). Donors in general, and the World Bank and the Governments of the United Kingdom and the Netherlands in particular, liaised regularly with MoE staff to ensure that each Project component was designed to be cost effective, flexible and sustainable. Because the design of activities is based on methods that have been tested either locally or internationally, no major technical challenges are anticipated with financing construction and equipment of Grades 1 to 9 schools or innovations in terms of school management and teacher development.

3. Fiduciary

An assessment of the financial management arrangements for the PAU was conducted during this appraisal mission to determine their soundness and whether the financial managements arrangements for the Project are acceptable to the Bank. A detailed financial management questionnaire is included in the Project files. The mission concluded that the “PAU” previously known as the CAU has sound experience in implementation of IDA-financed Projects and is currently managing and implementing two IDA credits and two grants with success. Certain weaknesses, however, were noted during the appraisal with regard to the financial management arrangements for the new Project; accordingly a financial management action plan was agreed with the Borrower comprising activities to be completed either prior to or during the implementation of the Project.

4. Social

The Project design draws on: (i) the findings of early social assessments and a host of existing materials; and (ii) extensive consultations with communities, technical specialists, policy-makers, parents, teachers and students. It responds to the needs of these stakeholders. The Project design also draws on the experiences of other donors and actors, such as GTZ, UNICEF, ADRA, CARE International and SFD. The Project is well-aligned with the strategic objectives of the PRSP and the BEDS, both of which are the result of expansive consultations in the country. It also builds on the successes and lessons learnt from BEEP. BEDP objectives and activities will lead to improved social inclusion, social cohesion and improved external accountability. These are the three key principles of the new Middle East and North Africa social development strategy.

Girls' education: Many factors on both the supply and demand side interact in a very complex way at the community level to affect the enrolment and retention of girls in primary school education. In BEDP the expansion of facilities will be accompanied by interventions, including those that seek to reduce the direct and opportunity cost of education among the poor, to ensure equity of opportunity. Community participation is fundamental for supporting girls' education, collecting and disseminating information, and debating different policy options to ensure consensus, ownership and sustainability. To better mainstream gender across government sectors, the Project will build the capacity of MoE departments and identify better linkages with the PRSP Gender Working Group.

Children with disabilities: Strong social stigma makes families view children with disabilities as a burden and a source of shame. They are often hidden from the public eye and, therefore, they are deprived of educational opportunities. Expanding educational opportunities to this group in BEDP, accompanied by aggressive community awareness activities, will contribute to meeting EFA targets. The Project will work toward internationally accepted models of integration to encourage children with disabilities to join the mainstream education system (“Inclusive Schools”). The Project will reflect a fundamental shift from a

commonly held view of equity as “equity of inputs” to one recognizing that children with disabilities have different needs that require investments in order to achieve “equity of outcomes.”

Street and working children: To ensure social inclusion and to meet the EFA targets, the Project will expand learning opportunities to this relatively large group of children. Encouraging community-based local innovation and needs-based literacy and numeracy classes will be fundamental for meeting the respective educational needs. The inclusion of these children in education will also lead to better social cohesion by reducing the vulnerability of these groups to crime and violence.

Adult literacy: One of the very strong impediments for the meaningful participation of communities in education decision-making, beyond the donations of land and other in-kind contributions, is widespread illiteracy among women in particular and the at-large community in general. The downstream impact of effective literacy programs for adults are: (i) a positive attitude toward schooling; (ii) diversification of livelihood; (iii) familiarity with the intricacies of the school system; and (iv) better support for the enrolment and retention of children, especially girls. Literate parents, whether as individuals or through the mothers’ and fathers’ councils, are also more likely to hold the school accountable for performance. BEDP literacy activities will empower communities to take a more active role in the education of their children.

Participation: Community participation was fundamental for the success of BEEP. Communities donated land and other in-kind contributions, identified school sites, monitored construction progress, organized mothers’ and fathers’ councils, mobilized community members to send girls to school, engaged in joint school-community school development activities and ensured general community buy-in of Project objectives. BEDP will build on the successes of the CPU and the successes of other actors, such as the GTZ and the SFD, to build the capacity of communities to engage in more meaningful responsibilities, such as the participation in the school development plans, budgeting of resources, accountability, attendance and monitoring. School-oriented grants will be piloted in a small number of schools providing an opportunity to improve the quality of education through local level decision-making. This will build capacity for decentralizing decision-making to the school-level, and testing and strengthening linkages between the school, the community, local councils and the education offices at the district and governorate levels.

The Project does not represent any particular social safeguards issues since there will be no land expropriation or resettlement. Land will be donated by the community, which will be fully and formally documented with evidence of its voluntary nature.

5. Environment

The MoE has prepared an Environmental Management Plan (EMP) that includes environmental criteria for site selection, toilet facilities construction and requirements for the adequate operation and maintenance of all types of facilities. BEDP involves: (i) the construction and rehabilitation of schools (Grades 1 to 9), including latrines, hygienic hand-washing and drinking-water facilities, boundary walls and laboratories; and (ii) the procurement of laboratory equipment (including chemical materials) for Grades 1 to 9.

Major negative environmental impacts are not anticipated; therefore, the Project is rated category “B.”

For civil works, minor issues such as: (i) site selection for schools; (ii) water availability for hygiene purposes, and (iii) operation and maintenance of schools (including sanitation facilities) are expected. They would be monitored and mitigated from three Project processes: (i) involvement of communities in site selection; (ii) standard design and specifications; and (iii) implementation of the maintenance program developed under BEEP. These issues were satisfactorily addressed under BEEP and they are not expected to have a major negative impact under BEDP.

Chemistry is taught from Grade 3 in basic schools and includes experiment and practical assignments in Grade 4. More complex subjects and experiments are introduced from Grades 5 to 9. Chemicals mentioned in the curriculum have no negative impact on the environment; yet, there is potential danger for the users, especially when teachers do not follow proper safety instructions (students do not handle the chemicals – demonstration by teachers only). Specific instructions (in the form of manuals and posters) are provided to students and teachers in all schools. In addition, science teachers and laboratory assistants are trained how to manipulate and discard chemicals and are supervised quarterly.

6. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
<u>Environmental Assessment (OP/BP/GP 4.01)</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats (<u>OP/BP 4.04</u>)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management (<u>OP 4.09</u>)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Cultural Property (<u>OPN 11.03</u> , being revised as OP 4.11)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Involuntary Resettlement (<u>OP/BP 4.12</u>)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples (<u>OD 4.20</u> , being revised as OP 4.10)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forests (<u>OP/BP 4.36</u>)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams (<u>OP/BP 4.37</u>)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects in Disputed Areas (<u>OP/BP/GP 7.60</u>)*	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (<u>OP/BP/GP 7.50</u>)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

7. Policy Exceptions and Readiness

The Project does not require any exceptions from Bank policies.

The government has prepared a vision for BEDP including an implementation plan for its first year. Furthermore, oversight and management structures of the Project are already in place in the MoE and, to a large extent, have been tested under BEEP.

Based on this, the Bank Task Team does not foresee any delay in BEDP implementation.

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

Annex 1: Country and Sector or Project Background

REPUBLIC OF YEMEN Basic Education Development Project

With an estimated gross national product per capita (GNP) for 2002 of US\$460 (compared with US\$2,070 in the Middle East and North Africa (MENA) region), Yemen is one of the least developed countries in the world. One of the most compelling challenges that Yemen faces is the rapid rate of the population growth. Since 1975 Yemen's population has grown by 2.5 times to reach its current level of 18.7 million. Demographic Projections estimate an increase of the population up to 31 million in 2015, and to 43 million in 2025. Illiteracy is a major impediment to Yemen's progress. The adult literacy rate is estimated to be approximately 50 percent, and about 80 percent of women are illiterate. This number might continue rising as a significant proportion of girls of primary school age are not enrolled in schools and about 50 percent of those who do enrol drop out by Grade 6.

Adequacy of Policy environment: Yemen has made steady progress in macroeconomic indicators in the last few years with the support from the international community. Major achievements were made at the level of foreign exchange reserves and public debt management. In this context, the Government of Yemen (GoY) has initiated several policies and social programs to help reduce poverty and promote access to basic social services. Furthermore, a decentralization law has been approved by the Cabinet and the Parliament and is undergoing implementation. This should facilitate execution of activities that have a positive social impact.

Yemen has made significant strides toward the goal of Education for All (EFA), but many issues remain to achieve the Millennium Development Goals (MDGs). Problems faced by Yemen's education sector are qualitative and quantitative in nature. Enrolment increased from 2,453,000 in 1990 to more than 4,000,000 in 2003; a 5.5 percent annual increase. Given the initial low level of enrolment rates and high population growth, Yemen is still far from the target of the 100 percent net enrolment rate by 2015. It is estimated that about 35 percent of all children are still out of school (62 percent in rural areas and 20 percent in urban areas). Without a concerted effort to rapidly expand the absorption capacity of the education sector, it is estimated that 3.7 million children between the ages of 6 and 15 will lack a place in school in 2020 (PER 2000). Therefore access to education, especially for girls, remains an enormous challenge for the GoY.

Achieving universal primary education in the next ten years requires a much accelerated expansion of the basic education sector. Currently the government spends close to 8 percent of GDP and 20 percent of total government expenditure on the education sector. Compared to other countries in the MENA region, data show that Yemen spends a much larger share of its national income on education, while in the PRSP the government clearly committed to increased education-sector allocations: the magnitude of the task is such that internal resources will not be sufficient to achieve the ambitious EFA goals. Therefore, the international community has agreed to support the national efforts. Through the Dakar Declaration of 2000, the international community has pledged that "no country that takes the goal of EFA seriously shall lack the resources to accomplish this."

The international community is well aware of the tremendous effort Yemen has made and is continuing to make in achieving the EFA goals, and it recognizes the sound basis of Yemen's efforts, including the development of the Basic Education Development Strategy (BEDS), which is closely linked to a PRSP. In April 2002, the International Community agreed to put Yemen, along with the other nine countries, on the list of Education for All-Fast Track Initiative (EFA-FTI). During the official launch of the FTI Catalytic Fund in Oslo (Norway) in November 2003, Yemen was granted US\$10 million toward its program by the Strategy Committee. The fact that this received the single largest allocation among the other FTI countries

from the Fund testifies that the international community recognizes the challenges Yemen is facing and appreciates its efforts.

Allocation of more financial resources to the education sector alone will not be sufficient. The way resources are targeted and used in the sector can greatly influence the achievement (success) of the EFA objectives. By improving inter-sectoral allocation and internal efficiency in the education sector, more can be achieved even within the current resource envelope. Currently the education sector is characterized by poor internal efficiency (8 percent dropout rate and 11 percent repetition rate). Basic education takes, on average, 14.6 years instead of the required nine years. This means that the cost per learner is 67 percent higher than it should be. Inequity is a severe problem in Yemen; gender and geographical disparities are evident in access to education. The quality of primary education is poor largely due to low teacher qualification and shortage of teaching and learning materials.

Partnership Declaration: In order to help Yemen achieve the educational objectives that are key to the overall MDGs, eight donors have formally agreed to the Partnership Declaration signed in February 2004. In the light of Partnership Declaration and following detailed discussions, the World Bank and the Governments of the Netherlands and United Kingdom have agreed to combine their resources as a single contribution to the comprehensive program prepared by the Government in their submission for BEDP. The Partnership Agreement makes provision for Joint Annual Reviews during which the progress against agreed work plan process indicators, output and outcome indicators will be considered, and the annual work plans rolled forward and refined. The objective is to make sure that this operation indeed facilitates the transition from the current phase of a multitude of parallel Projects to the ultimate aim of a sector-wide program.

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

**REPUBLIC OF YEMEN
Basic Education Development Project**

Sector Issue	Project	Latest Supervision (Form 590) Ratings (Bank-financed Projects only)	
		Implementation Progress (IP)	Development Objective (DO)
<p>Bank-financed education Projects Improve student learning outcomes, with special emphasis on science and mathematics education, by improving teacher training, increasing girls' access to secondary education with increased community participation; establishing labor market-oriented, two-year, secondary education programs covering business, commerce and industry.</p> <p>Increase access to education services in rural areas and strengthening of capacities at the sub-national level.</p> <p>Increase quality of higher education output and rationalize spending in higher education.</p>	Education Sector Investment Project	S	S
	Child Development Project	S	S
	Higher Education Project	S	S
<p>Bank financed related Projects Expansion and improvement of school buildings and facilities for basic education.</p> <p>Expansion of school buildings.</p> <p>Creation of a modern public administration that provides public services in a transparent and efficient manner .</p>	Social Fund for Development II & III	S	S
	Public Works II & III	S	S
	Civil Service Modernization Project	U	U
<p>Other major development agencies UNICEF</p> <p>Germany: GTZ</p> <p>Islamic Development Bank</p> <p>USA</p>	Area-Based Projects; Community School Projects	N/A	N/A
	Basic Education Improvement Project	N/A	N/A
	Literacy	N/A	N/A
	Expand Basic Education and Decentralize Management	N/A	N/A

Annex 3: Results Framework and Monitoring
REPUBLIC OF YEMEN
Basic Education Development Project

Results Framework
Arrangements for Results Monitoring

Outcome Indicators	Target Values					Data Collection and Reporting			Responsibility for Data Collection	
	Baseline	YR1	YR2	YR3	YR4	YR5	Frequency and Reports	Data Collection Instruments		
Component 1: Access										
1. Increase in the GER in the basic education (%)	64	68	72	76	80	84	Annual Education Statistics Report	School Census	MoE's General Directorate of Statistics and Planning (GDSP), governorate and districts	
2. Improve the ratio of girls to students population (%)	38	39	41	43	45	47	Annual Education Statistics Report	School Census		
3. Gross intake rate – female/male (%)	72/96	76/97	83/97	90/97	93/97	95/97	Annual Education Statistics Report	School Census		
Component 2: Quality										
1. % of qualified teachers (%)	52	53	58	62	65	68	Annual Education Statistics Report	School Census	Gov. & dist GDSP	
2. Female completion rate in grades 6 and 9 (%)	40/28	43/32	48/36	53/45	60/50	70/58	Annual Education Statistics Report	School Census	Gov. & dist GDSP.	
Female promotion rate from grade 4 to 5 (%)	91	92	93	94	95	96	Annual Education Statistics Report	School Census	Gov. & dist GDSP.	
Component 3: Sector management and efficiency										
2. Student-teacher ratio in publicly financed basic education schools	23	24	26	27	28	30	Annual Education Statistics Report	School Census	Gov. & dist GDSP.	
3. Recurrent spending on items other than teacher	29	31	32	33	34	35	Annual Education Statistics Report	Annual Education Statistics Report	Gov. & dist GDSP. & MoETT	

Annex 4: Detailed Project Description

REPUBLIC OF YEMEN Basic Education Development Project

The Basic Education Development Project (BEDP) will support the Government of Yemen's (GoY) education initiatives and strategy proposed in the Basic Education Development Strategy (BEDS) in order to achieve quality education for all with particular attention to gender equity. The aim of BEDS to establish a sustainable framework for good quality universal education by 2015 through policy and institutional reforms targeting to expand access to basic education in a sustainable manner.

BEDP's objective will be achieved by: (i) increasing the number of classrooms available for basic education, especially in remote under-served rural areas, and providing facilities to ensure that girls and excluded groups attend and continue to attend school; (ii) improving the quality of teachers and learning materials in schools; (iii) strengthening the management and supervision capacity of the Ministry of Education (MoE) at the central, governorate, district and school levels; (iv) assisting with the development of monitoring and evaluation capacity of government administration; and (v) developing programs for community participation in education management. Interventions will achieve: (a) more places for children, especially girls and under-served groups, in remote areas; (b) greater focus on and tools for attracting and retaining pupils in general and girls in particular to basic education; (c) greater administrative and supervisory capacity at the governorate and district levels; and (d) a sustainable education system in currently under-served areas.

BEDP is a continuation to the successful implementation of the Basic Education Expansion Project (BEEP) in the governorates of Amran, Sana'a, Al-Dhaleh and Al-Mahweet, and it will build on the successes of BEEP utilizing many of the procedures and arrangements developed during Project implementation. Training, technical assistance and administrative, technical and logistical support will be provided to the MoE at the central and regional levels for sector enhancement and for school development purposes. BEDP will be implemented country-wide using a phased approach; the first priority will be targeting the most poorly served districts in each governorate.

Project Component 1: Expansion of Access

Issues: There are insufficient school buildings in terms of numbers, facilities and services, especially for girls and children with specific needs, to meet the needs of basic education in Yemen. Many isolated and poor communities have no school buildings; many existing buildings lack latrines, drinking-water and hand-washing facilities, and administrative space. Classrooms are frequently over-crowded and many of the existing buildings are in poor condition.

Component objective: Increase the enrolment and the retention of students, focusing on the impoverished districts of all governorates where there is low management capacity, where other donors or programs are not active, and where there is a need to enhance the effectiveness of other operations by making complementary inputs available.

This component will increase the number of classrooms for Grades 1 to 9 students in critically deficient areas through: (i) the construction of standardized schools with toilets, hygienic hand-washing and drinking-water facilities, boundary walls and laboratories when appropriate; (ii) the construction of classrooms and other facilities in existing schools with inadequate facilities; (iii) the rehabilitation of unserviceable schools; (iv) improving mechanisms for routine maintenance

of existing schools; and (v) supporting actions to encourage more girls and children with specific needs to enrol and remain in basic education. New and rehabilitated classrooms will be used for Grades 1 to 9, with up to 48 students per class. The component will be implemented using: (i) the community demand-based selection of school sites, initially using school mapping databases; (ii) the active participation of community groups; (iii) cost-effective school designs adapted for local conditions, developed under BEEP and to be further improved under BEDP; and (iv) an efficient use of classroom time to facilitate double shifts, all-female classes where appropriate and literacy classes.

Subcomponent 1.1: Construction and Rehabilitation of Classrooms

The subcomponent will provide funds for the construction, extension and rehabilitation of schools for Grades 1 to 9 in under-served areas. The Project will review the current cost structure for new schools with the view to bring construction costs in Yemen more in line with EFA-FTI standards. The review will assess: (i) overall planning and programming of school construction; (ii) school design and minimizing building maintenance requirements; (iii) school construction and supervision processes; (iv) construction periods; and (v) the type of schools available in Yemen. As a result, basic school designs will be improved and be more flexible to be more sympathetic to community requirements and particularly to the needs of girls and female teachers. The Project will finance the construction of schools, including latrines, hand-washing and drinking-water facilities and the outfitting of schools with desks, chairs, bookcases, shelves and other furniture for students and staff.

Focus districts will be determined using the methodology developed and refined in BEEP; the final selection of sites will be determined by governorate access teams as comprised of staff from the governorate MoE and community representatives. A comprehensive field visit will carry out a physical needs assessment and a community assessment to finalize selection. Community Participation Units (CPUs) will be established in all of the districts and will coordinate community participation in the governorate access teams. It is proposed that the site selection criteria as well as the composition of and terms of reference for the field team that were developed and used extensively in BEEP be retained and used in BEDP.

BEDP will support the development and implementation of cost-effective maintenance and repair procedures. The operation and maintenance manual will be reviewed and updated in order to institute the most effective way of financing and maintaining all school facilities.

Activities of the first 18 months

- A. Implementation of this subcomponent will commence in 10 governorates: school construction and rehabilitation will be carried out in Ibb, Abyan, Taiz, Lahej, Shabwa, Hadramawt, Saadah, whereas the schools in Al-Mahra, Mareb, Al-Jawf will only undergo rehabilitation. The output will be: (i) the construction of 528 new classrooms with appropriate facilities; (ii) the extension of 120 classrooms; (iii) the rehabilitation of 765 classrooms; and (iv) the retrofitting of classrooms for the handicapped. To help ensure effective supervision and provide contractors with some economies of scale, activities will be concentrated in the districts and governorates that were selected based on agreed criteria and the school mapping data. Detailed design and supervision of the school construction/rehabilitation will be carried out with the help of independent consultant(s) based on agreed terms of reference.
- B. Support technical assistance to review existing standard designs and prepare new designs if necessary in order to: (i) adapt school buildings to the educational requirements of new MoE policies; (ii) adapt standard designs to specific cultural or geographical characteristics; (iii) improve the current norms and guidelines concerning sanitation, waste water and sewage; (iv)

reduce the high cost of the Yemeni school construction; and (v) adapt the designs to children with special needs.

- C. Field visits will be arranged for the selection of districts and sites for the Second Year's programs. Workshops will be conducted for access programs at the governorate and district levels.

Subcomponent 1.2: Expanding girls and out-of-school children enrolment

Issues: To improve and sustain the access of girls and children with special needs to high quality schools. While the Community Contribution of YR150 per annum is a relatively small amount, it has a negative impact on the enrolment of under-served groups. The policy on payment of this contribution remains unclear. Steps toward a policy are stated in the Policy Letter.

The phenomenon of out-of-school children remains extensive in Yemen. In all, 45 percent of 6-14 year olds do not attend school, one of the highest levels of school non-attendance in the MENA region. Out-of-school children fall mainly into two groups: "children with special needs" and "idle" children. Children with special needs include child workers (labor), disabled, orphans and street children (mainly living/working on the streets). Child work, in particular, is becoming an increasing and more visible phenomenon. "Idle" children include those who are neither working nor attending school. The children from this group who are indeed idle can be more disadvantaged than other groups of children, benefiting neither from schooling nor from any involvement in any type of work. Both groups have generally received scant attention in the Yemeni education system. BEDP will provide funding in order to carry out a more thorough assessment of these groups before proposing any specific interventions; however, the underlying approach will remain one of an "inclusive education." The approach will be embedded in learning and teaching methods; the design and implementation of "inclusive education" will be carried out in parallel with the reform of the education system at a national level to ensure sustainability.

Activities of the first 18 months

- A. For girls, BEDP will improve school facilities and proximity; provide support to regular teacher training programs, which are cognizant of the gender dimension of the teaching/learning process; and increase community participation. Support includes: (i) increasing the number of female teachers in rural areas by hiring up to 1,000 additional female teachers, including secondary schools leavers where necessary, which is to be financed from the GoY budget; (ii) providing technical and logistic support for promoting gender equity; (iii) organizing workshops and training for governorate and district staff to heighten the awareness of and response to girls' needs; and (iv) training school administrators on the efficient utilization of school space to facilitate double shifts, classes exclusive to girls, literacy classes, etc. These inputs will be provided in a systemic and coordinated manner, knowing that the education of girls in Yemen will present novelties that are cross-cutting in nature.
- B. For children with special needs, BEDP interventions will build on the experience of the Social Fund for Development (SFD) and Save the Children Sweden. The focus of the sub-component will be to prepare the groundwork for supporting demand-side interventions including: (i) conditional cash transfers to promote access and attendance; (ii) flexible school hours, especially for working children; and (iii) remedial/rehabilitation measures for disabled and socially difficult "at-risk" children. "Idle" children, as a group, will be assessed in order to better-understand their nature and characteristics. Out-of-school children and "idle" children obviously overlap, yet the likelihood of surveys not capturing hazardous work or domestic chores performed by a significant majority of "idle" children is high.

The ongoing analytical work on disadvantaged children and the pilot operations of various NGOs on inclusive education will offer valuable lessons for mainstreaming these special-needs groups.

Project Component 2: Quality Improvement

Issues. Low education quality is highly correlated with: (i) poor pre-service and in-service training provided to teachers and school administrators; (ii) inadequate supervision programs; (iii) the lack of relevant textbooks and learning materials; (iv) curricula content and teaching methodology; (v) the lack of adequate mechanisms for assessing students; (vi) limited time on tasks; and (vii) the lack of resources at the school level.

Component objective. The objective of this component is to improve the quality of education service provision by strengthening the education system to identify and provide additional resources to deliver quality-focused interventions. The premise is to provide support to teachers, schools and community groups thereby improving the learning environment in schools. Subcomponents are: (i) curriculum renewal and textbooks; (ii) teacher training, qualification and deployment; and (iii) inspection/supervision.

Subcomponent 2.1: Curriculum review and textbooks

BEDP will support a phased, outcome-based, curriculum review that builds adequately upon extant structures (parts of the curriculum are relatively new) and aims for: (i) increased relevance of the curriculum and respective education plan; (ii) a better match between curriculum and available resources; and (iii) sound linkages between curriculum review and teacher training, teaching/learning materials and monitoring of learning achievement, including continuous assessment and examinations. This review process will be led by a Task Force (TF); recommendations will be made to the Inter-Ministerial Steering Committee (IMSC) and interventions will be planned in subsequent years of the Project. The Project will provide sufficient resources to pilot changes recommended by the review and if successful, eventually implement the program country-wide.

First eighteen months activities

The TF will be assisted by the Project on curricula-related matter through Technical Assistance (TA), studies and possibly a study tour and will develop a realistic plan to affect the necessary curriculum review. The MoE will be supported for designing and implementing efficiency measures in textbook production and distribution (combining volumes and separating textbooks from workbooks/notebooks to facilitate re-use and streamline distribution). The Project will also support the development of the English curriculum for Grade 4.

Subcomponent 2.2: Teacher training, qualification and deployment

The Project will support: (i) in-service teacher training (formal upgrading as well as skills improvement); (ii) training of school managers; (iii) review and improvement of pre-service training; and (iv) reforms in teacher recruitment, deployment and career structure, including ensuring an increase in the number of female teachers in rural areas. These interventions will be closely linked to, and dependent upon the needs of, the outcomes of the revised educational plan and curriculum to be established as part of Subcomponent 2.1. As part of the Project, agreement will be reached on the appropriate delivery mechanisms for the various types of training. The cluster model, which has already been introduced in some governorates to support the delivery of decentralized training, will be reviewed so that the concept can be optimally used. In addition, the role of other training providers such as regional Teacher Training Institutes (TTIs) and district-level Teachers Training Centers (TTCs) in delivering distance education and/or face-to-face in-

service training needs to be determined and strengthened if and when appropriate. The Project will provide support for the upgrading of in-service training facilities where needed as well as for the development of each of the proposed training programs.

In the first year, the TF on Teacher Development and Teacher Deployment will develop proposals on the above-mentioned aspects, on the basis of which interventions for the following years will be agreed and planned. Where necessary, the Project will support the work of the TF materially. With regard to teacher deployment, the TF, in close consultation with the Ministry of Civil Service and with teachers and their representatives, will prepare a broadly accepted teacher recruitment and deployment strategy. This strategy should explicitly support the recruitment, training and deployment of female secondary school graduates who may be hired as basic education teachers in rural areas. Support will be provided in the form of the development of training programs for graduates, living allowances and materials during training.

First eighteen months training

- A. Annual refresher teacher training: The Project will ensure that all Grades 1 to 9 teachers receive training in 2005 (those not covered by other programs). The training material to be used was developed by GTZ/MoE.
- B. Inspectors and headmistresses/headmasters training: The Project will ensure that all basic education inspectors, headmasters/mistresses and deputy headmasters/mistresses receive training in 2005 (those not covered by other programs) on providing support and mentoring to their teachers, assessing teacher performance, supervision, school and program management, and providing feedback.
- C. School clusters: Completion of school cluster arrangements, training of trainers and cluster trainers will be completed.

Subcomponent 2.3: Inspection/supervision

The Project will support the establishment/strengthening of an effective supervision and inspection function. Currently teachers and headmasters are not effectively supported by the inspectorate nor does the Ministry have good insight into the strengths and weaknesses of its schools.

First eighteen months activities

- A. A TF will review and develop an inspection/supervision policy, strategy and action plan. This will be developed from a technical assistance-supported study of options for inspection and supervision in Yemen. The study will present initial options after which the senior staff will undertake a study tour. On their return, the options will be reviewed with the technical assistance and final decisions will be made.
- B. The Project will support the inspection of schools by providing transport allowances and the exchange of information between districts and governorates.

Project Component 3: Institutional Change and Capacity Building of the MoE

Issues: Despite significant levels of inputs through a variety of programs that have been supported by many donors, the capacity of MoE at the central, governorate and district levels remains weak. This lack of capacity generally limits the delivery of educational services and it severely hampers the efficient use of the sector resources.

Component objective: The objectives are to support institutional change and build and strengthen the capacity of the MoE. Subcomponents are: (i) institutional change; (ii) community participation and literacy; and (iii) program management and monitoring and evaluation (M&E).

Subcomponent 3.1: Institutional change

Institutional change will be underpinned by a ministry-led restructuring within the context of the Civil Service Modernization Project and the programs to be prepared by the TFs mandated to guide the changes outlined in GoY's BEDS. Task Forces will be established to work on: (i) teacher development and deployment; (ii) issues related to enhancing the responsiveness and relevance of curriculum, including provision of learning materials and assessment and examinations; (iii) quality assurance through reform of the inspectorate; and (iv) continued and expanded capacity for communities and schools to work together supported by districts and governorates. Tasks Forces are ministry-led; membership is from relevant sectors and other agencies as appropriate. They will prepare comprehensive national plans that build on work already completed and lessons learned. Plans will include a time-bound plan of action, outputs, and names of those responsible for implementation. Such implementation will be supported by the Project in as far as other donor partners are not financing it; synergy and complementarity are necessary. BEDP will also support and strengthen the BEDS Technical Team within the office of the Minister of Education for at least an additional two years. Terms of reference are in the Project file.

First eighteen months activities

They include technical assistance and resources for capacity building to the TFs and for the MoE restructuring team and top management and support for the governorates to review and role forward their annual plans.

Subcomponent 3.2: Community participation and literacy

Parental involvement in schools in Yemen can contribute significantly to enrolment, retention and completion rates, although the parental literacy level is also a critical factor. BEDP will evaluate a number of approaches used by other Projects (including BEEP) and based on these findings, develop models and establish a system or function within MoE for extending community participation and literacy initiatives to MoE offices in Project governorates and to target districts.

This subcomponent will support: (i) the establishment and operation of the new General Directorate for Community Participation, also covering Girls' Education and Inclusive Education; (ii) adult literacy through the Literacy and Adult Education Office in relation to the Project objectives; and (iii) a Whole School Development process.

Details of the small school development pilot, which will provide a small capitation grant against quality focused school plans in 60 schools selected from districts in the BEEP governorates, are in the Project file.

First eighteen months activities

A. The first priority will be a plan to build institutional capacity to ensure that the General Directorate staff are adequately trained and equipped and to help establish its vision, objectives and operation. Operations supported by this Project at the governorate, district and school levels will coordinate and build on the resources and experience of other agencies active in the field including the SFD and other NGOs.

- B. A streamlined literacy program is crucial and an initial review will evaluate all formal and non-formal (functional) literacy provisions and the roles and coordination of the different actors (LAOE, NGOs etc.). The study will also include teacher conditions of service in the formal sector and consider measures to increase enrolment. The terms of reference for the review are prepared and are in the Project file.
- C. For the pilot of school level planning, a single agency will be contracted to support MoE in the design, implementation and management/accounting of resources. The Community Participation and Literacy Task Force will assist the MoE in initially planning and overseeing the process.

Subcomponent 3.3: Project Management and Monitoring and Evaluation (M&E)

BEDP will be implemented by the MoE through its existing structure. Each administrative entity at both the central and decentralized level will implement and monitor the activities that fall under its responsibility. MoE district and governorate offices in the Project area do not have the capacity to implement the proposed Project (which will follow the BEDS decentralization proposals). The Project will support a major effort to raise the capacity of governorate and district offices so they will be able to fulfill their role in an efficient manner.

The Project will support the Project Administration Unit (PAU) which will add new personnel to its staff in order for it to be able to support the governorates manage the anticipated workload. The PAU will also assist in developing Government systems to take over the full implementation and management of future donors support.

BEDP monitoring and evaluation will be in line with the Donor and Government Partnership Declaration for BEDS implementation. The main oversight role falls to the quarterly IMSC meetings at which a donor representative attends, the two annual joint supervision missions and the monthly progress meetings between donors and the MoE.

Overall BEDP will be monitored and evaluated against a set of agreed outcome indicators included in the PAD; these are a subset of those indicators that are already used for national and international monitoring and for which data is already being collected.

First eighteen months activities

They include additional technical assistance, equipment and furniture to the BEDS technical team and support for the PAU, including recruitment of additional staff and operating expenses where appropriate.

Annex 5: Project Costs
REPUBLIC OF YEMEN
Basic Education Development Project

Project Cost By Component and/or Activity	Local US \$	Foreign US \$	Total US \$
A. Component I: Expansion of Access			
1. Construction and Rehabilitation of Classrooms	31,204,960	23,300,210	54,505,170
2. Focus on Under-served Groups	199,740	259,245	458,985
Subtotal Component I: Expansion of Access	<u>31,404,700</u>	<u>23,559,455</u>	<u>54,964,155</u>
B. Component II: Quality Improvement			
Curriculum	511,170	2,062,970	2,574,140
Teacher Training, Qualifications and Deployment	10,825,330	4,670,070	15,495,400
Inspection and supervision	11,892,770	5,709,530	17,602,300
Subtotal Component II: Quality Improvement	<u>23,229,270</u>	<u>12,442,570</u>	<u>35,671,840</u>
C. Component III: Institutional Change and Capacity Building			
Institutional Change	2,127,120	3,867,070	5,994,190
Community Participation	2,419,165	3,466,620	5,885,785
Project Management and Monitoring and Evaluation	1,238,060	540,140	1,778,200
Project Administration Unit	765,060	323,140	1,088,200
Subtotal Component III: Institutional Change and Capacity Building	<u>6,549,405</u>	<u>8,196,970</u>	<u>14,746,375</u>
Total Baseline Cost	61,183,375	44,198,995	105,382,370
Physical Contingencies	4,146,735	3,539,015	7,685,750
Price Contingencies	4,953,615	3,120,755	8,074,370
Total Project Costs	<u>70,283,725</u>	<u>50,858,765</u>	<u>121,142,490</u>

Annex 6: Implementation Arrangements

REPUBLIC OF YEMEN Basic Education Development Project

Implementation Period

The Basic Education Development Project (BEDP) will be implemented over a five-year period commencing in January 2005 and concluding on December 31, 2009. The Credit will close on June 30, 2010.

Project Partnerships

Yemen's Basic Education Development Strategy (BEDS) provides the overall framework for the priorities, objectives and implementation arrangements for BEDP. The approach provided by BEDS has been endorsed by Yemen's major donors, including the Bank, in the form of a Partnership Agreement signed in January 2004. This agreement, and the approach it provides, will ensure that development partners work together to achieve the overall objectives of BEDS rather than work on isolated Projects. This sector-wide approach will reduce transaction costs and deliver more cost-effective and sustainable outcomes.

At this stage, direct budget support to the GoY to achieve BEDS objectives is not possible because current financing, planning and monitoring capacity is not sufficiently robust to manage the scale of the planned BEDP intervention. Nevertheless, the BEDP plan does not compromise the spirit of the BEDS initiative. Financing BEDP will be achieved by a partnership comprising the World Bank and the development agencies of the Governments of the Netherlands and the United Kingdom. The Project will establish a multi-donor trust fund which will be managed by IDA. Funds from the donors will not be earmarked for specific Project activities. The Trust Fund will provide a general pool of resources which will be used for the implementation of all Project activities to be funded by the three donors.

Institutional Arrangements

BEDP will build on the successful implementation arrangements developed under BEEP. It will be important to ensure complementarity in arrangements because the two operations will be implemented in parallel over one year (2005) by the same institutions.

Project Oversight

BEDP will be the main vehicle for implementing GoY's BEDS and EFA-FTI initiative. As a consequence, it is appropriate for the BEDS Inter-ministerial Steering Committee (IMSC) to oversee Project activities. The IMSC is chaired by the Minister of Education. It will meet quarterly to review Project progress and correct any deviations from the Project plan. The IMSC's role will be to: (i) set policy guidelines; (ii) monitor the achievement of Project objectives; and (iii) provide general Project oversight. The BEDS technical team (TT) will act as the secretariat for the Inter-Ministerial Steering Committee. The sub-committee of the IMSC, with membership from the Ministry of Education, Ministry of Finance, Ministry of Planning and International Cooperation and Ministry of Civil Services and Insurance will be responsible, inter alia, for approving the annual work programs and budgets to be prepared by PAU.

Project Implementation and Coordination

MoE is the Project's implementing agency and it will implement all Project activities through its existing central and governorate operational structure under the leadership of the Minister. Each administrative entity in the MoE, at both the central and decentralized levels, will implement and monitor the Project activities that fall under its respective responsibilities.

Central Level: Key tasks of the MoE at the central level are to: (i) manage central Project components; (ii) coordinate and provide assistance to governorates implementing Project components; (iii) design Project programs; (iv) prepare annual work plans and follow up on implementation; and (v) oversee the implementation of the Environmental Management Plan.

Governorate Level: Directors General at the governorate-level of the MoE will head Project implementation activities in the governorates. As most Project activities will be carried out at the governorate level, the input of each Director General will be critical. Key tasks to be undertaken at the governorate level are: (i) the preparation of annual work plans and budgets; (ii) implementation of Project activities; (iii) the management of decentralized procurement; and (iv) Project monitoring and evaluation.

District Level: The main tasks to be completed by the District Education Officers will include: (i) the distribution of textbooks and materials; (ii) input into the selection of teachers and other district MoE staff who will be trained using Project resources; and (iii) support for community participation activities, particularly in the areas of school site selection and development, school construction, and school management and maintenance.

Community Level: Local communities will play a key role in the implementation and ongoing sustainability of the Project. In particular, they will: (i) participate in planning area school needs, including school site selection; (ii) assist with the supervision of school construction; (iii) establish local parents' associations to provide ongoing support to the local school and its teachers as well as the maintenance of school buildings and other school facilities; and (iv) encourage the enrolment of and support for girls who attend school. Support for communities that participate in the Project will be provided in the form of training and ongoing assistance from local MoE Community Development Officers.

Project Administration Unit (PAU): The PAU will be part of the MoE, with the Director of the PAU reporting to the Minister of Education and its principal task being to facilitate Project implementation by the MoE. The tasks specific to the PAU include: (i) managing the administrative aspects of procuring civil works and procurement of goods and employing consultants; (ii) overseeing governorate procurement; (iii) maintaining Project financial accounts according to Project requirements; (iv) facilitating the audit of Project accounts and following up on audit findings as needed; (v) managing the Project's special account; (vi) implementing the Project's monitoring and evaluation plan; and (vii) preparing Project financial and physical progress reports as reasonably requested. BEEP's Credit Administration Unit (CAU) will assume the responsibility of the PAU. The CAU currently has a staff of five competent local professionals; it will hire more professional staff with the accounting, procurement and management skills requisite for Project needs and in order to bring the CAU staffing in line with the needs of a country-wide Project.

Institutional capacity: As part of Project preparation, the GoY assessed the institutional capacity of the MoE's governorate and district offices. This assessment revealed significant weaknesses in terms of the capacities of local offices to implement a Project such as that proposed for BEDP and to effectively manage the MoE's affairs at the governorate and district levels. Major weaknesses were found to be: (i) no history of staff training or other forms of professional

development; (ii) an over-abundance of personnel in most governorate offices; (iii) strong evidence of a general lack of commitment clearly demonstrated by untidiness and disorder; (iv) overcrowding and lack of facilities and furniture in certain buildings, although most buildings are adequate; (v) the downside of government's decentralization policy is that many responsibilities have been shed by the national MoE office and given to the governorate and district councils without appropriating the necessary human and financial resources to manage the statutory tasks; (vi) the MoE has neither the tools to do their job nor the operating budget to travel or undertake any work-related tasks; (vii) lack of the necessities for engineers' offices (drafting equipment or computing facilities); (viii) lack of effective procedures, structure, operations manuals, and staff incentives in all offices; and (ix) weakness of monitoring tools and statistical analysis.

The Project will implement a comprehensive institutional development Project that targets the identified weaknesses. Governorate and district MoE personnel as well as representatives of the newly formed District Councils will be provided training and support during implementation. Training programs will encompass: (i) training of trainers; (ii) basic computing; (iii) computer-aided design; (iv) organization management; (v) Project engineering; (vi) statistical analysis; (vii) community participation; (viii) financial management; (ix) procurement management; and (x) monitoring and evaluation. Furthermore, local advisors will provide ongoing support to all MoE governorate offices throughout the country in: (i) organizational management; (ii) procurement; (iii) financial management; and (iv) monitoring and evaluation.

Implementation arrangements, responsibilities and procedures will be described in more detail in the revised Project's Operations Manual.

Annex 7: Financial Management and Disbursement Arrangements

REPUBLIC OF YEMEN Basic Education Development Project

I. Financial Management Arrangements

1. Summary and Conclusion

The financial management arrangements for the Project Administration Unit (PAU) were assessed during the appraisal mission to determine soundness and acceptability to the Bank. A detailed financial management questionnaire is included in the Project files. The mission concluded that the PAU previously known as the Credit Administration Unit (CAU) has good experience in implementation of IDA-financed Projects and is currently managing and implementing two IDA credits and two grants with success. Certain weaknesses were noted during the appraisal, with regard to the financial management arrangements for the new Project; accordingly, a financial management action plan was agreed upon with the Borrower. The purpose of this action plan is to obviate the (i) integral issues to be completed prior to Project launch and (ii) those to be carried out during implementation.

Agreed Actions

Prior to the effectiveness Project	
1	Due to various shortfalls in the current accounting system (single user, no technical support, technical problems in closings) does not generate FMR reports, etc.; therefore the PAU should ensure implementation of an appropriate (multi-module) accounting package that is capable of capturing all Projects transactions and generate a full set (financial, procurement and physical progress) of reports on a quarterly basis.
During Implementation	
1	Assessment of the capacities at the governorates level. <u>The start of disbursement for each of the reviewed governorates.</u>
2	Appointment of two qualified and experienced accountants. Accountants shall also provide technical support to governorates.
3	Appointment of qualified Independent Auditor acceptable to IDA. Appointment/outsourcing of an IT coordinator.
4	Development of a full and comprehensive financial accounting policies and procedures manual that takes in consideration the various activities and their implementation arrangements to replace the current document, which is not comprehensive and is a compilation of some written memos describing policies and procedures

2. Current Arrangements

BEDP is a continuation of BEEP. The organization and implementation arrangements are similar to those implemented in BEEP 1 with a few exceptions to be described in the revised Project Operational Manual (POM).

3. Financial Management Risks

Country Financial Management Risks: As reported and outlined in the Bank's Country Assistance Strategy of 2002 and as revealed in the ongoing Reports on the Observance of Standards and Codes, Country Financial Accountability Assessment (CFAA), Country Portfolio Performance Review and Public Expenditure Review draft reports, major weakness and serious

accountability and governance issues were identified in Yemen. Despite some progress in the area of budget formulation, particularly in terms of budget expenditure classification, consolidation of investment and current budget. There is, however, a lack of progress on achieving budget comprehensiveness as well as on implementing broader fiscal framework beyond the annual budgeting cycle. Efforts for moving forward on reforming budget implementation, cash management, accounting and reporting have been pinned on the design and implementation of the Bank-supported AFMIS system, which is underway, but with delays.

Project Financial Management Risks: The risks that are high and could negatively impact Project implementation are shortfalls in the current accounting software, unavailability of detailed financial policies and lack of a procedures manual. A major component of the BEDP is the procurement of civil works. In this respect, the national capacity and communications infrastructure of the governorates needs to be assessed before the Project can assume to rely on a well-functioning and decentralized system. It is a risk that not only needs to be mitigated before effectiveness but also will determine in large part the success of Project design. The risks that could be mitigated during implementation are the need for an adequate number of qualified and experienced staff, at least two, and the non-existence of an IT coordinator. This combined with a weak external audit profession in Yemen leads to a moderate fiduciary risk.

Item	Risk	Comments
Implementing Entity	Moderate	The PAU is successfully implementing IDA-financed Projects, however, decentralization and reliance on national capacities at the governorate level requires a prior assessment, development of an action plan and successful implementation of the action plan as agreed up on between the PAU and the Bank.
Funds Flow	Moderate	The two special accounts will be opened in the Central Bank of Yemen (CBY). Based on a prior approval from the Bank's disbursement department, an advance will be issued from the special account to a separate account in local currency (also in the CBY) which will be used to monitor financing of training activities and which is subject to clearance within 90 days. Prior experience with the CBY indicates that the bank statements are usually obtained within 2 weeks after month closing unless there is a specific need for a statement during the month.
Staffing	Moderate	The current Finance Manager has good experience with Bank-financed Projects; however two experienced and qualified staff are necessary to support the implementation of the new Project.
Accounting Policies and Procedures	Moderate	The current financial and accounting manual is outdated, does not include detailed Project activities and their relevant control procedures has not been reviewed formally by the Bank.
Internal Audit	N/A	No Internal Auditing department exists.
External Audit	Moderate	The audit profession in Yemen (independence and quality) is an issue. Also experience indicates that management letters do not always accompany issued financial statements. Financial Statements must be sent to the Bank within 6 months of the end of the financial year.
Reporting and Monitoring	High	FMRs reports are not generated.
Information Systems	High	No IT coordinator and no integrated accounting package. The current accounting package has various shortfalls and will not provide a proper recording and monitoring tool for the Project.
Overall Risk:		Moderate

4. Risk Mitigating Measures

The following will help reduce the above-mentioned risks:

Capacities at the governorates level: The existing financial management capacity at the governorate and district levels in Yemen were noted to be generally weak and inconsistent from one governorate to the other in the CFAA and Project Appraisal Document for the “Decentralization and Local Development Project.” Accordingly, action plans should be developed and implemented to enhance capacities and provide training, with actual disbursement dependent on successful implementation.

Implementation of an appropriate accounting software: The PAU should ensure that a proficient accounting and reporting software package is implemented and tested before the start up of BEDP activities and that the financial management (FM), procurement and M&E staffs receive adequate training on it. The PAU should ensure that regular system updates and technical support is provided. In addition, the PAU’s management should ensure that an IT coordinator function at the PAU is introduced either by hiring a full-time professional or subcontract the function to a specialized company on a hourly rate on a need basis.

Development of detailed financial accounting polices and procedures manual: Developing a detailed and comprehensive financial polices and procedures manual that takes into consideration all Projects activities and the detailed, sound, control arrangements needed (proper segregation of duties, dual check signatories, monthly closing procedures, detailed controls defining the relationship with governorates, etc.) is required. This task will be carried out either by the current Financial Manager (based on knowledge of and experience in the current arrangements in BEEP) or by a private consulting firm.

Financial Monitoring Reports: The Project should have an adequate management information system (MIS) that is capable of generating necessary financial reports. The format, content and frequency of these reports should be drafted prior to and finalized during negotiations. Within the PAU, the Managers of Finance, Procurement, and Monitoring and Evaluation will prepare the Financial Management Reports, while the Director will be responsible for ensuring the FMRs’ timely submission to the Bank and donors.

Financial Management Reports (FMRs): The FMRs will include sources and uses of funds, cash withdrawals, cash forecasts and Special Account (SA) reconciliation and will constitute the basis of the annual financial statements.

Procurement Reports: These reports should provide information on the procurement of works, goods and related services as well as the selection of consultants and compliance with agreed procurement methods. In addition to the procurement progress, the reports should include information on all authorized contract variations. Information on complaints from bidders, unsatisfactory performance of contractors and other major contractual disputes need be included. The PAU’s Procurement Officer will prepare relevant procurement reports and the PAU’s Director will be responsible for ensuring that they are submitted to the Bank and to the donors in a timely manner.

Physical Report: These reports should include narrative information and output indicators linking financial information with physical progress and should highlight issues that require attention to ensure that Project costs are well managed. The PAU’s Director will be responsible for organizing the reports and submitting them to the Bank and donors in a timely manner.

Quarterly reviews of FMRs: In connection to the generation of quarterly FMRs and in order to compensate the lack of an internal audit department, the PAU should ensure that quarterly

reviews of the FMRs are performed by independent private and qualified auditors acceptable to the Bank. In that regard, FMRs should be produced within 30 days of each quarter's closing date. Reviewed FMRs should be sent to the Bank within 45 days after each quarter.

Flow of funds: All payments will be centralized at the PAU based on supporting documents. All expenditures incurred in the governorates (e.g. school construction and rehabilitation) and all original documents (contracts, approved progress billings, etc.) will be transferred to the PAU. Suppliers will be paid through checks or bank transfers from the Special Account (SA) in accordance with the eligibility percentages in the legal agreements. Advance payments for training will be based on detailed plans identifying the nature and proposed amounts and approved by the IMSC sub-committee. Clearance of such advance should be against original documents within 90 days of issuance of the advance. To ensure that funds are readily available for Project implementation and to separate and avoid the commingling of funds, two SAs denominated in US dollars (for IDA and the Grants) will be opened in the CBY and managed by the PAU. Deposits into and payments from the two SAs will be made in accordance with provisions in the Credit/Grant Agreement. All payments should be made from the SA of the Grant to the extent that necessary available funds exist in the SA and in the Grant Account. For that, the FM regularly should check the balance of the available funds in the Grant Account prior to preparation of withdrawal applications. In the case that the Grant funds have been utilized, the IDA SA should be used for disbursements and replenishment until availability of funds in the Grant Account. Based on a prior approval from the Bank's Loan Department, an advance will be issued from the SA to a separate account in local currency (also in the CBY); it will be used to monitor the financing of non-consulting services activities and subject to clearance within 90 days.

Capitation Grant: Transfer of funds to schools will be based on detailed plans identifying the nature and proposed amounts in local currencies. These plans should be approved by the district offices/governorate offices of the MoE. A consolidated plan should be prepared at the PAU level and mutually agreed upon by the donors. The transfer of agreed upon funds and the follow up and clearance of such advances against supporting documentation could be outsourced to a private accounting firm, if necessary. The terms of reference for this task should be cleared by the Bank and the donors.

5. Audit Arrangements

Quarterly reviews of FMRs and annual audits will be conducted by independent private and qualified auditors acceptable to the Bank. Terms of reference of the audits will clearly reflect the nature of the Project and its exact needs. They will also ensure that that the Project as a "whole" is covered in the scope of the assignment. The cost of the audit will be financed from Grant/Credit proceeds. The audit report and opinion, accompanied by a letter from management, will cover the Project's financial statements, reconciliation and use of the two SAs, as well as the use of direct payments and withdrawals based on Statement of Expenditures. The report should be submitted to the Bank and donors within six months following the close of the fiscal year. The external audit report should encompass all Project activities under the credit/grant agreement, be in accordance with the Bank's auditing requirements and be conducted according to International Standards on Auditing.

II. Disbursement Arrangements

After effectiveness, the IDA Credit will be disbursed during a five-year implementation period. The Credit is expected to become effective in December 2004. The completion date of the Project is December 31, 2009 and the closing date is June 30, 2010. The PAU will be responsible for

managing the Project funds and all related financial transactions, including preparation and submission of withdrawal applications accompanied by summary sheets with supporting documentation and/or statements of expenditure.

In addition to the IDA Credit of US\$65 million equivalent, IDA will also administer the funds contributed by the development agencies of the Governments of the Netherlands and the United Kingdom into a Multi-Donor Trust Fund (MDTF).

Initially, the Credit and the MDTF will follow a transaction-based disbursement method, where submission of supporting documentation is required each time the PAU requests disbursement of the Credit and the MDTF proceeds from IDA (with the exception of the initial deposit to the SA). For reimbursements or direct payments, supporting documentation is submitted with the withdrawal application before disbursement is made. For SA replenishments, supporting documentation for each disbursement is submitted with the subsequent replenishment request, enabling IDA to confirm past eligible expenditures before making the next advance.

Once the Project is assessed to: (i) have adequate FM capacity and maintain an adequate FM rating during Project supervision; (ii) submit within 45 days of the end of the reporting period a full set of FMRs, i.e., financial reports, physical progress reports and procurement reports; and (iii) submit timely, independent Project audits, the Project will have a choice of requesting withdrawal of funds from the Credit using the report-based disbursement method or continuing the use of the transaction-based disbursement method.

The allocation of Credit proceeds by expenditure category is summarized in the table below:

Allocation of Credit Proceeds

	Category	Amount of the Credit Allocated (US\$)	% of Expenditures to be Financed
(1)	Civil Works	24,300,000	90%
(2)	Goods	7,200,000	100% of foreign expenditures, 100% of local expenditures (ex-factory) and 85% of local expenditures for other items procured locally
(3)	Services	6,100,000	90% for consulting firms and 87% for individual consultants
(4)	Training	21,300,000	100%
(5)	Incremental Operating Costs*	1,700,000	90%
(6)	Unallocated	4,400,000	
	Total	65,000,000	

1. Statements of Expenditures

The thresholds for the use of the Statements of Expenditures (SOEs) are set to correspond to the thresholds for Bank procurement prior to review thresholds.

During implementation, SOEs will be used for all expenditures for: (i) works under contracts costing less than US\$350,000; (ii) non-consulting services under contracts costing less than US\$200,000 equivalent each; (iii) goods under contracts costing less than US\$350,000; (iv) services under consulting firm contracts costing less than US\$100,000 equivalent each and under individual consultant contracts costing less than US\$50,000 equivalent each; (v) training; and (vi) incremental operating costs, under such terms and conditions as the Association shall specify by notice to the Borrower. The supporting documentation would be maintained by the PAU and made available for review by IDA supervision missions upon request. Documentation relating to SOEs will be retained for up to one year from the date IDA receives the audit report for the fiscal year in which the last withdrawal from the Credit Account was made.

2. Special Accounts

To facilitate Project implementation and make timely payments of IDA's and the Governments' of the Netherlands and the United Kingdom share of eligible expenditures to contractors, suppliers and consultants, an SA under the IDA Credit and an SA under the MDTF will be established at the CBY. Based on Project needs, the IDA SA will have an authorized allocation (ceiling of advances into the SA) of US\$5 million; however, the initial deposit will be limited to US\$2 million (judged to be sufficient to meet estimated Project expenditures during the initial period), which may be claimed by PAU after effectiveness. The full allocation may be claimed when disbursements and special commitments reach SDR7.5 million. The SA under the MDTF will have an authorized allocation and an initial deposit of US\$3 million.

Replenishments of the SAs would follow IDA's procedures. The depository bank's statements of SAs transactions would support all replenishment applications. The minimum amount for applications regarding direct payments and special commitments would be 20 percent of the respective authorized allocations to the SAs. Requests for replenishment of the SAs will be submitted on a monthly basis. The SA statements will be part of the Project financial statements, which will be audited annually by independent external auditors acceptable to IDA. A Project account will be opened for the counterpart funds and should be available at Project effectiveness.

Annex 8: Procurement
REPUBLIC OF YEMEN
Basic Education Development Project

A. Procurement Arrangements

Background: A Country Procurement Assessment Report (CPAR) for Yemen was carried out in 2000. The report showed that the current procurement legislation (Law No. 3 of 1997 concerning Government Tenders, Auctions and Stores, and corresponding Regulations introduced by Decree No. 234 of 1997) is not yet up to acceptable international standards but significantly improved the public procurement legislation of 1991. As a transition strategy, until a revised procurement law is enacted, the CPAR recommended a set of national Standard Bid Documents (SBDs) for goods, works and services. This is under preparation together with a comprehensive National Procurement Manual (NPM) to support capacity building of the GoY's procurement function at all levels. IDA through an IDF Grant for procurement capacity building and the Government of the Netherlands are supporting the development of the National Procurement Manual and requisite SBDs, inclusive of a separate volume on procurement procedures for local authorities.

In the interim, procurement for the proposed operation would be carried out in accordance with the World Bank "Guidelines: Procurement Under IBRD Loans and IDA Credits" dated May 2004; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004; and the provisions stipulated in the Development Credit Agreement (DCA). The general description of various items under different expenditure categories are described below. For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, pre-qualification requirements above specific thresholds, estimated costs, prior review requirements and time frame for contract processing are agreed between the Borrower and IDA in the Procurement Plan. The Procurement Plan for the first 18 months' activities covering 10 out of 21 governorates is found in Attachment 1 to this annex. It will be updated at least annually or as required to reflect the actual Project implementation needs and improvements in institutional capacity at the center and governorate levels.

Procurement of Works

Works procured under this Project would increase the number of classrooms for Grades 1 to 9 in critically deficient areas by: (i) construction of standardized schools with toilets, hygienic washing and drinking-water facilities, boundary walls and laboratories where appropriate; (ii) the construction and rehabilitation of classrooms in existing schools with inadequate facilities; (iii) the rehabilitation of unserviceable schools; and (iv) increasing routine maintenance of existing schools. Work activities will be implemented using: (i) the demand-based selection of school sites initially to be determined by school mapping databases; (ii) the active participation of community groups; and (iii) cost-effective school designs adapted to local conditions, developed under Basic Education Expansion Project (BEEP) and to be further-improved under the proposed Basic Education Development Project (BEDP).

Civil works contracts would be procured using the Bank's SBD for Small Works for all International Competitive Bidding (ICB) as well as National Competitive Bidding (NCB) procedures satisfactory to IDA. A positive list of the minimum requirements for acceptable NCB documents will be set out in the DCA. Low value civil works contracts may be procured using simplified NCB written in Arabic and already approved by IDA for use under BEEP. In due course, the local SBD for NCB currently under preparation by a Ministry of Finance/High Tender Board (MOF/HTB) Working Group with assistance of Crown Agents/UK could be used for the

proposed operation subsequent to its endorsement by the Yemeni authorities and approval by IDA. The finalized NCB documents for works would take into account the principles of transparent and competitive procurement principles agreed to in March 2002 by the Multi-Donors Bank (MDB) Harmonization Working Group and set out in the paper "Requirements for use of local procurement laws and practices."

Procurement of Goods

Goods procured under this Project would include office and school furniture, computers, equipment for schools and offices, and equipment for school laboratories, etc. For all goods procured under ICB and NCB procedures, the Bank's Standard Bidding Document for Goods and *User's Guide "Master Documents"* agreed upon by the Harmonization Working Group of MDBs would be used. A positive list of the minimum requirements for acceptable NCB documents will be set out in the DCA. In due course, as for works the local SBD for goods procurement using NCB procedures currently under preparation could be used subsequent to its endorsement by the Yemeni authorities and approval by IDA. The finalized NCB documents for goods would take into account the principles of transparent and competitive procurement principles agreed to in March 2002 by the MDB Harmonization Working Group and set out in the paper "Requirements for Use of Local Procurement Laws and Practices." Goods procurement of IT equipment and textbooks will use the relevant Bank SBDs.

Procurement of Non-consulting Services

The Project will support capacity-building activities, which will be undertaken by MoE. Based on an established budget for each training activity approved by the Bank, the Project will cover training costs, e.g., production of teacher training module materials, transport and subsistence of trainees for the following activities: in-service teacher training, inspector training, school supervision and training for the administrative staff of the MoE, etc. Training will be provided to all Grade 1 to 9 teachers ideally prior to the commencement of each school year. Workshops and training to strengthen the capacity of central and governorate level staff to administer appropriate education programs that would enhance girls' education, and training for school administrators to utilize school spaces more efficiently by introducing double shifts would also be supported by the Project.

Selection of Consultants

Consulting services to be provided by consulting firms and individuals would include: engineering design studies and preparation of Bidding Documents, construction supervision, curriculum review and preparation, and training and advisory services. The selection of local and international consulting firms will be done using the Bank's standard Requests for Proposals (RFP) and the appropriate form of contract based on the scope of services to be procured. A shortlist of consultants for services estimated to cost less than US\$100,000 equivalent per contract may be composed entirely of national consultants, although foreign firms may express interest for consideration in accordance with the provisions of paragraph 2.7 of the Consultants Guidelines. All consultant assignments estimated to cost more than US\$200,000 will be advertised in the United Nations Development Business (UNDB) online and dgMarket.

Operating Costs

Office supplies, utility charges, maintenance and insurance of vehicles, banking charges, communication expenses, translation costs, travel costs and per diem, excluding salaries of civil servants and other Project implementation-related expenses for the Project Administration Unit

(PAU), the Basic Education Development Strategy (BEDS) technical team and the Governorate Education Office (GEO) would be procured using administrative procedures reviewed under BEEP and found acceptable to the IDA. IDA will finance initially US\$100,000 in the first year, declining annually in accordance with an agreed plan.

B. Assessment of the CAU and GEOs Capacity to Implement Procurement

Procurement Implementation Arrangements: The overall coordination of the BEDP procurement will be carried out by the Procurement Unit of the Project Administration Unit (PAU), formerly the CAU, which will be staffed by a two procurement specialists with experience in IDA procurement procedures. In addition one procurement officer at each of the GEOs will work closely with the Procurement Unit in the PAU. The PAU will be responsible for procuring all high-value items under ICB or NCB procedures and all goods, textbooks and IT equipment as well as consulting services for firms. The procurement of works for the construction and rehabilitation of schools and works construction supervision services will be carried out by GEO technical staff. In view of the phased coverage of additional governorates under the Project, it is anticipated that two local consultants experienced in IDA-financed procurement will be recruited on a competitive basis. The two consultants would provide limited technical assistance to the procurement function in GEOs, because the GEOs implementation performance under budget-supported MoE Projects has been poor. This on-the-job training and assistance is likely to take the form of two teams of fiduciary experts on procurement and financial management whose objective is to deliver skills-building assistance and certify the competence levels achieved by selected fiduciary staff in the GEOs.

Capacity Assessment

An assessment of the capacity of the CAU and the GEOs to implement procurement actions for the Project was carried out by Procurement Specialists in the Sana'a Office in May 2004 by undertaking site visits to participating governorates under BEEP as well as several candidate governorates under the proposed BEDP. The assessment reviewed the organizational structure of the ongoing CAU, in addition to undertaking site visits to a sample of the GEOs to assess their capacity to manage procurement administration issues in Project implementation. In the participating governorates under BEEP, the team noted the close interaction between the Procurement Officer in the CAU, the GEO and the General Directorate for Department of Projects (GDDP) in the ministry which has technical oversight responsibility for Project units in GEOs

Implementation Risks

Most of the issues/risks concerning the procurement component for implementation of the Project have been identified and include: (i) lack of an organized procurement function and familiarity with IDA procurement procedures in the GEOs under the proposed BEDP, although the Engineering staff are familiar with general contract administration; (ii) an inadequate procurement filing system, an issue that could be remedied reasonably quickly since the core element of archiving technical documentation does exist in GEOs; (iii) a viable mechanism for the monitoring and evaluation of activities and staff performance is not yet in place, with a Project MIS potentially providing an appropriate solution to a phase-wise, decentralized, procurement capacity; and (iv) the issue of inadequate incentives for ensuring diligent works contract supervision by technical staff in the field.

The proposed corrective measures to mitigate the procurement risk as identified in the capacity assessment undertaken prior to actual appraisal in June 2004 are stipulated below and summarized in the following Action Plan.

1. Support decentralization and build local administration capacity

As a result of the government's decision to decentralize much of the administrative load, governorate administrations will play an important role in the implementation of the BEDP activities in their respective areas, in addition to MoE role of coordinating activities through the CAU. The capacity of the local administrative units is understandably weak and as a consequence the core team of GEOs, particularly those earmarked to participate in the first year of Project implementation, would participate in the following training programs: (i) Financial Management; (ii) Procurement Management; and (iii) Monitoring and Evaluation modules of the training program. To enhance implementation readiness, the MoE will finance, under ongoing operations costs, essential IT equipment and training programs for GEOs designated to implement activities under the BEDP during the first year of the Project while the institutional strengthening component of the proposed Project will provide the same for the rest of the GEOs.

2. Upgrade the Project Operational Manual as part of the Project Implementation Plan (PIP)

For BEDP the operations, financial and administrative manual prepared during BEEP will be improved to:

- Include complete procurement procedures for the PAU and the GEOs, the SBDs and evaluation forms to be used for each procurement method, model contract forms, as well as community participation procedures;
- Create additional procurement posts in the GEOs and specify a clear matrix of responsibility for the procurement function;
- Establish a mechanism for monitoring and evaluation of activities and staff performance under the responsibility of the GDDP leadership at the center in MoE;
- Provide detailed reporting responsibilities;
- Review and aim to specify the responsible authorities for reviewing remuneration arrangements of GEO engineers carrying out construction supervision duties; and
- Establish the GEO organizational chart with job descriptions for key functions.

Action Plan

ISSUE /PROBLEM	Remedial Action	Responsibility
1. Enhancement of GEOs Implementation Readiness (pre-effectiveness activities)		
Capacity Building Program Design	Appoint a consultant for the preparation of the capacity building TORs and RFPs.	PAU
Weak Procurement Capacity of GEOs	Provide Procurement and FM Module training to staff in GEOs on the priority list.	PAU
Assignment of qualified GEOs core staff	Agree on selection procedures as first step and then appoint the best qualified core staff responsible for Procurement, FM, and M&E comprised of existing staff in GEOs.	PAU/MoE
Lack of IT Equipment and furniture to properly initiate Project launch.	Procurement of IT equipment and furniture for MoE offices in 10 Governorates.	PAU
Updating the Operations Manual	Appoint a consultant to update the existing BEEP 1 POM for use under the proposed BEDP.	PAU
2. Enhancement of GEOs Implementation Readiness (Post-Effectiveness Activities)		
Very limited procurement capacity of certain GEOs not covered under BEEP 1.	Recruit consultants to provide limited duration through on-the-job as well as "just in time" procurement support to GEOs of limited implementation capacity.	PAU
Procurement and FM not viewed as essential functions of GEOs core staff	Establish selection procedures to appoint the best qualified core staff responsible for Procurement, FM and M&E comprised of existing staff in GEOs.	MoE
Assignment of qualified GEOs core staff	Select the qualified core staff responsible for Procurement, FM and M&E.	PAU/MoE
Weak Procurement Capacity of GEOs	Provide to the remaining MoE Governorate Offices Procurement & FM module Training.	PAU
Weak Capacity of GEOs in M&E	Training to MoE Governorate Offices: M&E module Training.	PAU
Lack of IT Equipment and furniture	Procurement of IT Equipment and Furniture for MoE in remaining Governorate offices.	PAU
3. Procurement Filing		
Filing.	Establish a central archive in the CAU for all the procurement filing under BEDP financing, while improving documentation archiving practices in GEOs.	PAU
Records on claims and dispute resolutions.	Keep adequate records for all procurement processes.	PAU

C. Procurement Plan

The PAU will update the Procurement Plan as agreed with the Project at least annually or as required to reflect the actual Project implementation needs and improvements demonstrated in institutional capacity. The Borrower at appraisal developed an 18-month Procurement Plan for Project implementation, which provides the basis for the procurement methods. This Plan was agreed between the Borrower and the Project Team during negotiations on July 13, 2004 and is available at PAU. It will also be available in the Project's database on the Bank's external website.

D. Frequency of Procurement Supervision

In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended two annual supervision missions to visit the field to carry out post review of procurement actions.

The overall Project risk for procurement is **HIGH**.

Attachment 1: Procurement Plan

I. Procurement Plan

A. General

1. Agreed Date of the Procurement Plan:

a. Original: June 28, 2004

b. Revision 1: July 12, 2004

2. Date of General Procurement Notice: July 2004

II. Goods and Works and Non-consulting Services

A. Prior Review Threshold

1. Procurement Decisions subject to Prior Review by IDA as stated in Appendix 1 to the Guidelines for Procurement :

	Procurement Method	Prior Review Threshold	Comments
1.	ICB	=> US\$350,000	All Contracts
2.	NCB	=> US\$350,000	All Contracts First three contracts in each new Governorate for Works, i.e., goods will be centrally procured.
3.	Simplified NCB	N/A	First three contracts in each Governorate regardless of contract value
4.	National Shopping	N/A	First three contracts regardless of contract value
5.	Procurement from UN Agencies		All Contracts

Procurement Plan for Works

S. No	Description	No. of Tenders	Estimated Tender Value US\$'000	Estimated Package Value	Procurement Method	Time to Complete Bidding Documents # Days	Bidding Document Prep. Start	IDA Prior Review Yes/No	Bid Opening Month/Yr	Contract Award Month/Yr	Contract Completion 3CR	Contract Completion 6CR	Contract Completion 9CR
	Rehabilitation												
1	Abyan Gov.	10	255.4		NCB	60	27/02/05	N0	01/06/05	05/07/05	06/12/05	01/04/06	01/05/06
2	Sadah Gov.	10	255.4		NCB	60	26/02/05	N0	30/05/05	03/07/05	04/12/05	30/03/06	29/04/06
3	Hadramot Gov.	18	510.6		NCB	60	02/03/05	N0	07/06/05	11/07/05	12/12/05	07/04/06	07/05/06
4	Ibb Gov.	18	510.6		NCB	60	19/02/05	N0	23/05/05	26/06/05	27/11/05	23/03/06	22/04/06
5	Lahej Gov.	18	510.6		NCB	60	23/02/05	N0	28/05/05	01/07/05	02/12/05	28/03/06	27/04/06
6	Shabwah Gov.	10	255.4		NCB	60	15/02/05	N0	18/05/05	21/06/05	22/11/05	18/03/06	17/04/06
7	Taiz Gov.	18	510.6		NCB	60	22/02/05	N0	25/05/05	28/06/05	29/11/05	25/03/06	24/04/06
8	Aljawf Gov.	9	255.3		NCB	60	22/02/05	N0	27/05/05	30/06/05	01/12/05	27/03/06	26/04/06
9	Ma'areb Gov.	9	255.3		NCB	60	22/02/05	N0	24/05/05	27/06/05	28/11/05	24/03/06	23/04/06
10	Almaharah Gov.	9	255.3		NCB	60	22/02/05	N0	02/06/05	06/07/05	07/12/05	02/04/06	02/05/06
Total		129	3574.5										
	Total NO. of classrooms to be rehabilitated	765											
	Extension												
1	Abyan Gov.	3	177.2		NCB	60	27/02/05	N0	01/06/05	05/07/05	06/12/05	01/04/06	
2	Sadah Gov.	3	177.2		NCB	60	26/02/05	N0	30/05/05	03/07/05	04/12/05	30/03/06	
3	Hadramot Gov.	5	310.1		NCB	60	02/03/05	N0	07/06/05	11/07/05	12/12/05	07/04/06	
4	Ibb Gov.	5	310.1		NCB	60	19/02/05	N0	23/05/05	26/06/05	27/11/05	23/03/06	
5	Lahej Gov.	5	310.1		NCB	60	23/02/05	N0	28/05/05	01/07/05	02/12/05	28/03/06	
6	Shabwah Gov.	3	177.2		NCB	60	15/02/05	N0	18/05/05	21/06/05	22/11/05	18/03/06	
7	Taiz Gov.	5	310.1		NCB	60	22/02/05	N0	25/05/05	28/06/05	29/11/05	25/03/06	
	Total NO. of classrooms to be Extended	29	1772.0										
		120											

S. No	Description	No. of Tenders	Estimated Tender Value US\$'000	Estimated Package Value US\$'000s	Procurement Method	Time to Complete Bidding Documents # Days	Bidding Doc. Prep. Start	IDA Prior Review Yes/No	Bid Opening Month/Yr	Contract Award Month/Yr	Contract Completion 3CR	Contract Completion 6CR	Contract Completion 9CR
	New Construction												
1	Abyan Gov.	9	885.7		NCB	60	30/10/04	NO	30/01/05	05/03/05	06/08/05	30/12/05	29/04/06
2	Sadah Gov.	9	885.7		NCB	60	20/10/04	NO	18/01/05	21/02/05	25/07/05	18/12/05	17/04/06
3	Hadramot Gov.	13	1284.3		ICB	60	10/11/04	NO	08/02/05	14/03/05	15/08/05	08/01/06	08/05/06
4	IBB Gov.	13	1284.3		ICB	60	24/10/04	NO	22/01/05	25/02/05	29/07/05	22/12/05	21/04/06
5	Lahaj Gov.	13	1284.3		ICB	60	30/10/04	NO	29/01/05	04/03/05	05/08/05	29/12/05	28/04/06
6	Shabwah Gov.	9	885.7		NCB	60	08/11/04	NO	06/02/05	12/03/05	13/08/05	06/01/06	06/05/06
7	Taiz Gov.	13	1284.3		ICB	60	26/10/04	NO	24/01/05	27/02/05	31/07/05	24/12/05	23/04/06
	Total	79	7794.3										
	Total number of classrooms	528											
	Total Est. Cost for Civil Works		13,140,800										

Procurement Plan for Goods

DESCRIPTION	No. of Schools	Estimate Tender value (\$)	Procurement method	Bidding doc. preparation start	IDA prior review Yes/No	Bid invitation date include advertising	Bid opening date	Bid evaluation	Contract signing date	Contract completion date
Package 1 Combined School Seats for New and Extended schools										
Combined School Seats for NC (Hudramot, Shabwah and Abyan Govs.)	42	181,440	NCB	2/23/2005	no	4/30/2005	5/4/2005	5/29/2005	6/20/2005	9/18/2005
Combined School Seats for NC (In , Lahej and Taiz Govs.)	36	155,520	NCB	2/23/2005	no	4/30/2005	5/4/2005	5/29/2005	6/20/2005	9/18/2005
Combined School Seats for New schools (In Sadaah and IBB Govs.)	30	129,600	NCB	2/23/2005	no	4/30/2005	5/4/2005	5/29/2005	6/20/2005	9/18/2005
Total cost of Comb. Seats for the New constructions in 7 governorates	108	466,560								
Package 2 Combined School Seats for Rehabilitation.										
Combined Seats for Rehab. Schools (Hudramot, Shabwah and Abyan Govs.)	38	155,520	NCB	4/23/2005	no	5/30/2005	6/3/2005	6/28/2005	7/20/2005	10/18/2005
Combined Seats for Rehab. Schools (In Lahej and Taiz Govs.)	36	155,520	NCB	4/23/2005	no	5/30/2005	6/3/2005	6/28/2005	7/20/2005	10/18/2005
Combined Seats for Rehab. Schools (In Sadaah and IBB Govs.)	28	116,640	NCB	4/23/2005	no	5/30/2005	6/3/2005	6/28/2005	7/20/2005	10/18/2005
Combined Seats for Rehab. Schools (In Mareb, Aljowf and Almaharah Govs.)	27	116,640	NCB	4/23/2005	no	5/30/2005	6/3/2005	6/28/2005	7/20/2005	10/18/2005
Total cost of Comb. Seats for the Rehabilitated Schools in the 7 governorates	129	544,320								

DESCRIPTION	No. of Schools/item	Estimate Tender value (\$)	Procurement method	Bidding doc. preparation start	IDA prior review Yes/No	Bid invitation date include advertising	Bid opening date	Bid evaluation	Contract signing date	Contract completion date
Package 3 Furniture for 3, 6 & 9 CR - New Construction										
Furniture for (3, 6, 9 CR) New Construction (Hadramot, Shabwah & Abyan Govs.)	42	165,116	NCB	6/25/2005	no	7/30/2005	8/3/2005	8/28/2005	9/19/2005	12/18/2005
Furniture for (3, 6, 9 CR) New Construction and Extension (Lahej and Taiz Govs.)	36	141,528	NCB	6/25/2005	no	7/30/2005	8/3/2005	8/28/2005	9/19/2005	12/18/2005
Furniture for (3, 6, 9 CR) New Construction and Extension (IBB and Sa'adah Govs.)	30	117,940	NCB	6/25/2005	no	7/30/2005	8/3/2005	8/28/2005	9/19/2005	12/18/2005
Total Est. Cost for Furniture for all New and Rehabilitated Schools in the 7 Governorates	108	424,584								
DESCRIPTION										
Package 4 Furniture for 3, 6 and 9 CR - Rehabilitation										
Furniture for (3, 6, 9 CR) Rehabilitation (Hadramot, Shabwah and Abyan Govs.)	38	130,400	NCB	6/25/2005	no	7/30/2005	8/3/2005	8/28/2005	9/19/2005	12/18/2005
Furniture for (3, 6, 9 CR) Rehabilitation (Lahej and Taiz Govs.)	36	141,528	NCB	6/25/2005	no	7/30/2005	8/3/2005	8/28/2005	9/19/2005	12/18/2005
Furniture for (3, 6, 9 CR) Rehabilitation (IBB and Sa'adah Govs.)	28	100,582	NCB	6/25/2005	no	7/30/2005	8/3/2005	8/28/2005	9/19/2005	12/18/2005
Furniture for (3,6,9CR) Rehabilitation (In Mareh, Aljewf & Almaharah Govs.)	27	106,146	NCB	6/25/2005	no	7/30/2005	8/3/2005	8/28/2005	9/19/2005	12/18/2005
Total Est. Cost for Furniture for all Rehabilitated Schools in the 10 Govs.	129	478,656								
Package 5 Education Kits for Students for New Construction										
Education Kits for 3 & 6 CR Schools New Construction (for 7 Governorates)	43	40,800	NCB	5/22/2005	no	6/30/2005	7/4/2005	7/29/2005	8/17/2005	10/17/2005

<i>Education Kits for 9 CR Schools New Const for the 7 Governorates</i>		36	64,800	NCB	1/18/2006	no	2/20/2006	3/2/2006	3/27/2006	4/26/2006	6/25/2006
Total Cost for Education Kits for all schools New Const. in the for 7 Governorates		79	105,600								
Description		No. of Schools/item	Estimate Tender value (\$)	Procurement method	Bidding doc. preparation start	IDA prior review Yes/No	Bid invitation date include advertising	Bid opening date	Bid evaluation	Contract signing date	Contract completion date
Package 6 Equipment for 3 & 6 CR - New Construction											
<i>Equipment for (3-6)CR New Construction & Extension (for 7 Govs.)</i>		72	8,280	NS	5/22/2005	no	6/30/2005	7/4/2005	7/29/2005	8/17/2005	10/1/2005
<i>Equipment for 9CR Schools New Construction (for 7 Govs.)</i>		36	4,140	NS	1/18/2006	no	2/20/2006	3/2/2006	3/27/2006	4/26/2006	6/25/2006
<i>Equipment for (3-6)CR Rehabilitation (for 10Govs.)</i>		90	10,350	NS	5/22/2005	no	6/30/2005	7/4/2005	7/29/2005	8/17/2005	10/1/2005
<i>Equipment for 9CR Schools Rehabilitation (for 7 Govs.)</i>		39	4,485	NS	1/18/2006	no	2/20/2006	3/2/2006	3/27/2006	4/26/2006	6/25/2006
Total Cost for Equipment for the seven governorates		237	27,255								
Package 7 Office Equipment for 15 New Govs.			184,500								
Grand Total			2,231,475								

Legend:

- ICB = International Competitive Bidding (in accordance with section 2 of the Guidelines)
- NCB = National Competitive Bidding (in accordance with sections 3.3 of the Guidelines)
- NS = National Shopping (in accordance with sections 3.5 of the Guidelines)
- IS = International Shopping (in accordance with sections 3.5 of the Guidelines)

III. Selection of Consultants

- A. **Prior Review Threshold:** Selection Decisions subject to Prior Review by Bank as stated in Appendix 1 to the Guidelines Selection and Employment of Consultants.

	Selection Method	Prior Review Threshold	Comments
1.	QCBS	> US\$100,000	All contracts above US\$100,000
2.	LCS, CQ, SS		All TORs and cost estimates regardless of contract value. All SS methods
3.	Individual Consultants	>US\$50,000	All contracts above US\$50,000

- B. **Short list comprised entirely of national consultants:** Short list of consultants for services, estimated to cost less than US\$100,000 equivalent per contract, may be comprised entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Procurement Plan for Consultants

Ref. No	Description of Assignment		Selection Method	Review by Bank (Prior/Post)	Services start date(contract signing)	Expected duration of the task
	Package 1 consultancy services (individual and firms):					
	Training in FM and Procurement of the rest of GEOs.	60,000	QCBS	Prior	Feb. 05	3 months
	Review existing design and assist MoE in preparing new designs	27,000	IC	Prior	Jan 05	1 month
	Employ a consulting firm to put in place a fiduciary MIS connecting CAU with GEOs. The consulting firm provide MIS training to personnel concerned.	80,000	QCBS	Prior	Jan 05	4 months
	Training to MoE governorate offices: M&E module Training	60,000	QCBS	Prior	Dec.04	2 months
	Review and assess efficiency and sustainability of in-kind foods to promote girls education	54,000	IC	Prior	May 05	2 months
	Study to identify demand sides intervention for promoting children with special needs education	30,000	IC	Prior	Jan 05	1 month
	Preparation of curriculum renewal plan (technical support to the Task Force)	27,000	IC	Prior	Feb 05	2 months
	Preparation of teacher recruitment and deployment strategy	54,000	IC	Prior	Dec. 04	3 months
	Development of a supervision policy, strategy and action plan	42,000	IC	Prior	Dec. 04	3 months
	MoE restructuring	850,000	QCBS	Prior	Jan 05	2 years
	Literacy review	63,000	IC	Prior	March 05	4 months
	Development of the Whole School Development process	55,000	IC	Prior	Dec. 04	2 months
	Package 2 Local firms for design and supervision (Rehab.):				start	end
	Group 1 Abyan Gov. 4 Districts	65,000.00	QCBS	Post	Dec 04	Aug 05
	Group 2 Aljawf Gov. 3 Districts	45,000.00	QCBS	Post	Dec 04	Aug 05
	Group 3 Hadramoot Gov. 6 Dists	75,000.00	QCBS	Post	Dec 04	Aug 05
	Group 4 Lahej Gov. 6 Districts	75,000.00	QCBS	Post	Dec 04	Aug 05
	Group 5 IBB Gov. 6 Districts	75,000.00	QCBS	Post	Dec 04	Aug 05
	Group 6 Mareb Gov. 3 Districts	45,000.00	QCBS	Post	Dec 04	Aug 05
	Group 7 Sa'adah Gov. 4 Districts	65,000.00	QCBS	Post	Dec 04	Aug 05
	Group 8 Shabwah Gov. 4 3 Districts	65,000.00	QCBS	Post	Dec 04	Aug 05
	Group 9 Taiz Gov. 6 Districts	75,000.00	QCBS	Post	Dec 04	Aug 05
	Group 10 Almaharah Gov. 3 Districts	45,000.00	QCBS	Post	Dec 04	Aug 05

Legend:

- QCBS** = Quality and Cost-based Selection (in accordance with sections 2.1 - 2.28 of the Guidelines)
LCS = Least-Cost Selection (in accordance with section 3.6 of the Guidelines)
CQS = Selection Based on consultants' Qualifications (in accordance with section 3.7 of the Guidelines)
SSS = Single Source Selection in accordance with sections 3.8 - 3.11 of the Guidelines)
IC = Selection of Individual Consultants (in accordance with sections 5.1 - 5.4 of the Guidelines)

Annex 9: Economic and Financial Analysis

REPUBLIC OF YEMEN Basic Education Development Project

Basic Education Sector Background

Education's share of total public expenditure increased from 5 percent of GDP in 1996 to 7.5 percent in 2002, and it is expected to increase to 9.6 percent by 2005 (PRSP's target). In addition, the return on educational investment in terms of access (enrolments) has improved; however, many areas, including coverage, efficiency quality, and equity, continue to require further improvement.

Access/Equity: The enrolment in basic education has increased 27 percent in the past five years, from 3 million in 1998 to 3.8 million in 2002. During this period, the enrolment growth rate for girls is much higher (46 percent) than that of boys (18 percent). However, coverage (62 percent of Gross Enrolment Rate (GER) in 2002) is low and considerable disparities in gender and location exist. The GER at the basic education level for females was 55 percent in 2002 compared to 74 percent for males, and the proportion of female-to-male students was 38 percent. Only 45 percent of rural primary-aged children were enrolled in formal schooling in 1999 compared to 71 percent of urban children. Rural female students are the most disadvantaged (30 percent attendance) compared to urban female students (71 percent attendance). This may be explained by an under-supply of female teachers, and teachers in general, in rural areas where the importance of female teachers is tantamount to bringing more girls into school.

Intake: The access rate in Grade 1 has increased significantly from 70 percent in 1999 to 84 percent in 2002, due largely to the construction of new classrooms. An analysis of the 1999 National Poverty Survey indicates that there is a strong positive correlation between school availability (distance to education) and student attendance. In line with this finding, the Basic Education Development Strategy (BEDS) proposes that one or two classes be built in remote locations so pupils in Grades 1 and 2 can attend school before having to travel significant distances to basic-level schools. This should also raise parental awareness of the importance of enrolling children.

Efficiency: Although showing a slight improvement in recent years, basic education continues to suffer from poor internal efficiency. In 2002, the First Grade access rate was estimated at 84 percent, but it declined dramatically to 57 percent in Grade 6 and to 46 percent in Grade 9. The retention rate for boys in Grade 9 was 64 percent compared with 28 percent for girls, highlighting the notion that low internal efficiency is due to relatively high dropout and repetition rates. Instead of taking 9 years to complete basic education, students take, on average, 14.6 years with an even longer period for female students. Influencing factors include a scattered population, an insufficient number of girls' schools and the considerable distance of schools from population centers.

Quality: The quality of primary education is poor in Yemen largely due to low teacher qualification, shortage of quality teaching and learning materials, and ineffective supervision. The 2002 Education Survey estimates that only 52 percent of the teaching staff hold secondary school certificates or better, while 48 percent have completed only basic education with one or two years of additional training. This contributes to the low quality of educational achievement and outcomes (the national examination pass rate in Grade 9 is 69 percent).

Supply- and demand-side perspectives: Low access, internal inefficiency and inadequate quality of basic education are explained by both demand- and supply-side factors. On the supply side are: (i) lack of schools with latrines and running water for girls; (ii) lack of qualified female teachers; (iii) difficulty in gaining access to school; and (iv) incomplete schools (schools that do not offer Grades 1 to 9). On the demand side, while public basic education is free in Yemen, households are required to pay community

participation and school activity fees of YR150 per year. In the 1999 National Poverty Monitoring Survey, households cited “difficulty in paying school expenses” as the main reason for either never sending children to school or withdrawing them early. The main impediments to low enrolment for rural girls include poverty, lack of female facilities at schools, lack of female teachers, high school expenses and family attitudes toward girls’ schooling, even for younger girls (aged 6 to 14). Family attitude has been a major constraint, especially in rural areas.

Enrolment Projection

The BEDS target was Projected within a scenario of the following: the implementation of automatic promotion in Grades 1 to 6 of basic education by 2005, and the proportion of repeaters gradually declining to 3 percent by 2015 (from 7 percent in 2002). The baseline indicators use 2002 data with the assumptions of: (i) 95 percent net enrolment rate by 2015; (ii) the percentage of the age group entering Grade 1 will reach 100 percent by 2007, which is the latest targeted year for students to complete 9 years of basic education; and (iii) 3.7 percent annual growth for the age groups of 6 and 14. Results show that basic school (Grades 1 to 9) enrolment will increase to 6.7 million in 2009 (by the end of the Project) from 3.8 million in 2002. The number of students expected to enter basic education will be nearly double that at present.

Education Expenditure Pattern

The Government is devoting sizeable resources to the education sector. While GDP and total public expenditure on education have increased, the share of education expenditure as a percentage of GDP has increased from 5 percent in 1996 to 7.5 percent in 2003. This trend reflects a rise in teachers’ salaries and increased investment expenditure. However, within the education sector, the proportion of expenditure devoted to Grades 1 to 6 of the basic education has declined from 46 percent in 1996 to 44 percent in 2002. A similar trend has occurred in the upper grades of basic education and in secondary education (Grades 7 to 12) whose share has decreased from 42 percent to 40 percent. In contrast, the share of tertiary education has increased 4 percent, demonstrating not only an increased demand for tertiary education but also its high cost. These issues should be addressed during the Project in light of moving to a more holistic sector approach.

A GoY budget analysis shows that the share of non-salary items in recurrent expenditure on education declined from 24 percent in 1997 to 21 percent in the 2002. In basic education, the share of non-wage expenditure was even lower; about 20 percent between 1996 and 2001, although it increased to 25 percent in the 2002 budget. This trend highlights the constraints of enhancing the quality of education. In addition, shortcomings in management of operation and maintenance (O&M), the investment Project, and sub-sector planning and information have contributed to inefficiencies in basic education exemplified by the 2002 Education Statistics Report, which shows that 4,522 male and female teachers did not teach any periods.

Unit Cost Analysis

As noted, the GoY has been spending a large portion of GDP on basic education. Donor partners’ contributions have also significantly increased in the past five years. The unit cost (cost spent per student) in basic education (Grades 1 to 9) was US\$98 in 2000, US\$109 in 2001 and US\$118 in 2002. With additional external funds from sources such as the Fast Track Initiative Catalytic Fund, BEDP, and other donor funds, the unit cost will increase to about US\$143, US\$151 and US\$156 in 2004, 2005, and 2006, respectively. This is expected to provide substantial benefits to the approximately 5.3 million children enrolled by 2006 and to the 6.7 million children enrolled by 2009.

Benefit-Incidence Analysis

The overall public spending on education in Yemen is equally distributed across household deciles. The poorest 10 percent of households gained 12 percent of the total public education subsidies, while the richest 10 percent of households gained 7 percent of the subsidies. Public spending on basic education is also targeted to the poorer deciles. The poorest 10 percent of households gained 13.3 percent of the total public education subsidies and this share gradually declined in the richer deciles, while the richest 10 percent of households received only 5.3 percent. Public subsidies reach out more to the poor in rural areas with the poorest decile receiving 10.5 percent of the total subsidies in rural areas compared to 9.0 percent in urban areas. Two reasons are suggested for the differences although data limitations cannot confirm these findings: (i) more well-off students attend private institutions and (ii) public spending on scholarships abroad is not included. Public spending on basic education in Yemen appears to favor the poorest households, even in comparison with countries such as Bangladesh and Cambodia.

Cost-Effectiveness of School Construction

Cost Analysis: The unit cost of classroom construction in Yemen is very high compared to other developing countries (US\$3,100 in India, US\$3,900 in Bangladesh; US\$4,700 in Mauritania; US\$7,500 in Guinea; US\$8,200 in Brazil; and US\$10,000 in Mexico). Reviewing three IDA-supported Project models: (i) Basic Education Expansion Project (BEEP); (ii) Social Funds for Development (SFD); and (iii) Public Works Project (PWP), the average unit cost of schools per new classroom ranged from US\$10,044 to US\$12,171 and the average unit cost per M2 (gross area) ranged between US\$133 and US\$183. When other school construction data in Yemen is reviewed, it shows that the unit cost of classroom varies from US\$5,000 (UNICEF) to US\$26,000 (Japan). The unit cost of classrooms built by the MoE is between US\$14,000 and US\$16,000. The difference in costs depends on remoteness of sites, school design, type of construction, administrative procedures, materials used and types of contracts.

There are several lessons to be learned from the three school construction models: (i) the number of standard school designs should be increased and designs made more flexible to better fit local conditions; (ii) school construction monitoring can be assisted with MIS databases, so there is a need to expedite the completion of the school mapping Project and to strengthen the Planning Department of the MoE so they can provide comprehensive and up-to-date information to all Projects; (iv) a policy regarding multi-grade teaching is required; (v) guidelines regarding school sanitation and hygiene standards are required; (vi) school design should be revised to reflect lessons from earlier Projects and more detailed drawings should be provided; and (vii) site supervision should be strengthened along with a mechanism to evaluate supervisors.

Cost-effective Approach for BEDP School Construction: Community participation is an important aspect in each Project involving beneficiaries in the identification, preparation and implementation phases of school construction and thus strengthening ownership through participation. Unit costs of classroom construction will be continuously reviewed in the light of the above to attain a low-cost standard design.

Expenditure Requirements, Resource Envelope for Basic Education and Fiscal Impact of BEDP

Projection Model: The resource gap for external financing to support the BEDS is estimated using a country-specific simulation model. This analysis focuses on GoY's financial envelope and requirements between 2005 and 2010. The model includes: (i) estimates of the GoY's resource envelope for basic education, inclusive of estimated donor funding; (ii) estimated recurrent financial requirements for the BEDP; and (iii) recurrent and capital financial requirements to achieve BEDS targets. The unit cost of classroom construction is based on actual BEEP costs, in which a low-cost standard design for schools and community participation for school construction was introduced.

Simulation Results of Status Quo (Scenario 1): Based on the status quo expenditure projection, the financing gap is estimated at US\$4.1 billion between 2005 and 2010 (or US\$680 million per year) with recurrent expenditure of US\$2.5 billion (or US\$416 million per year) and capital expenditure of US\$1.5 billion (or US\$264 million per year).

Simulation Results of Reform Scenario (Scenario 2): If the Government were to fully implement the BEDS efficiency measures, 32 percent fewer teachers and classrooms would be required when compared to the status quo. The reform scenario Projects requirements of an additional 36,000 basic education teachers and 40,000 classrooms, while it assumes 20 percent of classes operating double shifts between 2005 and 2010. The policy changes result in large efficiency gains brought on by improvements in student/teacher ratios and by introducing automatic promotion to reduce the number and the cost of repeaters. At the same time, spending on non-teacher items for quality improvement is factored in through enhanced resource mobilization. If the reform were to be fully implemented, the financing gap is estimated at US\$1.1 billion between 2005 and 2010 or US\$183 million per year—an annual US\$112 million for recurrent and US\$61 million for capital expenditures. This reform scenario is a very indicative financing gap estimate; thus, the financing gap could be wider depending on the pace of reform implementation.

Simulation Results of Cautionary Scenario (Scenario 3): This scenario assumes that if BEDS were implemented slowly and target indicators not fully achieved (e.g., proportion of repeaters was 7 percent, and student/teacher ratio was 30), the financing gap for basic education would be estimated at US\$1.9 billion between 2005 and 2010 or US\$312 million per year—an annual US\$210 million for recurrent and US\$102 million for capital expenditure.

The financial estimations vary depending on the targeted assumptions used. In this case, the assumptions used were consistent with the BEDS, and the results show that the BEDP will be able to provide a significant contribution to the financing gaps, particularly for non-teacher salary items.

Elimination of School Fees: The MoE plans to eliminate school fees for students in Grades 1 to 6 in basic education schools. The implication of this policy would be very minimal to the government financial expenditure, because the total amount of the school fees is less than 1 percent of the basic education recurrent expenditure. On the other hand, poor students gain enormously since school fees are one of the major factors preventing children from attending school.

Annex 10: Safeguard Policy Issues
REPUBLIC OF YEMEN
Basic Education Development Project

A. SOCIAL

This section draws on the findings of an early social assessment and a host of existing material; extensive consultations with communities, technical specialists, policy-makers, parents, teachers and students and builds on the lessons learnt from Basic Education Expansion Project (BEEP). It also draws on reports produced by, and in some cases consultations with, other donors and actors, such as GTZ, UNICEF, ADRA, Royal Netherlands Embassy, DFID, CARE International and the SFD. This report provides some recommendations based on a careful analysis of these reports and consultations.

School Construction and Rehabilitation

- Stakeholders strongly support the construction of new schools and rehabilitation of old ones. Demand for education is very high. In many communities classes are held under trees or in makeshift buildings, lacking the very basic requirements for teaching and learning, and very often putting teachers and students at risk (e.g., exposure to the elements).
- Communities value highly the school design adopted by BEEP, especially as it relates to building boundary walls and providing girls' toilets. Providing similar facilities in Basic Education Development Project (BEDP) will have a very positive influence on parents' decisions to send their girls to school.
- School construction/rehabilitation has been an opportunity for creating short-term job opportunities, and hence alleviating poverty, among the poorest members of the local community. Maintaining a policy of hiring local community members in BEDP will help "grease the wheel" for a community buy-in of the general objectives of the Project.

Community Participation

- Community participation was fundamental for the success of BEEP. Among other things, communities donated land and stone, identified the sites for schools, monitored the progress of the construction and organized into mothers' and fathers' councils. Many teachers and school directors reported increased visits of parents to schools; increased involvement of the community in the well-being of the teachers; and, a general readiness of the community to provide in-kind contributions (e.g., food for the teachers). BEDP will capitalize on these successes and those of other actors, such as GTZ, to build the capacity of communities to engage in more meaningful responsibilities, such as the participation in the formulation of school development plans and monitoring of learning outcomes.
- Fathers' and mothers' councils have been most successful when their constitution has been accompanied by the mobilization of key community agents, such as sheikhs, Imams, social counselors, local NGOs/CBOs and other influential members of the community. Involving these agents is fundamental for the transformation of the attitudes of the community toward the school.
- While the primary objective of the fathers' and mothers' councils has been the institutionalization of social capital among parents and schools, so that the latter can meet its educational objectives, the creation of such councils in many schools has become an end in itself, while in others it is often linked to the realization of narrow, short-term objectives (e.g., small repair work). It is strongly recommended that a long-term view of the role of fathers' and mothers' councils be adopted and that their capacity be built so that they can also contribute to improving the quality of educational services

through participation in the formulation of school development plans, mobilization of resources, accountability, identification of innovative community-based solution to local problems, etc. The planned school-grants could provide the means for undertaking joint school-community actions to address local issues.

- The meaningful participation of communities in schools has been significantly hindered by widespread illiteracy, especially among women. Stakeholders welcomed the idea of introducing literacy in BEDP. Projects that integrate livelihood/income-generation skills and literacy/numeracy can have a stronger chance of success. They can demonstrate an immediate reason for learning and are directly linked to poverty reduction. The SFD experience suggests that Projects that are well negotiated with their prospective learners are likely to be more effective than Projects that are simply put on offer.
- Currently, the Community Participation Unit (CPU) has been assigned the responsibility of mainstreaming community participation across sectors at the central level and for creating capacity at the governorate and district levels. Lacking resources and strong institutional support, the unit's role has been weak. It is highly recommended therefore that the status of this unit be clarified and its relation with the newly created Girls' Education Unit and Inclusion Unit be strengthened.

Girls Education

- Consultations with communities revealed a number of factors that act as barriers for girls' education, including, poverty, lack of mixed and/or female-only schools, distance from school, lack of female teachers, lack of toilets and boundary walls around the school, early marriage, gender-biased attitudes toward girls' schooling, irrelevant curricula and school scheduling, etc. The weight of these factors varies among communities, and it is often the interaction of two or more factors than any one in isolation that acts as a barrier for girls' education in specific communities. It is therefore highly recommended that the strategies for encouraging the enrolment and retention of girls be localized and that communities be actively involved in the process.

For the poorest of the poor, the direct and opportunity costs of education remain the strongest barrier for girls' (and boys') education. It is therefore recommended that demand-side interventions, including interventions that seek to reduce these costs (e.g., in-kind food subsidies) among the poor, be considered to ensure equity of opportunity.

- Many communities consider the existing curriculum as lacking relevance to the immediate needs of the families in the rural areas, which acts as a disincentive for sending their children, especially girls, to school. Many stakeholders proposed the introduction of basic health, culinary, sewing and basic agricultural knowledge to make education more attractive to parents in the rural areas. These curriculum additions should not replace the general curriculum nor be an instrument for tracking girls in low-skill activities.
- In many communities, the hiring of local female teachers has had a remarkable impact on their attitudes toward the education of girls. Such a practice has helped break the taboo over girls' education, created role models for young girls and helped parents see the long-term value of investing in the education of their girls. Promoting such a practice in BEDP is highly welcomed by communities.
- The media, especially radio and television, given the high illiteracy rates in the country, needs to be more involved in raising the awareness of communities of the importance of education for girls and other disadvantaged groups.

Children with Disabilities

- Strong social stigma makes families view children with disability as a burden and a source of shame, often hiding them from public eye and, therefore, depriving them of educational opportunities. Expanding educational opportunities to this group in BEDP, accompanied by aggressive community awareness raising activities, will alleviate their exclusion and contribute to meeting the EFA targets.
- The Project needs to work toward internationally accepted models of integration, whereby children with disabilities are encouraged where possible to join the mainstream education system (“Inclusive Schools”). It needs also to shift from a commonly held view of equity as “equity of inputs” to one that recognizes that children with disabilities have differential needs that require investments in order to achieve “equity of outcomes”.
- Initial and professional development Projects need to incorporate modules incorporating the basics of dealing with children with disabilities. Dissemination of good practice cases is also fundamental.

Street/Working Children

- Many stakeholders welcomed the expansion of education services to this very important category of the Yemeni population. The inclusion of these children in education will also lead to better social cohesion, by reducing the vulnerability of these groups to crime and violence.
- Designing needs-based curricula that emphasize academic and life-skills and encouraging community-based local innovation, such as “second chance schools,” will be fundamental for reaching these children and meeting their educational needs.
- Fostering demand for education among this vulnerable group will be a challenge, due to the opportunity costs in the form of income foregone as a result of attending school. It is highly recommended therefore to consider direct financial support for the families of these children and flexible scheduling that allows them to attend school while not working.

The Project does not represent any particular social safeguards issues since there will be no land expropriation nor resettlement. Land will be donated by the community, which will be fully and formally documented with evidence of its voluntary nature.

B. ENVIRONMENT

With regard to the Environmental Assessment Policy (OP4.01), this Project is rated in environmental category B. The majority of activities included in BEDP have no, or only minor, adverse environmental impact. However, two considerations need to be taken into account:

- i. BEDP involves the construction and rehabilitation of schools (Grades 1 to 9), including latrines, hygiene purpose, and (iii) operation and maintenance of schools, including sanitation facilities, are expected. The MoE and PAU have satisfactorily addressed under BEEP the minor issues related to this activities, and they are not expected to have a major negative impact under BEDP.
- ii. Chemistry is taught from Grade 3 in basic schools and includes experiment and practical assignments in Grade 4. More complex subjects and experiments are introduced from Grades 5 to 9. The results of the experiments are limited and consist of a some compound of gas. Chemicals mentioned in the curriculum have no negative impact on the environment. However, there is potential danger for the users, especially when teachers do not follow properly safety instructions (students do not handle the chemicals, demonstration by teachers only). Specific instructions (in the form of manuals and posters) are provided to students and teachers in all schools. In addition, science teachers and laboratory assistants are trained how to manipulate and discard chemicals and they are supervised quarterly.

Annex 11: Project Preparation and Supervision

REPUBLIC OF YEMEN Basic Education Development Project

	Planned	Actual
PCN review	May 2003	May 29, 2003
Initial PID to PIC	July 2003	
Initial ISDS to PIC	July 2003	
Appraisal	June 2004	June 7, 2004
Negotiations	July 2004	July 10, 2004
Board/RVP approval	September 2004	
Planned date of effectiveness	December 2004	
Planned date of mid-term review	September 2007	
Planned closing date	June 30, 2010	

Key institutions responsible for preparation of the Project:

Ministry of Education

Bank staff and consultants who worked on the Project included:

Name	Title	Unit
Ousmane Diagana	Sr. Operations Officer and TTL	MNSHD
Mikael Sehul Mengesha	Sr. Procurement Specialist	MNACS
Celine Gavach	Operations Analyst	MNSHD
Hisham Waly	Sr. Financial Management Specialist	MNACS
Ayesha Vawda	Education Specialist	MNSHD
Thao Le Ngyuen	Finance Officer	LOAG1
Karim Kamil Fahim	Financial Management Specialist/Consultant	MNCO3
John Bryan Collier	Operations Officer	MNSRE
Abdul Gabbar Al Qattab	Procurement Specialist	MNACS
Hind Tawfeek	Program Assistant	MNCYE
Digby Swift	Education Advisor	DFID
El Houcine Haichour	Consultant.Social Scientists	MNSRE
Keiichi Ogawa	Consultant/Economic Analysis	
Haddy Jettou Sey	Consultant/Community Participation	
Mark Todd	Consultant/Institutional Expert	
Rebekka van Roemburg	First Secretary Education/The Netherlands	
John Cameron	Consultant/Management	
Fatima Fouad	Development Officer/DFID	

Bank funds expended to date on Project preparation:

1. Bank resources: US\$222,506.12
2. Trust funds: US\$68,033.20
3. Total: US\$290,539.32

Estimated Approval and Supervision costs:

1. Remaining costs to approval: US \$ 50,000
2. Estimated annual supervision cost: US\$80,000

Annex 12: Documents in the Project file

REPUBLIC OF YEMEN Basic Education Development Project

1. Basic Education Development Strategy
2. Yemen: Country Proposal for EFA-FTI
3. Yemen: EFA-FTI Catalytic Fund Operational Plan
4. Institutional and Capacity Building
5. Basic Education Expansion in Yemen: Economic Analysis
6. Preparation of the school construction plans and policies
7. Community participation in Basic Expansion Education Project (BEEP) and Basic Education Development Program (DEPD)
8. The Second Basic Education Expansion Project, Vision of the Ministry of Education
9. Assessment of Institutional Capacity of Ministry of Education Governorate and District Offices
10. School Mapping
11. Strategies to Improve Girls Education in Yemen
12. Education statistical data
13. Various terms of reference
14. Small school development program information
15. Poverty Reduction Strategy Paper
16. Ministry of Education's Statistic Book
17. BEEP Progress Reports
18. BEEP Mid-Term Review Report

Annex 13: Statement of Loans and Credits
REPUBLIC OF YEMEN
Basic Education Development Project

Project ID	FY	Purpose	Original Amount in US\$ Millions				Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF			Orig.	Frm. Rev'd
P065111	2003	Yemen PORT CITIES DEVELOPMENT PROGRAM	0.00	23.40	0.00	0.00	0.00	24.20	2.60	0.00
P057602	2003	Yemen URBAN WTR SUPPLY & SANITATION APL	0.00	130.00	0.00	0.00	0.00	153.21	23.81	0.00
P064981	2003	RY-SANA'A BASIN WATER MGMNT PROJ	0.00	24.00	0.00	0.00	0.00	26.15	0.71	0.00
P043254	2002	RY-Health Reform Support Proj (HRSP)	0.00	27.53	0.00	0.00	0.00	30.08	-0.75	0.00
P076183	2002	Yemen Higher Education	0.00	5.00	0.00	0.00	0.00	5.64	0.17	0.00
P070092	2002	Yemen TAIZ MUNICIPAL DEV & FLOOD PROTEC	0.00	45.20	0.00	0.00	0.00	42.38	11.35	0.00
P005906	2001	RY-RURAL WATER SUPPLY & SANITATION	0.00	20.00	0.00	0.00	0.00	20.49	8.51	0.00
P062714	2001	RY-IRRIGATION IMPROVEMENT	0.00	21.30	0.00	0.00	0.00	20.84	9.10	0.00
P070391	2001	Yemen Rural Access Improvement Project	0.00	45.00	0.00	0.00	0.00	40.77	22.23	0.00
P043255	2001	Yemen Basic Education Expansion Project	0.00	56.00	0.00	0.00	0.00	45.28	1.82	0.00
P068830	2000	RY-Second Social Fund for Dev	0.00	75.00	0.00	0.00	0.00	16.18	9.58	0.00
P050706	2000	RY-CIVIL SERVICE MODERN	0.00	30.00	0.00	0.00	0.00	27.45	19.25	0.00
P050483	2000	Yemen CHILD DEVELOPMENT	0.00	28.90	0.00	0.00	0.00	16.89	3.73	0.00
P050530	1999	Yemen SANA'A EMERGENCY POWER	0.00	54.00	0.00	0.00	0.00	15.08	12.66	1.31
P005902	1998	RY-Southern GOV AGRI PRIVATIZA	0.00	24.70	0.00	0.00	4.01	10.37	13.47	0.00
P039171	1998	RY-SEEDS & AG. SERVICES	0.00	12.50	0.00	0.00	0.00	1.38	1.44	0.00
P005911	1994	Yemen Education Sector	0.00	33.00	0.00	0.00	0.00	9.84	9.84	2.97
Total:			0.00	655.53	0.00	0.00	4.01	506.23	149.52	4.28

REPUBLIC OF YEMEN
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

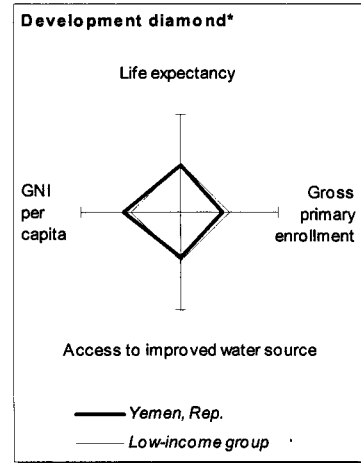
FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
1999	ACSM	12.00	0.00	0.00	0.00	8.00	0.00	0.00	0.00
2002	Ahlia Water	1.51	0.00	0.00	0.00	1.00	0.00	0.00	0.00
1998	Radfan	1.90	0.00	0.00	0.00	1.90	0.00	0.00	0.00
Total portfolio:		15.41	0.00	0.00	0.00	10.90	0.00	0.00	0.00

Approvals Pending Commitment

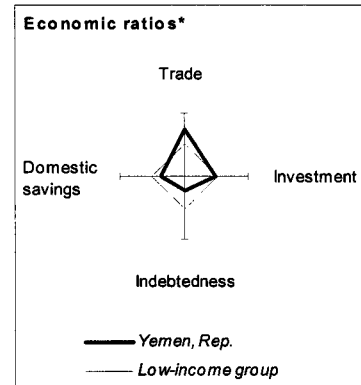
FY Approval	Company	Loan	Equity	Quasi	Partic.
Total pending commitment:		0.00	0.00	0.00	0.00

Annex 14: Country at a Glance
REPUBLIC OF YEMEN
Basic Education Development Project

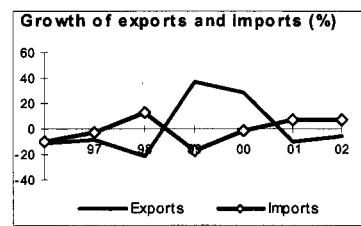
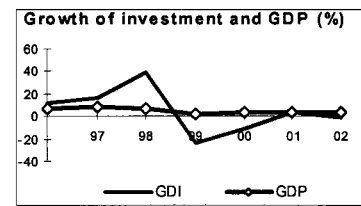
POVERTY and SOCIAL	M. East & North Africa		
	Yemen	Low-income	
2002			
Population, mid-year (millions)	18.6	306	2,495
GNI per capita (Atlas method, US\$)	490	2,070	430
GNI (Atlas method, US\$ billions)	9.1	670	1072
Average annual growth, 1996-02			
Population (%)	2.9	19	19
Labor force (%)	3.0	2.9	2.3
Most recent estimate (latest year available, 1996-02)			
Poverty (% of population below national poverty line)	42
Urban population (% of total population)	25	58	30
Life expectancy at birth (years)	57	69	59
Infant mortality (per 1000 live births)	78	37	81
Child malnutrition (% of children under 5)	46
Access to an improved water source (% of population)	69	88	76
Illiteracy (% of population age 15+)	51	35	37
Gross primary enrollment (% of school-age population)	79	95	95
Male	96	98	103
Female	61	90	87



KEY ECONOMIC RATIOS and LONG-TERM TRENDS	1982 1992 2001 2002			
	GDP (US\$ billions)	..	5.8	9.4
Gross domestic investment/GDP	..	22.4	20.2	19.6
Exports of goods and services/GDP	..	215	37.6	33.9
Gross domestic savings/GDP	..	-6.6	20.9	15.2
Gross national savings/GDP	..	3.6	27.3	22.2
Current account balance/GDP	..	-16.8	118	..
Interest payments/GDP	..	0.4	0.5	0.5
Total debt/GDP	..	114.2	54.3	54.7
Total debt service/exports	..	5.8	5.0	4.8
Present value of debt/GDP	38.0	..
Present value of debt/exports	68.9	..
	1982-92	1992-02	2001	2002
(average annual growth)				
GDP	..	5.6	4.2	3.1
GDP per capita	..	2.6	1.1	0.0

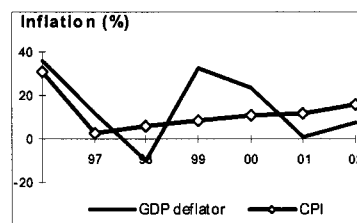


STRUCTURE of the ECONOMY	1982 1992 2001 2002			
	(% of GDP)			
Agriculture	..	23.0	15.4	15.2
Industry	..	22.7	49.2	46.3
Manufacturing	..	11.0	6.7	6.6
Services	..	54.3	35.4	38.5
Private consumption	..	87.2	65.1	70.7
General government consumption	..	19.4	13.9	14.2
Imports of goods and services	..	50.5	36.9	38.4
	1982-92	1992-02	2001	2002
(average annual growth)				
Agriculture	..	5.5	5.9	4.1
Industry	..	7.4	1.9	-2.0
Manufacturing	..	3.9	4.5	3.6
Services	..	4.7	4.8	5.7
Private consumption	..	2.5	15.9	11.7
General government consumption	..	1.9	10.9	3.5
Gross domestic investment	..	5.4	2.8	-0.9
Imports of goods and services	..	0.0	7.0	6.6



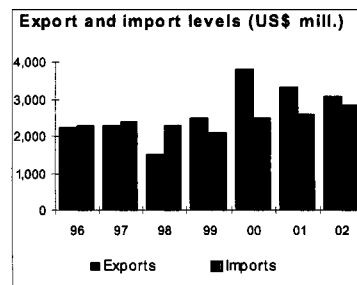
PRICES and GOVERNMENT FINANCE

	1982	1992	2001	2002
Domestic prices				
<i>(% change)</i>				
Consumer prices	..	-85.7	119	15.8
Implicit GDP deflator	..	17.4	0.8	7.2
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	..	16.9	34.9	32.3
Current budget balance	..	-7.6	9.2	5.8
Overall surplus/deficit	..	-119	19	-0.7



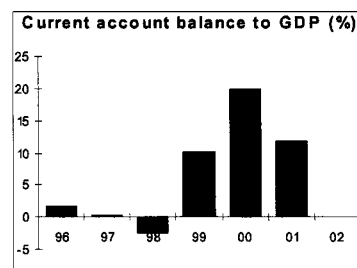
TRADE

	1982	1992	2001	2002
<i>(US\$ millions)</i>				
Total exports (fob)	..	1073	3,317	3,052
Crude oil (government share)	..	227	1,585	1,328
Crude oil (company share)	..	592	1,320	1,268
Manufactures	..	10	42	66
Total imports (cif)	..	1,935	2,604	2,829
Food	..	532	851	974
Fuel and energy	..	122	291	288
Capital goods	..	439	572	652
Export price index (1995=100)	..	108	132	131
Import price index (1995=100)	..	90	81	81
Terms of trade (1995=100)	..	121	163	161



BALANCE of PAYMENTS

	1982	1992	2001	2002
<i>(US\$ millions)</i>				
Exports of goods and services	..	1,235	3,519	3,283
Imports of goods and services	..	2,905	3,455	3,715
Resource balance	..	-1,670	64	-432
Net income	..	-47	-691	-565
Net current transfers	..	1,003	1,273	1,297
Current account balance	..	-1,084	1,107	..
Financing items (net)	..	1416	-1,827	..
Changes in net reserves	..	-332	719	353
Memo:				
Reserves including gold (US\$ millions)	..	323	3,673	4,011
Conversion rate (DEC, local/US\$)	4.6	33.4	168.7	180.5



EXTERNAL DEBT and RESOURCE FLOWS

	1982	1992	2001	2002
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	2,403	6,571	5,087	5,290
IBRD	0	0	0	0
IDA	199	684	1,237	1,384
Total debt service	102	133	259	171
IBRD	0	0	0	0
IDA	1	9	26	29
Composition of net resource flows				
Official grants	275	98	90	..
Official creditors	303	59	31	57
Private creditors	90	6	-7	0
Foreign direct investment	30	718	-205	..
Portfolio equity	0	0	0	..
World Bank program				
Commitments	77	53	90	163
Disbursements	36	53	77	83
Principal repayments	0	4	17	19

