Statement by Khalid Al-Saad  
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**YEMEN - Country Assistance Strategy**

There is a wealth of good material for this discussion of the Yemen Country Strategy. In addition to the CAS document we recently had the Policy Framework Paper and the Country Assistance Review which was discussed by CODE. My Yemen authorities have actively participated in the discussions that led to these reports and are grateful for all those who took part in the preparation of the valuable analysis and policy advice. I particularly appreciate the efforts of the CAS team that managed to achieve a widely participatory outcome, actively benefiting from the input of many government agencies and large segments of the people, as well as from the recommendations of the CAR.

All the reports tell the story of one of the poorest countries that suffered many decades of economic and social stagnation and isolation and more recent daunting setbacks, and yet has shown a stubborn determination in the last couple of years to change the course of its history, improve the lot of its people and join the world economy. With the substantial help of many donors and the Bretton Woods institutions for Yemen's reform effort, many achievements have been made, but real improvement in the living conditions of the people has not yet materialized.

This is where I am glad to note that the CAS has started by drawing a candid picture of current social conditions. As depicted in the documentation, the social indicators in the Yemen, despite recent improvements, remain quite depressing, especially in literacy, the gender gap and child and maternal mortality. One quarter of the Yemen people are under the poverty line, nearly one third of the labor force unemployed and only two fifths of the population has access to safe drinking water. Nevertheless, these are still encouraging figures if we keep in mind where the country was just three decades ago. This is what I mentioned when we discussed the previous CAS in 1996 and I am glad the present documentation cites some indicators of where things were thirty years ago. This shows, for example, that in 1970 only 5% of the population had access to clean water, only one in ten could read and primary enrollment was one child in ten. Both the CAS and the CAR show that in some indicators, the Yemen did better than its comparator least...
developed countries, but, needless to say, this is far from satisfactory.

The impediments to achieving better results are well known, ranging from the difficult terrain and a water supply per capita of only 2% of world average; to the long history of isolation; to the most recent shocks of civil conflict, unification process, Gulf War impact, several floods and the impact of the fall in the price of oil. To alleviate these hardships the Yemen received generous help from many donors over the years. But, as the CAR document notes, in fact over the ten years up to 1996, the net per capita flow of ODA to the Yemen was less than half the average of the comparator countries, and even IDA flows were much less than the average.

This is the background that needs to be taken into account when considering the Yemen's reform effort since 1995 and current strategies for the years ahead. Since 1995 the authorities moved on a broad scale on stabilization and structural fronts and persevered despite the high social costs and the setbacks of the external environment. The achievements are well detailed in the documentation and cover the stabilization areas of fiscal balance, exchange rate stability, realistic interest rates, and more sustainable external debt. On the structural area, they covered progress towards a more open trading system, uniform treatment of domestic and foreign investors, privatization is going further with a new project coming to the Board in a few weeks, and a program for financial sector reform. On some key social areas they managed to bring down the population growth rate markedly from 3.7% in 1980s to 2.7% and are moving consistently on the gender field within the country's cultural realities. Portfolio management improved sharply with clear signals from the political leadership, more intensive efforts of line ministries and the excellent contribution of the Resident Mission in Sana'a. More recently, the authorities did not succumb to the setback in 1998 of sharp fall in oil revenues and moved fast to respond and keep the reform programs on track.

In looking ahead, the new Bank strategy is very well based on the lessons of experience, more focused and more relevant to the pressing needs of the country. The extensive consultative process that brought it about ensured better ownership, more realistic design of programs and touched on the hitherto untouchable sensitive social issues of population control and qat. It has appropriately sought to set clear priorities and ensure sustainability. The objectives it sets indeed embody the pressing needs of the country: modern public administration, productive private investment, alleviation of the chronic water shortage and bringing social benefits to the people who have so far felt hardly any benefit of reforms. The programs for the years ahead are well designed to contribute to the achievement of these objectives. They are built on the basis of the Yemen's endowments that provide good promising prospects; these include excellent location on international sea routes, oil gas and minerals, coastal sources of water, trading and hard work traditions well manifested by Yemeni expatriate workers and a unique cultural heritage well worth developing for its tourist and industrial potential. The program certainly requires full partnership of all Yemen's donors and adequate resources to make a real difference.

My Yemeni authorities, on their part, have consistently shown that they can live up to the expectations of ambitious programs and are determined to continue meeting the requirements of the High Case lending scenario. They have demonstrated strong political commitment to reform
and adhered to reform measures in the face of difficulties, including the social backlash to the
reduction of subsidies and the impact it had on living conditions. They have moved consistently
to improve relations with neighboring countries and create a more conducive and secure
domestic environment. They have shown a good track record in implementation of programs and
projects despite the deeply entrenched institutional weaknesses. They certainly have no illusions
about the enormity of the challenges that lie ahead, but are determined to go forward with the
help of their partners.