Statement by Young-Hoi Lee  
Date of Meeting: May 25, 1999

YEMEN - Country Assistance Strategy

We would like to congratulate Management for a well written and cogent CAS.

There are a number of aspects of this CAS which we would like to commend:

- the analysis of Yemen's economic, historical, political and social environment, and the succinct identification of the underlying factors which account for Yemen's profound and persistent poverty;
- the focus on the development challenges facing Yemen, and the straightforward prognosis on the areas for future growth;
- the recognition of the need to balance longer term goals in public sector reform and private sector development with programs which aim to deliver immediate social benefits;
- the constructive approach taken by Management to the recommendations made in the CAR;
- the discipline of selectivity exercised in the CAS which cogently brings together the various arms of the Bank Group including IFC and FIAS, as well as other development partners; and
- the CAS's forward looking dimension with non lending services laying the foundation for the Bank Group's future investment programs.

We can support the lending scenarios outlined in the CAS and the triggers for these lending levels as summarised in Box 4 on page 21. The CAS Policy Matrix at Annex B1 is also very useful.

We also appreciate the timely release of the various building blocks for the CAS, such as the...
Policy Framework Paper and OED's Country Assistance Review report. The availability of these documents and the subsequent CODE discussion were particularly useful in assisting our consideration of the CAS.

We have only three comments on the CAS:

i) The Bank Group strategy for Yemen is heavily focussed on civil service modernisation and creating the environment for broader based private sector growth. While these two elements are pillars for most CASs, their centrality to the Yemen strategy is particularly striking. In this context, it will be imperative that Management and the Board work together to quickly and effectively come to closure on the Bank Group's broader sector strategies on public sector and private sector development.

ii) As mentioned above, we find the arguments for selectivity particularly convincing. Operationalising this selectivity will be difficult. We see the range of lending and non lending services planned for the CAS period as representing the upper limit of what the Bank should be seeking to cover. We would thus encourage the Bank to resist any pressure that may be brought to bear to broaden its planned involvement.

iii) We note in the CAS Policy Matrix under "Tourism", that reference is made to a Cultural Heritage Strategy together with a brief summary of bilateral activities in this area. We understand that an informal strategy note on cultural heritage has been prepared and we would be interested in its basic conclusions. On this point, we are encouraged that the discussion on culture is embedded in a broader framework of developing means (e.g. tourism) to diversify the economy from its oil and remittance based dependency.

We wish the Government and Bank every success in the implementation of the CAS.