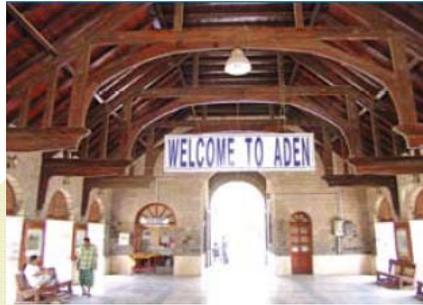




The World Bank



Yemen: Aden Local Economic Development Department



City Economic Development: The “Agency” Question

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Presentation Overview



- Background on Yemen and Aden
- Port Cities Development Program
- Aden Local Economic Development Department
 - Mandate & Functions
 - Structure
 - Performance Review

The Yemen Development Context

- One of the least developed countries in the world; 2005 HDI rank 151 out of 175
- Population of 22.2 million, growing annually at 3%, facing enormous economic and social challenges including very high rates of fertility and malnourishment (1 in 3 children), limited access to basic services (e.g. 40% connected to electricity & 43% to sanitation)
- 35% of the population lives in poverty (2006)
- Annual labor force growth rate of 6.7% in 1998-2006 far exceeds job creation rate, leading to doubling of unemployment to 16.1% (unofficially much higher)
- 2005 per capita GDP of US\$600. 27% of GDP generated by the oil sector, which represents 90% of merchandise exports. Average annual real GDP growth between 1998-2006 2.1%
- Cities are the main drivers of Yemen's economic activity, as urban share of GDP is estimated at over 80%
- Cities are also experiencing dramatic in-migration from rural areas, driving urban growth rates to 7% annually – among the highest in the world
- Generating non-oil growth and creating jobs are Government's main challenges

The City of Aden

- With a population over 600,000, Aden is the declared Commercial Capital of the Republic
- Features a Deep-Water, Protected Port only 4 nautical miles from the second largest shipping corridor in the world
- Aden Free Zone & Trans-shipment Hub: Over 1,500 Hectares of Land dedicated for warehousing, light industry and marine servicing activities, along with privately-operated Container Terminal
- Aden International Airport: Features a newly-renovated facility with commercial and touristic travelers increasing annually
- Winter Recreational Tourism Destination for Domestic and Gulf Visitors



Aden City Development Strategy

ADEN

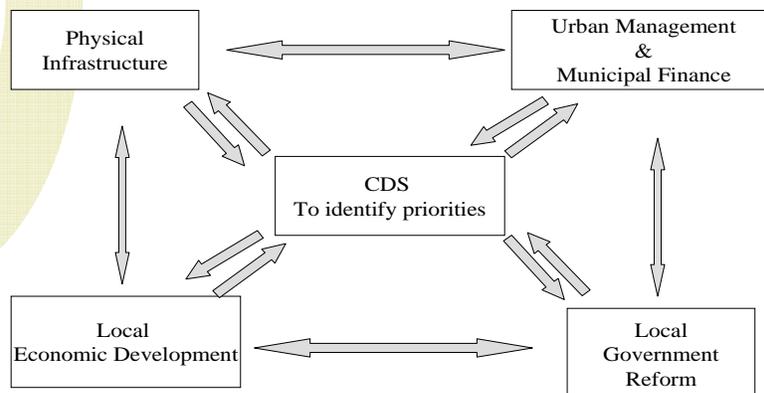
Back in Business

VISION

Aden - A modern city with an economy based on sea and air services, international trade and tourism building on its competitive advantage to become an attractive hub for local and international investment.

PCDP Linkage to the CDS

In partnership with the Cities Alliance, the Bank has supported PCDP cities in preparing City Development Strategies (CDS), which links aspects of local government reform, urban management, infrastructure service delivery and local economic development into an integrated city development framework.



PCDP Adaptable Program Loan

A US\$23.4 million, 12-year loan program initiated in 2001 that will be implemented in 3 phases.

- Vision:** "The overall purpose of the Port Cities Development Program (PCDP) is to **transform Yemen's strategic port cities into regional centers of economic growth** by creating environments to support private sector investment and development."
- Phase I:** "The program starts modestly with **local capacity building and small infrastructure investments in Aden...**"
- Phase II:** "Phase II components would include **translating strategies developed during Phase I into investment**, capacity building, and administrative modernization programs, including investments in port city assets of national significance, such as Industrial Estates or port facilities in Aden, Hodeidah and Mukalla."
- Phase III:** "Phase III components would include technical assistance, capacity building, and investments in the Customs and Port Authorities, and design of private sector participation in port financing and operations. During Phase III, the Program would also be rolled out to other participating port cities with small investments to enhance local economic development."

Achievements of PCDP Phase 1

Laying the foundation for strategic local economic development investments.

PDO: Phase I aimed to: (i) strengthen local government strategic and physical planning, and coordination capabilities to better utilize existing assets and resources; (ii) streamline administrative procedures at key local government agencies that interface with the private sector; and (iii) revitalize port city business districts/clusters that are key to growth and employment generation.

Component 1: Revitalization of Aden Economy (US\$14.6 M)	Component 2: Strategic & Physical Planning (US\$7.0 M)	Component 3: Capacity Building & Administrative Modernization (US\$4.9 M)
<ul style="list-style-type: none"> • Sirah Fish Market • LEDD Offices • Al-Durain Industrial Estate • Crater Strategic Intersection • Preparation of Group II Investments 	<ul style="list-style-type: none"> • Revised Master Plans • CDS/LED Strategies • Asset Management Strategy • Industrial Estates Development • Tourism Development and Cultural Heritage 	<ul style="list-style-type: none"> • Aden Administrative Modernization • Investor Services Center • Citizens Services Center • Marketing & Branding • Advisory Services to the AFZA

Revised Master Plans/ CDS

Physical planning for economic growth

Aden:

As the commercial capital of Yemen, and with the presence of the largest port in the country, Aden is well positioned to pursue economic growth in manufacturing, real estate/land development, transshipment and tourism.

Hodeidah:

Existing endowments include the presence of large agro-business and food processing industries, adjacency to Tihama—Yemen's prime agricultural producer region, the presence of a major seaport and the proximity by road to the Saudi border at 210 km and to two-thirds of Yemen's population within a 250 km radius. The city has industrial development potential and an opportunity to strengthen its food processing/agro-industry and manufacturing base.

Mukalla:

An historic seafront city situated between Hadramout's cultural heritage and Socotra island's unique bio-diversity, Mukalla has the potential to pursue tourism as an economic growth sector.

Al Durain Industrial Area Before & After

The transformation of a local industrial business cluster.



New Factory in Al Durain



Productivity Enhanced

Sirah Fish Market Before & After

The transformation of a local business cluster.



Asset Management Strategies are Working

- Sira Fish Market Rehabilitation has transformed the economy of the local district
- Market area has tripled and market access has been enhanced
- Fishermen & Fish sellers have doubled since project completion
- Private investment in surrounding area has taken off – new building starts, improved amenities – creating a new destination in the city
- Outsourced management to private sector ensures good operation and management of the Fish Market and revenues to the city – directed to the Aden LEDD



Asset Management Strategy

- **Renovated commercial bank building** now serves as the Aden Investor Services Center with Conference Facilities. Has helped to leverage \$350,000 from the private sector for the Public-Private Partnership (3P Fund)



- **Crater Open Air Market.** Renovated intersection and flood structures in commercial area prompts Aden City to construct new open market area, leased to local vendors.



Asset Management Strategy

- **Citizen Services Center**, operating 24/7/365, receives and processes citizens complaints about service delivery and local government performance and follows up on implementation (average response time 4-6 hours, 95% in <1 day)



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- **IT Training Center.** Built with \$120K PPP funds, equipped by the PCDP, concessioned to private operator by LEDD, generates \$25K annual lease revenue to Local Council of which 50% goes to supplement LEDD operating budget, 10% of training space reserved for LG staff free-of-charge



Local Economic Development Depts (LEDD) Mandate

- LED Strategy Formulation & Implementation
- Advisory Services
- Economic Data Collection, Management & Analysis
- Local Government Reform to Improve Services
- Management Coordination of Investment Projects in Aden (including PCDP)

Aden LEDD Mandate

- **LED Strategy Formulation.**
 - Provides vital strategic input into formulation and implementation of Aden CDS;
 - Helps institutionalize and sustain the CDS process by providing coordination assistance and anchoring consultation (anticipating that the CDS Team was a temporary, non-sustainable arrangement on a voluntary basis)
 - Responsible for carrying out competitiveness assessments, identifying key business linkages to be developed in the city, and elaborating cluster strategies with technical support as needed.
- **Advisory Services.**
 - Engages consultants on as-needed basis to advise local government officials on key policy issues.
 - Commissions sub-sector studies and pre-feasibility studies in strategic areas identified in the LED strategy to enable informed decision-making
 - Obtains sound legal advice regarding the structuring of lease and concession agreements, particularly concerning larger-scale investments, such as the Free Zone

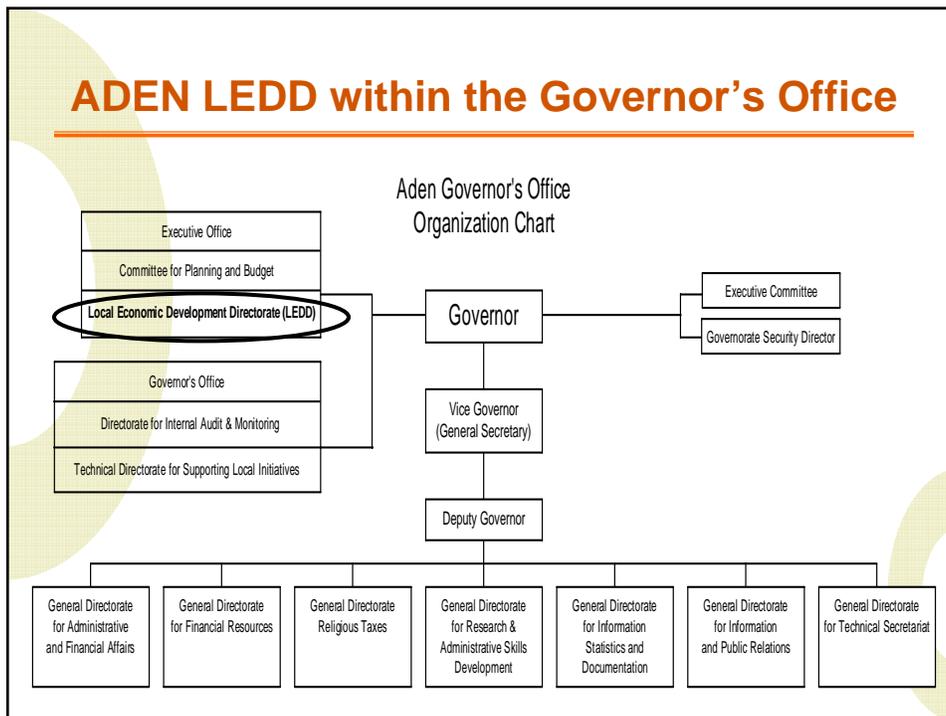
Aden LEDD Mandate

- **Economic Data Management.**
 - Collects, analyzes and monitors key economic data at the city level to offer local government a vital source of information for decision-making.
 - Manages data on investment, labor force characteristics, performance of key industries, and employment to shape and adjust LED strategies (Aden branch of the Central Statistical Organization to carry out data collection)

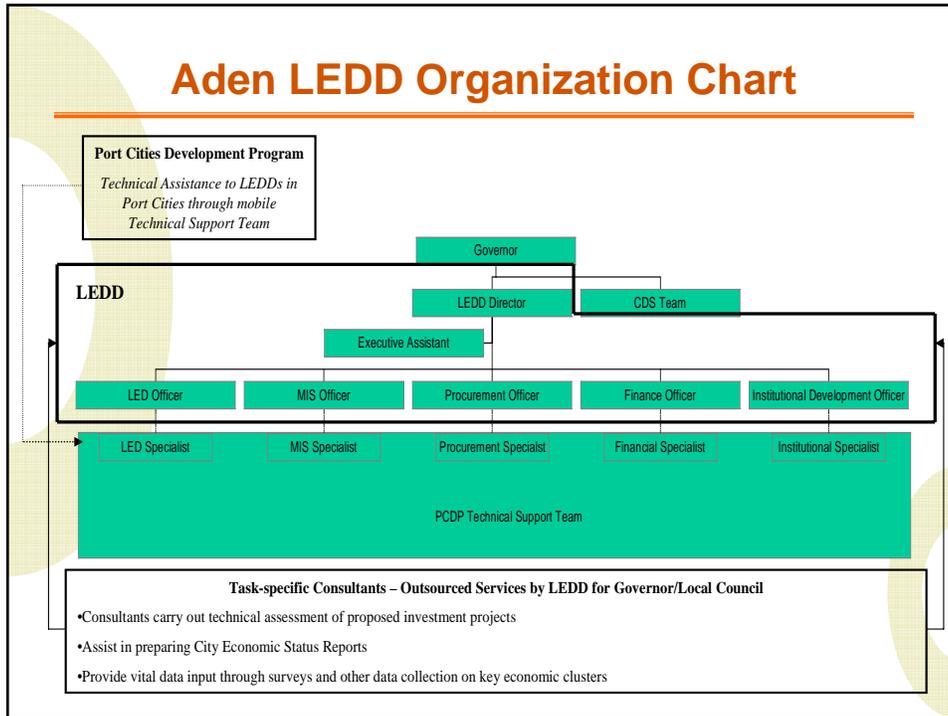
- **Local Government Reform.**
 - Regularly support the development of new processes and systems to enhance administrative modernization, including assistance in establishing a Citizen's Services Center, an Investor Services Center and oversee the Business Registration Streamlining process supported by PCDP and IFC.

- **Management and Coordination of Investment Projects in Aden.**
 - Manages and coordinates the PCDP
 - Responsible for direct implementation of the "soft side" of the PCDP and delegate works to the Aden Department of Public Works
 - Identifies and leverages cofinancing in support of the LED Strategy.

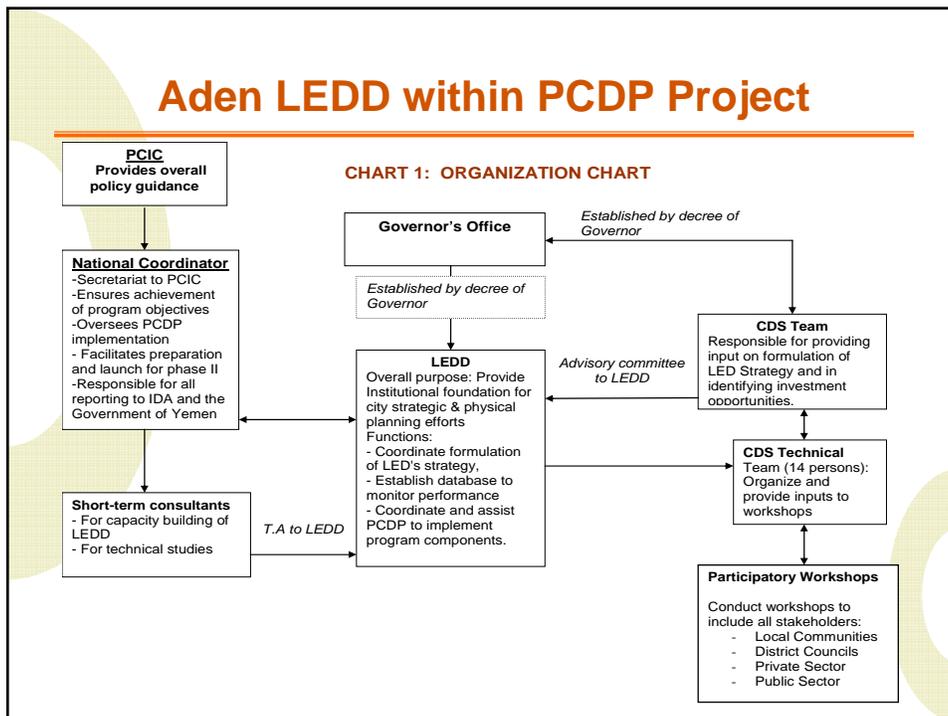
ADEN LEDD within the Governor's Office



Aden LEDD Organization Chart



Aden LEDD within PCDP Project



Reviewing Aden LEDD Performance

- Overall progress OK but slow and heavily dependent on PCDP support – Question of sustainability and ability to keep pace
- LEDD Staff are civil servants, poorly remunerated and lacking incentives, resulting in high turnover
- LEDD Budget entirely dependent on Governor's discretion, not legally empowered to generate own-source revenues
- Private Sector engagement has been achieved but too remote to have an impact on LEDD operations
- Options Under Consideration include forming an independent revenue generating Authority or non-profit company (AEDCO) with Board involving private shareholders

Review of the Aden LEDD

Positive Aspects/Opportunities

- Conventional Model – conforms to standard local administration set up & rules
- Proximity to Governor as executive arm implies greater power/ effectiveness, but performance has been mixed
- Opportunities for building a sustainable basis for LEDD through asset management on project basis if City is committed
- Governors have used budget and asset-based revenue streams to supplement LEDD operational budget
- Job security for civil servants

Negative Aspects/Threats

- Lacks independent budget (relies on discretion of Governor)
- Inadequate local government resources to fund core activities
- Constrained by civil servant payscale, lacking appropriate incentives to attract qualified professional staff
- Lacks incentives to mobilize underutilized assets
- Private sector largely absent, causing risk of bypass
- Represents fiscal burden on Governorate
- Absence from admin procedure circuit undermines role and cooperation with other departments

Review of Proposed AEDCO Model

Positive Elements/Opportunities

- ***New, modern and more efficient city management model*** conforming to good international practice
- Provides opportunity to ***directly engage the private sector*** in decision-making
- Offers ***independent budget*** and revenue generation capabilities, unconstrained by the public budget
- ***Incentives*** for the agency and staff to perform as the financial viability is dependent on efficiency and performance results
- ***Reduces fiscal burden*** on Governorate

Negative Elements/Challenges

- New institutional model (public-private partnership) has not been tested
- Set up would require new legal framework
- Requires clear division of mandates with other entities (GALSUP, GIA, MOPWH)
- Relies on active role of private sector in management, financing support
- Requires efficiency and performance to generate new revenue streams
- Risk of carry over of poor civil servant practices if management is not focused on performance management system