

YEMEN ECONOMIC UPDATE

Yemen Economic Update is a quarterly report that consists of five sections. The first section highlights major economic and policy developments. The second section provides a special topic on the Yemeni Economy. The third section summarizes new legislation, publications, data, conferences, and donor activities in Yemen. The fourth section describes World Bank operations in Yemen and summarizes ongoing operations. The fifth section gives detailed information on World Bank publications and provides contact information.

FALL 2005

Inside this Issue

- 1 [Summary](#)
- 2 [Macroeconomic Developments & Outlook](#)
- 5 [Structural Developments & Policies](#)
- 8 [New & Noteworthy](#)
- 12 [World Bank Group Operations](#)
- 15 [World Bank Publications](#)



The World Bank Group
Sana'a Office

I. SUMMARY:

Exceptionally high oil prices somewhat improve macroeconomic outcomes.

In 2005, Yemen is reaping historic windfall from exceptionally high world oil prices amounting to US \$ 1.3 billion (10 % of GDP). This windfall is helping to enlarge current account surplus to 76 % of GDP and reduce budget deficit to 2.4 % of GDP. Higher oil prices provide the incentive for oil companies to extract more oil which in turn boosts oil sector GDP. Led by oil sector, overall GDP growth could rebound to 3.7 percent in 2005. Though consumer price inflation has been surprisingly low until mid-2005 at 5 % annual rate, the upward revision in petroleum prices in July could push it higher closer to 12 % for the year as a whole. However, the growth of non-oil sector is expected to remain flat at 4 % and below PRSP target.

Disappointing progress under PRSP. On the whole, progress under Yemen's first PRSP's first two years (2003-04) has been slow and "short of PRS targets in many respects" according to the candid review prepared by the government. GDP Growth has barely kept pace with population growth whereas the proposed target for per-capita growth was 2.5 percent. Poverty most likely did not drop, failing the targeted 13 % reduction. Except in basic school enrollment, coverage of population under health services, some aspects of roads such as maintenance and rehabilitation and coverage under social protection, most of the targets are missed. Though overall development spending exceeded the target, spending on energy subsidies crowded out allocations to social sectors (education, health and social welfare).



Stalled reforms get a restart.

The reforms that stalled since 2001 finally were restarted in July, 2005. The reform package approved over July-August 2005 had several welcome components: (i) upward revision of petroleum product prices between 70% to 120% (diminishing but not eliminating the subsidies), (ii) announcement of a phased implementation of a new national wages and salaries strategy, (iii) cabinet approval of a comprehensive strategy to modernize public financial management, and (iv) simplification and cut in custom tariffs to bring the average down to 7 %. Disappointingly though, the decision to introduce broad-based General Sales Tax at a uniform 10 % rate was deferred by another 18 months and in its place a hybrid sales tax at 5 % was introduced.

Recent reforms are partial and continue to show insufficient resolve to tackle long-term issues.

Though the full implementation details of the reform announced programs will become clear in the coming months, it is feared that the reform package misses some of the key elements required. The wage strategy implementation is not budget-neutral, the announcement of petroleum price increase did not specify a calendar and formula for periodic revisions to eliminate subsidies eventually, GST announcement has multiple rates, exemptions and applies a rate at 5 % instead of 10%, and the custom tariff policy change increased the number of commodities exempted. However, The announcement of hike in petroleum prices provoked widespread riots. A number of lives were lost and extensive damage done to properties during the riots. The government quickly gained control and rolled back somewhat the hefty hike in petroleum prices on July 27. Even after rolling back, retail petroleum product prices remain between 70 percent to 120 percent higher than before. The challenge to fiscal and external debt sustainability posed by the decline in oil production is immense. Yemen must undertake a major fiscal adjustment effort – about 2 percent of GDP every year for the next 12 years. The reform measures taken so far must be deepened and broadened in time to meet the scale of the challenge.

II. MACROECONOMIC DEVELOPMENTS AND OUTLOOK

Weak GDP growth and lack of firm resolve for far-sighted fiscal management are the main weaknesses in Yemeni economy. On the positive side, the authorities are lending more flexibility to exchange rate management and minimizing trade policy distortions aggressively.

Weak GDP growth has delivered little rise in per-capita incomes in the last three years.

Yemen's economic growth has been decelerating from 2001 (Table 1), a year after oil production started leveling off. The outlook for the current year (2005) looks better as more oil has been pumped out to take advantage of prevailing higher oil prices, masking the persistent weak growth in the non-oil sector. Over the PRSP period (2003-05), Yemen is likely to record negligible growth in per-capita incomes compared to the target of 2.5 percent by 2005. While growth in the non-oil sectors remained weak, the government is actively pursuing the mining of gas reserves with foreign investors (Box 1).

Table 1: GDP Growth and Inflation, 2001-2005

	2001	2002	2003 (est)	2004 (est)	2005 (proj)
	2001	2002	2003	2004	2005
GDP Growth	4.6	3.9	3.1	2.5	3.7
Oil	1.3	0.4	-1.8	-7.0	1.2

Non-Oil	5.2	4.6	4.0	4.1	4.0
Core Inflation (CPI)	10.7	6.8	11.9	12.0	12.5
Memo Items					
Per-capita GDP growth	1.5	0.8	0.1	-0.6	0.6
Crude oil production (1,000 barrels/day)	434	433	425	395	400

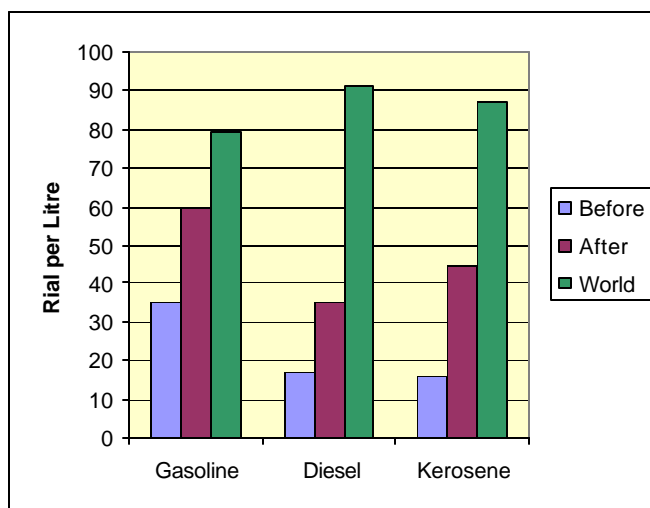
Source: Staff Estimates based on World Bank and IMF sources.

Box 1. Recent developments in Yemen’s Gas Sector

Though Yemen has some reserves of gas, it is unlikely to replace the role of oil in the near future. More recently, Yemen has initiated development and export of its gas reserves. It has been successful in securing long-term (25 year) contracts for development and export of a third of its 17 tcf of gas reserves in a highly competitive environment. It is not known what will be the net value for the government after paying for the costs of development, transport and liquefaction to the developers¹. With dwindling oil supply, gas resources will also need to be utilized for the energy needs of the domestic economy. Therefore, developing sources of growth other than oil and gas is critical to providing sustainable livelihood for Yemenis.

Fiscal deficit in 2005 is expected to be reduced to 2.4 percent of GDP on the strength of oil revenues.

Figure 1. Fuel Prices before and after July, 2005 Reforms



One of the positive signs is the announcement in mid-July of much delayed increase in petroleum prices. But its beneficial effects are clouded by the announcement of an increase in salaries for the government employees without reducing the size of work-force (the new national wage strategy) and lack of resolve to implement VAT as originally envisaged at 10 percent. The announcement

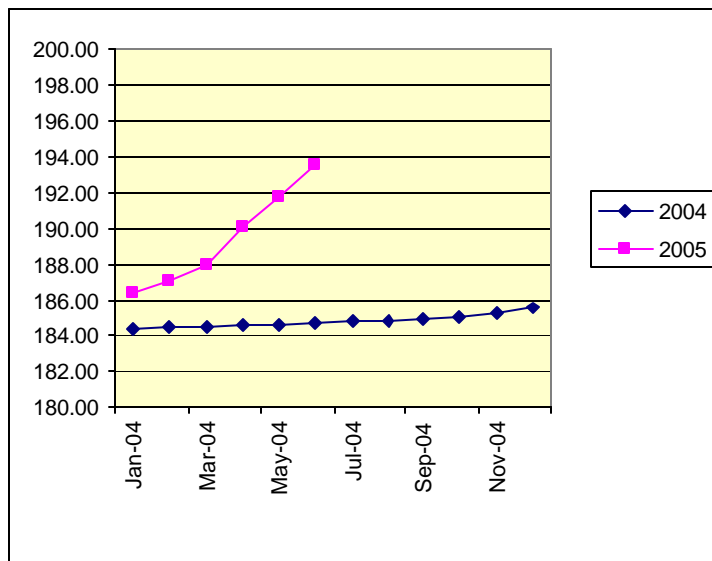
of the sharp revisions in petroleum prices (70% to 120%) in July, 2005 (Figure 1) was a positive sign. The increase in administered prices of petroleum products could reduce the

1 . The gross annual value of secured export contract for LNG in 2005 prices is likely to be around US \$1.5 billion, one-fourth the value of exports of crude oil in 2005.

2005 subsidy outlay only by 15 percent because it will be applied only from end-July. Yet, the announcement is in the nature of a one-off increase with no indication that the prices will continue to adjust to match world prices. Increased revenue from exceptionally high international oil prices during 2004-05 and increases in domestic petroleum prices announced in July 2005 are expected to help narrow the central government fiscal deficit to 2.4 percent in 2005. However, contrary to the budgeted cut by 9 percent of GDP, the government is unlikely to compress current expenditures that stay at around 29 percent of GDP. This is because of three reasons: higher oil prices also imply larger outlay on petroleum subsidies (despite higher administered prices), higher salaries announced for government employees and cuts in custom tariffs. As a net result, despite a cut in development spending by 1 percent of GDP, non-oil primary deficit for 2005 is likely to stay at around 26 percent. Yemen is planning to pass a supplementary budget with additional expenditures of YR 451 billion, roughly 54% of the originally budgeted expenditure. Full details of the supplementary budget are unclear at this stage. Pending the full details of the supplementary budget, the analysis in this section must be treated as tentative with caution.

Monetary policy has shifted focus recently to lend flexibility to exchange rate.

Figure 2. Gradual Depreciation of the Rial



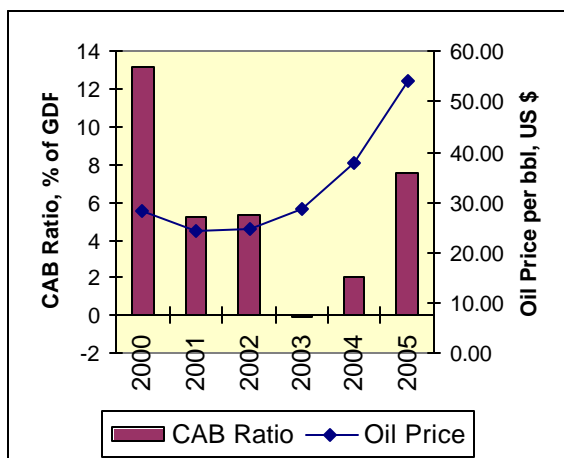
The Yemeni Rial has been allowed to gradually depreciate by about 4 percent since January (Figure 2). This has been made possible in part because of less pressure for money creation to support fiscal deficit. The apparent success to bring down inflation to near 5 percent by May, 2005 from 12 percent annual average during 2003-04 may be short-lived because of sharp rises in domestic petroleum prices announced subsequently in July. It is estimated that increases in domestic petroleum prices of

the order announced could push general level of prices higher between 7 to 11 percent². Inflation fed by imported goods could still surge by the year end as the cut in customs tariff would not be offset by the gradual depreciation of the Rial and rise in world commodity prices. As yet, a clear commitment of monetary policy to containment of inflation has not taken root.

² Budgetary and Policy Impacts of Petroleum Pricing in Yemen, December 2004.

Higher Oil price generates Current Account Surplus.

Figure 3. Current Account Balance as a ratio of GDP (percent)



Yemen’s current account balance has been in surplus since 1999 because of buoyant oil revenues barring 2003. After narrowing sharply in 2003-04 to 1.1 percent of GDP, the indications are that the current account would turn into a sizeable surplus of 7.6 % of GDP in 2005 (Figure 3). Inter-national reserves of Yemen continue to increase albeit at a slower pace than in the past. By end 2005, net international reserves of the central bank are projected to be close to the US \$ 6 billion equivalent to about 12

months of imports.

III. STRUCTURAL DEVELOPMENT & POLICIES

Widespread smuggling of imported goods and a desire to harmonize tariff rates with GCC has prompted the government to move strongly in lowering import tariff rates.

The government is also actively pursuing WTO accession process with the second working party planned in September, 2005. Yemen already had low tariff rates before the recent cut. Policy changes announced in July, 2005 have reduced the number of bands from 4 to 3, with the maximum rate still at 25%, but with two-thirds of the commodities attracting only 5 % tariff rate (Table 2). After the recent changes unweighted tariff rate has fallen to as low as 7 percent, lowest outside GCC in MENA.

Table 2. Import Tariff Changes in July, 2005

Tariff	No. of commodities (before)	No. of commodities (Now)
0	6	82
5%	1400	4230
10%	1644	1616

15%	2337	0
25%	719	231

Source: Government of Yemen

Strategy for modernizing Public Financial Management announced

In August 2005, the Cabinet approved a strategy for the modernization of public financial management (PFM) proposed by the Minister of Finance. This is a key component in the Government's policy to strengthen public finances, improve public service delivery in line with the objectives of the PRSP, and reduce corruption. The strategy is comprehensive, covering all areas of the budget cycle: budget preparation and execution, accounting, financial reporting and control, internal and external audit, and oversight by the Parliament and civil society. It was developed with the help of the World Bank, IMF, DFID, the Royal Netherlands Embassy and other donors. The donors will sign a Partnership Agreement with the Government to coordinate their technical support for implementing the strategy. The next step is for the Ministry of Finance to prepare a detailed action plan that will include requests for donor assistance. This plan should be completed and approved before December, 2005. The work on PFM modernization complements a range of activities being carried out by the Bank and other donors in the field of strengthening governance and public administration, e.g., the CSMP which includes PFM components such as the Accounting and Financial Management Information System (AFMIS) project and reengineering COCA (the external audit agency)

New National Wage Strategy Announced.

Yemen's civil service is characterized by a large but poorly paid work force and inadequate salary differential between high and low skilled jobs to attract and retain talented staff. Following the adoption of the national wage strategy in May, 2005 by the cabinet, the government announced its implementation. This increase comes on the top of the 20 to 40 increase announced in May, 2004. Though full details are not known at this stage the key elements are: introduction for the first time the minimum wage at YR 20,000/month, establishment of a database and unifying wage scale, incl. for military, adoption of a 5-phase salary increase, with phase one effective July 1, 2005, an average salary increase of about 40 % and some marginal reduction in the very high compression ratio of salaries from 2.4 to 3.0 (from a norm of 10).

IV. CONCLUSION

Yemen's reform agenda in the area of macroeconomic management should continue to build on the recent impetus to reforms witnessed in July, 2005. Sporadic efforts at reform are not likely to be viewed favorably by the private sector. With trade policy reforms

nearly complete removing the relative price distortions, macroeconomic management has to guarantee a stable, viable and competitive macroeconomic environment in which private agents can make their decisions. The two key planks of reforms consist in persisting with fiscal reforms to preserve sustainability of fiscal balance and external debt and the active use of monetary and exchange rate policy tools to provide a low inflationary and competitive environment conducive to the development of non-oil sectors.

On the structural front, developing a comprehensive strategy to address governance issues is a priority for the success of Yemen's reform efforts. In an era of low growth as Yemen has witnessed in the recent past, protecting the poor becomes imperative. While extension of the coverage under the Social Welfare Fund by 200,000 beneficiaries (nearly a third of existing numbers) announced in July 2005, is welcome, the government has to quickly move on the identified reforms to improve the working of the social protection sector such as improving the targeting and creating an insurance mechanism to protect the vulnerable.

New & Noteworthy

Laws, Decrees and Agreements (September-November):

The Cabinet:

- Endorsed final accounts for units in public and mixed sectors of economy for FY04, including:
 - YR 1.91 trillion for actual current and capital expenditures and revenues in production sector,
 - YR 69.7 billion for actual current and capital expenditures and revenues for services sector,
 - YR 90.1 billion for actual current and capital expenditures and revenues for mixed sector.
- Approved a draft law increasing the capital of Yemeni Airways Company to YR 14.7 billion; on September 6th.
- Agreed to continue partnership with Saudi Arabia in ownership of Yemenia with 51% of shares held by Yemen and 49% by Saudi Arabia; on September 6th.
- Approved a project of establishing units for improving Aden refineries on September 6th.
- endorsed final accounts of the state budget for FY04 on September 13th, including;
 - YR 836 billion of total actual revenues;
 - YR 889 billion of total actual expenditures;
 - YR 53 billion of actual deficit, which represents 6% of actual expenditures.
- Approved partnership production agreement signed between the Ministry of Oil and Minerals and Oil Sersen LMT, Bait Oil Petroleum and Peter William Products International Inc. to explore oil in Block # 3 in Shabwa on September 13th.
- Discussed results of evaluation and analysis of offers submitted by companies for oil exploration in Block # 4 in Shabwa and selected KNOC Korean Company to participate in operation of this Block together with Yemeni Corporation for Oil and Mineral Investments on September 13th.
 - On October 4th, the Cabinet reviewed the report by the Minister of Finance regarding participation of Yemeni delegation in the World Bank/IMF Annual Meetings in Washington
- It also reviewed the report by the Minister of Planning and International Cooperation regarding results of the meeting of the Yemeni-Denmark Joint Committee which took place in Copenhagen during September 27-30;
- Emphasized the importance of appropriate utilization of foreign aid to Yemen by donors and delegated the Prime Minister and concerned parties to identify the areas of maximum benefit from foreign aid.
- On October 11th, the Cabinet urged all entities to finalize the procedures for transfer to the new wages system;
- Perused the report on prices movement and supplies issues in the Republic on October 11th.
- Approved draft Republican Decree regarding establishment of the Financial Institute;
- On October 18th, the Cabinet discussed the end of Hunt Oil Company's privilege to operate Block 18 in Al-Jawff and Approved transfer of the operation of the Block to Safir Company for Petroleum Exploration and Production with effect from November 15, 2005;
- Approved draft amendments to the laws regulating local and foreign trade and work of agents and branches of foreign companies;

- discussed a draft law on foreign possession of real estate to make Yemen more attractive for foreign investment compared to neighboring countries;
- Approved a national emergency plan for an outbreak of Bird Flu (Avian Influenza)
- On October 25th, the Cabinet Approved draft executive by-law for the Law 17/2004 regarding Livestock Regulation and Protection;
- Approved \$ 40-million credit agreement between Yemen and International Development Association for the second phase of Rural Access Program on September 20th.
- Approved several tenders in the field of telecommunications, construction and development of industrial zones.
- endorsed the report by the Ministry of Finance regarding Yemen's foreign debt position as of June 30, 2005 which equals \$9.9 billion, out of which US\$ 8.1 billion has been used and total installments repaid reached US\$ 3.36 billion on September 27th.
- Approved special report of the Yemeni-German Annual Negotiations which took place during October 14 - 15;
- perused the report by the Minister of Civil Service and Insurance regarding the level of implementation of the new salary structure.
- On November 8th, the Cabinet Approved the executive program for concession right for the Block 18 to the Safir company instead of the US Hunt Oil Company;
- Approved the statute, capital and operation budget for Safir company for the rest of 2005 and estimated budget for 2006;
- On November 15th, the Cabinet confirmed that Safir company's operation of the Block 18 became legally effective as of today for the next 20 years according to a concession granted by the government;
- Approved a number of tenders for development projects and services for the cumulative amount of YR 2.5 billion;
- The Ministry of Oil and Minerals has signed an agreement with French Total Company for natural gas export and an agreement with Turkish Beat Oil Company for oil exploration in Shabwa;
- the Yemeni Authority for Geological Survey and British ZinkOx have signed an agreement for Jabali project at a cost of US\$ 75 million;
- The international KBR Group of US Halliburton Corporation has signed a US\$ 2 billion agreement with Yemen for building and equipping the first Yemen's LNG plant on September 13th.
- An agreement was signed between Yemen and France for the amount of €2.7 million to support the Ministries of Justice, Local Administration and Interior.
Yemen and South Africa has signed a cooperation agreement covering the fields of oil, mines, fish and exchanging industrial projects between the two countries.

Workshops:

- A symposium on Documentation in Arab Countries was organized by the National Documentation Center in cooperation with the International Documentation Council during September 1-3.
- The Small and Micro Enterprises Days for Poverty Alleviation were organized by the Social Fund for Development during September 7-13.
- A workshop on Health System Research was organized by the Ministry of Health and Population in Cooperation with WHO during September 8-12.
- A Human Rights Course for Police Officers was organized by the Human Rights Information and Training Center in cooperation with the British Embassy and UNDP during September 9-11.

- The Fourth Arab Course on Human Rights was organized by the Human Rights Information and Training Center in cooperation with Conrad Adnaor Foundation during September 12-15.
- An Arab seminar on Successful Administration Requirements was organized by the Arab Administrative Development Organization and the Ministry of Civil Service and Social Security during September 17-21.
- A forum on Fighting Corruption was organized by COCA in cooperation with GTZ on September 18.
- A workshop on Evaluation of Children's Rights Situation was organized by the Higher Council for Motherhood and Childhood in cooperation with UNICEF and Swedish Save the Children Organization during September 19-20.
- A regional conference on "Democratic Changes and Role of Civil Society: Future Sight" was held` during September 18-20.
- A training course for journalists on Elections Coverage was organized by the Civil Democratic Support and the BBC International Services Fund during September 20-22.
- A workshop on Communication Strategy was organized by the Ministry of Planning and International Cooperation on October 1.
- Two training courses related to Financial Communications among Banks and the Role of the CBY in Economic, Financial and Banking Reform were organized by the Central Bank during October 5-9.
- A workshop on the National Strategy for Youth and Childhood was organized in Aden by the Ministry of Labour and Social Affairs in cooperation with Higher Council for Motherhood and Childhood during October 16-17.
- A workshop on Women Issues, Gender and Reproductive Health was organized in Amran by the Ministry of Foreign Affairs in cooperation with UNFPA and Supreme Population Council during November 8-12;
- The Second Conference for the Association of Senates and Equivalent Councils in Africa and the Arab World was held in Sana'a during November 8-10.
- Celebration of the International Food Day under the motto "Agriculture and Culture Dialogue" was organized by the Ministry of Agriculture and Irrigation and FAO on November 14th.
- The Sixth Anti-Polio Campaign was organized by the Ministry of Public Health and Population, the WHO and UNICEF in all governorates during November 12-14.

Donors Activities:

- Canadian Government has Approved the technical assistance to be granted to Yemen's Tax Reform Program including installation of computer software and automation programs for Tax Authority.
- The Canadian Government has added Yemen to the list of countries deserving aid.
- The Japanese government has offered a grant to the Mines Actions Program estimated at US\$ 52,800 under "Human Security Projects Grants".
- The Japanese government has offered two grants to Shibam Fund amounting to US\$ 109 thousand.
- The government of Japan decided to cancel US\$ 8.2 mln of Yemeni debts in fiscal year 2005.
- International Islamic Relief Organization has distributed food aid to 1,700 families in Saada worth €31,000 in the framework of its Ramadan Aid Program.

- The government of Japan has Approved a grant amounting to around US\$ 35,000 for water and sanitation in Al-Hodeidah under the Program for National Humanitarian Security Grants.
- An agreement was signed between USAID, UNDP and the Ministry of Human Rights under which US\$ 463,000 will be provided to support promotion of human rights in Yemen.
- The International Atomic Energy Agency has granted Yemen US\$ 860,000 for peaceful use of atomic energy.
- According to the protocol of the Yemeni-German annual government meetings, Germany pledged to grant US\$ 92 mln to Yemen to support education, public health, economic investment and social insurance.
- The government of Japan extend the grant of US\$ 72,000 to the Family Forum Association under the Grassroots Human Security Projects Scheme.
- the European Commission has granted €500,000 to support the implementation of anti-polio vaccination campaign in Yemen;
- during annual bilateral negotiation Germany pledged 2005-2006 development aid to Yemen for the amount of €68 mln.
- Human Development Report 2005 titled "International Cooperation at a Crossroad: Aid, Trade and Security in an Unequal World" was launched by the Ministry of Planning and International Cooperation and the UNDP on October 17.
- The 60th Anniversary of UN was celebrated on October 25.
- The European Commission will be providing Yemeni Ministry of Human Rights with the amount of €2 mln to assist with reactivation of plans for human rights protection and democratization.

IV. World Bank Group Operations in Yemen

Relations between the World Bank and the government of Yemen are close and continue to cover knowledge and lending services in sectors critical to development and poverty reduction. The World Bank assistance to the implementation of Yemen's Poverty Reduction Strategy Paper (PRSP) has progressed, and the Country Assistance Strategy (CAS) for FY03-06 program of lending and policy dialogue is being implemented as envisaged.

Country Assistant Strategy The four main objectives of the CAS are: (a) better public sector governance; (b) an attractive environment for private investment; (c) building and protecting human capital; and (d) ensuring environmental stability, particularly in the critical area of water. The implementation of the CAS is progressing well with US\$387.4 million committed between FY03 and the second quarter of FY05 for seven credits. These include two credits for agriculture/rural development, two for infrastructure/urban development, one for water, one for the innovative and successful social funds for development, and one for basic education development program. Two additional projects (*Second Rural Access Program*, and *Second Vocational Training*) are expected to be approved this Fiscal Year (FY05).

Knowledge Services Bank's key non-lending support included completion of analysis of public expenditure management, civil service modernization, and country financial accountability assessment, petroleum price policy reform, household energy supply and use, development of national gender strategy, environmental safeguard requirements, and strategic plans for long-term development of coastal aquifers. Bank is also assisting Yemen in preparing a progress report on PRSP by providing early comments as the draft is being prepared. Coordination among donors has become more regular and has elaborated into subgroups dealing with specific sectors (civil service, water, education, etc.). Collaboration with, and support for, civil society organizations has also deepened, both directly (e.g., NGO capacity building grants) and indirectly (e.g., credits for projects employing NGOs).

Lending Services : The current portfolio has 19 projects with total commitments of US\$ 820 million (net of cancellations), of which US\$280.4 million are disbursed. About 26 percent of the portfolio, by value, is dedicated to the water sector, 19 percent to education, almost 15 percent to health and other social sectors, over 16 percent to public administration, 9 percent to agriculture, 8 percent to transportation, 6 percent to energy, and 1 percent to financial sector.

Overall portfolio performance and management remain satisfactory. Out of 19 projects in the portfolio, only two (*Civil Service Modernization and Health Reform Support*) are

rated unsatisfactory/problem projects. The Bank and the Government are making efforts to address issues affecting the implementation of these projects.

The International Finance Corporation (IFC) has three active investments in grain processing, ceramic tile manufacturing, and bottled water, totaling \$11 million. Problems with the investment environment limit IFC activities in Yemen and (as in the case of the grain processing project) impede implementation and profitability. However, IFC has a very clear developmental role to play in the country and the Corporation has devoted considerable resources to promote business there. Several large projects are currently under consideration. In addition, IFC received approval for a new regional facility that will provide technical assistance in Yemen to help improve the business environment, strengthen the financial sector and stimulate the growth of SMEs.

Bank-Fund Collaboration on Bank and Fund staffs consult regularly and coordinate their activities. A major activity over the past year was assistance to the Yemeni experts who produced the Poverty Reduction Strategy Paper and subsequently collaboration on a Joint Staff Assessment of the PRSP. In addition, the staffs have worked closely together on civil service reform and government financial management, and in particular, budgeting and public expenditure modernization. Collaboration on these issues is expected to intensify. Bank and Fund staffs have also collaborated on financial sector development issues, with the aim of restoring financial stability (by now largely achieved) and removing constraints on economic development.

International Financial Corporation The International Finance Corporation (IFC) has three active investments in grain processing, ceramic tile manufacturing, and bottled water, totaling \$11 million. Problems with the investment environment limit IFC activities in Yemen and (as in the case of the grain processing project) impede implementation and profitability. However, IFC has a very clear developmental role to play in the country and the Corporation has devoted considerable resources to promote business there. Several large projects are currently under consideration. In addition, IFC received approval for a new regional facility that will provide technical assistance in Yemen to help improve the business environment, strengthen the financial sector and stimulate the growth of SMEs.

Ongoing World Bank Operations in Yemen as of November 25, 2005

#	Name of the Project	Effectiveness Date	IDA Credit Amount (In million US\$)	Disbursed (In million US\$)
1.	Southern Governorates Agricultural Privatization	June 29, 1998	24.7	12.40
2.	Public Works Project III	July 15, 2004	45.0	6.35
3.	Port Cities Development Program	July 14, 2003	23.4	3.23
4.	Civil Service Modernization	November 29, 2000	30.0	9.75
5.	Child Development	December 19, 2000	28.9	14.78
6.	Social Development Fund II	January 9, 2001	79.5	79.5
7.	Basic Education Expansion Project	January 16, 2001	56.0	28.86
8.	Irrigation Improvement	January 18, 2001	21.3	5.25
9.	Rural Water Supply and Sanitation	October 23, 2001	20.0	5.54
10.	Taiz Municipal Development and Flood Protection	February 26, 2002	45.2	37.43
11.	Rural Access Improvement	March 18, 2002	45.0	37.43
12.	Health Reform Support Project	January 22, 2003	27.530	2.15
13.	Higher Education Learning and Innovation	September 19, 2002	5.0	0.37
14.	Urban Water Supply and Sanitation	November 24, 2002	130.0	24.55
15.	Sana'a Basin Water Management	December 22, 2003	24.0	2.64
16.	Ground Water & Soil Conservation	August 17, 2004	40.0	0.94
17.	Social Development Fund III	August 15, 2004	60.0	5.25
18.	Basic Education Development Program	March 14, 2005	65.0	1.36
	Total		691.03	277.78

V. World Bank Publications

Recent World Bank Publications

Reducing Poverty on a Global Scale: Learning and Innovating for Development: Findings from the Shanghai Global Learning Initiative MNA Publications

Published in September 2005

ISBN: 0-8213-6362-X SKU: 16362

In 2003 the World Bank, in partnership with the Government of the People's Republic of China, began a one year-long global learning process that focused on worldwide efforts to reduce poverty along different dimensions. A series of case studies, multi-country interactive videoconferences, online dialogues, and field visits led up to the working conference in Shanghai, on May 25 - 27, 2004. Development lessons and experiences were shared and debated at this event by policymakers, politicians, donors, academics, development practitioners, civil society groups, and representatives from development institutions. After such unprecedented knowledge exchange on worldwide poverty reduction efforts, many lessons were learnt about how to accelerate development and contribute to reducing poverty.

Capturing the findings from the Shanghai Global Learning Initiative, *Reducing Poverty on a Global Scale* attempts to contribute to the broader existing knowledge on poverty reduction and the effectiveness of aid. The objective is to enlighten development practitioners about observed achievements towards reducing poverty and the factors behind them. Each of the chapters extracts implementation lessons learnt from a subset of case studies prepared along different poverty dimensions, focusing on such factors as the role of commitment and leadership, institutional innovation, learning and experimentation, and external catalysts. Instead of recommending particular solutions or best practices, the book distills key findings from the strategically selected examples and weaves them into a topical narrative

India and the Knowledge Economy: Leveraging Strengths and Opportunities

Published in July 2005

ISBN: 0-8213-6207-0 SKU: 16207

In the global knowledge economy of the twenty-first century, India's development policy challenges will require it to use knowledge more effectively to raise the productivity of agriculture, industry, and services and reduce poverty. India has made tremendous strides in its economic and social development in the past two decades. Its impressive growth in recent years—8.2 percent in 2003—can be attributed to the far-reaching reforms embarked on in 1991 and to opening the economy to global competition. In addition, India can count on a number of strengths as it strives to transform itself into a knowledge-based economy—availability of skilled human capital, a democratic system, widespread use of English, macroeconomic stability, a dynamic private sector, institutions of a free market economy; a local market that is one of the largest in the world; a well-developed financial sector; and a broad and diversified science and technology infrastructure, and global niches in IT.

This book highlights that to get the greatest benefits from the knowledge revolution, India will need to press on with the economic reform agenda that it put into motion a decade ago and continue to implement the various policy and institutional changes needed to accelerate growth. In so doing, it will be able to improve its international competitiveness and join the ranks of countries that are making a successful transition to the knowledge economy.

Intergovernmental Fiscal Relations in Central and Eastern Europe: A Sourcebook and Reference Guide

Published in July 2005

ISBN: 0-8213-5705-0 SKU: 15705

Produced by the Urban Institute for the United States Agency for International Development and the World Bank Institute, the sourcebook gives access to a wealth of knowledge and information on intergovernmental finance issues in Central and Eastern Europe by providing electronic links to a large number of documents included on a CD-ROM. The documents discuss the basic concepts and principles, and describe the evolution of intergovernmental finance in the countries of the region. The printed sourcebook, which is also on the CD-ROM, serves as a roadmap to help the reader explore the documents and locate relevant materials.

Intergovernmental Fiscal Relations in Central and Eastern Europe is especially useful for policy analysts and trainers interested in promoting an understanding of those issues in their countries. The sourcebook also provides direct electronic links to relevant training and educational materials, also included on the CD-ROM.

Countries covered: Albania, Bulgaria, Czech Republic, Hungary, Latvia, Macedonia, Poland, and Romania

Status of projects in execution (SOPE) - FY05, Vol. 1 of 1

Document Type: Annual Report

The Status of Projects in Execution (SOPE) Report for FY05 provides information on all IBRD/IDA projects that were active on and beyond June 30, 2005. It bridges the gap in information available to the public between the Project Appraisal Document, disclosed after the Bank approves a project, and the Implementation Completion Report, disclosed after the project closes. The projects that closed during the fiscal year are not included in the SOPE, since their Implementation Completion Reports are now also disclosed. The report lists information on projects by region. For each project basic information is given, as well as relevant dates including Board approval, signing, effectiveness, mid-term review, and closing dates. The FY05 SOPE introduces a new element: in order to disclose project-by-project comparisons of disbursement estimates and actual disbursements, the SOPE report contains a line chart showing the original estimated disbursement schedule, the latest approved revised schedule (if any) and actual disbursements for investment operations and a table showing the loan/credit/grant amount and disbursements to date.

2005 Report to the donor community, Vol. 1 of 1

Document Type: Annual Report

Contents: Chapter 1: Strengthening partnership with the donor community to deliver better technical assistance. Chapter 2: Regional reports. Chapter 3: Global programs and technical assistance initiatives

World Bank Institute (WBI) annual report 2005, Vol. 1 of 1

Contents: External advisory council. Learning and innovating with clients: WBI at 50. Developing capacity interventions at three levels. Country-tailored capacity development. Prerequisites for development. WBI thematic programs. The power of technology in country-focused work. The power of partnerships in country-focused work. Measuring results.