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## Yemen Economic Update

Yemen Economic Update is a quarterly report produced by the World Bank Country Office in Sana'a. It consists of several sections covering major political, social and economic developments. It also provides information on ongoing World Bank operations in Yemen, and a list of conferences and donor activities.



### SUMMARY

The political situation remains challenging. A concerted government campaign has succeeded in suppressing Al-Qaida activities but the group retains the ability to engage in sporadic incidents such as a recent attack on Korean tourists. The Government also reached an agreement with the opposition to delay parliamentary elections for two years, thereby averting a major political crisis. Finally, demonstrations in the South have become less frequent and violent. Concerns remain, however, over the fragile peace accord with the Houthis signed in July 2008, which is threatened by intermittent clashes and mutual accusations of breaches.

The economy grew modestly in 2008 on the back of buoyant oil prices. Preliminary estimates suggest a GDP growth rate of 4.4 percent as compared to 4.2 percent in the previous year. Higher oil revenues and some progress in tax collections also helped to reduce the fiscal deficit to 4.3 percent of GDP and the current account deficit to around 2 percent of GDP. Given that oil prices were very high during the first nine months of the year, the overall economic performance in 2008 is disappointing and underscores the difficult challenges faced by Yemen.

Government is pursuing structural reforms to improve economic prospects. The Government is actively pursuing reforms in several areas. Efficiency enhancing and cost reducing measures are under implementation with respect to the civil service, public

financial management, and the social safety net. The Government has also started paring fuel subsidies by applying market prices to high-octane petrol and large-volume consumers of diesel. The pace of implementation of these reforms may pick up in 2009 as the worsening macroeconomic environment heightens the sense of urgency. Major legislative reforms envisaged for 2009 include new laws and implementing regulations on customs, income taxes, investment, telecommunications, and land registration

The medium-term outlook is troubled. Although growth will rise to 7.7 percent in 2009, this is due to a one-off impact of the coming on-stream of LNG production during the year. Otherwise, Yemen faces a number of economic and political uncertainties that cloud its medium term prospects. The external context features depressed oil prices, a growth slowdown in the Gulf economies, and instability in the horn of Africa. Domestically, political challenges include the fragile truce in Sa'ada and the continued threat from Al-Qaeda. Fiscal deficits will stay high because of falling oil revenues as well as slow growth in the non-oil sector. Some relief will come, however, from declining inflation. In 2009, inflation should decline to under 10 percent from its 2008 level of 19 percent.

The poor suffered greatly from two adverse shocks in 2008. First, a 60 percent spike in food prices during 2007-08 reduced standards of living throughout Yemen. Currently, around 35 percent of the population is below the poverty line and higher food prices may have pushed an additional 6 percent into poverty. Global food prices have moderated since mid-2008 but they remain high by historic standards. Second, floods in the South in October 2008 resulted in losses and damages of about 8 percent of GDP, with the poor of Hadramout suffering the most.

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## I. RECENT POLITICAL AND SOCIAL DEVELOPMENTS

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Sea piracy is on the rise again after a period of relative calm. Bad weather conditions combined with actions taken by the GOY to combat piracy (including the establishment of the counter-piracy regional center in the southern part of the Red Sea) and the increasing presence of international navy forces, have helped to lower the number of sea piracy incidents towards the end of 2008 and early 2009. However, with more sophisticated weapons and navigation techniques, pirates have resumed their activities in the last two months. It is estimated that about 130 attacks on freight and passenger vessels have occurred in 2008 alone. As of April 2009, 53 attacks have been reported with 13 attacks taking place in the beginning of April alone. The recent increase in sea piracy incidents has had worrisome effects for Yemen, especially for maritime transport, off-shore oil exploration and fisheries. In the case of the latter, some 42 piracy incidents against fishermen took place in 2008 and 30 other incidents have so far taken place in 2009, resulting in the abduction of 815 Yemeni sailors.

The peace deal with Al-Houthi group is facing heightened challenges. Since early 2009, there has been many revenge killings and fighting incidents involving Al-Houthis and neighboring tribes in Al Jawf and Sa'ada provinces. Undermining the peace efforts as well is the slow progress on delivering the peace dividends to the region. The Saada Reconstruction Fund has started in February after long delays and since then has faced many hurdles, such as highway blockages, and theft of engineering equipment. The Fund has for now delayed cash compensations and focused on goods and humanitarian aids distribution. The recent escalation in skirmishes between Al Houthi tribe and other tribes and the military is bringing into memory a repeated pattern from the past, which led to the collapse of earlier peace deals and the continuation of new rounds of fighting.

Sa'ada Reconstruction Fund is currently preparing for the third phase. Yemeni authorities announced that the Fund is now preparing for the third phase after launching the second phase in early March 2009. The first phase included the construction of 960 residential units and restoring schools and water tanks in six districts with total cost of YR870 million. The second phase includes the construction of 1340 residential units and 140 farms with total cost of YR1.2 billion. The Fund is also performing renovation and rebuilding work for 12 water and education projects as well as the construction of 12 new schools. Moreover, it announced the completion of renovating 31 public properties ranging from schools, courts and government premises. Despite the progress with the reconstruction, many displaced persons continue to stay in refugee camps, fearing revenge killings, land mines and the possible reigniting of the war. The mines, which were planted during the war, continue to be a source of risk and casualties. So far, little efforts have gone into clearing the mines and ensuring the safety of the affected areas.

Yemen-GCC integration efforts are making progress. In the latest GCC Summit held in Muscat in December 2008, Yemen was admitted to four new GCC bodies in the areas of standardization and metrology, industrial development and consultancy, accounting and auditing, and radio and television. Furthermore, in early March 2009, Yemen was admitted as a member of the Federation of GCC Chambers of Commerce. The joining to these organizations will help to forge closer ties with the GCC States and promote Gulf private investment in Yemen. Progress has also been made in the allocation of the GCC pledges under the CG meeting of 2006, which amounted to \$3.9 billion (see table

1). Kuwait has recently announced the full allocation of its \$200 million pledges, and sent for this purpose a follow-up mission. In other related matters, the third post-GC meeting was held in April 5, 2009 in Sana'a, with the objective of (i) discussing the results of the 2006-10 economic and social development goals and (ii) enhancing support between the donors and Yemen.

Table 1. The Status of CG Pledges as of February 2009 (in million US\$)

Donor	Pledged	Allocated	Signed	Disbursed
I. GCC Bilaterals	2677	2129	711	12
1 Saudi Arabia	1227	1047	577	10
2 Oman	100	100	56	2
3 United Arab Emirates	650	500	78	
4 Qatar	500	282	0	
5 Kuwait	200	200	0	
II. GCC multilaterals	1226	1006	382	2
6 Islamic Development Bank	200	200	32	1
7 Arab Fund	786	786	330	1
10 OPEC Fund for International Development	20	20	20	
11 Arab Monetary Fund	220	0	0	
III. Bilaterals (OECD DAC and Others)	1678	1386	1139	362
Total	5581	4521	2232	376

Source: MOPIC (official data exhibits some minor inconsistencies)

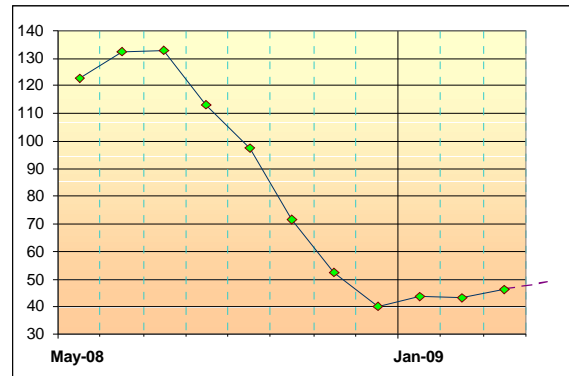
A controversial new press law was presented to parliament. The new law establishes that access to information is a basic right of citizens, notwithstanding situations where it could undermine national security, social cohesion, and the country's foreign relations. Other measures included in the draft law is the lifting of restrictions on establishing private satellite TV channels and radio stations. The new law, drafted by the National Information Centre (NIC), was criticized by many journalists who considered it as a set-back to the cause of freedom of expression. The legislation comes after a significant increase in tensions between the government and the press in 2008. The new law follows earlier pledges by the government to look into measures to improve relations with the press, especially in regards to the access to public information. Measures in this respect include the designation of official spokespersons and providing regular information on cabinet meetings.

Recent attacks by al-Qaeda targeting Korean nationals have raised renewed concerns. In March 2009, Al-Qaeda carried two attacks targeting Korean nationals, with the first taking place in the city of Shibam causing the killing of four Koreans and their Yemeni tour guide. The second suicide attack targeted a convoy of vehicles carrying Korean diplomats in Sana'a but resulted in no casualties. The latest attacks came after a period of peace resulting from the concerted anti-terror government campaign that started last summer. Earlier in July 2007, a suicide car bomb killed seven Spanish tourists in the eastern Marib province; in January 2008, attackers murdered four in a shooting on a Belgian tourist group in Hadramout province, and in September, another radical group attacked the U.S. embassy in Yemen, killing 17 people. The government is now undertaking a new campaign to eradicate terrorism. These efforts are also being complemented with the introduction of new anti-terrorism laws.

## II. MACROECONOMIC DEVELOPMENTS

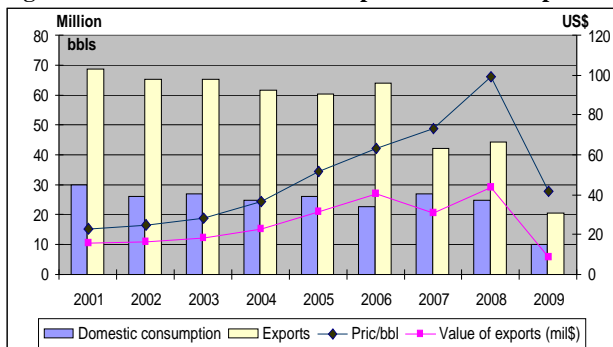
Oil prices stabilized in the first quarter of the year trading mostly in the \$40-50/bbl price range. Brent crude oil prices averaged \$44 per bbl in the first quarter. The recent signs of the firming up of oil prices reflect OPEC production cuts and the lack of tangible response from non-OPEC sources. With the continued recession, global oil demand is expected to fall 3% in Q1-09 (y/y) and drop by 2% for 2009. For 2008, and despite the sharp fall in the second half, international crude oil prices averaged about \$97 per bbl, nearly 34 percent higher than a year ago. As for Yemen, the average price of crude exports in 2008 is reported by the CBY to have averaged \$99 per bbl as compared to \$73 per bbl in 2007.

Figure 1. Brent– Europe Spot Prices (\$/bbl)



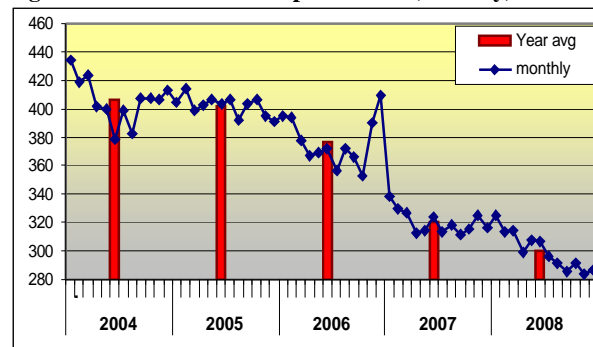
Government oil revenues witnessed a sharp decline in the first two months of 2009. Government oil export revenues hit \$140.1 million low in the first two months of the year, down by about 76 percent compared to same period in 2008. On an annualized basis, the first two months revenue is equivalent to about \$840 million, or about 80 percent reduction from 2008 level. This sharp fall seems to reflect three factors: lower prices (about 60 percent below 2008 average), shrinking export and production volumes, and a larger share of cost oil allocated to operating oil companies. During this period, the volume of government oil exports totaled 3.4 million barrels (this is part of Yemen’s total exports which, in addition, includes exports by operating oil companies) down from 6.4 million barrels in the same period last year, or equivalent to about 20.3 bbls on annualized basis as compared to 44 million bbls for 2008. According to EIA figures, Yemen’s average oil production in 2008 is estimated at 300 thousand bbls/day (as compared to about 320 thousand bbls 2007 and 410 thousand bbls in 2004) with the nation operating 87 oil blocks and 26 exploratory blocks by 16 oil companies.

Figure 2. Government crude oil exports and consumption



2009 estimate reflects the annualized results of Jan-Feb

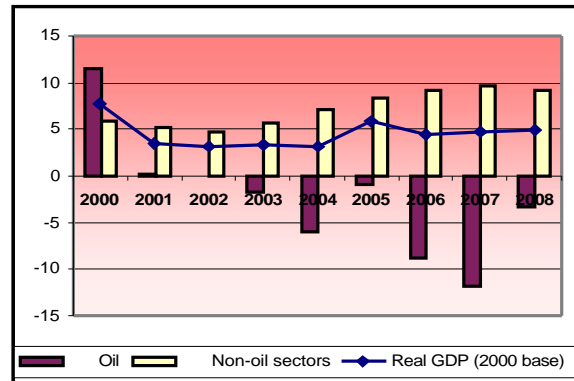
Figure 3. Yemen Crude oil production (bbls/day)



Source: EIA

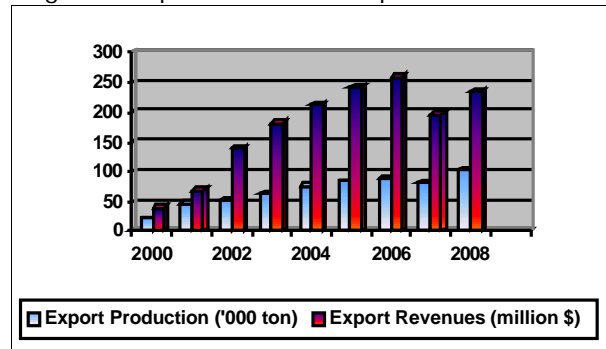
Nominal GDP in 2008 is estimated at \$27 billion, about 10 percent higher than the previous year. In real terms, this represents a growth rate of 4.8 percent as compared to 4.7 percent a year ago. The 2008 growth rate underlines a 3.3 percent decline in oil GDP that is offset by some 9 percent growth in non-oil activities<sup>1</sup>. It should be mentioned that the current GDP estimates for Yemen are undergoing major revisions, which include rebasing from 1990 to 2000, changing the estimation methodology for the contribution of the informal non-oil, and revising the GDP deflators.

Fig 4. Real GDP Growth in Yemen, 2002-08 (in %)



Yemen's fish production is showing signs of leveling off. Owing to the destructive fishing practices, lack of private investments and rising sea piracy, fish production in Yemen is showing rapid signs of depletion. Recent figures for 2008 show an average of 25 percent increase in fish export revenue to about \$245.3 million, and 30 percent rise in volume to 105 thousand tons. However, these figures mask an alarming decline in fish stock and production in some areas. The shrinking fish stock has become a phenomenon in the Arabian Sea waters: Hadramout has exhibited a huge decline in production where figures in 2005 recorded 63,000 tons, went down to 47,000 tons in 2006 and decreased to 37,000 tons in 2007. This deterioration has alerted the government to act on finding solutions and protecting the economy and the livelihood of approximately 12,000 fishermen. In an effort to improve the situation, the Ministry of Fisheries Wealth (MFW) is currently drafting new fishing regulations that will include measures to protect the marine environment from destructive fishing techniques. Proposed reforms include enhancing surveillance operations on fishery operations and unloading centers, improving the management of fishing ports, issuing bylaws that will organize the process of selling and purchasing of fish, and implementing new fish quality standards to facilitate exports. Recent MFW announcements include the establishment of a modern fishing seaport in the Hodeida governorate at a cost around \$7.5 million, complete with laboratories, ice factories and packaging facilities to accommodate needs of the producers and exporters and encourage investment in the sector. Other fishery projects include a development project in the coastline of Hadramout governorate with total cost of \$14 million financed by AFSED, which aims to improve increase fish production and facilities investment.

Fig 5. Fish production and export value 2000-08



Overall inflation showed a marked increase in 2008. Data released by the CSO indicate an average inflation rate for 2008 reaching about 19 percent as compared to about 8 percent a year ago.<sup>2</sup> Monthly inflation rates peaked in March 2008 and then started to moderate towards the year-end. The increase

<sup>1</sup> These estimates do not take into account the higher than expected decline in oil production and the possible slowdown in the economy towards the year end in conjunction with the global financial crisis

<sup>2</sup> The data remains provisional and likely to undergo revisions that would incorporate more recent weights than the currently used weights that use the year 1999 as a base.

in 2008 reflects the impact of rising global commodity prices, especially for food, in the first half of the year. Overall, inflation in Yemen has followed trends in global price indices, although with a lag especially where domestic retail food prices are concerned. International commodity prices witnessed a sharp correction during the second half of 2008, falling by 20 percent (food) to 40 percent (non-energy and metals).

Figure 6. Yemen's annual inflation rate 2006-08 (%)

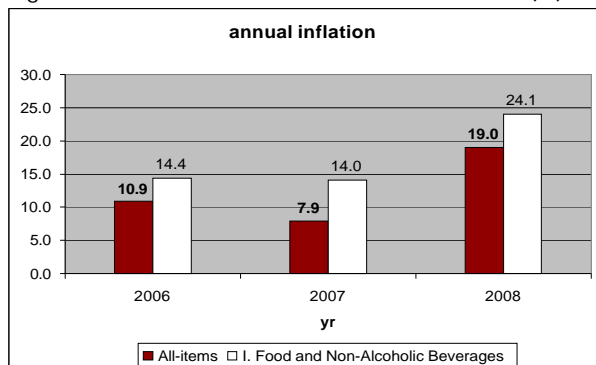
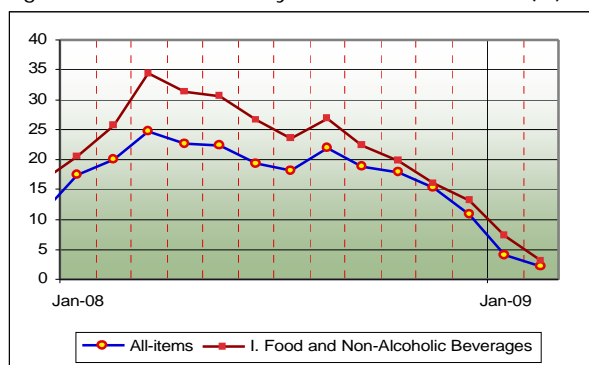


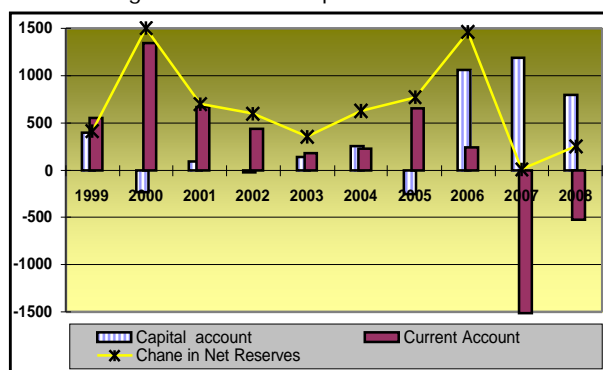
Figure 7. Yemen: monthly inflation rate, 2008-09 (%)



The inflation rate has witnessed a steady decline in recent months. For the first two months of 2009, the inflation rate continued the downward trend of the previous four months. Compared to the same period of last year, the monthly rates for January and February of 2009 reached 3.9 and 2.1 percent, respectively (see figure 5). Meanwhile, in the international commodity markets, prices remained relatively stable with the January-February average for 2009 showing virtually no change from the same period last year.

The current account balance is expected to show some improvement in 2008, following the notable deterioration in 2007. The deficit in 2007, estimated at 6.4 percent, came after a long trend of positive current account balances and steady growth in the country's foreign reserves.<sup>3</sup> The deterioration was largely influenced by falling oil exports by about 9 percent (oil has more than a 90 percent share in commodity exports) and the surge in imports bill. The latter reflects rising global inflation and increased imports of equipment for the ongoing liquefied natural gas project. The deficit is expected to narrow in 2008 to about 1.6 percent of GDP on the strength of hydrocarbon export revenues and the moderation in imports growth.

Figure 8. BOP components 1999-2008



<sup>3</sup> This corresponds to the most recent revision of BOP data posted on the CBY web page showing a widening of the current account deficit by about 12 percent from previous estimates

Yemen's external public debt to GDP has been showing steady decline over the last five years. Despite the increase in nominal value, the external public debt to GDP has fallen from 38 percent of GDP in 2004 to about 22 percent in 2008. Latest figures released by the CBY show external public debt standing at \$5.68 billion in February 2009, about 3 percent below its level two months ago. The majority of this debt is owed to concessional sources. As shown in figure 10, the composition of public debt has shifted in recent years to donors such as IDA, GCC countries and China, while debt to some of the Paris Club members and the IMF has shown general decline.

Table 2. The Composition of Yemen outstanding external public debt (in million US\$)

	31.12.2007	31.12.2008*	28.02.2009*
<b>PARIS CLUB COUNTRIES, o/w</b>	<b>1,736.9</b>	<b>1,757.8</b>	<b>1,726.0</b>
RUSSIAN FEDERATION	1,237.5	1,225.6	1,225.6
JAPAN	243.0	277.7	256.9
UNITED STATES	98.8	98.3	98.3
<b>NON-PARIS CLUB COUNTRIES o/w</b>	<b>845.9</b>	<b>861.9</b>	<b>841.0</b>
SAUDI ARABIA	340.3	368.1	368.3
KUWAIT FUND	165.2	153.2	142.8
<b>MULTILATERAL o/w</b>	<b>3,046.7</b>	<b>3,073.4</b>	<b>2,922.8</b>
IDA	2,071.3	2,095.1	1,999.3
AFESD	566.8	645.7	609.6
IFAD	120.3	120.3	113.7
<b>Grand TOTAL</b>	<b>5,820.2</b>	<b>5,888.7</b>	<b>5,681.1</b>

\* Preliminary Source: CBY

Fig 9. Yemen's external public debt 2004 -2008 – (in billion US\$ and % of GDP)

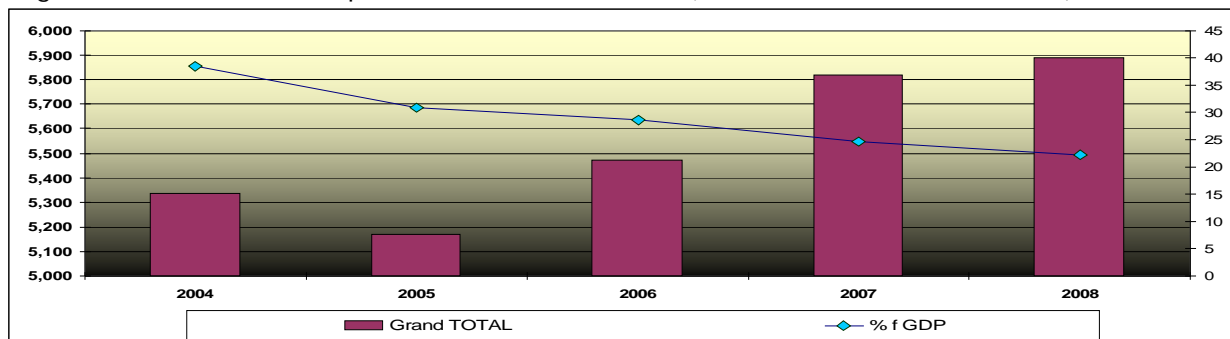
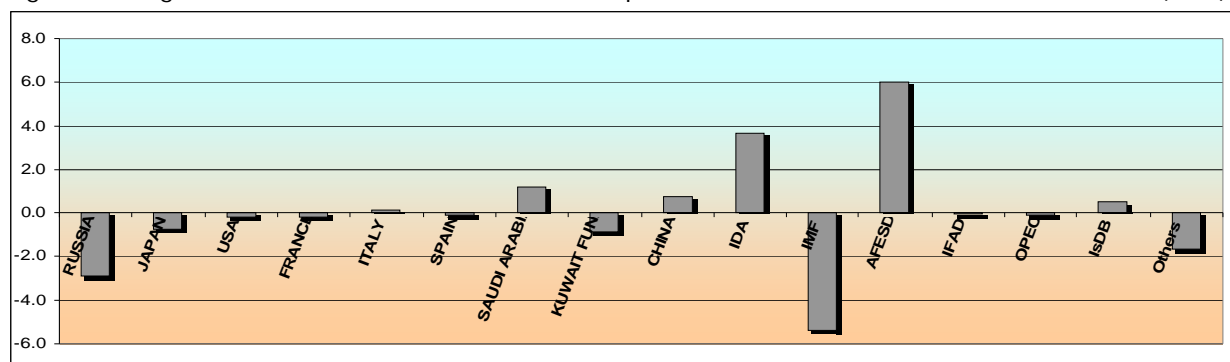


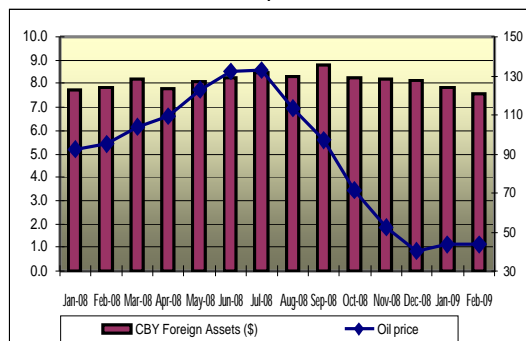
Fig 10. Change in relative contribution to Yemen's public external debt between 2004 and 2008 (in %)



Source: CBY

The declining oil revenue is beginning to show an impact on the country's foreign reserves. The gross foreign reserves at the Central Bank decreased to 1513.0 billion Rials (US\$ 7521.8 million or 11.0 months of imports) at the end of February 2009 as compared with 1570.2 billion Rials (US\$ 7845.3 million or 11.5 months of imports) at the end of January 2009. Foreign assets of the Central Bank at the end of February 2008 were 1567.6 billion Rials (US\$ 7852.1 million).

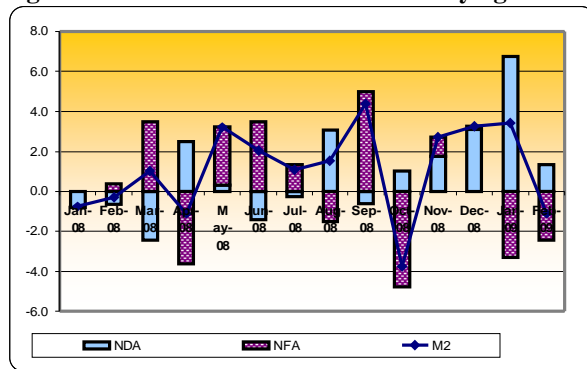
Figure 11. Monthly CBY foreign reserves and crude oil prices – 2008-09



Monetary policy has aimed at expanding liquidity during 2008. In April 2008, the CBY eased reserves requirements from 10 to 7 percent of local currency deposits and eliminated the 13 percent remuneration on reserves. It also exempted some bank liabilities from reserves requirements. Towards year-end, the CBY lowered the benchmark minimum interest rate on bank deposits from 13 to 12 percent. Despite these measures to ease liquidity, credit to the private sector decelerated in 2008, growing by only 18 percent as compared to 35 percent a year.

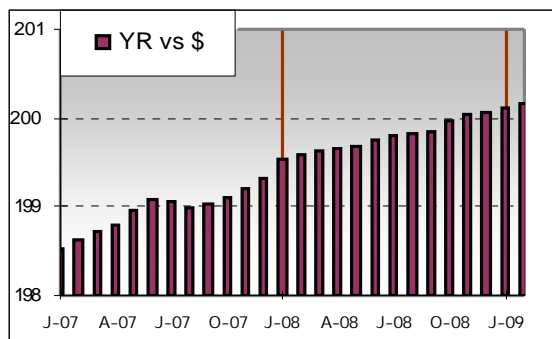
Growth in Net Foreign Assets (NFA) seems to become less significant in influencing M2 growth. The growth rate of M2 slowed down to about 12 percent in 2008 as compared to about 14 and 22 percent in 2007 and 2006, subsequently. The main underlying factor seems to be the slow down in NFA. Money supply decreased by 1.1% by the end of February from the previous month and net foreign assets of the banking system decreased by 2.7% in February 2009 as compared to the previous month. The growth in net domestic assets (NDA) over the last five months is primarily due to rising credit to the government sector, while credit growth to the non-government remained subdued.

Figure 12. Growth rate in M2 and underlying factors



The exchange rate of the Yemeni Rials against the US dollar was held relatively unchanged in 2008. The exchange rate averaged about 199.8 per dollar, depreciating by about 0.4 percent from the previous year. The first two months of 2009 witnessed no significant departure from this trend, as the average monthly rate increased from YR200.06 per US\$ in December 2008 to 200.12 in January and 200.16 in February, with an equivalent average annual depreciation of less than half a percent.

Figure 13. YR/US\$ monthly exchange rate



### Box 1. The impact of the ongoing global crisis on Yemen

As of April 19, 2009, firm quantitative estimates of the impact of the ongoing global economic crisis cannot be made because of the lack of relevant macro data. The most obvious channels of impact are the price of oil and economic growth in the Gulf countries that are a major source of remittance income and foreign investment flows for Yemen. For the moment, the following observations are pertinent.

a) Yemen has a relatively small exposure to foreign banks and its financial market remains underdeveloped. This limits the risk of contagion from the financial side of the global crisis. The Government announced on several occasions that its foreign reserves were largely unaffected by the crisis. As of February 2009, the central bank foreign reserves exceeded US \$ 7 billion or about 11 months of 2008 level of imports.

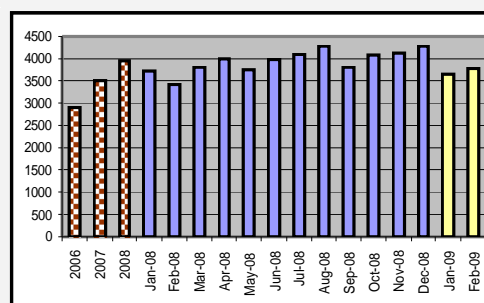
b) Currently, oil accounts for two thirds of public revenue and 90 percent of export receipts. The collapse in the price of oil since the middle of 2008 will certainly affect public revenues and current account balance although the timing and impact will be determined in part by the terms of existing oil contracts. After allowing for the reduced expenditure on fuel subsidies and petroleum product imports as the international prices have fallen, it is estimated that the partial effect of the expected halving of oil prices in 2009 compared to the previous year would increase fiscal deficit by 3 percent of GDP and current account balance by 7 percent of GDP.

c) The crisis could reduce the flow of FDI to both the oil and non-oil sectors. The former will be affected by the lower return in the sector, although moderating international costs for drilling and exploration could be an offsetting factor. In the non-oil sector, the crisis is likely to lower FDI flows, which come mostly from the Gulf and tend to concentrate in tourism, real estate, and some manufacturing industries. The size of non-hydrocarbon FDI has been small less than US \$ 100 million in the last 4 years.

d) Yemen has a large expatriate population in the Gulf and elsewhere and remittances could be adversely affected if the crisis deepens. Currently, remittances are estimated at 5-6 percent of GDP. Remittance inflows are larger than non-hydrocarbon exports by 50 percent.

e) There is some evidence of adverse effects on non-hydrocarbon exports. Fish is the main non-hydrocarbon export product and is marketed mainly in Asia and the neighboring Arab countries. With economic slowdown in the main importing countries, exports of non-hydrocarbons could be adversely affected. Trading firms report difficulties in obtaining trade finance facilities from commercial banks. Although not increasing their lending rates substantially, commercial banks have increased the margin requirement for issuing letters of credit for importers. Preliminary data from the Customs Authorities show a marked drop in customs revenues since the beginning of the year (see figure). Yemen's tourism earnings could also be affected by the global recession, compounded by the perceived increase in security threats. Most tourists to Yemen originate from Europe and the Middle-East and in good times tourism earnings have amounted to a third of non-hydrocarbon exports.

Customs revenues in 2006-2009 –  
(monthly average in mil YR)



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### III. STRUCTURAL REFORMS AND POLICIES

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Yemen successfully created the Supreme National Anti-Corruption Committee (SNACC), but progress in the fight against corruption has been slow. Since inception, SNACC has successfully activated the Financial Disclosure Law, with some 5,200 officials submitting statements on their financial position. During 2008, SNACC received 305 corruption complaints, out of which 91 (30 %) were investigated and five referred to Attorney General Office for prosecution. The slow progress reflects weaknesses in the broader legal system, shortage of resources and capacity in many relevant governmental agencies, and possibly state capture by powerful interest groups. A recent diagnostic review of the legal and regulatory framework for combating corruption in Yemen has revealed that existing laws need to be further refined to make it easier to prosecute high ranking officials accused of wrongdoing. To boost anti-corruption efforts, the authorities have recently announced intentions to introduce changes in the law to allow speedier prosecution of accused officials. In another sign of turnaround and increased public confidence, SNACC announced that the number of cases received in January of 2009 is equal to all the cases received in 2008.

The implementation of the Extractive Industry Transparency Initiative (EITI) is facing some difficulties. In August 2007, Yemen joined the EITI, a step that was accompanied by the establishment of the Yemeni Council for EITI (YEITI), comprising representatives from government, oil and gas companies, and civil society organizations. The role of the council was to ensure adherence to the principles of EITI to improve transparency and accountability in managing hydrocarbon resources. The move was seen as a major contribution to enhanced transparency, better governance and accountability, and improved performance of public financial management. However, since its establishment, YEITI council has held more than 12 meetings, which have resulted in limited progress towards actual implementation of the initiative. The YEITI work plan, which envisaged the completion of a complete data reconciliation / disclosure cycle by July of last year, is now outdated. Such lack of progress appears mainly due to the difficulty to reach a consensus on two issues, namely: (1) the council's voting mechanism and (2) the scope of the EITI exercise with regards to the editing process and whether it should be limited to a reconciliation of payments and revenue data, or to be complemented by some form of comprehensive audit of underlying data.

The authorities are taking some measures to improve budgetary transparency. Based on the 2008 survey of the Open Budget Initiative (OBI), Yemen ranked low at the 69<sup>th</sup> position out of 85 countries scoring only 9 percent. The score shows that the public is provided with scant information on the central government's budget and financial activities, which reflects negatively on the accountability of the public's money. Moreover, the low score reflects the difficulty to track spending, revenue collection and borrowing during the year. Since the survey was taken in the second half of 2007, the Government has initiated some steps to improve budget transparency. According to the Ministry of Finance, the official website now posts the complete 2009 budget documents prepared for the first time on the GFS 2001 as well as the budget in-year reports. Furthermore, the government maintains that the budget documents are distributed to the members of parliament who should share the information with their constituents. Meanwhile, the MOF is currently finalizing the Automated Financial Management Information System AFMIS, which will make the dissemination of budget information more timely and accessible. However, in addition to improved dissemination and data

management, the GoY could take additional steps to improve transparency. Possible measures include: a) Institutionalizing mechanisms for public involvement in the budget process, b) Expanding opportunities for media coverage of the budget process, c) Producing and disseminating simplified popular versions of key budget documents, and d) Expediting reforms to improve the independence and capacity of the legislature and COCA.

#### **Box 2. What does the OBI measure?**

The OBI is created by the International Budget Partnership to measure the countries' commitment to transparency; in addition, the OBI evaluates the quantity and type of information available to the public throughout the budget process. The Open Budget Index scores countries from zero to 100, based on a subset of 91 questions from the questionnaire. These questions focus on the public availability of eight key budget documents (with a particular emphasis on the Executive's Budget Proposal), and on the information they contain. A score of 81-100 indicates that a given country provides extensive information in its budget documents, a score of 61-80 indicates significant information, 41-60 indicates some information, 21-40 indicates minimal information, and zero-20 indicates scant or no information. Of the 85 countries included in the OBI 2008, 17 scored less than 10, and five countries have a score of zero. Chad, for example, scores only 7 out of 100, because the government does not make the Executive's Budget Proposal available to the public, thus not allowing the public to have a comprehensive picture of the government's plans for taxing and spending for the upcoming year. Moreover, it is difficult to track spending, revenue collection, and borrowing during the year, since execution reports are not published or lack important details. Also, public expenditures in Chad are not regularly audited. This makes it impossible to assess whether budget data are reliable and comply with legislation. Finally, Chadians are unlikely to get access to the detailed budget information needed to track individual programs and activities because Chad has not codified the right to access government information into law.

Reforms in the land registration system are long overdue. These reforms are key to attracting foreign direct investment, minimizing corruption, reducing the burden on the legal system and diffusing political (and often armed) tensions. Access to land and security of property rights, in particular, have been key obstacles to new investors locating a business in Yemen. It is estimated that no more than 5-10 % of all urban land and property is registered, using a process that is highly ineffective. The supply of commercial land with secure legal title has been very constrained, with many investors having to pay twice for such properties (to the State and to individual or tribal claimants). A recent General Investment Authority report found that 3200 licensed investment projects did not materialize between 1992-2008, reflecting, among others, the delays in implementing the sector's reforms in particular the new land titling law. A new draft Law was submitted to Parliament in September 2007 to replace the existing law No.39 that dates to 1991. The existing law and its subsequent deed registration system are technically outdated and imprecise, thus making land titles subject to much fraud and land disputes (currently some 50% of the caseload in primary courts is over land and property rights). The proposed law has received considerable scrutiny in the Parliament owing to its political sensitivity and the nature of Yemen where tribal and customary traditions predominate, and where many poor Yemenis live on and farm lands without holding a legal title, some of whom have inherited the land for generations. The Law, once ratified by the Parliament, will help remove vagueness and reduce conflict about land ownership and authorize for improved administrative mechanisms for regulating land ownership and its use. In addition, it will reduce land transaction costs and risks associated with new investment, while paying special attention to the poor. In addition, with politically independent registrar, opportunities for corruption and political meddling in which the unprivileged tend to lose should be reduced. While the new Law continues to be delayed in Parliament over requests for further revisions to avoid legal conflicts with other civil laws, and improve the structure and functions of the implementing authority (GALSU),

efforts has taken shape in establishing a new land registry organization. In 2006, the government combined the functions of the three bodies that previously dealt with lands into the new General Authority for Lands, Survey and Urban Planning (GALSU) that will operate under the umbrella of the Ministry of Public Works and Highways. The new authority is in its early stages and is currently surveying the state's land and real estates and expanding offices nationwide.

Civil Service Sector reforms are continuing, albeit slowly. The implementation of the biometric identification system was completed for the Civil Service Sector in November 2008, (though slower than originally anticipated), while efforts are currently focused on completing the task for military personnel (with expected completion date set for mid 2009). The extension of the bio-metric identification system to the military and cross verification across all active and retired public employees, is expected to eliminate some 60,000 double dippers and ghost-workers. As a result, significant savings in the payroll are expected to take place when the Government starts the weeding-out process. Other reforms concluded include the establishment of a budgetary program for (Civil Service Fund) CSF for 2007–2010. Already under the CSF, the government has retrenched about 14,000 employees since 2006.

The Government is actively pursuing WTO accession process. Yemen is currently holding an observer status in WTO. During the fifth meeting that was held in Geneva in October 2008, WTO members reviewed Yemen's legislative reforms to bring its trade system in line with WTO rules. The meeting also discussed Yemen's accession requirements including the implementation of Financial & Economic Reforms, the benefits from the applied economic policies since the reform and mechanism to create a trade-related legislative environment compliant with WTO agreements. Yemen is currently reforming its customs law and implementing the new taxation reforms, in addition, the GOY has implemented new trade standards along with the ICCP that together will work towards improving trade quality and ultimately increases trading with Yemen. Furthermore, in 2008, Yemen conducted the WTO Trade Facilitation National Assessment (TFNA), which was an opportunity to self-assess the country Trade Facilitation needs and priorities. Yemen became the first WTO acceding country to conduct its TFNA. This exercise provided data and information that are currently supporting the TF and would pave the way to the WTO membership

Yemen is lagging in the area of customs processing and trade facilitation. According to the Logistics Performance Index (LPI) of 2007, Yemen ranked 113 globally (out of 178 countries), and eight in MENA (out of 11 countries surveyed). In addition, according to the Doing Business Survey 2009, the cost of "trading across borders" for Yemen remains very high, ranking the country at 126, which is worse than the regional average. In a recent study on PAFTA members' performance, Yemen was reported to be overly excessive with regards to the number of documents and signatures, especially for trade goods through airports and road transport border points. However, the findings of the report also point to a less cumbersome procedure when measured in terms of traders' perception. This disparity is likely to reflect the presence of a wide scope for using bribes to minimize bureaucratic red tape.

Fig 14 .Yemen customs processing requirements: % deviation from the average for PAFTA Countries

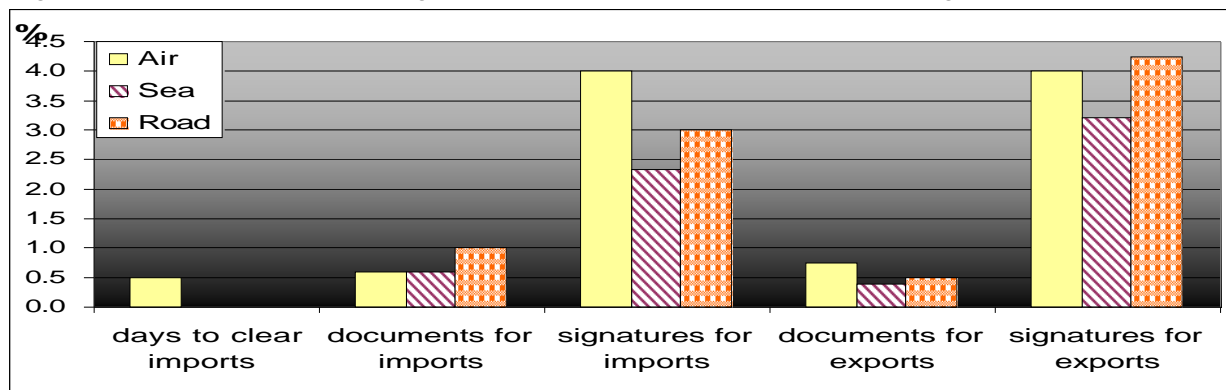
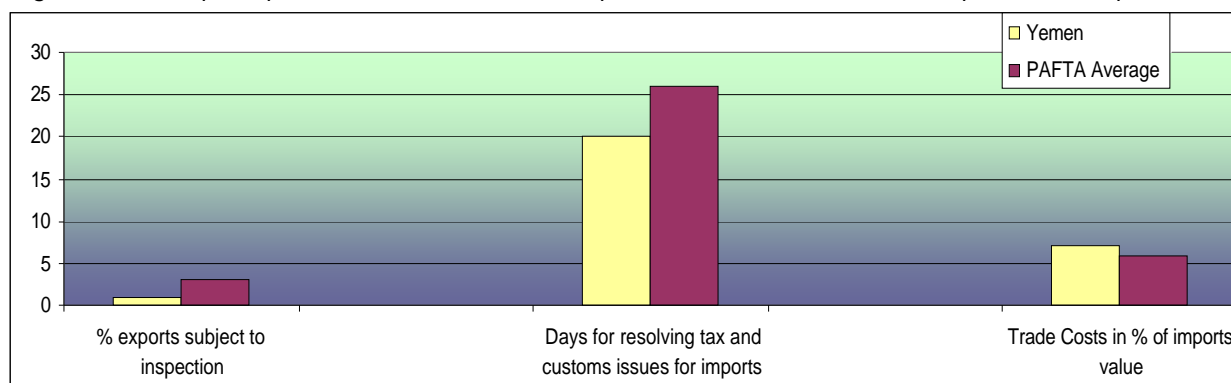


Fig 15. Traders perception of the administrative procedures associated with exports and imports



Source: World Bank

The Government has initiated steps to reform the Land Transportation Sector. In December 2008, Decree No 291 was ratified leading to the establishment of a new independent authority, the Land Transportation Affairs Authority (LTAA). The new body will complement the functions of the Ministry of Transport in regulating the sector and helping to promote private investment and competition. In the past, the sector was dominated by private cartel-like arrangements in the trucking sector, known as the “Ferzah”, and a single public transportation company. Currently, Yemen has eight different licensed public transport companies, which adequately serve the public transport needs between major cities, but remains inadequate for smaller cities and rural areas. This shortage has been seen as one of the contributing factors to the wide spread poverty incidence in rural areas. The Authority is currently implementing a marketing and advertising campaign to attract new operators in the sector, which has so far secured around 10 contracts in the international land transportation, thus helping to strengthen the network between Yemen, Oman, KSA and UAE. Furthermore, the LTAA is now in the process of establishing three land ports in Haradh, Aden, Alwadeeah, which once completed will facilitate trade with neighboring countries, help to raise additional traffic revenue, reduce customs evasion and promote economic activities in those areas. Other objectives of the LTAA include the establishment of inspection stations and motorist rest areas on major highways. Additionally, the LTAA with the support of private investment is planning to develop the checkpoints at all major cities, which will include establishing commercial markets, parking and warehouses to further empower investment in the sector.

New initiatives to enhance trade also aim to tackle quality standards. In the past, the lack of clear and enforceable standards for Yemeni products has been seen as a significant barrier to trade and foreign investment. The Yemen Standardization, Metrology and Quality Control Organization (YSMQCO), established in 2000, is the lead authority in promoting these efforts. As of 2008, YSMQCO has prepared some 2700 standards and specifications, and designed procedures to verify conformity in various fields such as production, construction, distribution, importing and exporting of goods. Two recent developments are noteworthy. First, in early Feb 2009, YSMQCO enrolled in the International Conformity Certificate Program (ICCP), which issues certificates of conformity for a range of specialized products and goods to international standards. Under the two-year agreement signed recently, Yemeni imports that are covered by the program will be validated by ICCP at source, therefore minimizing the time required for their clearance at local ports upon entry. Another recent development is the decision taken by the GCC during its Muscat Summit to allow YSMQCO to become a full member to the Gulf Standard Organization (GSO). This decision is expected to take effect in 2009 after completing some of the administrative steps. These two events will help Yemen to enhance the competitiveness of its exports and cut the red tape in customs administration. With compliance remaining another major issue, the Ministry of Trade is expanding YSMQCO offices and laboratories nationwide to implement the new standards as well as combating and arresting smuggled imports that do not comply with the international or national standards.

The Parliament ratified a new electricity law. The new Law makes electricity a national priority and sets a new regulatory framework for the sector, particularly with issues related to the role of private and foreign producers and government procurement guidelines. The law includes provisions for improving the quality of electrical and the development of energy diversifications with more focus on the renewable and permanent sources of energy. In addition, the Cabinet has approved of establishing an independent authority for rural electricity that will focus to increase the electrification of rural areas. The new authority will initially be linked to the national grid for a period of ten years while increasing its efforts on investing in new power stations to facilitate independency from national grids. Meanwhile, Yemen continued to experience power shortages amidst further delays in the strategy for the expansion plans that use natural gas for power generation. Yemen is currently working on two projects, Marib I, which has been completed though not launched due delays in substation instillation and Marib II, which has now begun and is expected to be complete in 2011.

Yemen is planning to increase reliance on power generation from renewable sources. In an effort to reduce the power deficit and meet its goals of providing electricity in the rural areas, the MEE is reviewing plans to invest in generating capacity from renewable sources such as wind and solar. Currently, the ministry is in the final stages of finalizing a deal for a 60MW wind farm project in Al-Makha province with a partial financing from the World Bank. It is anticipated that the project, once completed, will attract foreign and private investment in the sector. Yemen is considered to have one of the highest levels of solar radiation with average of 6.8 – 5.2 kw/m<sup>2</sup> per day, making the potential for wind energy very feasible. Recent studies have shown that Yemen has massive wind energy potential; Al-Makha province alone could produce 1.8 GW of power due to its average annual wind speed of 7.4 m/s. Yemen's prospective for renewable energy remains optimistic; however, more attentions and reforms are required by the government in order for the sector to flourish and to remedy the continuing power shortages. The challenges facing the development of renewable energy

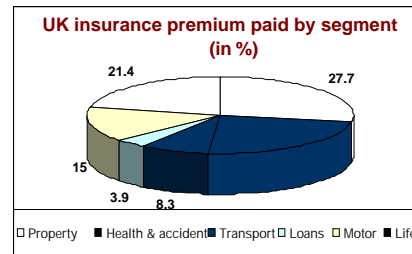
projects in Yemen have been many including financial constraints, lack of information and data, lack of qualified personnel, and lack of awareness about renewable energy.

The Parliament passed the Microfinance Law. The new Law aims to promote microcredit, especially in the rural and urban areas, with the final objective of promoting a pro-poor growth and reducing unemployment. Furthermore, it seeks to enhance social stability and equality of opportunities especially to the underprivileged categories in the society. The law regulates the establishment of microfinance institutions under the supervision of the CBY, and sets their minimum capital requirement at YR500 million. There are many issues which have hindered the development of financing to small entrepreneurs in Yemen in the past, including scant investment information and feasibility studies, the weakness of the domestic market, and the lack of promotional efforts to attract clients. Since 2003, the Social Fund for Development (SFD) has been taking the lead role in implementing microfinance in Yemen. These efforts are implemented through Economic Development and a Job Creation Program, which channels microfinance services through intermediary entities such as NGOs, Microfinance Institutions (MFI) and banks. As a result of these efforts, there are 13 active microfinance institutions in Yemen, with total outreach estimated at approximately 35,000 clients (80 percent women), a combined loan portfolio of US\$7 million, and an average loan size of US\$97. The cumulative number of dispersed loans has reached more than 216,000 during the past ten years. The SFD also took charge of formulating The National Strategy for the Development of Small and Micro Enterprises, and the current microfinance law.

Social Insurance Law No. 26 is to be replaced by a new law. Under the existing legislative framework, the social insurance sector has suffered neglect and mismanagement for many years. Currently, the sector is characterized by low coverage and the presence of private sector companies, who despite their large number, remain inadequately capitalized. The weakness of the insurance sector is also reflected on the average individual share of social insurance premiums in Yemen that averages between two to five US dollars per year, which is amongst the lowest in the region. The sector is currently regulated by Law No. 26 of 1991, which is considered outdated and not conducive to new investments, particularly from foreign sources. An alternative law has been submitted to the Parliament in 2009 and is now awaiting approval. The new legislation will mandate employers to provide compulsory coverage to all employees, including expatriate workers. In a parallel move, and in an effort to strengthen the social insurance sector, the Ministry of Trade is now imposing a new capital requirement on the operating companies at YR400 million. Currently, the capital of some these companies does not exceed YR 100 million.

### Box 3. The Insurance Sector in Yemen

Recently, the insurance sector has come under focus, creating awareness for the need to expedite the engineering of a competent system in Yemen. The presence of an efficient insurance sector could provide an important contribution to economic growth by encouraging investment, innovation, market dynamism, and competition. This can be done by creating an environment of greater certainty, providing broader insurance coverage directly to firms, improving their financial soundness, releasing pressure on public sector finance by offering social protection alongside the state. Insurance sector activities cover a wide range of activities and sectors. In industrial countries, the range of activities cover real estate, loans, health and accident, auto and transport, and life (see graph for distribution in the UK). In Yemen, the insurance sector activities are not well developed despite the presence of approximately 31 insurance and re-insurance companies. The activities revolve largely around trade-related insurance. The sector still operates within the legal framework of Law No. 37 of 1992. There is not a real supervision of the sector with regards the financial role of insurance activities. Hence, the Ministry of Industry and Trade practices some sort of supervision on insurance companies and deals with them as trade companies. The private sector dominates the insurance market with more than 91% and the rest goes for the public sector. In 2006, the paid capital for all insurance companies reached only YR 3.6 billion (about US\$ 18 million). The total premium amounted to YR 10.4 billion (US\$ 53 million) and accounted for only 0.3 percent of GDP, which is far below average in the region. The recently established smaller companies compete by lowering premiums, although they may be setting aside inadequate reserves. Contrary to the experience of most other developing countries, claims appear to be settled without undue delay. This may be related to the role of reinsurance, and may also be linked to the absence of overly restrictive regulations, as well as to the inefficiency, slowness and unreliability of local courts (claimants prefer to settle early rather than go to the courts and settle many years later). Perhaps because of the small size of the sector, loss ratios fluctuate widely from year to year and from company to company. The availability of reinsurance cover mitigates the impact of these loss fluctuations on the financial soundness of the companies.



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## IV. OUTLOOK

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Economic performance is expected to weaken in 2009. Yemen faces a number of economic challenges in the year ahead. External sources of concern include the ongoing global economic crisis, which has depressed oil prices and reduced growth rates in the Gulf countries. Hence, while the overall growth rate will rise to 7.7 percent owing to a one-off impact of the coming on-stream of LNG production, the performance of the non-oil sector, the main source of employment, will slow to about 4 percent. Also, with falling hydrocarbon revenues, the fiscal deficit will widen to about 10 percent of GDP. Lower inflation will be among the few positive developments, with the CPI falling to around 10 percent owing to the continued global recession and soft international commodity prices.

Medium term prospects are poor, in part due to the ongoing global crisis. The crisis is expected to reduce the flow of foreign investment, both to the oil and non-oil sectors. Non-oil investment flows, coming mostly from the Gulf in the past, have tended to concentrate in tourism, real estate, and some manufacturing industries. The slowdown of growth in the Gulf countries could also reduce remittances. These risks reinforce the need to tackle the structural weaknesses of the economy, particularly fostering non-oil growth led by the private sector. It also calls for more efforts to enhance fiscal sustainability through increased reliance on non-oil revenue, and lower and better targeting of expenditures, which are currently burdened by inefficient fuel subsidies and a large wage bill. Medium term prospects beyond 2009 are also poor because of structurally declining oil output.

Emerging challenges have provoked new thinking within Government. A midterm review of the Development Plan for Poverty Reduction (DPPR) is already underway with the aim of producing a revised plan that will take into account such challenges as the persistence of poverty, the poor outlook for domestic oil production, and prospects for high food prices. Special emphasis is being placed on strengthening economic diversification, improving energy efficiency, and strengthening social safety nets. Reform efforts will focus on financial sector development, governance and anticorruption, decentralization, and the general investment climate. Major reforms expected to be completed in the months ahead include new laws on customs, income taxes, investment, and telecommunications, and the bylaws of the land registration authority.

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#### IV. ECONOMIC AND SECTOR DIALOGUE

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1. The Mining Policy Reform Project. In September 2006, IFC, PEP-MENA signed an agreement jointly with the Ministry of Oil and Minerals, represented by the Geological Survey and Mineral Resources (GSMRB) to support the Government efforts to develop the country's mining industry. The Project is divided into three key phases: Diagnostic Assessment, Re-designing, and Implementation. In early 2007, international and local consulting firms were contracted to carry out a variety of assignments. The first phase has been completed successfully. A Working groups (WGs) and sub-working groups has successfully been formed and identified from all relevant stakeholders for the second phase of the project to identify legal and fiscal texts, regulations, decrees, directives that need re-drafting. A year later (2008), the project had produced its first solid results, including an internationally competitive fiscal regime in the form of a mining tax section for the new Income Tax Act. In addition, a Mining Law is being drafted, and licensing procedures are being rationalized. Further steps involved the redesigning of Administrative Procedures, Mining Law/Regulation, designing of National Mining Strategy and Review of GSMRB in parallel association with awareness raising activities and lobbying discussions with parliamentarians to push new laws and fiscal changes through legislative process. The mining code and executive regulation are on their way to cabinet for approval and to be submitted to the Parliament for final approval, as for the project's main objectives was a mining package which has been delivered since November 2008. A new project is being designed which will concentrate into building a "Consensus Framework" between Three-Tie Parties, the tribes, the government and the mining companies, which will focus on structuring an agreed "Guidelines" and encouraging social and community investments, developing a mining culture and support a clear understanding between all engaged parities.

2. The Country Assistance Strategy (CAS) for Yemen 2010-13. The preparation of the new CAS, which features a strong collaboration between IDA and IFC, is nearly complete. The World Bank Group country office in Yemen organized a number of consultative meetings from March 11-18, 2009 to discuss the proposed new Joint IDA-IFC Country Assistance Strategy (CAS), 2010-2013. The consultative meetings are part of the World Bank Group's process to develop its country assistance strategy based on the participation and views of a wide range of public constituencies while drawing on lessons from the previous CAS, 2006-2009. A new framework will be developed within the Country Assistance Strategy to facilitate monitoring of outcome on poverty, economic, and human development.

The new CAS is being prepared within the broader context of the World Bank Group's strategic focus on the Arab World. Yemen is one of the few Low Income Countries in the Arab World, and has to address a broad range of issues reflected and identified in the broader Arab World Initiative. These issues include supporting economic reform and integration with the global economy, helping to enhance education quality to improve skills in the labor force, supporting social integration through work in areas such as gender, health, and social safety nets and finally supporting the management of water resources.

3. Children and Youth National Action Plan. The implementation of the action plan to advance the achievement of MDGs is underway. Following the approval of the National Children and Youth

Strategy, the Children and Youth Action Plan was prepared in collaboration with the relevant line ministries and based on the recommendations of the strategy to address the missing policy/programmatic gaps in existing sector programs. Based on the Strategy recommendations, detailed action plans were prepared to guide precise adjustments and integration into relevant sector programs. The consultations with the line ministries to develop an action plan implementation through the sector program are underway, while some ministries have already begun integration of selected activities. The Bank is providing technical support to the implementation and monitoring of the action plan and is focusing on the development of M&E for progress towards MDGs.

4. The Youth Employment Pilot Project. The project will assist in providing job opportunities for the youth, and offering second chances in terms of job readiness and job creation opportunities through introducing business incubation services. This will be done through: (i) building the capacity of local organizations through "hands-on" experience in developing/delivering business incubation services; (ii) using the experience in helping youth in generating and/or gaining access to livelihood programs; and (iii) helping youth to manage and grow these micro livelihood activities into job creation opportunities for other young job seekers. It is expected that the development of business incubation services through this pilot will help maximize the impact of the existing training and employment funds by utilizing the loans/credits extended through these funds more effectively for job creation and sustainability while contributing steadily to the reduction of overall unemployment rates. While the pilot aims to contribute to increasing job opportunities among vulnerable youth, it could pave the way for a more comprehensive youth development program through learning "what works" and "what doesn't" from this and similar pilot initiatives underway. The lessons will be assessed for a potential nationwide rollout of similar business incubation and entrepreneurial services for youth through a possible IDA financing.

#### The Cabinet

- Approved draft statute for national educational evaluation and standards center.
- Reviewed the final report on the Household Budget Survey 2005-2006 undertaken by the Central Statistical Organization.
- Approved draft decree regarding classification of journalistic jobs and granting allowance to media workers for nature of the work.
- Approved the draft law on job rotations after revision of the initial draft by the concerned ministerial committee chaired by the Minister of Education.
- Approved draft amendments to Republican Decree regarding Law 12/1994 on Criminal Code.
- Reviewed the issues related to the National Reform Agenda 2009 - 2010 and Yemen's position in international reports.
- Approved the mechanism suggested by the Ministerial Committee chaired by the Minister of Information for coordination between government bodies benefiting from information by National Meteorology Center.
- Reviewed the report on the progress of fisheries sector restructuring and performance improvement project.
- Reviewed the report on monetary, economic and banking developments and performance of banking sector presented by the Governor of the Central Bank, including the impact of global financial crisis on Yemen, with the following main points:
  - the banks' unified budget reached YR 1,511 trillion in 2008 with average 19% growth.
  - deposits' growth rate reached 17 % to YR 183 trillion.
- Approved the report presented by the DPM, Minister of Planning and International Cooperation regarding development of annual statistical yearbook.
- Approved draft amendments of the Law 22/1997 regarding Trade Companies suggested by the Minister of Industry and Trade.
- Discussed the National Reform Agenda, phase II, for 2009-2010, including drafting inclusive national vision responding to facts of economic, social and diplomatic situation.
- Discussed annual report 2008 of the Supreme Tender Committee.
- Approved draft Law on Mosques.
- Endorsed the results of work of the ministerial committee chaired by the Minister of Justice which reviewed the recommendations of international committee for CEDAW implementation.
- Approved the report by the technical committee chaired by the Minister of Industry and Trade regarding proposed amendments to Company Law concerning trade registration.
- Presented PM and ministerial reports to the President regarding the performance of the Cabinet during 2007-2008 and action plan of the cabinet for 2009-2010.
- Approved setting up a committee to tackle problems associated with implementing Electricity Strategy and a committee to study issues related to educational system in the country.
- Approved setting up a council for Academic Accreditation and Quality Assurance of Educational Institutions.
- Approved amendment of media and journalist job classification.
- Approved project for comprehensive industrial survey in 2009-2010.
- Discussed the reports presented by the Ministers of Planning and Oil regarding:

- Yemen's utilization of foreign loans and grant .
- restructuring oil, gas and mining sector for improving its performance .
- Approved appointing the Minister of Information as a spokesperson for the government.
- Approved the decisions of improving the situation of General Corporation of Coastal Fishing and General Corporation of Fisheries Services and Marketing and allocated YR 500 million for the investment program in 2009.
- Approved the by-law regarding traditional fishing presented by the Ministry of Fisheries.
- Approved a decree on setting up national center for heart diseases.
- Approved the Government's future plans for implementing the President's elections program for 2009 – 2010.
- Approved a decree for setting up a national sciences museum.
- Approved a decree regarding setting up endowments corporation for development and investment;
- Approved organizational bylaws for selling and buying of sea products via auctions and marketing.

#### Seminars and Workshops

- A workshop on the National Strategy for Protection from Aids and Combating was organized by the National AIDS Combating Program in cooperation with UNAIDS during January 17-18.
- Regional seminar on Role of Civil Society Organizations in Combating Corruption was organized by the Human Rights Information and Training Center in cooperation with MEPI during January 19-22.
- A workshop on Pinpointing Women's Development Demands in Media was organized by Yemeni Media Women Forum in cooperation with MEPI in the framework of "Journalists for Human Rights Project" during January 24-31.
- The Fourth Gulf Conference on Fighting Cancer took place in Sana'a during February 16 -18.
- A conference under the title "Doing Business 2009" was organized by the Ministry of Industry and Trade in cooperation with IFC during February 17-18.
- A workshop on Strategy for Development of Yemeni Seaports was organized in Aden by the Port Cities Development Program on February 17.
- The Fourth Arab Conference on Trade Liberalization under the umbrella of WTO was organized by the Ministry of Industry and Trade in cooperation with Arab Administrative Development Organization during February 17 -19.
- The 7th GCC and 1st Yemeni Conference for Neurological Sciences was organized by Yemeni Psychiatrist and Neurologists Association in cooperation with Pan-Arab Neuroscience Society and GCC Health Board during March 2-4.
- A workshop on Fighting Child Labour was organized by Scouts and Girl Guides Association in cooperation with International Program for Fighting Child Labour during March 3-5.
- A workshop on Advocacy and Lobbying was organized in Taiz by Human Rights Information and Training Center in cooperation with UN Democracy Fund during March 9-11.
- The 2nd International Conference on Blood Diseases and Tumors under the motto "Modern Technology for Diagnostics and Treatment" was organized in Aden by the University of Aden and National Foundation for Combating Cancer during March 11-13.
- CAS consultations with various stakeholders were organized by the World Bank to discuss Joint IDA -IFC Country Assistance Strategy 2010-2013 during March 11-18.

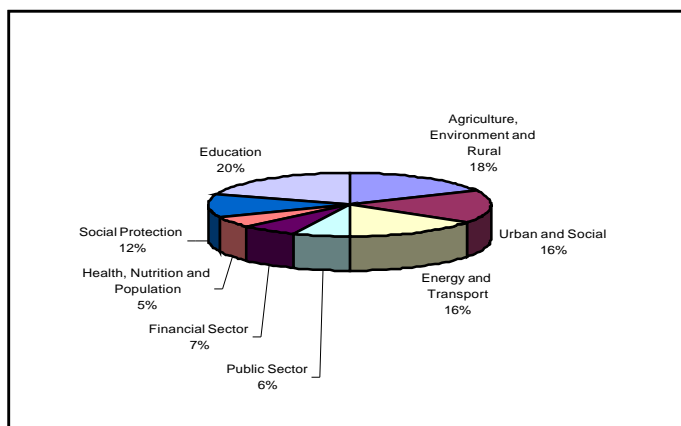
- A Conference on Environment under the slogan "Clean Environment - Better Future" was organized in Dhamar by the College of Applied Sciences during March 18-19.
- A workshop on Local Authority Law for Decision-Makers was organized in Aden by Child Rights Organization in cooperation with British Progressio Organization during March 21-23.
- A workshop on Joint Assessment for Organizations and Societies of Humanitarian Assistance to Saada was organized by the United Nations Higher Commission for Refugees during March 26-28.
- A workshop on Dealing with Conflicts and Building Social Peace was organized by the Islamic Relief during March 28-31.

#### Development Cooperation

- The World Food Program signed an agreement to provide 30,000 tons of basic food.
- The Islamic Bank for Development signed a grant agreement for US\$1 million to compensate farmers of date trees and honey produces for losses incurred due to the floods in Hadhramaut and Al-Mahrah.
- The World Bank signed a grant agreement for US \$35 million towards agricultural and road sector projects in floods-affected areas in Yemen.
- The World Bank signed an agreement for US \$90 million to support the water sector.
- The World Bank signed a grant agreement for the amount of US\$ 90 million towards the water sector support project.
- IFC signed an agreement for facilitating procedures for issuing construction
- Kuwait Fund for Arab Economic Development signed a credit agreement of US \$50 million to support the Social Fund for Development.
- Japan gave a grant for supporting activities of Society for Care and Rehabilitation of Deaf and Mute in Al-Mahweet and for in-kind support under the "Grant Assistance for Grassroots Human Security Projects" scheme.
- JICA signed a US\$1 million funding for a motherhood and childhood health project.
- Qatar Charity and UNHCR signed an agreement for US \$250,000 to support Somali refugees in Yemen with non-food items
- The French Development Agency has extended a €1 million grant to Yemen to support Fisheries Infrastructure in Yemen.
- The Global Alliance for Vaccines and Immunization allocated US \$14.8 million to Yemen for purchasing pneumonia vaccines.
- FAO signed a grant agreement for US\$ 500,000 to support farmers with wheat seeds.
- The EU signed a financing agreement for the amount of € 5 million to support food security as tight cash subsidies via the Social Welfare Fund.

## VI. WORLD BANK GROUP OPERATIONS IN YEMEN

The World Bank is currently financing 17 projects in Yemen, including supplemental financings, with a total commitment of USD 855 million. Most of the lending operations are investment projects, covering a broad range of economic and social sectors, including urban development, health and social protection, education, infrastructure (energy, transport, water, and irrigation), agriculture and fisheries, environment, and public sector.



Ongoing World Bank Operations in Yemen  
(as of March 31, 2009)

No.	Project Name	Close Date	Financing\$ (in million US dollars)*	Disb. \$ (in million US dollars)	Disb. %
1.a	Rural Water Supply and Sanitation	31-Dec-09	23.1	23.08	99.7%
1.b	Rural Water Supply and Sanitation - AF	31-Dec-09	19.3	4.60	24%
2	Urban Water Supply and Sanitation	15-Dec-09	159.7	100.85	63%
3.a	Groundwater & Soil Conservation	31-Oct-09	41.5	29.55	71%
3.b	Groundwater & Soil Conservation - AF	31-Oct-11	14.1	0.00	0%
4	Sana'a Basin Water Management	30-Jun-09	27.0	15.91	59%
5	Fisheries Resources Management & Conservation	30-Sep-11	26.5	1.88	7%
6	Rainfed Agriculture and Livestock	30-Jun-12	21.5	4.64	22%
7	Port Cities Development	30-Jun-10	27.1	19.45	72%
8.a	Third Public Works	30-Jun-09	48.0	44.63	93%
8.b	Public Works III - AF	30-Jun-11	29.8	4.22	0%
9	Taiz Municipal Development. & Flood Protection - AF	31-Oct-10	20.5	5.88	29%
10	Power Sector	31-Dec-11	53.6	1.00	2%
11	II Rural Access	30-Nov-10	40.8	21.26	52%
12.a	Civil Services Modernization	30-Jun-10	34.3	26.29	77%
12.b	Civil Services Modernization - Supp Loan**	30-Jun-10	14.5	NA	NA
13	Institutional Reform Credit (DPL)	30-Jun-10	50.9	26.90	53%
14	Health Reform Support	31-Aug-09	34.0	30.44	90%
15.a	Third Social Fund for Development	31-Dec-09	63.9	61.75	97%
15.b	Third Social Fund for Development - AF	31-Dec-09	16.1	10.23	64%
16	Second Educational Development and Girls Access	31-Jan-15	20.0	0.00	0%
17	Basic Education Development	30-Jun-10	67.9	34.78	51%
			<b>854.14</b>	<b>467.34</b>	<b>55%</b>

\* Since July 2008, all new financing from WB is offered on Grant basis