

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 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 Detailed the World Bank Publications and provides contact information.

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**The World Bank Group,
Sana'a Office**

Social and Economic Development Group (MNSD), Middle East and North Africa Region.

**<http://www.worldbank.org/ye/>
Srinivasan Thirumalai: 1288,
Yahia Al-Anssi (241)
Lina Al-Saffi (227)**

I. Macroeconomic Developments and Outlook

Because of the slackening in the pace of reforms, downside risks to medium-term macro economic stability have increased. While GDP growth has slackened due to declining oil production, inflation has risen into double digits (13 percent annual rate in the first seven months of 2004). The central government fiscal deficit has steadily increased since 2002 and is likely to edge higher in 2004. Revenue augmenting tax reforms (introduction of GST) have been postponed while expenditures have escalated due to such measures as an increase in salaries of civil servants and the military. Subsidies on petroleum, well known to be regressive, could amount to almost 6 percent of GDP in the current fiscal year. The strong rise in international oil prices have masked the underlying weakness in non-oil exports and helped build 15 months imports worth of international reserves.

Growth Continues to Decelerate 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 (2004) continues to be worrisome implying a possible decline in per-capita GDP growth for the first time in nine years. Also, for the second year in a row GDP growth (and non-oil growth) could miss the PRSP target. In general, the deceleration in growth is mainly because of rapidly falling oil-sector growth accompanied by the lack lustre growth in non-oil sectors. The continuing deceleration of growth momentum in 2004 is because of the expected steep decline in oil production of about 9 percent and little sign of revival elsewhere except for a possible rebound in agriculture.



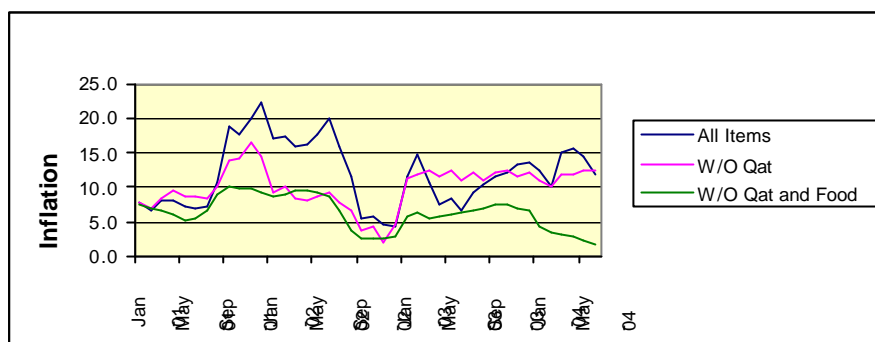
**Table 1
GDP Growth, 2001-2004**

	2001	2002	2003 (est)	2004 (proj)
GDP Growth	4.06	3.9	3.1	2.5
Oil	1.3	0.4	-1.8	-8.6
Non-Oil	5.2	4.6	4.0	4.4
Memo Items				
Per-Capita GDP Growth	1.4	0.8	0.1	-0.5
Crude Oil Production (1,000 barrels/day)	434.3	432.9	425.2	388.4

Source: Staff Estimates based on IMF sources.

Inflation persists in double digits Inflation continues to climb after reaching near 12 % average for 2003. For the first seven months of 2004, average inflation recorded 13 % rise compared to the same period last year. Underlying momentum may have diminished somewhat in the recent months. Nearly two-thirds of the inflation is attributed to the strong 19 % rise in food prices (Figure 1). Though world food grain prices have hardened in the first half of 2004 by 15 percent, the share of grains in Yemen's food basket is only about 28 percent and therefore, much of the rise is probably rooted in the speculative behavior of traders in anticipation of abolition of diesel subsidies.

Figure 1
Inflation in Consumer Prices, 2001-04

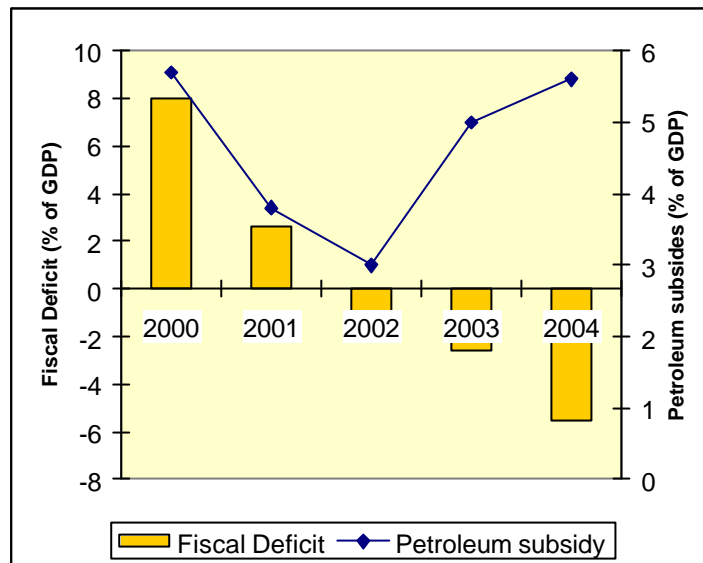


Source: Central Statistics Organization

External current account surpluses narrowing Yemen's current account balance has been in surplus since 1999 because of buoyant oil revenues. After narrowing sharply in 2003 to 1.8 percent of GDP, the indications from the accounts of the first half of the year are that in the current year, current account balance could improve mainly because strong oil prices. In the first half of the year, average world crude oil prices have risen by nearly 20 percent. Yemen's oil export revenues have registered a growth of 15 percent not proportionate to the oil price surge because of decline in export in volumes. Non-oil exports that slumped in 2003 by 12 percent continued their slide. In the first half of 2004, non-oil exports fell by 19 percent. Income account deficit enlarged in the first of 2004 to half a billion dollar mark, as oil companies remitted higher profits abroad. Travel and transportation receipts continued to be negative in net terms and worker remittance inflows remained flat. International reserves of Yemen continue to increase albeit at a slower pace than in the past. At the end of June 2004, international reserves of the central bank accumulated to US \$ 5.2 billion equivalent to about 15 months of imports.

Central government fiscal deficit deteriorates as a share of GDP, central government fiscal deficit doubled between 2002 and 2003 to 2.6 percent. In 2004, again it is projected to more than double to 5.5 percent (Figure 2). There are three key factors behind this widening of fiscal deficit. The first factor is the runaway diesel subsidies which could amount to 6 percent of GDP in 2004. Taking into account the supplementary budget of US \$ 1 billion approved by the cabinet in September 2004, allocations for diesel subsidies add up to US \$ 820 million. The second factor is the 20 to 40 percent increase in wages and salaries of government employees (civil and military) announced in May 2004 is likely to increase the expenditure on wages and salaries by 14 percent (Box 1). The third factor is that the government has opted to postpone revenue raising measures such as the introduction of GST by one year to June 2005.

Figure 2
Petroleum subsidies worsen fiscal deficit



Box 1 Big Salary Increases for Government Employees

On May 21st, the government announced much awaited salary increases for both civil and military/security employees to take effect from June 1, 2004 by cabinet decree no. 94/2004. Lower ranks of civilian and military/security employees (grade second and below for civilians and Lieutenants and below for military) would receive a 40 percent increase in salaries while higher ranks receive 20 percent increase. A subsequent circular on August 1, 2004 clarified that the increases would be in basic salaries and it would neither change any allowances linked to base salaries nor imply change in job categories. Since the increase in basic pay would not applied to the calculation of allowances, the impact on total wage bill will be contained. For rank 1 civil service employees, for example, universal allowances (cost of living, transportation and “miscellaneous) account for 90 percent of their basic pay. Therefore, the overall impact on government’s wage bill is likely to be about 14 percent, if implemented as announced.

The pay rise for civil servants is much deserved. Before the recent salary increase, for comparable jobs civil servants were being paid about one-third of their pay in private sector. Inflation in the 1990s had eroded much of the real value of salaries touching a low of 25 percent of 1990 salaries in 1998. The cumulative salary increases since 1998 for the lower grade employees who have received highest percentage increases would just about match the increase in consumer price index of 75 percent until may 2004.

However, the higher proportionate increase to lower grade staff would aggravate the problem of wage compression. Prior to the current increase wage compression ratio in the civilian sector was estimated to be around 2.4 at the entry level. With the recent changes wage compression ratio would worsen to 2.0, making it difficult to attract and retain talented persons to government service.

Accommodative monetary policy feeds inflation The central bank of Yemen attempts to control inflation by primarily targeting broad money. However, inflation control is proving elusive, particularly since 2003. After a 20 percent increase in 2003, the broad money growth for the first seven months of 2004 was 17 percent, year-on-year. Key interest rate on deposits (all maturities up to a year) remained unchanged at 13 percent for the last 4 years, though real interest rate is hardly positive now with 13 percent inflation in the first seven months of the year. CBY has been intervening in the market to keep exchange rate stable in the range of 184-185 rials per US dollar. With inflation running for the second year at around 12 percent, real exchange rate appreciation could soon emerge as a concern when oil windfall stress current account. Already, as noted earlier, non-oil exports have fallen by 19 percent in the first half of the year.

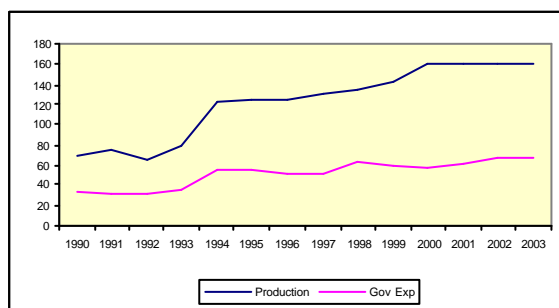
II. Special Topic: Rapid Decline in Oil Production

Yemen is the smallest oil producer in the Middle East with rapidly dwindling oil supply. Yemen discovered oil and gas in the early 1980s. Total proven oil reserves were estimated at about 3 billion barrels at that time, just 1 percent of neighboring Saudi Arabia’s reserves. By the end of 2003, nearly two-thirds of this reserve is depleted. Since 2000, annual oil production has leveled off at around 160 million barrels. Yemen’s first major oil production block - Marib in the north - is well its past peak production for seven years now. In early part of this year, the second major production block - Masila in the south – where production started leveling off in the last 3 years, encountered a new technical problem with increasingly more water than oil coming out of the wells. This has raised concerns of a faster depletion rate. As a consequence, in the first of the current year, oil production is estimated to have declined by 3.6 percent compared to the same period last year. At current extraction rates, oil resources would be depleted in about 8 years by 2012, if no new discoveries were made 1.

Even small declines in oil production can have large adverse impacts on government budget. In a period of decline in oil production, government’s share of oil exports declines proportionately more because domestic consumption is rising and oil companies recoup recovery costs before sharing production. For instance, the government’s share of oil exports in the first half of 2004 declined by 4.3 percent (year-on-year) though total oil production declined by 3.6 percent.

Despite being an exporter of oil, Yemen’s burgeoning fiscal deficit is mainly because of its policy of subsidizing some petroleum products for domestic consumption. Because of limited refining capacity, Yemen imports some petroleum products (diesel and fuel oil) at international prices but sells them at lower, administered prices. Yemeni prices for diesel and kerosene are well below international prices and often below that in neighboring countries. Yemeni diesel price is estimated to be 10 US cents per liter at the end of 2002, compared to 25 cents in Eritrea, or, 56 cents in Djibouti². Therefore, smuggling exacerbates what is already a big subsidy problem with diesel use not reflecting its true cost. In the current year, for example, petroleum subsidies could top US \$ 800 million compared to the all oil and gas revenues that could accrue to government at around US \$ 3 billion. In 2003, petroleum subsidies exceeded were 5 percent of GDP with overall fiscal deficit at 2.6 percent of GDP.

Figure 3
Annual Oil Production and Government’s
Share of Exports, 1986–2003
(in million barrels)



¹ Based on oil ministry official estimate of remaining reserves of 1.3 billion barrels, as of September 2004.

² Based on International Fuel Prices, 2003, published by GTZ.

III. New & Noteworthy

Laws, Decrees and Agreements (July – September 2004):

- Law No. 15/2004 was issued on July 5th in which the president approved the loan agreement made on April 23rd/2004 between the Yemeni Government and the International Development Association on the financing of the Ground Water and Soil Conservation Project
- Republican Decree No. 82/2004 was issued approving the Investment encouragement and protection treaty inked by Yemen and Hungary.
- Republican Decree No. 83/2004 was issued approving the cooperation treaty inked between the Yemeni National Institute for Administrative Sciences and the Moroccan National School for Administration.
- Republican Decree No. 84/2004 was issued approving the health cooperation treaty inked by Yemen and Pakistan.
- The Cabinet endorsed the Presidential Decree Concerning the Establishment of a special Counter terrorism Department under the authority of the Ministry of Interior Affairs on August 3.
- The Cabinet addressed a number of social issues recommended by the President of the Republic including Poverty Elevation, reduction of unemployment and fostering Education on August 3.
- The Cabinet approved an implementation plan for the Civil Service Fund Law 1/2004 on August 10.
- The Cabinet Approved Credit Agreement between Yemen and the International; Development Association for Basic Education Development Project with an amount of US\$ 65 million on August 24.
- The Cabinet approved the United Nations’ Convention Against Corruption and Combat Corruption in Yemen on September 7.
- The Cabinet approved Supplement to the 2004 State Budget amounting to YR 188.6 billion on September 7
- The Cabinet discussed the preparation of the Third Five-Year Plan 2006-2010 aiming at economic revival and sustainable development on September 7
- The Cabinet approved Republican Draft Law on the formation of the higher Committee for the Five-Year Plan Preparation, and discussed the midterm Second Five –Year Plan Report showing 4.23% growth average and an increase in Governmental investments from YR 88.8 billion in 2000 to YR 211 billion on September 7
- The Cabinet approved the final accounts of the independent budgets and special funds and final accounts of the economic establishments of public and mixed sectors on September 14.

Publications:

- A new book was issued by Rashed Mohammed Thabet “History of the South Revolution against the British Colony”

Conferences and Workshops:

- The Central Bank of Yemen organized a Training Course on handling banking risks and improving Bank's efficiency, in cooperation with the SEFM British Project between July 12 Oril 20-25
- A Training course was held by the Ministry of Civil Services & Insurance on "Administrative Qualification for State Cooperation" between July 19-25.
- The Higher Institute for Health Science organized a Workshop on the Coordination between Public and Private Health Institutions between July 17-18.
- The French NGO GIA in Taiz organized a Workshop for the Private Sector on Social Integration between July 25-27
- Second workshop on NGO legislation was organized by the Social Welfare Cooperative Society in cooperation with the Social Fund for Development in Taiz during September 1-2;
- A launching ceremony for Human Development Report 2004 "Cultural Liberty in Our Diverse World" was organized by UNDP on September 5;
- A workshop on Yemeni Coffee and its prospects took place on September 7;
- A workshop on law for female journalists was organized by the Yemeni Media Female Forum during September 5-10.
- Course on Port Engineering was organized by Yemeni Marine Training Center in Aden during September 1-15.
- An awareness workshop on dangers of child labor was organized by the Yemeni Child Rights Protection and Care Society in cooperation with Radda Barnen Swedish organization on September 12.
- A workshop to review the results of the first agricultural survey was organized by the Central Statistical Organization in cooperation with the European Union on September 13;
- A workshop on Strategic Management was organized the Ministry of Finance in cooperation with Strengthening Economic and Financial Management Organization (SEFM) and DFID during September 11-13.

Donor Activities:

- An agreement was signed between the Government of Yemen, USAID and UNDP under which USAID will contribute US\$ 1.6 million towards Decentralization and Local Development Support Program executed by the Ministry of Local Administration, UNDP and UN Capital Development Fund.
- Social Fund for Development approved its 2005 budget at an amount of US\$ 72 million allocated for funding 148 development projects in Yemen.
- Ministry of Technical Education and Vocational Training has received a loan of US\$ 50 million to establish 19 technical institutes in different governorates.
- China granted Yemen an amount of 20 million Yuan under the bilateral cooperation agreement between the two countries.
- The Government of Yemen and Japan signed an agreement granting Yemen loan exemptions from part of its debts worth 2 billion Yen under the Japanese Loan Facilitation Program.

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- The Government of Japan granted US\$ 64,271 to Al-Mostaqbal Community Development Organization for construction of Women's Capacity Building Center in Al-Beidha under its "Grant Assistance for the Grassroots Human Security Projects".
- The USA allocated US\$ 8 million to combat child labour in Yemen
- An agreement was signed between Yemeni Tax Authority and two Chinese companies for supply of container cranes and their accessories at a cost of US\$ 23 million. .
- An agreement was signed between Yemen and Arab Fund for Social and Economic Development for financing construction of a number of rural roads at a cost of US\$ 85 million.
- A draft cooperation agreement was discussed between the Ministry of Education and KfW (German Bank for Reconstruction) for the amount of €12 million towards school building and equipment in remote governorates.
- Following the visit of Yemeni President to the UK, it was announced the UK will provide £ 27 million for Yemen's girls education and community development to be distributed through DFID during the coming five years
- The European Union has granted €4 million for the support to the local Corporation for Water and Sanitation in Aden.
- An agreement was signed between Yemen and Japan for the amount of US\$ 50,000 for improvement of rural water networks presented by the Japanese government under "Grants for the Projects of Special Human Security" Program.
- An agreement was signed between Yemen and Japan for the amount of US\$251,706 in grants towards environmental and medical grass-root projects in Yemeni governorates.
- An agreement was signed between the Ministry of Planning and International Cooperation, Supreme Committee for Elections and Referenda and UNDP under which UNDP contributed US\$ 500,000 for the second phase of SCER program.
- The Ministry of Telecommunications and Information Technology is planning to offer new internet service in Sana'a by adopting ADSL system;
- A cooperation agreement in the field of agriculture was signed between Yemen and Syria.
- Social Fund for Development issued an annual report for 2003, indicating that the number of project reached 3,300 at an estimated value of US\$250 million directly benefiting approximately 7 million people;
- A Cultural Grant Agreement was signed between Yemen and Japan under which Japan will grant US\$450,000 to the National Center for Archives;
- The Arab Fund for Economic and Social Development is planning to finance a number of service projects in Hadhramaut at a total cost of US\$ 47 million;
- Japanese government pledged to provide a grant of US\$ 251.7 million for implementation of three service projects in a framework of the Japanese program "Grants for Human Security Projects";
- An agreement was signed between Yemen and UNDP for funding the second phase for support of Supreme Committee for Elections and Referenda at a total cost of US\$ 4.8 million.

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. During the past year, Bank staff have worked closely with the government and development partners as it implemented Poverty Reduction Strategy Paper (PRSP).

Country Assistant Strategy The Bank completed in 2002 the Country Assistance Strategy (CAS) for Yemen. 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 CAS envisages \$410 million of new lending commitments in 11 credits during FY03–05. These include three credits for improving central and local government services, three for education (especially for girls) and training, three for water, one for rural roads, and one for the innovative and successful Social Fund for Development.

Knowledge Services Bank's key non-lending support included completion of analysis of public expenditure management, civil service modernization, country financial accountability assessment, development of national gender strategy, environmental safeguard requirements, and strategic plans for long-term development of coastal aquifers. Bank's key lending support covered Social Fund for Development, Basic Education Expansion, Sanaa Emergency Power, and Taiz Municipal Development and Flood Protection. 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 As of September 30, 2004, the Development Association (IDA) had approved 132 credits to Yemen for a total of \$2,293 million (net of cancellations), of which \$1,637 million have been disbursed. The current portfolio includes 19 projects with total commitments of \$784 million (net of cancellations), of which 655.7 million are undisbursed. 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.

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At the beginning of September 2004 there were 19 operations in the portfolio. Statistically the portfolio is in solid shape with three actual problem projects (Civil Service Reform, Rural Water Supply and Sanitation and Health). A Country Portfolio Performance Review (CPPR) was held at the end of FY04. Disbursements in FY04 amounted to close to \$90 million.

Ongoing World Bank Operations in Yemen as of September 27, 2004

#	Name of the Project	Effectiveness Date	IDA Credit Amount (In million US\$)	Disbursed (In million US\$)
1.	Education Sector	March 23, 1995	33	28.6
2.	Southern Governorates Agricultural Privatization	June 29, 1998	24.7	11.26
3.	Public Works Project III	July 15, 2004	45	-
4.	Sana'a Emergency Power	January 14, 1999	54	44.8
5.	Port Cities Development Program	January 23, 2003 (Board Day)	23.4	950.9
6.	Civil Service Modernization	November 29, 2000	30	7.8
7.	Child Development	December 19, 2000	28.9	15.9
8.	Social Development Fund II	January 9, 2001	75	71
9.	Basic Education Expansion Project	January 16, 2001	56	28
10.	Irrigation Improvement	January 18, 2001	21.3	3.49
11.	Rural Water Supply and Sanitation	October 23, 2001	20	3.75
12.	Taiz Municipal Development and Flood Protection	February 26, 2002	45.2	14.9
13.	Rural Access Improvement	March 18, 2002	45	21.49
14.	Health Reform Support	July 22, 2002	27.5	1.6
15.	Higher Education Learning and Innovation	November 14, 2002	5	385.99
16.	Urban Water Supply and Sanitation	November 24, 2002	130	1.69
17.	Sana'a Basin Water Management	June 3, 2003 (Board Date)	24	0.5
18.	Ground Water & Soil Conservation	August 17, 2004	40	0.5
19.	Social Development Fund III	August 15, 2004	60	-
	Total		788	

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.

V. World Bank Publications

Recent World Bank Publications

Insurance Regulation in Jordan: New Rules-Old System (Working Paper 3298). The Jordanian insurance market has been free from extensive state ownership and pervasive premium, product, investment, and reinsurance controls.

However, these positive features have been marred by the licensing of a large number of private companies, often on political rather than professional criteria, and the resulting fragmentation of the sector. Various policies have perpetuated the fragmentation of the sector, while regulatory forbearance has allowed the continuing operation of several weak companies. Despite the avoidance of pervasive controls and extensive state ownership, and the presence of a large number of private companies, the insurance industry is not well developed. This mainly reflects the underdevelopment of life insurance. In contrast, the level of general insurance is comparable to several other developing countries in the region and elsewhere. A major modernization effort has been undertaken in recent years. This has included the enactment of a new insurance law and the creation of a new Insurance Commission. The latter has made considerable progress in expanding its staff, undertaking a wide-ranging training program to upgrade skills, and implementing a multi-year action plan aimed at modernizing the regulatory framework and enhancing the efficiency of the sector.

A Policy Note on Telecommunications Reform in Algeria (Working Paper 3339). By the end of the 1990s, most industrial and many developing countries had liberalized their telecommunications markets to improve service accessibility and affordability for both businesses and households. In contrast, Algeria still managed its telecommunications sector as public property. The Ministry of Post and Telecommunications set the policy, enforced regulation, and was in charge of service provision. The sector suffered from huge supply shortages, the waiting list lengthened, the quality of service deteriorated and unbalanced the overall fiscal situation. In 1999, a new government appointed in the aftermath of President Bouteflika's election decided to change the situation and launched a comprehensive sector reform. The author reviews progress made in implementing this reform, discusses its preliminary impact, and comments on the main lessons learned. The author shows that by restraining arbitrary administrative action during the reform implementation, the government of Algeria laid the foundation for sustainable growth in the telecommunications sector.

Labor Market Reforms, Growth, and Unemployment in Labor-Exporting Countries in the Middle East and North Africa (Working Paper 3328). The Paper studies the impact of labor market policies on growth and unemployment in labor-exporting countries in the Middle East and North Africa. The analysis is based on a framework that captures many of the main features of the labor market in these countries. The authors conduct a variety of policy experiments, including a reduction in payroll taxation, cuts in public sector wages and employment, an increase in employment subsidies, a reduction in trade unions' bargaining power, and a composite reform program. Their key message is that to foster broad-based growth and job creation in the region, labor market reforms must not be viewed in isolation, but rather as a component of a comprehensive program of structural reforms.

The Risks and Macroeconomic Impact of HIV/AIDS in the Middle East and North Africa: Why Waiting to Intervene Can Be Costly (Working Paper 2874). The Paper develops a model of optimal growth to assess the risks of an HIV/AIDS epidemic and the expected economic impact in nine countries in the Middle East and North Africa region—Algeria, Djibouti, Egypt, Iran, Jordan, Lebanon, Morocco, Tunisia, and Yemen. The model incorporates an HIV/AIDS diffusion component based on two transmission factors—sexual intercourse and exchange of infected needles among intravenous drug users. Given high levels of uncertainty on the model parameters that determine the dynamics of the epidemic and its economic impact, the authors Hashemite Kingdom of Jordan Update explore large regions of the parameter space. The prevalence rates in year 2015 would be below 1 percent in 16 percent of the cases, while they would be above 3 percent in 50 percent of the cases. On average, GDP losses across countries for 2000–2025 could approximate 35 percent of today’s GDP. In all countries it is possible to observe scenarios where losses surpass today’s GDP. The authors quantify the impact of expanding condom use and access to clean needles for intravenous drug users. They show that these interventions act as an insurance policy that increases social welfare. They also show that delaying action for five years can cost, on average, the equivalent of six percentage points of today’s GDP. Also available:

- Gender and Development in the Middle East and North Africa: Women in the Public Sphere (ISBN: 0-8213-5676-3 SKU: 15676).
- Unlocking the Employment Potential in the Middle East and North Africa: Toward a New Social Contract (ISBN: 0-8213-5678-X SKU: 15678).
- Better Governance for Development in the Middle East and North Africa (ISBN: 0-8213-5635-6 SKU: 15635).
- Trade, Investment, and Development in the Middle East and North Africa: Engaging with the World (ISBN: 0-8213-5574-0 SKU: 15574).

Bank Publications

The Institutional Economics of Water: A Cross-Country Analysis of Institutions and Performance (ISBN: 0-8213-5656-9 SKU: 15656). The Institutional Economics of Water evaluates water institutional reform and water sector performance from an institutional economics and political economy perspective.

Against an exhaustive review of the theoretical and empirical literature on institution and performance, both in general and in water sector contexts, the title develops an alternative methodology built on: "institutional ecology" principle, "institutional decomposition and analysis" framework, and "subjective theory" of institutional change.

Empirical application of this methodology with information collected from 127 water experts from 43 countries/regions and a cross-country review of recent water sector reforms within an institutional transaction cost framework enables the book to conclude with significant implications for both theory and policy in the realm of water sector reform in particular, and institutional reforms, in general.

Customs Modernization Handbook (ISBN: 0-8213-5751-4 SKU: 15751).

Trade integration contributes substantially to economic development and poverty alleviation. In recent years much progress was made to liberalize the trade regime, but customs procedures are often still complex, costly and non-transparent. This situation leads to misallocation of resources.

Customs Modernization Handbook provides an overview of the key elements of a successful customs modernization strategy and draws lessons from a number of successful customs reforms, as well as from customs reform projects that have been undertaken by the World Bank. It describes a number of key import procedures, that have proved particularly troublesome for customs administrations and traders, and provides practical guidelines to enhance their efficiency. The procedures discussed are: customs valuation, definition of the origin of the goods, customs procedures for duty relief and exemption control, transit and security issues, and the use of information technology. The Handbook reviews the appropriate legal framework for customs operations, as well as strategies to combat corruption. In a final chapter it provides guidance on administrative issues that customs management frequently face, such as appropriate autonomy of customs administration, training and staff renewal, and use of private service providers to enhance the efficiency of customs operations.

Intellectual Property and Development: Lessons from Recent Research (ISBN: 0-8213- 5772-7 SKU: 15772). International policies towards protecting intellectual property rights have seen profound changes over the past two decades. Rules on how to protect patents, copyrights, trademarks and other forms of intellectual property have become a standard component of international trade agreements. Most significantly, during the Uruguay Round of multilateral trade negotiations (1986-1994), members of what is today the World Trade Organization (WTO) effected the Agreement on Trade Related Intellectual Property Rights (TRIPS), which sets out minimum standards of protection that most of the world's economies have to respect.

How will developing countries fare in this new international environment? This book brings together empirical research that assesses the effects of changing intellectual property regimes on various measures of economic and social performance—ranging from international trade, foreign investment and competition to innovation and access to new technologies. The studies presented point to an important development dimension to the protection of intellectual property. But a one-size fits all approach to intellectual property is unlikely to work. There is a need to adjust intellectual property norms to domestic needs, taking into account developing countries' capacity to innovate, technological needs, and institutional capabilities. In addition, governments need to consider a range of complementary policies to maximize the benefits and reduce the costs of reformed intellectual property regulations.

Ten Steps to a Results-Based Monitoring and Evaluation System: A Handbook for Development Practitioners (ISBN: 08213- 5823-5 SKU: 15823). An effective state is essential to achieving socio-economic and sustainable development. With the advent of globalization, there are growing pressures on governments and organizations around the world to be more responsive to the demands of internal and external stakeholders for good governance, accountability and transparency, greater development effectiveness, and delivery of tangible results. Governments, parliaments, citizens, the private sector, NGOs, civil society, international organizations and donors are among the stakeholders interested in better performance. As demands for greater accountability and real results have increased, there is an attendant need for enhanced results-based monitoring and evaluation of policies, programs, and projects.

This Handbook provides a comprehensive ten step model that will help guide development practitioners through the process of designing and building a results-based monitoring and evaluation system. These steps begin with a "Readiness Assessment" and take the practitioner through the design, management,

and importantly, the sustainability of such systems. The Handbook describes each step in detail, the tasks needed to complete each one, and the tools available to help along the way.

Doing Business in 2005: Removing Obstacles to Growth (ISBN: 0-8213-5748-4 SKU: 15748). Doing Business in 2005 is the second in a series of annual reports investigating the scope and manner of regulations that enhance business activity and those that constrain it. New quantitative indicators on business regulations and their enforcement can be compared across more than 130 countries, and over time. The indicators are used to analyze economic outcomes and identify what reforms have worked, where and why.

Education, Information, and Smoking Decisions-Evidence from Smoking Histories, 1940-2000 (Working Paper 3362). The Paper tests the hypothesis that education improves health and increases people's life expectancy. Smoking histories—reconstructed from retrospective data in the National Health Interview Surveys in the United States—show that after 1950, when information about the dangers associated with tobacco consumption started to diffuse, the prevalence of smoking declined earlier and most dramatically for college graduates. More educated individuals are also more likely to quit smoking: incidence analysis of smoking cessation shows a strong education effect. The instrumental variable approach, which relies on the fact that during the Vietnam War college attendance provided a strategy to avoid the draft, indicates that education does affect decisions about whether to smoke or stop smoking.

Battling HIV/AIDS: A Decision Maker's Guide to the Procurement of Medicines and Related Supplies (ISBN: 0-8213-5848-0 SKU: 15848). The technical Guide sets out principles and provides advice on the procurement of HIV/AIDS medicines and related supplies for programs scaling up Antiretroviral Therapy (ART) and associated health services. This technical Guide examines the elements required to establish and ensure continuity of supplies, including medicines and other commodities. It provides extensive guidance on key topics: Quality Assurance, Selection and Quantification Methods, Intellectual Property Rights, Procurement Strategies, Pricing and Financing, the Supply Cycle and Policy Issues.

Specializing in procurement for HIV-related programs, *Battling HIV/AIDS* is a valuable resource for implementing agencies and donors dealing with HIV/AIDS related procurement, as it:

- focuses on resource-poor settings with little experience of treatment programs that include ART.
- discusses newer and more expensive drugs and tests required for ART, which because of cost or scale, have not yet become part of essential medicines policy in many countries.
- draws attention to some of the unpredictable factors associated with the scaling up of ART, such as rapid growth in demand, the appearance of new medicines and tests, and sudden changes in markets.
 - provides practical advice on intellectual property rights, a complex but important subject, laying out in simple terms the array of options available to national governments.
- provides references to valuable materials and offers links to readily available instructions and documentation.

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Contact Information

Sana'a Country Office

Address: P.O. Box 18152, Hadda Area, St. No. 40 off Damascus Road, Sana'a, Republic of Yemen

Telephone: (967) 1 413710, (967) 1 421623-8; Fax: (967) 1 413709, (967) 1 418733

Country Manager:

Robert Hindle *Ext. 237*

Economic Development:

Srinivasan Thirumalai Tel: 1(202) 473 1288

Yahia Al-Anssi *Ext 241*

Lina Al-Saffi *Ext 227*

Infrastructure Develop:

Ali Khamis *Ext. 223*

A. Al-Qattab *Ext. 256*

Administrator:

Maria Handal *Ext: 238*

Communications:

Samra Shaibani *Ext 242*

Human Development:

Ousmane Diagana *Ext. 233*

Country Director:

Mahmood Ayub

Tel: (20-2) 772-217

Information Technology:

Abdullah Haroon *Ext. 225*

Agriculture & Natural Resources:

Naji Abu-Hatim *Ext. 228*

Accounting:

Rebecca Shenbagam *Ext 244*

Abubaker Zaidan *Ext. 243*

Procurement:

Mikael Mengesha *Ext. 222*

Country Coordinator:

Habib M. Fetini

Tel: 1(202) 473-4471