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Statement by Godfrey Gaoseb

Yemen : Country Assistance Strategy - Progress Report

We welcome the opportunity to discuss this progress report on the country assistance strategy for the Republic of Yemen and commend the Yemen authorities for their achievements on the economic front in the last two years. The successful implementation of the first phase of the stabilization and structural reforms has led to a stable exchange rate, a drop in the inflation rate and a decline in the fiscal deficit. In addition, the balance of payments position is now stronger and the external debt situation has improved considerably. The collaboration between the Bank and Fund in assisting the Yemeni government to implement this strong economic program successfully is also commendable. We hope that the two institutions will continue to collaborate with each other and with other development partners in Yemen.

We also observe that portfolio management has improved, with only a few projects rated as unsatisfactory, while problems relating to procurement, audit reports, and counterpart funding have been resolved. The strengthening of the Resident Mission in Sana'a has, no doubt, contributed to this improvement in portfolio management.

The government of Yemen has also made significant progress in the areas of trade policy reform, privatization and investment, resulting in the restructuring and privatization of a number of public enterprises, introducing a new tariff and a new investment code. In view of the progress made so far, we have no difficulty in supporting the Bank's continued assistance to Yemen in order to sustain the economic reform program and complete the unfinished reform agenda. The broad objectives of the Bank's assistance to Yemen:- accelerating and sustaining non-oil sector growth, reducing unemployment, improving the country's social indicators, strengthening the social safety net, and continued financial stability are, in our view, very appropriate.

In contrast to these encouraging achievements, however, we observe that education and health indicators in Yemen remain weak. The government's determination to increase budgetary allocation to these important sectors is quite evident and we encourage the Bank to play a proactive role in these areas. This is very crucial for helping Yemen to reduce the level

of poverty. Strengthening the social safety nets also needs to be given particular attention. We wonder why no new operations are included in FY98 for these sectors. We strongly support the Bank's strategy for Yemen for addressing the institutional capacity weakness in the country to enable the government to deliver its social programs. We would appreciate staff elaboration on the progress made so far in capacity building in Yemen.

In conclusion, we endorse the proposed IBRD/IDA lending program for the next three years and support the two credits accompanying this progress report.

