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INTERNATIONAL FINANCE CORPORATION
AND MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY ENGAGEMENT NOTE

FOR

THE REPUBLIC OF YEMEN

FOR THE PERIOD FY17–FY18

June 20, 2016

Yemen, Egypt and Djibouti Country Department
Middle East and North Africa Region
International Development Association

International Finance Corporation

Multilateral Investment Guarantee Agency

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1 SDR = US\$1.41; 1 US\$ = 250 YER

Fiscal Year: January 1 – December 31

Abbreviations and Acronyms

AQAP	Al-Qaeda in Arab Peninsula
CBY	Central Bank of Yemen
CEN	Country Engagement Note
DFID	U.K. Department for International Development
DNA	Damage and Needs Assessment
DP	Development Partner
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GNI	Gross National Income
GoY	Government of Yemen
IDA	International Development Association
IDP	Internally Displaced Person
IFC	International Finance Corporation
IsDB	Islamic Development Bank
ISN	Interim Strategy Note
MDTF	Multi-Donor Trust Fund
MIGA	Multilateral Investment Guarantee Agency
NDC	National Dialogue Conference
PWP	Public Works Program
RETF	Recipient-Executed Trust Fund
RPBA	Recovery and Peace-Building Assessment
SFD	Social Fund for Development
SME	Small and Medium Enterprise
SWF	Social Welfare Fund
TA	Technical Assistance
UN	United Nations
TPSD	Transitional Program for Stabilization and Development 2012-14
UNDP	United Nations Development Programme
UNICEF	United Nations Children’s Fund
UNSE	United Nations Special Envoy
WHO	World Health Organization
WBG	World Bank Group
YRT	Yemen Re-engagement Team
YSECCG	Yemen Socio-Economic Consultation and Coordination Group

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COUNTRY ENGAGEMENT NOTE FOR THE REPUBLIC OF YEMEN

Introduction

1. **This Country Engagement Note (CEN) FY17–FY18 sets out the World Bank Group’s (WBG) engagement with the Republic of Yemen during the ongoing conflict.** The CEN aims to support the efforts of the international community to restore peace and help move the country to stability. The Republic of Yemen is in the midst of a complex conflict that is causing massive physical damage, devastating the economy, causing a humanitarian crisis, and creating space for expanded operations of radical groups. The country is still in conflict, and—although peace talks are ongoing—the security and political difficulties on the ground remain substantial. Recognizing the challenges the Republic of Yemen is facing, the CEN has been kept flexible by design.

2. **The CEN also seeks to implement the WBG’s new strategy for promoting economic and social inclusion and contributing to peace and stability for development in the Middle East and North Africa (MENA) region in a conflict situation.** The MENA Strategy provides a comprehensive framework for responding to the challenges of the Republic of Yemen today. The strategy shifts the Bank Group’s engagement from working around conflict and instability to targeting directly peace and stability and proposes four pillars to tackle both fronts: (a) renewal of the social contract; (b) regional cooperation; (c) resilience to refugee and migration shocks; and (d) recovery and reconstruction. During the conflict, top priority is given to preserve institutional and service delivery resilience and provide emergency support to conflict-affected poor and vulnerable Yemenis. Analytical and advisory work in the context of preparing for the post-conflict period will keep a close eye on how other elements would need to shape the post-conflict environment.

A. Country Context

Historic Context

3. **The current conflict and societal fragility in the Republic of Yemen stems from 50 years of cycles of violence, long-standing grievances over corruption, and elite capture of resources, as well as tribal, regional, and more recently sectarian divisions.** The situation has been exacerbated by the state’s inability to exercise its authority throughout the territory of the Republic of Yemen. Since the unification in 1990, the Yemeni state has been grappling with establishing viable central authority and creating a pluralistic political system within the framework of a unified nation-state. Overlaying a modern state upon the Republic of Yemen’s traditional tribal governance system has proved to be challenging, and both state formation and nation-building remain work in progress. Equal opportunity, justice, and rule of law have been lacking while patronage networks have divided the country into those with access to spoils and those without. The Republic of Yemen’s cascading patronage system has undermined sustainable development, blocked constructive and forward-looking reforms, and deepened numerous

distortions in the economy that have led to disappointing development outcomes.¹ By the same token, long-standing vested interests, combined with a continuous control of economic rents by traditional political forces, have complicated a transition toward a more inclusive and equitable system of governance. This has eroded the trust in the state and its institutions.

Political Context

4. The Arab Spring spilled over to the Republic of Yemen in early 2011 and led to a popular revolt against a 33-year-old regime of President Saleh.

The regime was blamed for the mismanagement of the country's resources, for political cronyism and rent seeking, and for failing to provide livelihood and development to its citizens. The popular revolt, demanding better governance, jobs, and improved livelihood, spanned close to seven months during 2011, with widespread protests, a political stalemate, and economic deterioration. The international community, led by five of the six-member states of the Gulf Cooperation Council (GCC)², was able to hash out an agreement in late November 2011 that resulted in a conditional peaceful transfer of power from the Saleh Presidency³ to a power-sharing transitional government, temporarily averting the country from falling further into violence and anarchy. The GCC agreement was well received by the Yemeni conflict factions and supported generously by regional and international powers in political and economic terms. It stipulated the launch of a United Nations (UN)-supervised participatory national dialogue process to address social, economic, and political grievances by all regions and groups, including

Box 1. The Republic of Yemen: Fragility Factors

There are a number of interrelated historic and latent factors that have contributed to the persistent cyclical conflict and violence in the Republic of Yemen, including the current armed conflict. An understanding of these factors is fundamental to any effort to end the repeated cycles of violence and conflict and establish lasting peace and political stability.

Identified contributors underlying deep-rooted structured drivers of conflict and political instability include: (a) weak state legitimacy, authority, and capacity; (b) decades of elite capture based on (co-opted) tribal structures; (c) dwindling natural resources (water, oil, and cultivable and livable land) and additional economic pressures; (d) society fragmentation (tribal, geographical, and sectarian) complicating national identity and prospects for a unifying vision for the state; and (e) political, economic, and social exclusion which has a strong spatial dimension contributing to the country's fragility.

Other more latent and emerging drivers of the conflict that present a future threat to any political and social stability outlook for the Republic of Yemen include the rise of radicalization and the evolution and growth of the radical Al-Qaeda in Arab Peninsula (AQAP) and Islamic State in Iraq and Levant groups, further destabilizing the country's social and political harmony. Disenfranchised youth have represented a pool of potential recruits by these violent extremist groups. The situation is further complicated by growing internal displacement and migration and the long-standing oppression of the role of women.

The prevalence of a growing vibrant civil society and Yemen's geographic and social identity have been key to maintaining societal and institutional resilience.

¹ See the 2015 Country Economic Memorandum for the Republic of Yemen: Unlocking the Potential for Growth.

² The Gulf Cooperation Council is composed of Saudi Arabia, Kuwait, United Arab Emirates, Bahrain, Qatar, and Oman.

³ President Saleh and others of his regime were granted immunity from prosecution.

movements such as Houthis⁴ in the north and Hirak⁵ in the south, and opened the door to a new transitional government.

5. **Seeking to address the country’s most challenging deep-rooted grievances, the Republic of Yemen embarked on an ambitious process for political dialogue and reconciliation, the National Dialogue Conference (NDC).** Between March 2013 and January 2014, Yemenis representing most political parties and factions and three constituencies of independent women, youth, and civil society were engaged in a national dialogue process, facilitated by the United Nations Special Envoy (UNSE) and fully supported by the international community. While the conference was making progress on fundamental issues of identity and statehood of the Republic of Yemen, such as the Southern question, the Sa’adah issue⁶, state structure and good governance, rights and freedoms, sustainable development and management of natural resources, as well as the role of the army and security agencies, the Government did not simultaneously tackle the immediate need to deliver support and services to communities and citizens, especially in distant parts of the country and to most politically and economically vulnerable groups. The NDC eventually produced over 1,800 recommendations, chief of which was changing the Republic of Yemen from a unitary state to a federal state. Following the NDC, a 17-member Constitution Drafting Committee was appointed by President Hadi to translate the outcomes of the NDC into the country's new Constitution.

6. **Unfortunately, only few steps were taken to implement the NDC outcomes, missing important opportunities to overcome grievances and restore some public trust.** In addition, some key NDC recommendations—or the way the NDC outcomes were translated into specific proposals—did not always resonate well with important political interests. For example, the NDC outcome on the forming of a federal structure was translated into a specific proposal for six distinct regions, which in turn became a dividing rather than a stabilizing contribution. The new demarcation resulted in discontent and resentment among groups like the Houthis and Southern Hirak, who saw the move as a serious predetermined marginalization of their demands for more autonomy and fair sharing of resources. While the overstretched NDC process drew to conclusion, the security and the living standards of the population continued to deteriorate, and the failure of the Government to deliver critical social services or NDC results became too apparent. Moreover, the continued perception of corruption, mounting fiscal pressure, and increasing despair due to the lack of jobs and economic perspectives, underlined by increased poverty, created major discontent. Citizen trust in the Government and in the system further eroded. Moreover, the outbreak of conflict put an end to the process of taking forward the draft Constitution and holding elections.

7. **The Republic of Yemen descended into a full-fledged military conflict.** In June 2014, armed conflict between the Government and militias started to spread across much of the country. Houthi militias, supported by Saleh forces, exploiting public discontent, drove their way into

⁴ The Houthis, known as “Ansarullah”, represent a religious movement, named after its founder Hussein Al-Houthi. Headquartered in Sa’adah in the north of the Republic of Yemen, the Houthis fought six wars with the central government.

⁵ The Southern Hirak is a coalition of different factions in the south of the Republic of Yemen. Founded in 2007, Hirak has been seeking disengagement of the 1990 union between the South and the North.

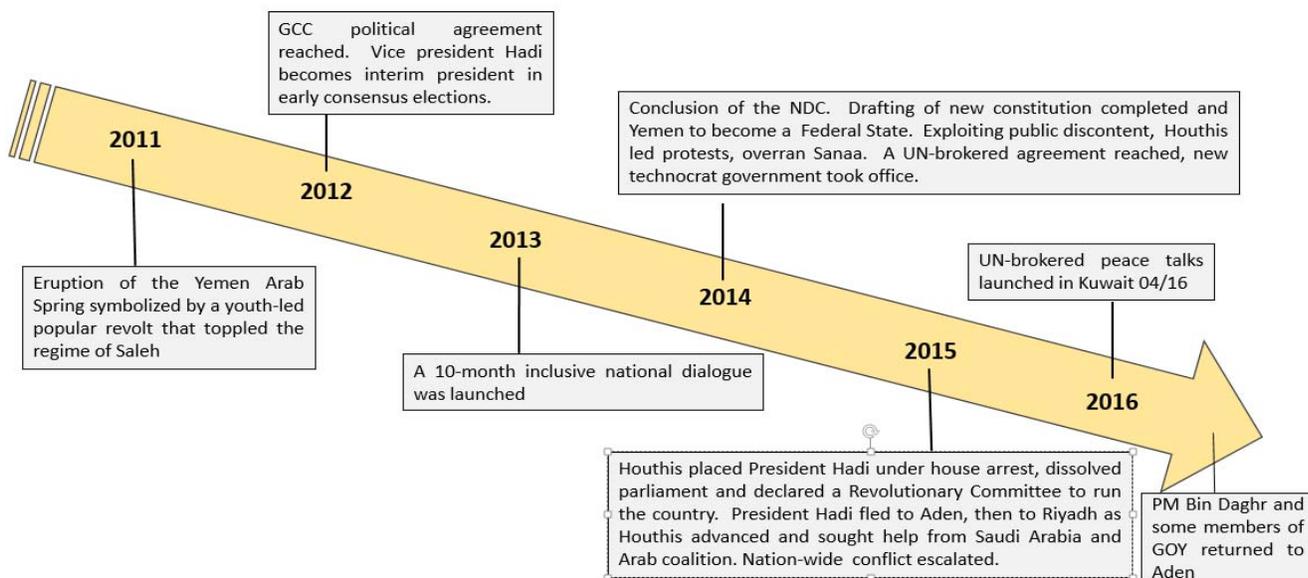
⁶ The Northern “Sa’adah Issue” and the “Southern Issue” relate to (spatial) political, social, and economic exclusion of these regions, resulting in concerns of increased injustice and elite capture of state resources.

Sana'a in September 2014 and gradually took over government institutions during the first quarter of 2015. Interim President Hadi and his Government had to flee. A Saudi Arabian-led coalition of 9 Arab countries initiated a military campaign to restore President Hadi's Government to power. The Government to date is still grappling with serious security issues: Prime Minister Ahmed Bin Daghr's cabinet only recently returned to Aden. The conflict has caused major loss of life, internal displacement, and the destruction of infrastructure and service delivery across main sectors, further exacerbating a preexisting humanitarian crisis.

8. **The conflict realm is further complicated by the resurgence of the AQAP and other radical Islamist groups, including Islamic State, particularly in the south and the east of the country.** Such radical groups benefited from the absence of government and a security vacuum to expand their territorial gains and local recruitments. The failing economy made it easier to recruit. In late April, the AQAP's attempt to create its own state failed when pro-government forces supported by the United Arab Emirates troops recaptured the oil terminal, as well as the city of Al-Mukalla.

9. **Several peace mediation efforts have been led by the UNSE for the Republic of Yemen, aiming primarily to secure a lasting ceasefire and a resumption of an inclusive political process and dialogue.** Two rounds of peace talks in Switzerland in 2015 made no progress. A new round of negotiations started in late April 2016, hosted by Kuwait and supported by the international community. A ceasefire has been in effect since April 11, 2016, and the talks are ongoing, but parties to the conflict remain at odds on how to implement UN Security Council Resolution 2216⁷ that requires the reinstatement of government institutions and disarming armed groups. The talks are slow and tedious, but there is hope that some concrete progress can be made soon.

Figure 1. Milestones in the Republic of Yemen's Political Transition and Conflict



⁷ <http://www.un.org/press/en/2015/sc11859.doc.htm>

Humanitarian, Social, and Poverty Context

10. The conflict resulted in catastrophic humanitarian conditions, increasing toll of civilian deaths and casualties across the country, and severe impairment of public services.

Before 2014, the Republic of Yemen was already profoundly challenged on several fronts—high

Figure 2. Humanitarian Toll of the Conflict



Sources: CSO/staff estimates, UN agencies and IOM.
Note: Yemen's population estimate is 26.8 million.

population growth, severe urban-rural imbalances, food and water scarcity, female illiteracy, widespread poverty, and economic stagnation. Nevertheless, the current conflict is massively exacerbating an already difficult humanitarian situation. In May 2015, the UN placed Yemen at the highest level of humanitarian distress. According to UN agencies, between March 2015 and February 2016, the conflict left over 7,600 people dead, including 3,000 civilians and another 6,000 injured. About half of Yemen's population of about 26.8 million is in areas directly affected by the conflict. Severe food insecurity affects 7.6 million people, and an estimated 2 million are malnourished, including 1.3 million children, of whom 320,000 are suffering from severe acute malnutrition. Basic services across the country are on the verge of collapse.

Chronic drug shortages, unpaid salaries, and conflict-related destruction restrict around 14 million Yemenis, including 8.3 million children, from accessing health care services. More than 1.8 million additional children have been out of school since the start of conflict, bringing the total number of children out of school to more than 3 million. Over 1,600 schools remain closed either due to insecurity, physical damage, or their use as shelters for displaced people. Aid delivery in the Republic of Yemen has been affected by violence and security concerns.

11. Forced displacement has led to sustained vulnerability and aid dependence for a large share of the population.

According to the International Organization for Migration⁸ and UN Office for the Coordination of Humanitarian Affairs,⁹ 2.8 million Yemenis have been forcibly internally displaced from their homes and an additional estimated 121,000 people fled to and remained in Djibouti¹⁰, Ethiopia, Somalia, and Sudan. Over the last six months, an estimated 300,000 IDPs returned to Aden, although many retain the same needs and vulnerabilities they endured while in exile. Basic humanitarian needs are significant among hosts, returnees, and IDP population alike,¹¹ though IDPs in the Republic of Yemen do suffer the greatest service delivery

⁸ https://www.iom.int/sites/default/files/situation_reports/file/IOM-Yemen-Crisis-Sitrep-24Mar-6Apr2016.pdf.

⁹ http://reliefweb.int/sites/reliefweb.int/files/resources/2016_HNO_English_%20FINAL.pdf.

¹⁰ 6,260 registered Yemeni refugees in Djibouti are expected to benefit from the Bank-financed Horn of Africa Development Response to Displacement Impacts Project, which aims to improve access to basic social services, expand economic opportunities, and enhance environmental management for both host and refugee communities.

¹¹ Ibid, p. 4.

deficits while enduring social dislocation, trauma, and isolation.¹² The protection prospects for women-headed households that represent 52 percent of the displaced community are particularly challenging.¹³ Displaced school-aged children are at higher risk of missing education. Boys face higher risk of recruitment by armed groups, while girls face higher risk of being held back from school. Development Partners (DPs) estimate about 416,000 school-aged children among the IDPs in the Republic of Yemen, while the number of displaced teachers is unknown.

12. The conflict and violence over the last 18 months has caused a serious impact on the social fabric in the Republic of Yemen, exacerbating and militarizing political, sectarian, and regional divisions in a way that makes reconciliation more challenging. The conflict puts further pressure on the few remaining threads of the country's unity; hateful terms and accusations are exchanged between all factions, unimaginable even a few years ago. Human casualties and detention of activists and political figures are escalating not only the political division but also the tribal division.

13. All these factors put even more stress on the Republic of Yemen's gender equality indicators, already among the worst in the world. The 2014 Gender Report¹⁴ concluded that the Republic of Yemen has made important progress in closing key gender gaps. Yet, many challenges remain: significant gender differences in school enrolment and educational attainment, significant reproductive and child health needs, no legal minimum age of marriage for girls, legal restrictions on women's mobility and decision-making, barriers to female participation in the labor force and in political life, and few opportunities for voice, paid work and entrepreneurial activity. These stark gender gaps are influenced by and set within the context of conservative and strict gender norms. There are indications that the conflict—yet again—disproportionally affected the situation of women. For example, child marriages are on the rise again, and the United Nations Population Fund estimates that in the coming months, as many as 1,000 pregnant women could die or face life-threatening complications during childbirth due to the lack of services and shortage of qualified medical personnel.

14. Poverty, already very high pre-conflict, grew substantially worse in its aftermath. A preliminary analysis of the 2014 Household Budget Survey data shows that the economic and political turbulence in the Republic of Yemen, even before the current armed conflict, has led to a sharp increase in poverty. Poverty was already on an increasing trend between 2005 and 2014, but alarmingly, the situation appears to have deteriorated sharply in 2015. Initial simulations of the impact of the ongoing conflict show that the poverty incidence may have almost doubled nationally (from 34.1 percent in 2014 to 62 percent in 2016).¹⁵ This suggests a startling deterioration in the livelihood basis in the Republic of Yemen. While the adverse impact of the conflict has been felt everywhere, the major urban centers, such as Aden, Taiz, and Sana'a, appear to have suffered most losses in welfare.

¹² See Jennings, Ray Salvatore. 2015. *Yemen Forced Displacement Brief*. World Bank.

¹³ IOM (International Organization for Migration). 2015. *Task Force on Population Movement in Yemen: 6th Dashboard*.

¹⁴ Gender Report 2014: "Realizing the Economic Potential of Yemeni Women: from Aspiration to Opportunity".

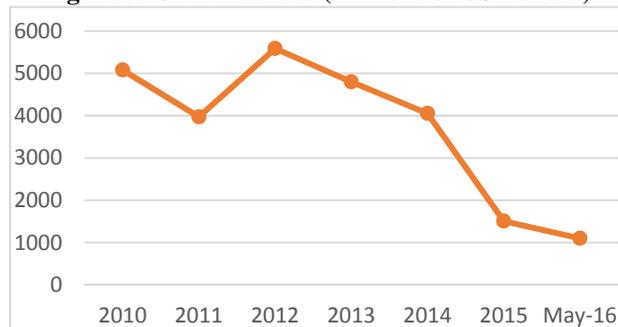
¹⁵ The poverty headcount is based on a national poverty line of YER 10,913 (or about US\$50) per capita per month in 2014 prices. In terms of 2011 PPP terms, it is about US\$3.52 per person per day, or about US\$105.6 per person per month.

15. **The conflict is also having a highly negative impact on the livelihood conditions of the vast majority of Yemenis in the rural areas.** About 70 percent of Yemenis live in rural areas and about 50 percent of the labor force depend on agricultural and related activities for their livelihood. The total conflict-related losses and damages to agriculture, fisheries, and livestock are estimated to amount to about US\$3 billion¹⁶ due to lack of power, pumped water, production inputs, and market access and breakdown of logistical chains. The loss of employment is estimated to have reached 50 percent in these sectors. Private sector employment in general declined by about 12 percent in 2015,¹⁷ which since then is expected to have worsened further. The combined effect of the halted cash transfer program in 2015 and significantly reduced externally financed livelihood support programs through the Social Fund for Development (SFD) and Public Works Program (PWP) added to the severity of the livelihood conditions in the Republic of Yemen.

Economic Context

16. **Amid the fragile political, security, and social environment, economic distress is mounting, with formal institutions weakening and financial resources depleting.** The economic impact of the crisis has been devastating for the Republic of Yemen, aggravating an already deteriorating pre-conflict economic performance. In 2015, the economy contracted by about 28 percent of gross domestic product (GDP), while inflation has been estimated to have reached about 30 percent. The fiscal pressures led to a sharp reduction of expenditures (from about

Figure 3: CBY Reserves (Millions of US Dollars)



Source: CBY and IMF

28 percent of GDP in 2014 to 21 percent in 2015) while revenues suffered an even larger shock (from about 24 percent of GDP to 10 percent in these same years, respectively). The fiscal resources available in 2015 allowed only for financing basic salaries for public employees and rising interest payments; public investments in critical sectors such as health and education or other development policy programs were postponed. Nevertheless, the fiscal deficit rose to 11.4 percent in 2015. This deficit was financed by the Central Bank of Yemen (CBY) and by commercial banks rolling over treasury bills.

17. **Effects on the external side are even more dramatic.** The Republic of Yemen's hydrocarbon industry (oil and gas) has traditionally delivered about 50–60 percent of fiscal revenues and as much as 80–90 percent of export earnings, although the industry's share of GDP has been on a gradual decline for years and contributed only 9 percent to the Republic of Yemen's GDP in 2014¹⁸. Nevertheless, when oil and gas production (and related exports) came to a halt in the second quarter of 2015, the Republic of Yemen's most important source for foreign exchange disappeared. External pressures were further compounded by a simultaneously sharp decline in

¹⁶ 2016 Multi-Agency Report: Yemen; Preliminary Damage and Needs Assessment.

¹⁷ International Labor Organization and the Republic of Yemen's Central Statistical Office Rapid Survey, 2015.

¹⁸ The decline of international oil prices became significant towards late 2014, reducing its impact on Yemen's export earnings during that year. In early 2015, production stopped due to conflict. Lower oil prices may impact the sector's leverage on the eventual recovery.

official transfers as DPs shifted their assistance toward urgently needed humanitarian assistance. As a result, and notwithstanding a 30 percent decline in imports and major rationing of privileged imports (today only selected food imports are prioritized), reserves are currently running¹⁹ below two months of imports and continue to decline. The resulting uncertain outlook is putting pressure on the Yemeni Riyal (YER), as demonstrated by the March 2016 devaluation from YER 214 to YER 250 per US dollar, adding to pressure on prices, especially food prices. Also, confidence in the functioning of the Republic of Yemen's financial system is increasingly undermined, negatively affecting the availability of traditional trade financing instruments such as Letters of Credit. Given the Republic of Yemen's already high import dependence, including on food, medicines, and fuel, the need to feed more IDPs adds to the stress on the system. See Table 1 and Annex 1 for more details.

Table 1. The Republic of Yemen: Selected Economic Indicators, 2011–15

	2011	2012	2013	2014	2015 Prel.
	Change in percent, unless otherwise indicated				
Real GDP at market prices	-12.7	2.4	4.8	-0.2	-28.1
Nonhydrocarbon	-12.5	4.0	4.0	1.0	-25.0
Hydrocarbon	-14.5	-11.5	13.2	-11.3	-61.0
Consumer price index (annual average)	19.5	9.9	11.0	8.2	30.0
	In percent of GDP				
Total revenue and grants	25.3	29.9	23.9	23.6	9.9
Total expenditure	29.8	36.2	30.8	27.8	21.3
Overall fiscal balance	-4.5	-6.3	-6.9	-4.1	-11.4
	Change in percent				
Broad money	0.0	21.5	12.5	0.2	2.5
Credit to private sector	-16.9	-0.6	38.9	2.6	-15.0
	In percent of GDP, unless otherwise indicated				
Current account balance	-3.0	-1.7	-3.1	-1.7	-5.6
Gross foreign reserves (months of imports)	3.7	5.5	4.7	5.7	2.0

Source: Yemen Authorities and staff estimates

18. Similarly, the private sector in the Republic of Yemen has been significantly affected. The Republic of Yemen's investment climate was already very difficult before the conflict, hindering shared growth and improved competitiveness because of complex governance weaknesses, compounded by an exchange rate policy favoring the supply of cheap imports. Since the conflict, however, the business environment has become even more challenging, with constrained access to input markets (energy, labor, intermediate goods, and services) and deteriorating financial and export markets. According to a 2015 assessment,²⁰ over a quarter of all firms suspended their operations, including 35 percent of the service sector, 29 percent of the industrial enterprises, and 20 percent of the trading companies. As a result, already high unemployment levels worsened, business costs increased, revenue and customer base decreased, and significant private sector capital migrated overseas. The remaining firms suffered from the deteriorated security situation. Trading operations became more difficult as well, negatively affecting prices of imported basic food commodities and medicines. The Republic of Yemen's small banking sector (16 banks) remains partially functional, and is focusing on small consumer

¹⁹ At the end of 2015, reserves were at US\$1.56 billion.

²⁰ http://www.ye.undp.org/content/yemen/en/home/library/crisis_prevention_and_recovery/undp-smeps-rapid-business-survey.html

transactions and import of critical commodities. Although some corresponding mechanisms for financial transfers in/out of the Republic of Yemen remain available, lately regular trade financing mechanisms have come under stress. In fact, buying government paper has become a key element for economic survival of commercial banks.

19. **Infrastructure has been negatively affected as well.** Before 2014, the Republic of Yemen was already significantly challenged on the infrastructure and service delivery fronts. For example, in late 2000, only 56 percent of the urban population was connected to water networks²¹ compared to the average 96 percent access for the rest of the Middle East and North Africa Region. The Republic of Yemen is also the least-electrified country in the region, with a pre-crisis access rate from all sources of only 55 percent. The country's per capita electricity consumption stood at 243 kWh in 2013, almost one-sixth of the regional average. The conflict has significantly worsened quality of infrastructure and access to basic services. The current supply of public power capacity is averaging 200–250 MW, serving only Aden and Al-Mukalla intermittently²², while the rest of the country, including the capital Sana'a, is lacking access to any energy sources and depends on individual sources of power (small generators or solar energy panels). Long-standing vulnerabilities in the water and sanitation sector have greatly aggravated as well. It has been estimated that nearly 10 million Yemenis do not have access to safe drinking water and sanitation. Post-harvest value chains for agriculture/livestock/fishery products, as well as exports of some of those commodities have also suffered, resulting in loss of income for many rural Yemenis. The chronic housing shortage in the country has been severely compounded by numerous residential housing units having been destroyed or damaged.

20. **Dynamic Damage and Needs Assessment.** The World Bank in close cooperation with Yemeni counterpart teams has been working on a dynamic Damage and Needs Assessment (DNA). Relying on a primarily remote-based methodology leveraging satellite imagery and social media analytics and with support of the Republic of Yemen's technical line ministries and local institutions, a Bank-led city-level DNA provided an indicative picture of the damage to infrastructure and interruptions in service delivery across six sectors (health, education, energy, water and sanitation, transport, and housing) in four cities (Sana'a, Aden, Taiz, and Zinjibar). Most damages are concentrated in the housing sector which has suffered significantly from the ongoing conflict. This city-level assessment has recently been integrated into a multiagency preliminary dynamic DNA Report prepared in partnership with the UN, European Union, and Islamic Development Bank (IsDB), drawing also on information from government agencies. This multiagency dynamic DNA Report covers additional sectors and has integrated preliminary damage assessments conducted by various UN agencies (for example, for agriculture and social protection sectors) and the IsDB (for example, for industry). This report estimates on a preliminary basis conflict-related infrastructure damages and economic losses incurred at around US\$19 billion. These estimates remain partial and preliminary and will need reassessment in a post-conflict situation.

21. **Climate change has significantly lowered rainfall in the Republic of Yemen and water insecurity is intrinsically linked to the past governance style.** This, combined with high population growth, —the population almost doubled since the early 1980s— rapid urbanization,

²¹ Majority of rural areas remain unconnected to water networks.

²² The Republic of Yemen *Public Electricity Company Report on Damages to Power Grid Caused by 2015 Crisis*.

and increased production of qat, has put excessive demand on the country’s natural water supplies, making the Republic of Yemen one of the most water-stressed countries in the world. Groundwater reserves supplying some major cities, including the capital Sana’a, are at risk of being fully depleted in less than 20 years. Urgency in short-term rent extraction has resulted in unsustainable levels of overexploitation. Over the past three decades, little effort has been made to regulate groundwater extraction, and extremely inequitable distribution of land has made issues relating to land tenure highly contentious. The Gini coefficient relating to land ownership was around 0.73 (based on land value), reflecting a small fraction of the population owning/controlling a disproportionately large percentage of land.

B. World Bank Group Response to Changing Context

22. **The Republic of Yemen’s 2012-14 Transition Program for Stabilization and Development (TPSD) was underpinned by the joint IDA/IFC Interim Strategy Note (ISN) FY13-FY14.** Following the 2011 crisis, the Bank supported the large international effort to back a three-year TPSD (2012–2014), which had an overall investment plan of US\$20 billion. The ISN corresponded to the priorities of the TPSD and envisaged total financial assistance of US\$400 million for the Republic of Yemen, focusing on immediate macroeconomic stabilization through a large-scale Emergency Recovery Grant financing cash transfers under the Social Welfare Fund (SWF). The Bank also provided support to education, health, transport, and the social safety net programs. Disbursement ratio of the Bank portfolio during the ISN implementation period reached 30 percent, as a result of strong performance of the emergency operation, as well as the SFD and the Labor Intensive Public Works Projects. With respect to technical assistance (TA), the Bank managed a strategic Multi-Donor Trust Fund (MDTF) that supported the implementation of Yemen Mutual Accountability Framework through the Executive Bureau. It helped inject top national and regional expertise for capacity building of government institutions and was useful as a mechanism to monitor the US\$8 billion donor pledges and government commitments. However, the absorption capacity of such an unprecedented volume of aid remained weak and implementation of development plans and projects could neither meet the needs nor the expectations. A notable exception was the balance of payments assistance offered by Saudi Arabia (about US\$1 billion), which accounted for about half of all aid disbursements.

23. **With regard to the reform policy dialogue, the Bank played a visible and leading role through established dialogue structures.** The Bank co-chaired a dialogue with the Government of Yemen (GoY) on priority economic reforms; co-chaired with the United Nations Resident Coordinator a dialogue with the international donor community on harmonizing support for the transition period; and provided timely TA for capacity building to the Government working through and co-chairing the Economic Committee under the Friends of Yemen political and security forum to ensure the linkage between political and economic processes and implementation. The Bank also provided

Figure 4. Friends of Yemen Coordination Governance



the Economic Committee under the Friends of Yemen political and security forum to ensure the linkage between political and economic processes and implementation. The Bank also provided

comprehensive high-level policy support and TA to the NDC through the Yemen Decentralization and Local Governance Initiative - programmatic non-lending TA, in particular to the three most critical working groups of the NDC, namely: (i) state structure, (ii) sustainable development, and (iii) governance. The fragility of the transition process, however, did not allow the reform process to advance beyond the planning stage. The deterioration in political and security situation overtook the transition altogether.

24. Most programs were designed or restructured—in close collaboration with respective partners—to make them more resilient to the Republic of Yemen’s fragilities. For example,

Box 2. Support to Local Inclusive Service Delivery Institutions

Strong Bank and other partner support to local institutions, such as the SFD and PWP, helped build islands of excellence in effective service delivery at the community level. The Bank and other regional, bilateral, and international development agencies have been funding and supporting the SFD and PWP since their respective inception in 1996. To date, the SFD has disbursed close to US\$1.67 billion in projects in over 13,000 villages and 3,700 urban neighborhoods across the poorest districts of the Republic of Yemen’s 21 governorates. Between 1996 and 2015, the PWP implemented 5,149 projects in about 11,200 villages and 1,300 urban neighborhoods totaling an estimated US\$648 million, benefiting around 18.9 million people across the Republic of Yemen. The SFD’s most significant investments have been in education, water, roads, cash-for-work, agriculture, and small and microenterprise development, while the PWP investments were highest in education, agricultural water harvesting, local roads, and local income generation. Delivery of these services has adopted community-based development concepts and restored the Republic of Yemen’s historical self-help mechanisms. These projects have over the years created employment, income opportunities, and economic assets for millions of the Republic of Yemen’s poorest. The SFD has generated an estimated 70 million person-days of employment. The PWP generated temporary employment for about 31.2 million person-days, requiring that at least 30 percent of the total project cost for any project be allocated to wages and salaries. The SFD and PWP investments have the potential to have a major impact on the country’s economy and particularly on the lives of the most vulnerable, as well as on reinstating the social cohesion and local-community-led peace-building initiatives building on the national social networks established by the SFD and PWP over the past two decades.

the additional financing to support the SFD was closely coordinated with the SFD’s pool of partners²³ and was designed for the fast delivery of youth-focused jobs, through a well-tested Labor Intensive Public Works Project. The SME Revitalization and Employment Pilot Project was specifically designed to reduce the risk of implementation failures due to external factors. The additional financing of the Labor Intensive Public Works Project was designed to continue mainstreaming gender and citizen engagement. Its conflict-resilient support to livelihoods attracted other DPs who more than doubled the project’s IDA resources. The Rainfed Agriculture and Livestock Project and the Fisheries Resource Management and Conservation Project achieved important outcomes on new governance arrangements and farmer producer groups. Education interventions were closely coordinated among

²³ The number of SFD donors grew from six in phase I (1996-1999) to 14 in phase IV (2012-2015), including the World Bank, UK Department for International Development (DFID), *Kreditanstalt für Wiederaufbau* (KfW), European Union, the Netherlands, US Agency for International Development (USAID), United Nations Development Programme (UNDP), the Arab Fund for Development, IsDB, the Organization for the Petroleum Exporting Countries Fund for Development, the Saudi Fund for Development, the Kuwait Fund for Development, Abu Dhabi Fund for Development, and the GoY. PWP donors include the World Bank, IsDB, the Arab Fund for Development, the Kuwait Fund for Development, the Organization of Petroleum Exporting Countries Fund for International Development, and the GoY.

the GoY, the DPs and IDA²⁴. IDA and three other cofinanciers, UN agencies, as well as the GoY pooled their financing into one common basket. Following suspension of disbursements in March 2015, the Bank health team worked with DPs and UN agencies to continue the delivery of basic drugs and vaccines to some of the Schistosomiasis Control Project's target areas depending on the security situation (see paragraph 27 for more detail). Similarly, in education, partnership with UNICEF/GPE sustained the rural female teacher scheme and textbook programs.

25. To accelerate delivery of Bank support, all IDA17 grant resources available for the Republic of Yemen were front-loaded. Yemen's debt sustainability was assessed at a moderate risk of debt distress in the past. This result qualified the Republic of Yemen to access 50 percent of its IDA17 allocation as grants and 50 percent on IDA credit terms. To accelerate post-2011 crisis support, the Bank front-loaded all available grant resources. As a result, starting in FY15, the remaining IDA17 resources for the Republic of Yemen were only available on credit terms for new commitments. The adverse economic impact of the current conflict caused, however, a reconsideration of the Republic of Yemen's debt risk assessed now at a *high risk of debt distress*. Going forward, this reassessment of the debt risk allows the Republic of Yemen to access IDA resources on grant terms as of FY17.

26. Notwithstanding all efforts to make the portfolio more resilient, all disbursements under the Bank program were suspended on March 11, 2015. Prompted by steeply deteriorating crisis and security situation on the ground, the Bank decided to trigger OP 7.30 (Bank policy relating to *Dealing with De Facto Governments*), and carried out the required assessment in early March 2015. On March 11, 2015, the Bank suspended all disbursements under IDA-financed projects and Recipient-Executed Trust Funds (RETFs), upon considering on the basis of the assessment that it would be improbable that the Bank could adequately supervise its operations, or carry out the required fiduciary due diligence, or that the Republic of Yemen and the relevant project implementing entities could meet the obligations under the respective projects. This step was preceded by a decision in January 2015 to suspend all missions to the Republic of Yemen and to close the WBG Country Office in Sana'a on February 28, 2015. On March 26, the Bank Group evacuated its staff from the Republic of Yemen to Cairo and Amman.²⁵

27. Since the suspension date, the Bank has continued to work with Yemeni stakeholders and partners to respond to the fast-evolving and deteriorating situation. In December 2015, given the critical health needs on the ground, the Bank lifted—on an exceptional basis—the suspension of disbursements for two health projects, namely the Schistosomiasis Control Project and the Health and Population Project, to allow for an arrangement with two specialized UN agencies for procurement and distribution of essential drugs, medical supplies, and related activities. The two projects are being implemented by the World Health Organization (WHO) and United Nations Children's Fund (UNICEF). Except for these two operations, suspension of disbursements of the rest of the Bank portfolio is still in effect.²⁶ The international community shifted its assistance to the Republic of Yemen to more direct humanitarian assistance. The length

²⁴ Within Framework of the Local Education Group, the Ministry of Education works closely with IDA, KfW, UK, USAID, UNICEF, UNESCO, local and international CSOs.

²⁶ As of May 2016, the Bank portfolio in the Republic of Yemen consists of 19 projects (including 3 RETFs) with US\$862.3 million in commitments, of which US\$529.2 million remains undisbursed.

of the conflict surpassed even the most pessimistic scenarios, heavily increasing emergency needs for a large part of the Yemeni population. In response, the UN is currently focusing most of its assistance on delivering humanitarian aid to large groups of Yemenis under the most difficult circumstances.

C. Lessons from the Completion and Learning Review FY10–16²⁷

Promote Resilience through Strengthening Inclusive Institutions

28. **It is clear from the recent experience of the Republic of Yemen that, even during conflict, inclusive institutions have continued to provide services, especially for the poor.** Lessons from experience in post-conflict countries show that relying on local resilience and recovery mechanisms existing on the ground can pay dividends by contributing to service delivery restoration and expansion, and serve as a springboard for larger scale restructuring programs, where these remain the most cost effective and efficient way of delivering services. Past Bank engagement in the Republic of Yemen has recognized the importance of inclusiveness in all of its elements. However, given the weaknesses in capacity and the importance of maintaining service delivery, helping develop resilient public institutions is essential to maintain service delivery. This means that the Bank’s support for enhancing inclusive institutions—such as the SFD and PWP—needs to be maintained.

29. **The Republic of Yemen’s SFD, PWP, and to some extent SWF have continued to reach beneficiaries and provide good outcomes even during conflict.** A key feature of their work has been the use of community-level user groups in planning, management, and supervision. Such localized and decentralized approaches have proven to be resilient to shocks. Success of these institutions is in large part due to their relative independence and systems of transparency, accountability, and good governance around their functioning.

30. **Supporting and developing such resilience in public institutions in different sectors—whether in macroeconomic policymaking, transport, doing business, public services, or others—need additional attention in future Bank programming.** These can be enhanced through citizens’ voice and participation. Working with the GoY and other partners, the Bank could also jointly chart a path forward during the preparation for the post-conflict period to avoid pitfalls of reconstructing the same old structures and institutional processes that have failed before.

Strengthen Development Partnerships

31. **The Bank’s role in providing a platform for donor coordination is vital and needs to be pursued.** Yemeni counterparts and other DPs see the Bank Group’s involvement in any given sector as an effective way to strengthen overall implementation capacity in that sector. This has particularly been the case over two decades of projects implemented by the SFD and PWP, where the Bank’s involvement has helped mobilize donors and facilitate execution of their pledges. In other sectors such as in transport, the Bank also played a catalytic role in the mobilization of large-scale funding for the Aden-Taiz-Sana’a-Saada project, providing a significant cofinancing opportunity for Saudi Arabia. The Rural Access Program, launched with the support of the Bank

²⁷ Due to data limitations resulting from the current conflict, a qualitative CLR has been prepared that does not present performance ratings.

in 2001, was successful in attracting multiple donors²⁸. In the education sector, the sector-wide donor coordination has been proceeding well. Similarly, the Bank's long-term engagement in water resources, water supply and sanitation, and water governance has benefited from working closely with other key partners, ensuring active coordination, consistency in approaches and messaging, maximizing success in building implementation capacity, and leveraging funding. All these partnerships are currently being used in the context of the DNA efforts and hold potential to pursue the dialogue and coordinated support for post-conflict reconstruction and recovery. A stronger partnership with key regional partners in the GCC is going to be critical to help the Republic of Yemen absorb any sizeable post-conflict recovery/reconstruction program.

32. Development partnerships need to be strengthened throughout implementation. Close collaboration with UN agencies—as is the case with UNICEF and WHO which allowed the Bank to lift the suspension of disbursements on two Bank-financed health projects even in the middle of the conflict—may permit key social services to be delivered. Since the lifting of suspension on the two health projects, the Health and Population Project (HPP) supported the polio vaccination of more than one million children in the project target areas. Under the Schistosomiasis Control Project, the tenth drug distribution campaign was completed, and 360,000 school-aged children were treated for schistosomiasis. The positive experience of implementing activities through UN agencies is intended to be replicated under the proposed Emergency Crisis Response Project. The proposed operation will be implemented by the UNDP, in partnership with SFD and PWP, and will support income generation and critical service delivery to the most vulnerable people and IDPs, with a particular focus on women and youth. As fragility and security risks are likely to remain high for the Republic of Yemen going forward, project design of key social sector interventions could anticipate special arrangements to accommodate implementation of respective programs through appropriate UN agencies, or other mechanisms.

Mainstream Innovative Solutions for Post-conflict Recovery and Reconstruction

33. Bank program and experience already reflect innovative design and implementation solutions. Some of these solutions, like third-party monitoring mechanisms, are already in place in some projects. These could be expanded to permit adequate implementation oversight, given that security concerns would likely continue to limit Bank staff's access to project sites when a decision is made to lift the suspension of disbursement. Similarly, even as citizen voice and participation have been important in the design of the Bank-financed projects, this can also be extended to implementation to enhance transparency and accountability. Use of strategic communication to involve and inform beneficiaries and ensure delivery on promises is critical for gaining trust. The choice of technology for Bank interventions—such as solar panels now being used by health facilities or mobile phone technology—also needs to be thought through to promote interventions that can sustain services even during conflict and to maximize local multipliers. These approaches are important to address the local drivers of conflict and fragility and strengthen resilience in the Republic of Yemen.

²⁸ The Arab Fund for Development, Saudi Fund for Development, Abu Dhabi Fund for Development, Kuwait Fund for Development, Oman, and IsDB, and others.

Consolidate World Bank Group Portfolio

34. **The Bank should avoid the temptation to spread itself thin and rather focus on key development priorities.** Over the last seven years, the size of the Republic of Yemen's active portfolio included at least 23 projects at a time, including projects with commitments lower than US\$10 million. This suggests portfolio fragmentation that stretches the Bank's implementation support capacity and resources, as well as challenges the capacity constraints in the line ministries and Project Implementation Units. To address this, a number of interventions need to be consolidated. This requires a concerted effort to make it selective and focused on the key priorities.

35. **These and new lessons will continue to emerge in a fast-evolving environment.** This requires a strategic, yet flexible approach by the Bank and other DPs to respond effectively to the country's needs.

International Finance Corporation Experiences

36. **The investment experience of the International Finance Corporation (IFC) in the Republic of Yemen mirrors the uncertainties of the private sector in general.** The IFC's investment exposure increased from US\$10 million in three companies in FY05 to US\$85 million in six companies in FY14. This expansion included the FY10 and FY11 trade finance interventions with Saba Islamic Bank and the trade finance intervention with the United Bank in FY 14. Only one investment project is performing according to expectations, while three others have been classified as distressed assets even before the current conflict. However, the largest of these distressed projects, Arabian Yemen Cement Company, has improved performance remarkably in 2014 and 2015. IFC finance for this project is being restructured and the project may be reclassified as clear of distress or as a performing loan.

37. **Given the fragilities of the last few years, IFC kept its engagement in the Republic of Yemen focused primarily on advisory support, while continuing to monitor the investment portfolio closely.** During the earlier Country Assistance Strategy and ISN periods, IFC engaged in the Republic of Yemen primarily through its advisory arm, and focused on institutional strengthening and capacity building of the private sector to help create the necessary investment climate and operating environment to foster foreign direct investment and local entrepreneurship.²⁹ IFC advisory support in the Republic of Yemen over the last decade has resulted in successes. These include: (a) improvements in business start-up procedures; (b) substantial increase in Business Edge business skills training for small and medium enterprises (SMEs); (c) parliamentary passage of contentious new investment and income tax laws; (d) assistance with the preparation and passage of a new mining law and executive regulations; (e) assistance with the preparation and passage of a leasing law; and (f) support to microfinance institutions. IFC remained (remotely) engaged with some key clients, including microfinance institutions and selected corporate

²⁹ IFC's advisory program was supported by a Trust Fund Agreement with the DFID. The current crisis prompted the DFID to reassess its economic portfolio and seek assurances from IFC on risks and/or ability to continue delivering advisory projects. In line with the overall realignment priority shift of the DFID program toward humanitarian interventions, DFID funding for the IFC advisory program was suspended. In June 2016, IFC received funding approval for its Microfinance advisory project in Yemen from MENA Transition Fund. Project is to be carried out through FY19.

governance clients. IFC has also been able to maintain some level of engagement where project funding is secured through client cash contribution.

D. Country Engagement Program

38. **WBG engagement in the Republic of Yemen is essential.** Given the country's volatile situation and high unpredictability, a regular Country Partnership Framework is currently not possible. The flexible CEN with a short-term horizon suits much better to guide the Bank Group's work during the conflict. Challenged by the MENA Strategy to consider taking informed risks when results can have an important impact on peace and stability, the CEN aims to define WBG engagement and support to the Republic of Yemen during the ongoing conflict, as well as to prepare for the post-conflict period. Recognizing the role of private sector development in ensuring national stability and well-diversified growth, the CEN has been prepared jointly by the World Bank, IFC, and Multilateral Investment Guarantee Agency (MIGA). It covers a maximum of 24 months.

Objectives

39. **The CEN sets out the Bank Group's contributions to support the Republic of Yemen during the conflict.** The CEN's objectives are:

- (a) Provide emergency support to preserve local service delivery capacity to support conflict-affected families and communities. This will be done in full partnership with UN institutions.
- (b) Prepare for post-conflict recovery and reconstruction, with due attention to state and institution building and laying the foundation for a more inclusive and resilient development framework in the future.

CEN Guiding Principles for the Program

40. **The current operating conditions in the Republic of Yemen ask for a revision of the Bank Group's strategic approach.** Both support for service delivery during the conflict, as well as analytical work in the context of the preparation of a future recovery and reconstruction program will help lay the foundation for addressing deep-rooted sources of fragility (including patronage system and lack of accountability) that blocked forward-looking reforms in the past. The Bank Group will be ready – in the post-conflict and reconstruction period - to support Yemen in developing policies that aim at a less distortive role of the state and less captured markets, more inclusive state institutions (e.g., gender, youth), and take into account the spatial inequalities in the access to resources that drive conflict. The following principles will guide preparatory work for post-conflict Yemen and are reflected in Figure 5.

Figure 5. CEN Guiding Principles

STRATEGIC FOCUS	OPERATIONAL FOCUS
<ul style="list-style-type: none"> <input type="checkbox"/> ENSURE MACROECONOMIC STABILITY <input type="checkbox"/> STRENGTHEN SERVICE DELIVERY <input type="checkbox"/> ADDRESS SPATIAL INEQUALITIES <input type="checkbox"/> DEVELOP VOICE AND INCLUSIVE INSTITUTIONS <input type="checkbox"/> EMPOWER LOCAL COMMUNITIES 	<ul style="list-style-type: none"> <input type="checkbox"/> DESIGN RESILIENT INSTRUMENTS <input type="checkbox"/> OBSERVE SPEED, FLEXIBILITY AND REALISM <input type="checkbox"/> BUILD ON EXISTING LOCAL CAPACITY <input type="checkbox"/> OPTIMIZE PARTNERSHIPS <input type="checkbox"/> AVOID FRAGMENTATION <input type="checkbox"/> ADOPT INNOVATIVE APPROACHES TO RISK MANAGEMENT

CEN Program

41. **The CEN program proposes a set of operational activities and analytical work to support the country during the conflict and prepare for the post-conflict period.** The program is summarized in Table 2.

42. **During the conflict, the WBG proposes using an emergency operation to preserve critical local service delivery institutions and provide emergency support to conflict-affected poor and vulnerable Yemenis.** The proposed Yemen Emergency Crisis Response Project is being presented to the Board of Executive Directors for approval together with this CEN. Building on the positive experience of implementing the Bank’s health portfolio through UNICEF and the WHO, the proposed grant of US\$50 million equivalent to the UNDP will finance emergency interventions to ease the impact of conflict on the welfare and livelihood of affected households and communities in the Republic of Yemen, with a particular focus on women and youth, and to restore local capacity for service delivery. The proposed operation will help provide short-term employment opportunities through labor-intensive works and initiate restoration of livelihood and service delivery in water, nutrition, schooling, small-scale roads, and small infrastructure, while preserving existing local service delivery capacity in the SFD (including Small and Microenterprise Development, or SMED) and PWP entities. The allocation of the emergency project funds will be based on a composite distress index that takes into account the number and concentration of displaced people in urgent need of assistance and the level of food insecurity. The allocation process will favor the most conflict-affected districts, while taking into consideration the importance of political neutrality and conflict sensitivity. The proposed project may be followed by additional future emergency operations that build on the experience of working together with other partners.

43. **Preservation of local service delivery capacity in health and social protection is being pursued as well.** The two ongoing projects in the health sector, the Schistosomiasis Control Project and the Health and Population Project, will continue to be implemented by the WHO and UNICEF. These projects are expected to provide effective implementation avenues for coordination with other financiers (for example, the Global Alliance for Vaccines and Immunization) in expanding the coverage of critical vaccines and medical supplies to the Republic of Yemen using the outreach model of service delivery. In addition, under the auspices of the UNSE’s office, the Bank is providing technical assistance to the UN and to others to help unlock support for the possible resumption of the cash transfer program, implemented through the Social Welfare Fund (SWF).

Table 2. CEN Activities in FY17-18

CEN Objectives	Activities
Preserve local service delivery to support conflict-affected families/communities	Schistosomiasis Control Project, US\$25 million* Health and Population Project, US\$35 million** Proposed Emergency Crisis Response Project, US\$50 million TA for Improved SWF Targeting IFC: continuing dialogue with private sector; active portfolio management and business development for post-conflict projects. Response to trade-finance crisis
Prepare for post-conflict	Dialogue with the UN and support to the UNSE Dialogue with Yemen authorities Portfolio Review Policy Notes: Yemen – Towards a Post-Conflict Recovery Yemen Vision Stimulus Growth Package Youth Employment Work Yemen Poverty Notes Water/Sanitation/Hygiene Poverty Yemen dynamic DNA (phase II) Restoring and Expanding Energy Access IFC Advisory Services: Microfinance Program, Corporate Governance Program, and exploration of options for SME Development and Business Edge training.

*Partial lifting of disbursement suspension, undisbursed US\$5.1 million as of June 19, 2016.

** Partial lifting of disbursement suspension, undisbursed US\$10.1 million as of June 19, 2016.

44. **Some of IFC’s activities involving the private sector are still continuing despite the difficulties.** The current conflict in the Republic of Yemen is placing incredible stress on all types of enterprises, and many have experienced severe damage and their mere survival is under threat. Nevertheless, IFC continues its support to SMEs, helping them improve their bankable and structural capacity on the basis of acceptable corporate governance practices. Similarly, IFC’s Microfinance Advisory Project remains under implementation despite the conflict. In addition, IFC is continuing its dialogue with the private sector on the demand side of improved governance, service delivery, south-south investment, and competitiveness in a post-conflict Republic of Yemen. Finally, IFC is exploring with the CBY possibilities to help the private sector deal with its current critical trade finance and import constraints.

45. **The WBG will continue and expand its key analytical work to prepare for the post-conflict recovery and reconstruction.** Phase II of the dynamic DNA will continue to expand key data on conflict-related damage in the Republic of Yemen, thus supporting the required basis to accelerate the preparation of a more detailed Recovery and Peace Building Assessment (RPBA), needed as soon as the conflict draws to an end. The ongoing analysis in energy and local government capacity will also be completed. The public poll commissioned by the Bank as part

of CEN consultations has prioritized the restoration of key infrastructure services. Preparatory work in these areas must be driven by rapid and robust analytics, including through the dynamic DNA and analytical work to support ideas for building back better through adoption of innovative business models and improved technologies. It would steer towards decentralized modalities of service delivery emphasizing local institutions, as well as voice and participation of beneficiary communities, and identify ways to build on the existing capacity. Restoration of critical infrastructure and services should, in particular, seek to capitalize on the institutional capacities and outreach capabilities of entities like the PWP and SFD.

46. **Bank’s analytical work will also focus on the social contract agenda in the post-conflict Republic of Yemen.** The Republic of Yemen’s central government institutions need to increase their effectiveness to deliver services and enable the development of competitive markets. However, this will require time, persistence and strategic engagement. Meanwhile, local and/or community level service delivery modalities have proven to be responsive and sustainable, in turn increasing resilience and sustaining efforts to restore the social fabric. Empowering local communities and strengthening local government institutions’ accountability, capacity, and resources is therefore a strategic dimension of the Bank Group’s future engagement, both in terms of a short-term crisis response and preparation for a post-conflict recovery period. In the short term, the social contract agenda will be promoted by supporting and preserving critical service delivery capacity, especially through the Bank-financed emergency operation.

47. **In this context, a series of policy notes are being prepared on critical policy and institutional steps required to restore institutions and service delivery rapidly after the end of the conflict.** The Bank is engaged in a set of policy notes with a short to intermediate focus (0-18 months) titled “Yemen – Towards a Post-Conflict Recovery” which will help lay out the options for: (a) restoring key institutions for service delivery and basic functioning of the economy, and (b) initiating steps toward forming inclusive institutions that would support the Republic of Yemen in using its resources for development and reducing risks of conflict. The notes will offer practical proposals toward stabilizing the economy and service delivery; first steps towards building more inclusive, accountable, and transparent state institutions, emphasizing the local level, and towards restoring incomes and livelihoods, as well as key social services³⁰. Finally, they will also provide proposals for strengthening post-conflict donor coordination and developing more efficient project management and implementation modalities. An important focus of these notes will be to advise not only on *what* to do, but also on *how* to do it.

48. **Analytical work on youth employment, including employment of women, is critical for preparing the post-conflict recovery.** The share of young unemployed males in a population is a major risk factor explaining conflict: the more employment opportunities they have, the less likely they will be attracted to taking up arms and prolonging the conflict. Furthermore, job creation projects are among the most effective means of stabilizing communities and preserving peace immediately after conflict, as well as buying time until the private sector can grow enough to absorb the labor supply at stable, market-clearing wages. Youth employment analysis would

³⁰ These notes will draw upon previous analytical work, for example, the 2015 study on Education Decentralization and School-Based Management.

also be important to explore potential of female youth employment, especially for households where males are absent as a result of the conflict.

49. **As part of poverty analysis, the World Bank will take stock of living conditions in Yemen focusing particularly on the impact of the conflict on income and non-income dimensions of poverty.** The 2014 Household Budget Survey, completed by the Government of Yemen with assistance from the World Bank and other DPs, will provide the primary dataset for this analysis. Since this is the first comprehensive survey of living standards to have been implemented in Yemen in nearly ten years, the analysis will provide an assessment of trends in living standards since 2005 and the impact of the economic and political turbulence of the intervening period on Yemeni population. In addition, the data will provide a good basis or benchmark to assess the likely impact of the ongoing conflict on living conditions, in conjunction with other complementary sources of data. This is particularly relevant for the preparation of RPBA and recovery and reconstruction program. It will also examine trends and bottlenecks to closing key gender gaps. The analytical work will produce a series of focused notes on selected topics as opposed to a comprehensive poverty assessment. Accordingly, during the CEN period, the following notes are planned: (i) poverty and inequality profile; (ii) poverty impact of the conflict (simulations); (iii) vulnerability and social protection; (iv) fragility, conflict, and food insecurity; and (v) water/sanitation and poverty. Continued poverty analyses in the energy sector, in water/sanitation, and on local government performance are also part of the analytical work for the post-conflict recovery.

50. **IFC will continue to focus on its advisory work.** IFC remains engaged primarily through its advisory arm building on past positive experiences, while exploring opportunities for selective investments in local and foreign companies (in particular, the GCC and/or south-south investments) in a post-conflict situation. IFC will continue to strengthen private institutions with corporate governance training, and build entrepreneurial skills especially of women and youth through its Business Edge programs. Work will continue with the Al Kuraimi Islamic Microfinance Bank and Al Amal Microfinance Bank through support from the MENA Transition Fund. The collaborations started in 2013 and 2014, respectively, to strengthen these two institutions' capacities, diversify product offerings (into SME and housing), and build strong risk management and governance frameworks to allow them to scale up access to finance in a responsible and sustainable way. On the investment side, IFC will maintain a flexible approach to engaging in the Republic of Yemen in a post-conflict environment, with current focus on portfolio management and support to existing clients that are facing difficulties given the challenging environment. MIGA does not currently have any projects and exposure in the Republic of Yemen. Given its role in facilitating cross border investments, its strategic focus on fragile and conflict-affected states, and in response to interest from eligible investors, MIGA could potentially utilize its Conflict-Affected and Fragile Economies Facility in the Republic of Yemen.

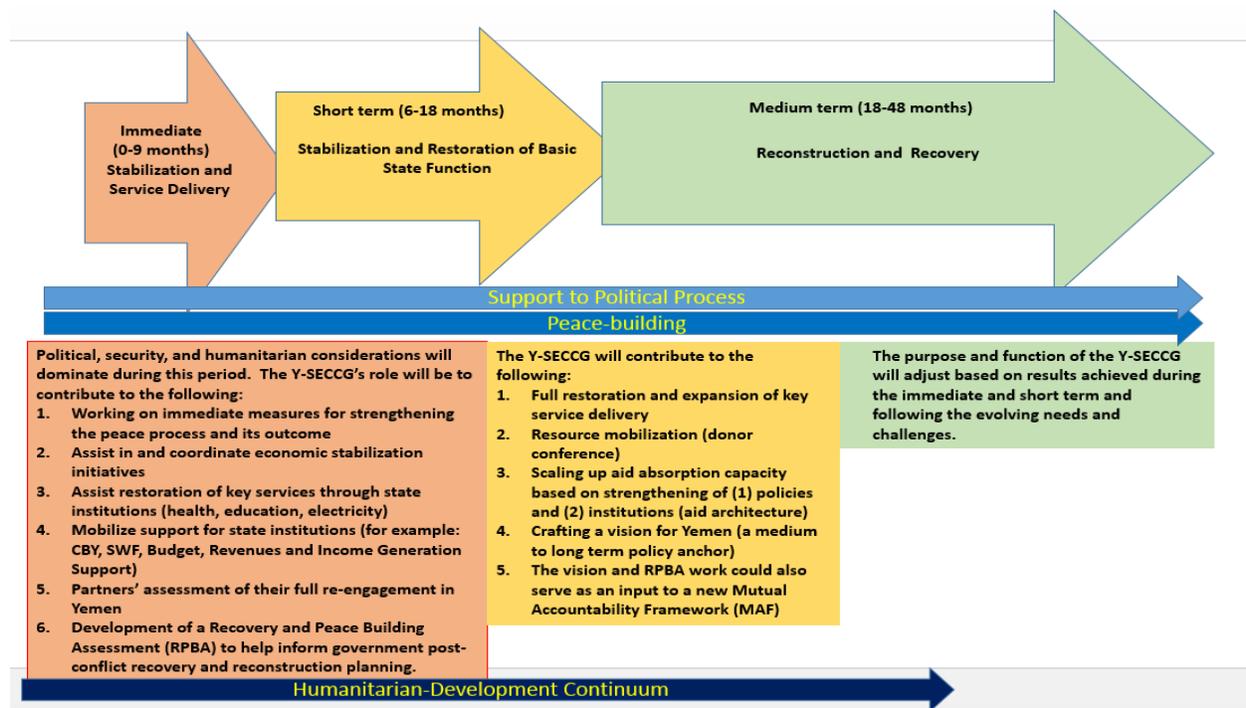
51. **Consultations with the Yemeni counterpart team on the status of the portfolio are ongoing.** The Bank is reviewing the existing portfolio in order to ensure that it will be responsive to the Republic of Yemen's post-conflict priorities. Consultations with the Yemeni counterpart team have been initiated, and will include DPs in cases of (parallel) co-financed operations. Once completed, the portfolio review may lead to project restructuring, cancellation, and reallocation of funds to better address the needs of the post-conflict Yemen.

52. **The design of this CEN benefited from several informal international events on possible responses to the current crisis, and a series of online consultations have been conducted in support of the CEN.** Regular consultations have been difficult in the Republic of Yemen over the last 18 months. Many national, regional, and international stakeholders, including public officials, local institutions, youth, private sector, civil society organizations, and the international donor community, have been engaged in informal consultations over the last year to share views, scenarios, and possible solutions. Furthermore, online consultations in support of the CEN have been conducted. The response has been robust, with approximately 20,000 respondents, drawn from different segments of Yemeni civil society, including academia, youth, women activists, think tanks, civil society organizations, and media. While in-person consultations would have been preferable, this is still a significant level of response and shows that despite the security situation and lack of basic services (including lack of power), it is still possible to conduct some form of consultations. Initial response shows that a large majority (9,000 respondents) identified basic infrastructure (water, sanitation, electricity, transportation) as the most critical need, above fighting corruption and promoting accountability (4,000), education (2,000), jobs (160), and health (116). The online consultations will continue. The Bank envisages to use the online consultations tool throughout the CEN period to keep a pulse on Yemeni views, for example, on youth unemployment issues.

53. **Working together with other development partners is critical.** Work is ongoing with Yemeni counterparts and all regional and international partners on institutional arrangements and coordination mechanisms. The GoY has recently adopted a Reconstruction and Development Framework and is very keen to establish effective implementation and coordination mechanisms to deliver on recovery. To begin this process, the Government, the GCC, and key DPs convened a workshop on ‘Best Practices and Lessons Learned in International Experience on Post-conflict Recovery and Reconstruction’ in Riyadh in March 2016. This workshop will be followed by an event focusing on the Republic of Yemen’s specific recovery needs in late summer of 2016. A Yemen Socio-Economic Consultation and Coordination Group (Y-SECCG) has been established, bringing together all DPs active in Yemen. All coordination efforts recognize the special importance of the GCC for short-term recovery support, as well as facilitating longer-term development aspirations that include embedding the Republic of Yemen more firmly in the regional economy. The coordination and dialogue forum will leverage donor expertise, knowledge,

capacity, and resources in support of the Government’s post-conflict recovery and reconstruction phase and contribute to peace consolidation.

Figure 6. Yemen Socio-Economic Consultation and Coordination Group



54. **Yemen Re-engagement Team.** The Bank Group’s experience in post-conflict re-engagement over the past 10 years reveals a recurrent challenge in securing resources on time, creating interdisciplinary (operational-fiduciary) teams when needed, and securing the institutional focus and commitment required for an effective ‘return to the field’. To face this institutional challenge, a dedicated ‘Yemen Re-Engagement Team’ (YRT) has been set up within the World Bank Group as part of the wider Republic of Yemen Country Team, providing advice and expert input to help make informed planning and re-engagement decisions during pre-peace and post-conflict situations. The YRT galvanizes and helps drive the thinking among the Country Team imparting flexibility and urgency to all preparation for re-engagement, closely monitoring the current crisis and responding accordingly. The YRT focuses simultaneously on the ‘why’, the ‘what’, and the ‘how’, that is, the three interlocking dimensions of re-engagement, as follows: (a) analytical inputs (the rationale for priorities; why?); (b) operational priorities (what?); and (c) security/logistical/resource management solutions required to either operate remotely or return to the field (how?).

55. **As soon as a political and security breakthrough in the Republic of Yemen allows for a major post-conflict recovery and reconstruction program to take hold, a new strategy will be presented to the Board.** Stabilization and successful transition to peace will require exceptional support from the international community, including the Bank Group. The Bank Group is expected to play an instrumental and leading role in the recovery effort. As the current conflict is being settled through peace negotiations, the Republic of Yemen requires help and continuous engagement, taking full account of the needs of this conflict-ridden and fragile country.

Risks and Risk Mitigation

56. **The overall risk rating for the Bank Group’s engagement in Yemen is considered high, but engaging now helps sustain key local institutions and service delivery mechanisms that have proven resilient and address urgent needs having long-term effects on human capital.** . Inaction or a much delayed response without recourse to emergency operation, the continuous implementation of the health projects in partnership with the UN, and the remaining IFC program would be more costly from a reputational, strategic, institutional, and development points of view. Engaging during the conflict phase helps preserve critical institutional capacity and support service delivery for the conflict-affected population, and can accelerate the Bank Group’s post-conflict assistance. The risks discussed below are limited to those that are seen to affect directly the WBG program, rather than general risks that could affect the political and institutional situation, the social fabric or the economy. The specific risks are summarized in Table 3.

Table 3. Risk Ratings Summary Table

Systematic Operations Risk- Rating Tool (SORT)	
Risk Category	Rating
1. Political and governance	High
2. Macroeconomic	High
3. Sector strategies and policies	High
4. Technical design of project or program	Substantial
5. Institutional Capacity for implementation and sustainability	Substantial
6. Fiduciary	High
7. Environment and social	High
8. Stakeholder	High
9. Other (security)	High
OVERALL	High

57. **Security, political, and governance.** High risk rating stems from the current conflict context in the Republic of Yemen. The conflict presents significant security challenges, affecting the WBG program. Peace negotiations are currently underway in Kuwait under the auspices of the UNSE for Yemen, and a peace agreement would be critical to begin to stabilize the country and embark on a post-conflict recovery path. However, the ongoing conflict and political impasse further compromised already poorly performing institutions. Their ability to conduct effective and inclusive political decision making and deliver on those has been undermined, adding to governance risks. The WBG has no instruments to address the tremendous security and political risks whose mitigation depends on the concerted efforts of the international community, under the auspices of the UN. The WBG engagement in Yemen, however, supports the UN negotiations and the related international support through continuous advice and coordinated practical steps (e.g., formation of the Y-SECCG) in informing and leading on economic and social aspects of the peace building process. On the operational side, security and political risks are mitigated by the suspension of disbursements of the vast majority of the portfolio, the closure of Sana’a Country Office and the evacuation of staff. The only disbursing Bank-financed operations are implemented

through respective UN agencies active on the ground, and are directly focused on preserving key local institutional capacity to deliver services to conflict-affected communities, using implementation partners with political neutrality and objectivity, and adapting community-based approaches to service delivery which entail measures of transparency and social accountability. This will help mitigate governance risks now, and will help safeguarding key institutional capacity required in a post-conflict recovery period.

58. **Macroeconomic risks.** The economic impact of the crisis has been devastating for the Republic of Yemen, aggravating an already deteriorating pre-conflict economic performance. In 2015, the economy contracted by about 28 percent of GDP. The conflict caused further economic decline in 2016. The resulting fiscal pressures led to a sharp adjustment by about one-third of expenditures while the fiscal deficit kept rising nonetheless (11 percent of GDP in 2015). CBY's efforts to finance the rising deficit, though unsustainable, in combination with an economy in steep decline and reduced imports due to lack of foreign exchange as the oil economy came to a halt, led to rising inflation. This has put pressure on the ability of the CBY to play its role in stabilizing the economy. These extreme adverse shocks are difficult to absorb by any country. Although the CBY has used its sound experience and capacity to manage these shocks, it is facing an impossible task as long as foreign exchange inflows do not strengthen the reserve position. If the CBY remains deprived of its stabilizing mechanisms, future steps towards macroeconomic restoration in Yemen will be even harder. While these conflict-related risks cannot be mitigated through this engagement, the WBG is helping through its dialogue with representatives of the country, as well as the UNSE and other partners, complementing the IMF's dialogue, to rationalize possible policy options at this time of crisis, as well as working creatively with partners on options for assistance.

59. **Sector strategies and policies.** The country is in conflict and therefore in many areas sector strategies and policies are at best pursued in a fragmented way. The sector strategy risks in the CEN are largely determined by three Bank-financed projects; two ongoing projects in the health sector and the proposed emergency operation. The health projects follow long established and shared sector policies and objectives, while the emergency project design builds on well-tested labor intensive works experience, both in the Republic of Yemen and internationally. In all three cases, the UN agencies involved in the implementation (UNICEF, WHO, and UNDP), have long-standing experience in working with the relevant sectors and are thoroughly familiar with sector policies in Yemen. The in-country contracted implementation agencies (the Ministry of Public Health and Population's certified medicine distribution units) and the local implementation partners (the SFD and the PWP) have long-standing satisfactory track records in implementing policies, as well as using inclusive and bottom-up approaches. Risks will be further mitigated by the diversity of interventions and implementation modalities (community engagement, NGOs, SMEs, and contractors).

60. **Institutional capacity for implementation and sustainability and technical design.** The weak governance environment and social accountability in the Republic of Yemen affected service quality even in the past. Yemen's institutional capacity has further weakened because of the conflict. The choice of the UN agencies to implement the WBG's health portfolio, as well as the proposed emergency project is partly determined by the UN's long history of operating in the Republic of Yemen, with an established track record of service delivery and continued active presence in the country despite the conflict. UNICEF, WHO and UNDP have a long-lasting track record in identifying eligible households in conflict-affected settings through partnerships with

local NGOs and community-based organizations. The broad field presence of the UN system will also help respond to changing circumstances and address arising or changing needs quickly, mitigating potential risks to reach those communities in need. Using SFD and PWP's extensive experience and professional standards to help deliver well-targeted community-based services throughout the country will also significantly mitigate the implementation risks. Their diverse partnerships with many local community leaders will help ensure that the eligible beneficiaries and communities are appropriately selected and that the financed services and deliveries address local needs. The community-based approach and the use of simple, standard designs provide reasonable mitigation measures as well. In the given circumstances, sustainability is not given and cannot be mitigated.

61. **Fiduciary risks.** All disbursing operations are implemented through UN agencies in two ways. The ongoing health projects directly engage the WHO/UNICEF to implement project activities through project agreements between the Ministry of Public Health and Population and the WHO/UNICEF that reflect the scope of the services, general obligations, reporting requirements, and transparency provisions related to the WHO/UNICEF accounts which are subject to internal and external audits in accordance with the UN Financial Regulations and Rules. The health projects follow the Bank's standard fiduciary policies and procedures and the WHO/UNICEF are considered service providers. The Bank disburses directly to the WHO/UNICEF through special commitments. The oversight and monitoring is done through the use of the Third Party Monitoring mechanism, submission of periodic financial and progress reports, and the annual audited financial statements. The proposed emergency operation will follow the Fiduciary Principles Accord (FPA) agreed between the WBG and the UN. The FPA allows the Bank to rely on the UN's regulations, rules, procedures and administrative practices, including those related to its fiduciary policies. The FPA contains a number of detailed fiduciary and reporting requirements: a joint resolution mechanism for issues that merit further scrutiny, including fraud and corruption; the inclusion of appropriate remedies (including the right to suspend or to terminate further disbursements); and a clear delineation of responsibilities between the UNDP and the Bank.

62. **Environmental and social risks.** The ongoing health projects have only limited risks in this area. As to the proposed emergency operation, the FPA covers the environmental and social safeguards, and UNDP's environmental implementation mechanisms will be applied to the operation. These guidelines are broadly consistent with those of the Bank. They will help mitigate potentially high adverse environmental and social impacts stemming from the selection and implementation of subprojects. Third party monitoring arrangements for these projects include monitoring environmental and social safeguards and help ensure compliance. The conflict context may produce social tensions during project implementation, concerning prioritization of subprojects, locations, and selection of participants. Discussions will be held between the UN agencies and its implementation partners to agree on possible measures to be undertaken to address these risks. Measures agreed upon will be codified for the purpose of project management to ensure community engagement, accountability and transparency. IFC's standard safeguards apply to all IFC investments that may be planned in a post-conflict context.

63. **Stakeholder risks.** At times of conflict the access to stakeholders is limited, if possible at all, and is often on a remote basis (for example, the online consultation process for this CEN). Broader and direct consultations, even if such can be arranged outside of the country, are subject

to the divisions brought by the conflict. The WBG tried to mitigate these risks for this CEN by using an open platform seeking stakeholders' views online. However, the online consultations can neither substitute seeking detailed stakeholder inputs, nor make up for the lack of wide consultations within the Government. The envisaged analytical work will face this stakeholder risk as well. Working in close partnership with the UN and others on the ground can help reduce some of the risk, but mitigation will remain limited. On balance, however, the alternative of inaction or a much delayed response are considered outweighing the value attached to this risk. Other risks for program implementation arise from the prolonged inability to access the country and inability of maintaining an intensive and inclusive dialogue with the authorities and the stakeholders, potentially adversely affecting the program over time.

Annex 1. The Republic of Yemen: Key Economic Indicators

	2011	2012	2013	2014	2015
National Income and Prices (Change in percent, unless otherwise indicated)					
Nominal GDP, market prices (billions of YR)	6,480.5	6,785.8	8,462.7	9,289.3	7,572.8
Real GDP growth (in %)	-12.7	2.4	4.8	-0.2	-28.1
Hydrocarbon	-14.5	-11.5	13.2	-11.3	-61.0
Nonhydrocarbon sectors	-12.5	4.0	4.0	1.0	-25.0
CPI (period average)	19.5	9.9	11.0	8.2	30.0
Hydrocarbon production (in thousand barrels per day)	364	322	365	324	126
Crude Oil	197	155	175	156	59
LNG (oil equivalent)	167	167	190	167	67
Central Government Finances (In percent of GDP)					
Revenue and Grants	25.3	29.9	23.9	23.6	9.9
of which hydrocarbon revenue	16.5	14.1	12.8	10.6	2.9
of which grants	1.2	6.1	0.9	2.7	0.0
Expenditure and net lending	29.8	36.2	30.8	27.8	21.3
Current, of which:	27.8	32.5	28.4	26.9	21.3
wages and salaries	10.0	11.1	10.2	10.1	11.0
subsidies	8.1	9.3	7.2	6.4	0.7
Capital	2.0	3.7	2.4	1.9	0.0
Overall fiscal balance (incl. grants)	-4.5	-6.3	-6.9	-4.1	-11.4
Overall fiscal balance (excl. grants)	-5.7	-12.4	-7.8	-8.0	-11.4
Primary non-oil fiscal balance (cash)	-16.7	-15.0	-14.3	-10.4	-8.3
External Sector (In millions of U.S. dollars, unless otherwise indicated)					
Exports, f.o.b.	8,662	7,349	7,639	7,906	2,941
of which hydrocarbon (oil and gas)	7,731	6,332	6,537	6,774	2,440
of which nonhydrocarbon	931	1,017	1,102	1,132	501
Imports, f.o.b.	-8,543	-10,240	-9,892	-9,752	-6,589
Current account balance (in percent of GDP)	-3.0	-1.7	-3.1	-1.7	-5.6
Reserves					
Central Bank own gross reserves (billions US\$ end-period)	4.0	5.6	4.9	4.1	1.5
Central Bank own gross reserves (in months of imports)	3.7	5.5	4.7	5.7	2.0
External Debt					
External debt (in billions YR)	1,300	1,321	1,322	1,325	1,258
External debt (in percent of GDP)	19	17	15	14	16
Exchange Rate					
Exchange rate (per US\$, period average)	213.8	214.9	214.9	214.9	214.9
Memo Items					
Nominal GDP in billion US\$	29.0	32.3	37.1	38.3	39.1

Source: Ministry of Finance, Central Bank of Yemen, IMF, and staff estimates.

Annex 2. The Republic of Yemen Portfolio (as of June 14, 2016)

Lapsed Projects							
GP	Source	Project ID	Project Name	Approval date	Closing date	Project amount (M)	Undisbursed amount (M)
Energy	IDA	P086865	Yemen Power Sector Project	5/23/2006	6/30/2015	\$44.50	\$24.50
Education	IDA	P089761	Secondary Education Development and Girls' Access	3/18/2008	31/05/2015	\$20	0
Governance	IDA	P0117363	Public Finance Modernization Project	12/20/2010	12/31/2015	\$17	\$9.60
Urban	IDA	P085231	Second Rural Access Project	11/8/2005	11/30/2015	\$80	\$23.50
Urban	IDA	P088435	Second Port Cities Development Project	5/25/2010	6/30/2015	\$35	\$9.90
Urban	IDA	P107050	Integrated Urban Development Project	5/25/2010	5/30/2015	\$22	0
Energy	RETF	P145434	Preparation of SREP Investment Plan	4/16/2013	9/23/2015	\$0.30	\$0.20
Governance	RETF	P144607	Enhancing Governance Through Procurement	6/11/2013	6/11/2015	\$0.30	0
CMU	RETF	P145338	Yemen MAF	6/28/2013	6/30/2015	\$4	\$2.40
HD	RETF	P143819	Household Budget Survey	2/12/2013	6/30/2015	\$2.20	0
T&C	RETF	P143715	SME Revitalization and Employment Pilot Project	6/8/2013	12/31/2015	\$3.72	\$1.80
Urban	RETF	P144665	Civil Society Organizations Partnership	11/11/2013	6/30/2015	\$1	\$0.85
Total = 12 Projects						\$230.02	\$72.75

Active Portfolio											
GP	Source	Proj ID.	Project Name	Date, Approval	Date, Orig Closng	Date, Rev Closng	Net Comm Amt	Tot Disb	Tot Undisb Bal	% Undisb ursed	Age yrs
Energy	IDA	P092211	RY-Rural Energy Access Project	05/19/2009	06/30/2015	6/30/2017	\$25.00	\$3.47	\$20.17	80.7	7.0
		P146055	RY-Mocha Wind Park	03/07/2014	06/30/2019	6/30/2019	\$20.00		\$19.32	96.6	2.2
Education	IDA	P110733	RY Higher Education Quality Improvement	04/29/2010	08/31/2016	12/31/2017	\$16.00	\$6.88	\$8.34	52.1	6.0
		P130853	RY Yemen: BEDP II	02/14/2013	08/31/2018	8/31/2018	\$66.00	\$20.62	\$41.04	62.2	3.2
Environment	RETF	P132116	RY-Climate Info System&PPCR Coordination	07/31/2013	02/28/2019	2/28/2019	\$19.00	\$1.59	\$17.41	91.6	2.8
Finance & Markets	IDA	P132311	RY-Financial Infrastructure Project	07/25/2013	12/31/2019	12/31/2019	\$20.00	\$3.33	\$20.46	102.3	2.8
Governance	RETF	P148288	Accountability Enhancement Project	05/30/2014	12/31/2016	12/31/2016	\$6.00	\$8.00	\$5.20	86.7	1.9
Health, Nutrition & Population	IDA	P094755	RY-Health & Population	02/22/2011	09/30/2017	9/30/2017	\$35.00	\$23.29	\$10.09	28.8	5.2
		P113102	RY-Schistosomiasis Control Project	12/17/2009	06/30/2016	6/30/2016	\$25.00	\$18.32	\$5.17	20.7	6.4
		P144522	RY Maternal and Newborn Voucher Project	03/31/2014	12/31/2019	12/31/2019	\$10.00	\$2.25	\$9.34	93.4	2.1
	RETF	P131236	RY Emrg Targeted Nutrition Intervention	11/06/2012	03/31/2017	3/31/2017	\$2.73	\$5.00	\$2.23	81.7	3.5
Social Protection & Labor	IDA	P117608	RY SWF Institutional Support Project	06/17/2010	03/31/2017	3/31/2017	\$10.00	\$2.54	\$6.85	68.5	5.9
		P117949	RY:Social Fund for Development IV	03/30/2010	12/31/2015	12/31/2016	\$135.00	\$68.46	\$59.14	43.8	6.1
		P151923	Emergency Support to Social Protection	12/09/2014	12/31/2016	12/31/2016	\$90.00	\$34.35	\$51.56	57.3	1.4
Transport & ICT	IDA	P125135	RY-Road Asset Management	02/14/2013	12/31/2018	12/31/2018	\$40.00	\$7.04	\$29.48	73.7	3.2
		P145361	RY - Corridor Highway Project	06/02/2014	06/30/2019	6/30/2019	\$133.54		\$127.10	95.2	1.9
Social, Urban, Rural and Resilience	IDA	P122594	RY-Labor Intensive Public Works Project	05/01/2012	06/30/2016	9/30/2017	\$111.00	\$58.96	\$47.54	42.8	4.0
		P146312	Yemen CSO Support Project	02/28/2014	12/31/2018	12/31/2018	\$8.00	\$5.00	\$7.07	88.4	2.2
Water	IDA	P107037	RY-Water Sector Support	02/24/2009	08/31/2014	7/31/2016	\$90.00	\$42.97	\$41.67	46.3	7.2
Total = 19 Projects							\$862.27	\$290.87	\$529.19	61.4	3.9

Annex 3. IFC Activities

MIS

International Finance Corporation

Report Run Date: 06/16/2016

Statement of IFC's Committed and Outstanding Portfolio

Amounts in US Dollar Millions

Accounting Date as of : 05/31/2016

Page 1

Region(s): Middle East and North Africa
Country(s) : Yemen, Republic of

Commitment Fiscal Year	Institution Short Name	LN Cmt'd - IFC	LN Repayment - IFC	ET Cmt'd - IFC	QL + QE Cmt'd - IFC	GT Cmt'd - IFC	RM Cmt'd - IFC	ALL Cmt'd - IFC	ALL Cmt'd - Part	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part
2007/2008	AYCC	57.79	11.96	0	0	0	0	57.79	36.93	57.79	0	0	0	0	57.79	36.93
2003	Abha Water	1.36	0.15	0	0	0	0	1.36	0	1.36	0	0	0	0	1.36	0.00
2007	S.Y Healthcare	6.31	13.69	0	0	0	0	6.31	0	6.31	0	0	0	0	6.31	0.00
Total Portfolio		65.46	25.80	0	0	0	0	65.46	36.93	65.46	0	0	0	0	65.46	36.93

Annex 4: Completion and Learning Review

Date of last CAS and ISN: April 29, 2009 (CAS for FY10–FY13, Report No: 47562-YE) and October 1, 2012 (ISN for FY13–FY14, Report No. 70943-YE)

Period Covered by the Completion and Learning Review: FY10–FY16

Completion and Learning Review prepared by: Guido Rurangwa (MNCA3)

I. INTRODUCTION

1. This Completion and Learning Review (CLR) is a self-evaluation by the World Bank Group (WBG) of the joint IDA-IFC Republic of Yemen Country Assistance Strategy (CAS) (FY2010–2013) and Interim Strategy Note (ISN) (FY2013–2014). This CLR (a) evaluates CAS and ISN performance in achieving the Bank Group’s expected outcomes; (b) assesses Bank Group performance in the design and implementation of the program; (c) discusses program alignment with the Bank Group’s strategic goals of eliminating extreme poverty and boosting shared prosperity in a sustainable manner; and (d) draws lessons to inform the scope and structure of the new Country Engagement Note. The evaluation also encompasses the FY2015-FY2016 period corresponding to the coverage of the ISN.

2. The World Bank and the International Finance Corporation (IFC) presented a joint CAS in April 2009 for FY2009-FY2013 to the Board of Executive Directors. The CAS objectives were organized around four strategic objectives, which were closely aligned with the Third National Development Plan for Poverty Reduction and Reform Program (DPPR). The DPPR focal areas are interrelated, so that sustainable progress in one area depends on progress in the other, namely: (a) help accelerate and diversify economic growth; (b) help enhance governance; (c) help foster human and social development; and (d) help manage natural resource scarcity and natural risks. An indicative amount of about US\$480 million was expected to support the Bank program in the Republic of Yemen during FY2010–2013.³¹

3. Implementation of the FY2010–2013 CAS was disrupted by the events of the Arab Spring in 2011. A popular unrest erupted in 2011 and led to a halt in WBG program in the Republic of Yemen, with the suspension of disbursements and evacuation of all staff from Sana’a. As a result, implementation of Bank-funded projects was negatively affected. An agreement brokered by the Gulf Cooperation Council led to a Government of National Reconciliation in December 2011 and the election of a transition president in February 2012. Given the political and economic uncertainty during most of 2011 and 2012, the WBG did not prepare a CAS Progress Report or CAS Completion Report; instead, the Bank and IFC presented a joint ISN to the Board in October 2012, outlining an indicative program of support for the period from January 2013 to December 2014. The objective of the ISN was to help the Government produce tangible results that stabilize the transition in the short term while laying the groundwork for medium-term reforms and sustainable longer-term benefits. The ISN proposed to support these objectives across three strategic pillars:

³¹ The program delivered in FY2009 was neither mentioned in the new CAS (discussed in Q4 of FY2009) nor indicated in the previous CAS.

(a) achieving quick wins and protecting the poor; (b) promoting growth and improving economic management; and (c) enhancing governance and local service delivery.

4. This CLR assesses progress made during both the CAS and ISN but does so against the outcomes identified in the ISN Results Framework. The rationale for this approach is based on two factors: (a) the ISN pillars were largely derived from the existing CAS Results Framework but were updated to reflect the altered operating context, and (b) the sectoral interventions identified under the CAS and ISN were substantially the same, although several newly relevant outcome indicators were added to adapt the program to the 2011 crisis, as the focus of the ISN was to sustain the performance of the ongoing portfolio rather than initiating new projects during the short (24-month) ISN implementation period.

5. Overall progress in achieving the CAS and ISN objectives has been slow. The challenges facing the Government of the Republic of Yemen (GoY) grew considerably over the CAS and ISN periods. The 2011 political crisis in the Republic of Yemen led to paralyzing the GoY for more than six months and resulted in a transfer of power to a weak transitional government in late 2011. From 2012, the country has faced insecurity due to episodic terrorist attacks, oil infrastructure sabotage, a secession movement in the south, and a low-key armed conflict with the Houthis in the north. In June 2014, the conflict started to spread across much of the Republic of Yemen, further complicated by the resurgence of Al-Qaeda in Arab Peninsula and other radical Islamist groups, including ISIS, particularly in the south and the east of the country. In this context, it became difficult to implement the CAS/ISN. In particular, during the last four years, disbursements under the Bank's program were suspended twice, the most recent suspension—still ongoing—lasting for more than a year. Nevertheless, implementation of the CAS/ISN succeeded in: (a) achieving the planned outcome of strengthening competitiveness in key sectors; and (b) partially achieving a number of other planned outcomes, including improving basic service delivery through the Social Fund for Development (SFD) and the Public Works Program (PWP), expanding access to social protection programs through the Social Welfare Fund (SFW), increasing resilience to natural disasters and climate change, strengthening analytical underpinnings for economic policy making, and improving capacity for effective public financial management. However, because of the situation in the country, a number of expected outcomes could not be achieved, including improving infrastructure, enhancing local service delivery, and accelerating the implementation of anticorruption reforms. Appendix 1 summarizes the assessment of results for all planned outcomes under each strategic pillar.

6. Bank Group performance. Although the Bank Group recognized the need to adapt to changing circumstances in the Republic of Yemen by adopting three new principles of engagement—achieve quick wins across the ISN program, with a focus on inclusiveness and transparency—operating in the Republic of Yemen became extremely challenging during the ISN period. WBG and development community assumptions that peace would be restored in the Republic of Yemen during FY2013 and FY2014 were proven wrong, as the 12-month national dialogue process which took place from March 2013 to February 2014 not only was longer than planned but also did not lead to a peaceful Republic of Yemen. As a result, the ISN program could not be implemented as designed, due to political uncertainty and the subsequent conflict immediately after the national dialogue was concluded.

7. In retrospect, the Bank Group's program focused on areas identified as critical for achieving the twin goals of ending extreme poverty and boosting shared prosperity in a sustainable manner. In particular, the ISN focused on: (a) achieving quick wins and protecting the poor by creating short-term jobs, restoring basic services, improving access to social safety nets, and revitalizing livelihoods; (b) promoting growth and improving economic management by helping maintain macro-economic stability, strengthening fiscal policies and public financial management, and improving the enabling environment for private sector growth and competitiveness; and (c) enhancing governance and local service delivery by supporting

transparency, accountability, capacity building, institutional strengthening, and improved citizen engagement.

II. CAS/ISN OUTCOMES

CAS/ISN Evaluation

8. The evaluation of the CAS/ISN is based on the Results Framework of the ISN for FY2013–2014. The overriding objective of the ISN was to help the Government produce tangible results that stabilize the transition in the short term while laying the groundwork for medium-term reforms and sustainable longer-term benefits. The Bank Group intended (a) in the short term, to facilitate inclusive dialogue among national actors on a sound technical basis and help strengthen mechanisms for service delivery, targeted distribution of social safety nets, and short-term employment creation, and (b) over the medium term, to help address the key institutional and structural weaknesses that caused the crisis—including notably governance deficits, acute poverty, and deep horizontal inequalities. While the WBG partially achieved the expected results in education and health outcomes and in protecting the poor, the response in improving economic management and enhancing local service delivery was weak (see Appendix 1). The unstable political environment which prevailed during FY2013 and FY2014 did not allow undertaking any meaningful reform to improve economic management or enhance local service delivery.

Strategic Objective 1: Achieving Quick Wins and Protecting the Poor

9. The Bank Group’s approach under this pillar was to pursue five objectives: (i) improve basic service delivery, including education and health with a focus on poor communities; (ii) expand access to social protection programs and improve targeting; (iii) strengthen dialogue with and participation of women, young people, and marginalized groups; (iv) improve management of water resources; and (v) increase resilience to natural disasters and climate change. The results are assessed below.

(a) Improving basic service delivery, including education and health, with a focus on poor communities. In the education sector, progress was achieved in (i) building and rehabilitating classrooms for pre-tertiary education; supporting early grade reading, math, and science; providing conditional cash transfers (CCT) and transportation allowances in disadvantaged areas; and training teachers; and (ii) implementing new academic programs responding to labor market needs in public universities, where the first batch of students in six undergraduate programs are expected to graduate in late 2016. However, a National Education Vision was not completed due to the conflict in the country though a number of background studies have been drafted. In the health sector, results are also mixed. The health outreach services were launched in the Health and Population Project target areas (Sana’a, Ibb, Reimah, Al Dahla’a, Al Baydah, and urban slums in Aden) and reached about 1.7 million people with access to a basic package of health, nutrition, and reproductive health services. In addition, the use of services for children (mainly polio vaccines) reached 95 percent in 2014 from 85 percent in 2013. Implementation of the Schistosomiasis Control Project led to a 55 percent decline in prevalence of either form of schistosomiasis (from 16.7 percent in 2010 to 7.5 percent in 2014). The results signal that the project has achieved its initial goal to control schistosomiasis-related morbidity (project development objective [PDO] indicator: 50 percent reduction on the prevalence of schistosomiasis) and is making progress toward the achievement of the next target of

elimination. These positive achievements were measured before the conflict resumed in early 2015. Due to the new conflict situation, the health and nutrition situation has deteriorated in the country.³²

(b) Expanding access to social protection programs and improving targeting. The outcomes of creating short-term employment through the SFD and the Labor Intensive Public Works Program were achieved. Implementation of the SFD and Labor Intensive Public Works Program created 353,000 person-months of employment by September 2015, including more than 40,000 during the ISN period, while the Labor Intensive Public Works Program created more than 110,000 person-months of short-term employment from June 2012 to April 2015. However, the outcome of completing the Household Budget Survey (HBS) during the ISN period was partially achieved, as the HBS was completed with a delay in December 2014 and analysis could not start on time due to the conflict in the Republic of Yemen. The HBS analysis is expected to lead to a series of specialized notes, including the Profile of Poverty and Inequality. Finally, the outcomes of recertifying SWF beneficiary households to improve efficiency of the SWF program was not achieved nor was the SWF beneficiary phasing-out/graduation strategy drafted. Only a by-law of the SWF and an improved targeting method have been adopted by the SWF. However, recertification of beneficiaries is still pending. It was planned to be completed in 2015 but was interrupted by the suspension of disbursements on Bank-funded operations.

(c) Strengthening dialogue with and participation of women, young people, and marginalized groups. On the one hand, the expected analysis on gender in the Republic of Yemen was completed in February 2014. The study ‘The Status of Yemeni Women: From Aspiration to Opportunity’ provided details on the gender challenges and proposed policies and actions needed to create a more equal footing for women, be it in terms of accessing health, education and other services, work environment, or that of political and civic life. However, the study dissemination was limited to an online platform, as it was not possible to hold workshops in Yemen because of the conflict. Therefore, expected results were partially achieved. On the other hand, the youth stocktaking exercise was not initiated during the ISN period. To complement the Bank’s efforts on gender, IFC continued to provide support in targeting women and youth through its Business Edge training program. The program, initiated during the pre-ISN period, continued to deliver training under supervision from the SFD’s special agency, the Small and Micro Enterprise Promotion Service (SMEPS), and was able to train 3,558 people—of whom 42 percent were women—despite insecurity and political instability. The SMEPS will continue to monitor the situation and will implement activities that will be feasible, based on their current staffing, financial situation, and the security situation. Due to the extreme market circumstances, the SMEPS has been unable to expand its training outreach or partner with new trainers as was planned during the previous period.

(d) Improving management of water resources. While groundwater irrigation registered progress, with 10,000 ha covered by the groundwater improved irrigation system (against a target of 5,000 ha), there was no progress in promoting water management by basin users, as no committee of basin users was formed between 2012 and 2014 because of the insecure situation, which did not allow the consultation to take place and the basin committees to be formed. Water supply rehabilitation did not significantly improve access to water services in rural areas, as only 14,325 people (against the targeted 50,000) received access to water service during the ISN period. Progress was higher in the urban areas, as 43,500 people received access to water supply through water supply rehabilitation. Finally, as planned, the Bank provided technical assistance (TA) for a study on Sana’a’s water supply issues and options, which was completed in May 2014.

³² The two projects in the health sector are being implemented with the help of the UNICEF and WHO, after the disbursements suspension was lifted partially in December 2015 for these two projects on an exceptional basis.

However, the study did not cover the city of Taiz, as initially envisaged, as the local water corporation of Taiz did not express interest in such a study.

(e) Increasing resilience to natural disasters and climate change. On the one hand, a Strategic Program for Climate Resilience and identification of priority investments to cope with climate change have been finalized, with the help of the Pilot Program for Climate Resilience Phase I (PPCR I) Project, which was successfully implemented and closed in December 2014. As a result, climate resilience strategies are embedded in the National Environmental Strategy and the Five-Year National Socio-Economic and Poverty Reduction Plan. On the other hand, a climate information system (CIS) has not been developed yet. Initial assessment for developing a CIS has been conducted under the PPCR Phase I Project and was expected to continue in the second phase under the CIS and PPCR coordination project. However, it has been on hold due to the suspension of disbursements.

Strategic Objective 2: Improving Economic Management

10. The main objectives pursued under this pillar were to: (a) strengthen analytical underpinnings for economic policy making; (b) improve analytical framework on expanding economic options; (c) strengthen competitiveness in key sectors; (d) improve capacity for effective public financial management; (e) improve enabling environment for micro, small, and medium enterprises (MSMEs); and (f) improve infrastructure through expanding investments and strengthening management. The results are assessed as follows:

(a) Strengthening analytical underpinnings for economic policy making. While some technical progress could be maintained with regard to policy analysis and documentation (for example, the monthly Ministry of Planning and International Cooperation (MOPIC) socioeconomic updates and the biannual World Bank economic update), the policy dialogue and the ultimate objective of rationalizing fiscal choices were compromised by the open conflict in the country since the last quarter of 2014.

(b) Standard macroeconomic framework developed and used by the MOPIC, Ministry of Finance (MOF), and Central Bank of Yemen (CBY). The Republic of Yemen successfully implemented a reform program supported by a US\$100 million International Monetary Fund (IMF) Rapid Credit Facility provided in April 2012. In February 2013, the Bank provided a US\$100 million grant for the Emergency Crisis Recovery Project to help the Republic of Yemen mitigate the impact of the 2011 crisis by providing cash benefits to eligible poor households. The macroeconomic situation weakened since early 2014, with increased sabotage of oil facilities leading to a decline in oil revenue and, therefore, a deterioration in the fiscal and external positions and severe fuel and electricity shortages. To address the difficult economic situation, the GoY adopted a bold reform agenda to preserve macroeconomic stability and set the stage for boosting growth, employment creation, and poverty alleviation. This reform program, which included fuel subsidies reduction, was supported by a US\$552 million three-year IMF Extended Credit Facility and by the Bank through three operations supporting cash transfer through the SWF to mitigate the impact of subsidies reduction to the poor. However, the current conflict put a halt on reforms implementation, and the program expired in March 2016 without ever having been reviewed.

(c) Improving analytical framework on expanding economic options. After restructuring the General Investment Authority (new investment law) and consolidating the key tax incentives before 2012, it was envisaged to complete an analytical work on economic integration. This outcome was not achieved, partly because from early 2013 to February 2014, the policy debate concentrated on the National Dialogue Conference (NDC), which did not leave space for political consensus building on economic policy choices. Since mid-2014, the debate has been overtaken by the open conflict in the country. Nevertheless, the recently published 'Economic Memorandum on Yemen—Unlocking the Potential for Economic Growth' underpins economic expansion questions and will add to the future dialogue on this topic.

(d) Strengthening competitiveness in selected key sectors. Implementation of the Rainfed Agriculture and Livestock Project (RALP) and the Fisheries Resource Management and Conservation Project (FRMCP) achieved all the ISN expected outcomes, namely: (i) establishing and operationalizing four Fisheries Authorities (FAs) at the governorate level; (ii) putting in place at least 800 rural farm producer groups, associations, or networks; and (iii) rehabilitating at least 60 km of terrace walls. The FRMCP helped create FAs in the four coastal governorates. Due to new facilities and better services supported through the project (including new ice plants, access roads, landing sites, quality control labs equipped, and rehabilitated harbors at three fishing ports), fish sold at retail and at auctions increased significantly. The RALP helped establish 2,221 rural producer groups/associations or networks (including 5 regional seed growers associations—one per targeted governorate); 70 seed producer groups (for the enhancement of rain fed cereals and legumes production and postharvest handling, seed production, and management); 1,461 livestock producer groups; 82 poultry producer groups; and 491 honey producer groups. Farmers' access to livestock services through public-private partnerships (PPPs) was improved—221 para-vet workers were trained and received basic veterinary tools and drugs to start private businesses of providing veterinary services in project areas, and 33 vet technicians were certified and mobilized. Finally, with regard to investment in agriculture infrastructure, the RALP helped rehabilitate 213 km of terrace walls, protect 52 km of wadi banks and 388 ha of land, revegetate 30 ha of upper catchments, construct 110 water canals to irrigate 810 ha, and rehabilitate/construct 267 water harvesting structures.

(e) Improving capacity for effective public financial management was partially achieved. Over the ISN period, the GoY was expected to implement measures aimed at improving efficiency and transparency in the management of public finances by strengthening decision support systems and building capacity in the finance institutions. In particular, the use of Accounting and Financial Management Information System (AFMIS) was expected to be expanded to 30 ministries, 11 departments, and 18 governorates and a cash management system implemented in all ministries. As of end-2014, AFMIS had been expanded to 24 ministries and 10 departments, but no governorate was covered. In addition, commitment control and cash management system were introduced in AFMIS for only 6 out of 30 ministries. Moreover, while a single public procurement portal was expected to be developed and introduced in the management system, this goal was not achieved by the end of 2014. A medium-term strategy for the Central Organization for Control and Auditing (COCA) was developed as planned, but its implementation could not start.

(f) Improving enabling environment for MSMEs. During the ISN period, WBG support for laying the groundwork for private sector-led growth, including through support for the MSME sector, was mainly envisaged through IFC microfinance advisory services and support to the information and communication technology (ICT) sector, as well as through the Enterprise Revitalization and Employment Pilot Project (EREP). With regard to microfinance advisory services, a feasibility study for a Microfinance Training Academy was completed, but plans to present the findings to key stakeholders were suspended due to the security situation. In addition, IFC provided advisory services to the Al Kuraimi Islamic Microfinance Bank (KIMB) to develop Sharia-compliant small and medium enterprise (SME) products and helped Al Amal Microfinance Bank develop new SME products, including (i) a pricing model; (ii) a financing application form and financing approval process; and (iii) setting up of the SME unit, including developing initial draft policies and procedures for the new SME product/unit. SME lending performance was good until mid-2015, but it slowed down due to the security situation. Regarding Bank support to the ICT sector, an assessment of the telecommunications policy, legal, and regulatory framework has been completed. However, identification of missing instruments and legislation as well as preparatory work for developing the missing instruments are pending. Due to the current political and security situation, dialogue on this topic has been paused. Finally, the US\$3.72 million EREP aimed to improve the individual employability of graduates and the business capabilities of firms participating in a pilot scheme implemented by the

SMEPS. As of early 2015, project performance was satisfactory. It reported a 40 percent employment rate among participating youth in the project (versus a 20 percent target in 2014), with 11 percent female participation (versus a 5 percent target). Direct project beneficiaries exceeded expectations, at over 4,200 beneficiaries (including graduates benefitting from training or internships and employees of benefitting firms). However, the project lapsed after the suspension of disbursements of Bank-funded projects.

(g) Improving infrastructure through expanding investments and strengthening management. Although good progress was achieved by the transport sector during the pre-ISON period with the pavement of 200 km of intermediate rural roads in accordance with acceptable industry standards and the completion of strategies and programs to improve efficiency in key areas of the transport sector, little progress was made during the ISON period in the energy sector and PPP dialogue, as envisaged. The Bank Group's recent interventions in the energy sector have been mostly unsuccessful, in part due to what turned out to be a mismatch between the Bank's strategy and the governance and institutional capacity in the Republic of Yemen. During the three-year period before the political crisis in early 2011, the Bank assisted the Government in analyzing key issues and proposing actions needed to move the sector toward fiscal sustainability. The Bank diagnosed that the sector's underperformance was primarily the result of the pervasive involvement of a vertically integrated, poorly performing state-owned company (the Public Electricity Corporation), low electricity prices, and the lack of a coherent and transparent framework to support private sector participation. However, there has been limited progress by the GoY and the Bank in addressing those issues. Much needed investments in the sector failed to materialize and the sector's performance kept deteriorating. With regard to the PPP dialogue, the Bank and IFC support did not materialize during the ISON period. During the CAS period, support to PPPs was primarily focused on assisting the private sector to closely liaise with the public sector with regard to the development of a PPP legislative framework. A draft legislation was completed, but many of its details were then hugely disputed by different stakeholders in the Republic of Yemen, particularly with regard to the role of the private sector and the institutional setting of the PPP unit. During the ISON period, support to PPPs was put on hold due to the ongoing political unrest. No activities were envisaged as implementable between early 2012 and late 2014. Dialogue on PPPs was only resumed in late 2014 when a new (and more technocratic) cabinet was formed. However, dialogue was again put on hold in early January 2015 due to the conflict situation in the country.

Strategic Objective 3: Enhancing Local Service Delivery

11. The main objectives pursued under this pillar were to: (a) enhance local service delivery; and (b) accelerate implementation of anticorruption reforms. Results achieved are presented below.

(a) Enhancing local service delivery. The quality of governance and service delivery remains weak. Dissatisfaction with poor governance, corruption, and limited access to services and economic opportunities was a key cause of the 2011 protests. During the ISON period, the Bank approved an US\$8 million financing for a Civil Society Organization (CSO) Support Project to increase transparency and ease of entry in the CSO sector and enhance CSO capacity in social accountability. This project did not achieve tangible results as the project implementation started at the end of 2014 and disbursements were suspended in March 2015 following intensification of the conflict. In addition, the envisaged Local Service Delivery Project was not delivered during the ISON period. Similarly, no new activity in the decentralization area was initiated because of the conflict in the country. Finally, the US\$6 million Accountability Enhancement Project, which was approved in May 2014 to enhance the capacity of targeted accountability institutions to provide access to information and to improve enforcement of the anticorruption law, became effective in July 2014. However, the project has not achieved much, as its implementation was constrained by the security situation prevailing in the Republic of Yemen and the suspension of disbursements.

(b) Accelerating implementation of anticorruption reforms. During the ISN period, the Bank supported the Government's agenda with a US\$5 million Public Finance Modernization Additional Financing and a US\$6 million Accountability Enhancement Project. The Public Finance Modernization Additional Financing aimed at improving accountability in the management of public finances, by providing decision support systems and building the capacity of two accountability institutions—Supreme National Authority of Combating Corruption and Civil Society Coalition against Corruption. Expected outcomes were reduced citizen's experience and perception of corruption in the six pilot sectors of education, health, water, social protection, civil service, and electricity. No assessment has been made to quantify the results, but it is assumed that those results have likely not been achieved, given that conditions prevailing in the country were not conducive to reforms. Implementation of the Accountability Enhancement Project, which was approved in May 2014, has not achieved much so far. In particular, the project has yet to help establish a Decision Support System for Asset Declaration Unit and a Management Information System for Complaints and Investigations.

III. WORLD BANK GROUP PERFORMANCE

Design of the ISN Program

12. Relevance of the strategy. The preparation of an ISN for the Republic of Yemen in October 2012 was appropriate, given the emerging needs and the significant shift in development priorities in light of the unrest and revolution of 2011 and the subsequent political transition, as well as the short time horizon of the transition government, which was expected to last until early 2014. It was anticipated that preparation of a full-fledged Country Partnership Strategy (CPS) was going to start after 18 to 24 months, after completion of a post-transition national plan to which the new CPS could be aligned. Unfortunately, the political transition failed and the country plunged into a bloody conflict that is still on-going.

13. Design of the strategy. The ISN program included a relevant and appropriate package of activities in response to the development challenges faced by the Republic of Yemen, but it did not fully recognize the speed of response and inclusiveness needed to develop trust and overcome the divisions in society. The lending program was aligned with the Government's priorities articulated in the Transitional Program for Stabilization and Development and was informed by consultations with a wide range of stakeholders. The Bank Group assistance program included a balanced set of IDA-grant-funded investment operations to achieve quick wins and protect the poor through support to education, health, social protection, and public works; promote growth through support to the financial sector, energy, transport, and jobs creation; and enhance governance through support to public financial management and CSOs. However, it is not obvious to what extent considerations of the spatial distribution of these interventions were explicitly discussed and incorporated or the speed of implementation became a focus of the strategy.

14. Analytical work (economic and sector work [ESW] and TA)³³ sought to better understand the political economy of the development challenges and prepare for the post-crisis period. However, the number of analytical work items seemed disproportionate and many of them were supply driven. Trust funds grants were used to complement the IDA envelope to expand health and nutrition services, pilot a CIS, and support CSOs to enhance local service delivery. The Bank and IFC also worked closely on supporting MSME finance and corporate governance and, to a lesser extent, the PPP framework.

15. Areas of engagement. The objective of the ISN was to help the Government produce tangible results that stabilize the transition in the short term while laying the groundwork for medium-term reforms and sustainable longer-term benefits. Through its support, the Bank Group intended to help restore trust and

³³ The new terminology "Advisory Services and Analytics (ASAs)" is also used in the text to design analytical work.

confidence between the state and its citizens by facilitating inclusive dialogue among national actors on a sound technical basis and strengthening mechanisms for service delivery, targeted distribution of social safety nets, and short-term employment creation. Over the medium term, the Bank Group's support was oriented toward addressing the key institutional and structural weaknesses that caused the crisis—including governance deficits, acute poverty, and deep horizontal inequalities—while helping establish the foundations for medium-term development and private sector-led growth.

16. Relevance of indicators and realism of expected results. Although the indicators in the ISN Results Framework were only indicative, most of them were appropriate and realistic. However, because the political and security risks were not adequately mitigated, implementation of many operations could not proceed as planned, and most of the expected results were not achieved.

17. Risks. The risks identified in the ISN were appropriate but mitigation measures were not adequate. The Republic of Yemen country program continued to be a high-risk program. Many risks that could not be mitigated materialized during the ISN period: (a) political elites failed to fully agree on the recommendations of the lengthy NDC and ultimately, to implement them, which provoked renewed instability and violence; (b) threats from Al-Qaeda in Arab Peninsula and tribal dissent never stopped and continued to put pressure on an already fragile political situation, threatening the little political gains made in the transition period; (c) lack of sufficient progress in strengthening governance, particularly in improving the transparency and accountability of decision making, led to disillusionment; and (d) Government ownership of a medium-term reform agenda was limited, and the transition government did not move forward on time on several reforms, such as fuel subsidies and energy and telecommunications reforms. The materialization of these risks undermined the implementation of the ISN program.

Implementation of the World Bank Group Program

18. The Bank mobilized significant lending and non-lending services to support the Republic of Yemen program during FY2010–FY2016. The program during FY2010–FY2016 averaged US\$186 million annually, of which US\$167 million was financed by IDA resources and US\$19 million by trust fund grants. During the ISN period (FY2013–FY2014), the overall amount increased significantly (see Table 1) and financed mainly operations for emergency crisis recovery and operations in social protection, transport, health and nutrition, energy, financial sector, and governance. In FY2015, four operations were financed for social protection (through the SWF), labor intensive public works (PWP), SFD, and higher education. Details of operations approved during the period are presented in Appendix 2. The Bank also undertook Analytical and Advisory Activities in a number of areas, including governance, health, education, transport, water, telecommunication, and energy (see Appendix 3 and Appendix 4). However, the number of planned Advisory Services and Analytics (ASAs), which were not delivered, is relatively high. It is not clear whether all of the new deliveries were demand driven.

Table 1. The Republic of Yemen: Summary of Projects Delivered During FY2010–FY2016

	IDA-funded Projects		Other Projects		All Projects ³⁴	
	Number	IDA (US\$, millions)	Number	US\$, millions	Number	Total (US\$, millions)
FY10	7	205.0	9	92.9	16	297.9
FY11	3	117.0	2	3.1	5	120.1
FY12	1	61.0	1	2.6	2	63.6
FY13	5	236.0	2	5.7	7	241.7
FY14	5	191.5	4	29.9	9	221.4
FY15	4	193.0	—	—	4	193.0
FY16	0					
Total	29	1,168.5	19	135.3	48	1,303.9

19. Implementation challenges. The 2011 political crisis led to a temporary suspension of disbursements on Bank Group-funded operations. The suspension was lifted after a transition government was put in place in late 2011 and all Bank-funded operations resumed normally. However, Bank staff on missions were not allowed to go outside Sana'a, which limited access to project sites, reducing Bank capacity to provide support to project implementation. To address this issue, third-party monitoring (TPM) arrangements were put in place to enhance the Bank's supervision efforts and fiduciary oversight. A third-party monitoring agent, the International Relief and Development, was hired to conduct on-site visits. This mechanism worked well until the end of FY2014 when the conflict escalated and the Bank suspended its disbursements on most of its operations in the country.

20. Quality of the portfolio. Portfolio performance was relatively strong during most of the FY2010–FY2016 period (see Table 2). Annual disbursements amounts were higher than US\$105 million, and annual disbursement ratio stood at 22 percent or higher, except in FY2011 and FY2012 during the political crisis. Although the proportion of problem projects was relatively low, due to the risky environment where the projects were implemented, the number of projects at risk has always been relatively high. To improve portfolio performance, the Government and the Bank conducted regular joint country portfolio performance reviews and took adequate actions such as restructuring a large number of projects in 2010 and 2014, which explains high proactivity percentages during the entire period. More recently, a thorough portfolio review was initiated by the Bank in late 2015. Results are expected to be discussed with the GoY and affected partners, and this will lead to a portfolio restructuring to ensure that the Bank Group portfolio is able to respond to the priority needs of post-conflict Yemen.

21. The SFD and PWP have played a key role in implementing Bank-funded projects. The SFD, the PWP and, to some extent, the SWF have been among the best project implementing agencies with regard

³⁴ No project was approved in FY2016.

to volume of disbursements and efficiency in reaching beneficiaries and outcomes. In particular, the SFD and PWP built islands of excellence in effective service delivery at the community level. Their success is due to their relatively independent governance structure and generous support from the Government and its development partners (DPs), including the Bank, over many years. These institutions are among the few public institutions that have also demonstrated resilience during the current conflict.

Table 2. The Republic of Yemen: Portfolio Performance, FY2010–FY2016

	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Active Projects (Number)	25	25	19	22	26	20	18
Net Commitments Amount (US\$, m)	1,057	941	691	919	988	957	860
Total Undisbursed Balance (US\$, m)	603	564	509	593	602	574	531
Disbursements in FY (US\$, m)	105	84	32	122	126	104	10
Disbursements Ratio	22	11	7	25	23	22	2
Slow Disbursements (%)	4	0	5	14	15	10	6
Actual Problem Project (Number)	6	6	12	8	3	17	16
Problem Project (%)	24	24	63	36	12	85	89
Projects at Risk (#)	8	11	15	12	9	18	16
Projects at Risk (%)	32	44	79	55	35	90	89
Commitments at Risk (US\$, m)	376	405	529	417	406	916	818
Commitments at Risk (%)	36	43	77	45	41	96	95
Proactivity (%)	0	50	100	36	100	100	75

22. IFC portfolio performance. IFC's investment exposure in the Republic of Yemen increased from US\$10 million in three companies in FY2005 to US\$85 million in six companies in FY2014, but performance has been weak. The performance of IFC's investment portfolio in the Republic of Yemen was weak before the current conflict and compounded by the prevailing conflict. Only one out of the six IFC investment projects is performing according to expectations, while three others have been classified as distressed assets even before the current conflict. Given the fragilities of the last few years, IFC kept its investment in the Republic of Yemen focused on advisory functions. During the last CAS and ISN periods, IFC engaged in the Republic of Yemen primarily through its advisory arm and focused on institutional strengthening and capacity building of the private sector to help create the necessary investment climate and operating environment for fostering foreign direct investment and local entrepreneurship. The IFC advisory program was supported by a Trust Fund Agreement with the U.K. Department for International Development, which was suspended in June 2015. There have been a number of successes due to the comprehensive advisory program under implementation, for example, (a) improvements in business start-up procedures; (b) substantial increase in Business Edge business skills training for SMEs; (c) assistance with preparation and parliamentary passage of contentious new investment and income tax laws; (d) assistance with the preparation and passage of a new mining law and executive regulations; (e) assistance

with the preparation and passage of a leasing law; and (f) support to the Government on an international best-practice PPP law and a law on special economic zones (though these laws still await approval by the cabinet); and (g) support to micro-finance institutions.

23. Donor collaboration. During the ISN period, the Bank Group became an active member of the ‘Friends of Yemen’, a group of bilateral countries and multilateral institutions formed in 2010 to help bolster international political support for the Republic of Yemen and to assist Yemeni-led efforts to tackle the underlying causes of instability. The Bank helped organize the pledges to support the Republic of Yemen, and a total of US\$8 billion was pledged to support the Republic of Yemen’s transition (2011–2014), of which about US\$3 billion was disbursed. At the request of the GoY and with financial support from the United States, the United Kingdom, and Denmark, a US\$9 million Multi-Donor Trust Fund was established in 2012 to provide technical support to the GoY Executive Bureau to improve absorption capacity and fast-track the implementation of the donor pledges. The Bank also helped the Republic of Yemen access additional funding under the Deauville Partnership Transition Fund to support an Enterprise Revitalization and Employment Project for US\$4.4 million and a CSO Partnership Project for US\$1.7 million.

IV. ALIGNMENT WITH WORLD BANK GROUP CORPORATE GOALS

24. In retrospect, the Bank Group program focused on areas identified as critical for achieving the twin goals of ending extreme poverty and boosting shared prosperity in a sustainable manner. The last CAS was organized around four strategic objectives: (a) help accelerate and diversify economic growth; (b) help enhance governance; (c) help foster human and social development; and (d) help manage natural resource scarcity and natural risks. Each of these objectives was supported through a combination of instruments (financial, analytical, and advisory support), with complementary actions from across the Bank Group. The four objectives taken together are another way to express the twin goals. Similarly, the ISN focused on (a) achieving quick wins and protecting the poor by creating short-term jobs, restoring basic services, improving access to social safety nets, and revitalizing livelihoods; (b) promoting growth and improving economic management by helping maintain macro stability, strengthening fiscal policies and public financial management, and improving the enabling environment for private sector growth and competitiveness; and (c) enhancing governance and local service delivery by supporting transparency, accountability, capacity building, institutional strengthening, and improved citizen engagement. Clearly, the ISN focus was also consistent with the twin goals.

V. LESSONS LEARNED

Promote Resilience through Strengthening Inclusive Institutions

25. The recent experience of the Republic of Yemen shows that, even during conflict, inclusive institutions have continued to provide services especially for the poor. Lessons from experience in many countries show that relying on local-level resilience and recovery mechanisms existing on the ground can pay dividends by contributing to service delivery restoration and expansion, and serve as a springboard for larger scale restructuring programs, where these remain the most cost effective and efficient way of delivering services. Past Bank engagement in the Republic of Yemen has recognized the importance of inclusiveness in all of its elements. However, given the weaknesses in local capacity and the importance of maintaining service delivery, helping develop resilient state institutions is essential to maintain service delivery. This means that the Bank’s support for enhancing inclusive institutions—such as the SFD and PWP—needs to be maintained.

26. The Republic of Yemen's SFD, PWP, and, to some extent, SWF have continued to reach beneficiaries and provide good outcomes even during times of conflict. A key feature of their work has been the use of community-level user groups in planning, management, and supervision. Such localized and decentralized approaches have proven to be resilient to shocks. Success of these institutions is in large part due to their relative independence and systems of transparency, accountability, and good governance around their functioning.

27. Supporting and developing such resilience in public institutions in different sectors—whether in macroeconomic policy making, transport, doing business, public services, or others—needs additional attention in future Bank programming. These can be enhanced through citizens' voice and participation. Working with GoY and other partners, the Bank could also jointly chart a path forward for the post-conflict period and avoid pitfalls of rebuilding the same old structures and institutional processes that have failed before.

Strengthen Development Partnerships

28. The WBG's role in providing a development platform for donor coordination is vital and needs to be pursued. The Government and other DPs see the Bank Group's involvement in a particular sector as an effective way to strengthen overall implementation capacity in that sector. This has particularly been the case in two decades of projects implemented by the SFD and PWP, where the Bank's involvement has helped mobilize donors and facilitate execution of their pledges. In other sectors, such as in transport, the Bank also played a catalytic role in the mobilization of large-scale funding for the Aden-Taiz-Sana'a-Saada project, providing a significant cofinancing opportunity for Saudi Arabia. The Rural Access Program, launched with the support of the Bank in 2001, was successful in attracting multiple donors, including the Arab Fund for Development, Saudi Fund for Development, Abu Dhabi Fund for Development, Kuwait Fund for Development, Oman, and IsDB, among others. In the education sector, the Sector Wide Approach-like donor coordination went well. Also, in the water sector, the Bank, through its long-term engagement in water resources, water supply and sanitation, and water governance worked closely with other key partners, ensuring active coordination and avoiding duplication of activities, ensuring consistency in approaches and messaging, maximizing success in building implementation capacity, and leveraging funding. These long-standing coordination mechanisms are currently being used in the context of the DNA and hold potential to pursue the dialogue and coordinated support for post-conflict reconstruction and recovery. A stronger partnership with key regional partners in the GCC area is going to be critical to help the Republic of Yemen absorb any sizeable post-conflict recovery/reconstruction program.

29. Development partnerships need to be strengthened throughout implementation. Close collaboration with UN agencies—as is the case with UNICEF and WHO which allowed the Bank to lift the suspension of disbursements of two Bank-funded health projects even in the middle of conflict—may permit key social services to be delivered in an emergency. This approach is already being extended through the OP 2.30 emergency operation which is being prepared to be implemented through the UNDP. This operation will support income generation and critical service delivery to the most vulnerable people and IDPs, even in the midst of conflict. As fragility and security risks are likely to remain high for the Republic of Yemen going forward, project design of key social sector interventions could have design and legal arrangements to continue implementation of these programs through appropriate UN agencies, should the situation on the ground prevent regular implementation procedures.

Mainstream Innovative Solutions for Post-conflict Recovery and Reconstruction

30. Bank experience to date reflects innovative solutions to support the design and implementation of Bank programs. Some of these, like third-party monitoring mechanisms, are already in place in some

projects. These could be expanded to permit adequate implementation oversight, given that security concerns would likely continue to limit Bank staff's access to project sites, even after the disbursements suspension is lifted. Similarly, even as citizen voice and participation have been important in the development of Bank-funded projects, this can also be extended to implementation. This will enhance the transparency and accountability around Bank-financed operations. Use of strategic communication to involve and inform beneficiaries and ensure delivery on promises is critical for gaining trust. The choice of technology for Bank interventions—an example is the case of solar panels now being used by health facilities as grid electricity is not available or reliable—also needs to be thought through to promote mechanisms that can sustain services even during conflict and to maximize local multipliers. These approaches are important to strengthen resilience in the Republic of Yemen.

Consolidate World Bank Group Portfolio

31. The Bank should embrace the principle of selectivity. Over the last seven years, active portfolio included at least 23 projects at a time, including projects with commitments below US\$10 million. This suggests a fragmentation that stretches the Bank's implementation support capacity and resources as well as challenges the capacity constraints in the line ministries and project implementation units. To address this, the portfolio needs to be consolidated. This requires a concerted effort to make it selective and focused on key priorities. As and when peace and stability returns to the Republic of Yemen, the preparation of a Systematic Country Diagnostic would be a useful instrument to underpin the prioritization of WBG interventions under the future Country Partnership Framework.

Appendix 1 of the CLR. The Republic of Yemen FY2010-FY2016 CAS/ISN Results Matrix

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
Strategic Objective/Pillar 1: Achieving Quick Wins and Protecting the Poor			
Objective 1.1. Improve basic service delivery, including education and health, with a focus on poor communities: Partially achieved			
<p>Progress achieved in education before the ISN (October 2012):</p> <ul style="list-style-type: none"> • 3,400 primary classrooms constructed and rehabilitated • 90,000 teachers trained • Girls’ enrollment in basic education increased by 17.5% and the Gender Parity Index improved from 0.7 to 0.77 in the 10 governorates targeted by the Basic Education Development Project <p>ISN milestones in education:</p>	<p>Results in the education sector were partially achieved. Expected results for pre-tertiary education included civil works and goods mostly delivered; support for early grades reading, math, and science (extended for grade 1), including training of teachers, CCTs, and transportation allowances provided for girls and boys in disadvantaged areas; and support for female teacher contracting scheme in rural areas. For higher education, new academic programs responding to labor market were implemented in public universities; however, the development of a national education vision was not completed.</p> <p>For civil works and goods, as of December 2015, following results have been achieved by Bank-funded projects in the education sector: 4,138 classrooms were constructed or rehabilitated, including 738 during the ISN period; 132 classrooms were extended; 852,000 school kits were provided for grade 1–6 students; learning facilities (library, storage, toilets, improved walls, and pavements) were delivered in 43 secondary schools; and 50 secondary schools were newly equipped with science lab, computer lab, and library.</p> <p>For students and teachers, 38,039 girls in grades 4–9 benefited from CCTs; training was provided to 47,674 primary school teachers, 16,186 primary school headmasters, 2,867 Ministry of Education (MoE) staff, and 976 female teachers; in</p>	<p>Pre-ISN period:</p> <ul style="list-style-type: none"> • Basic Education Development, Secondary Education Development, and Girls’ Access (SPN) • Higher Education and Quality Improvement Project (SPN) • Social Fund for Development IV (SPN) • World Bank/UNESCO TA on education (ASA) <p>ISN period:</p>	<p>VI. Demand-side interventions such as CCTs for girls’ education and rural female teacher contracting proved to be effective in supporting disadvantaged groups and addressing inequity issues, such as promoting girls’ enrollment and retention in rural areas, and this type of intervention could be scaled up in the future operation.</p> <p>VII. Bank team’s effective and diligent implementation</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
<ul style="list-style-type: none"> • 44 secondary schools in 5 governorates rehabilitated • New academic programs responding to labor market needs implemented in 8 public universities • National Education Vision for Yemen endorsed by the Government <p>Achievements:</p> <ul style="list-style-type: none"> • 2,179 new classrooms constructed • 1,959 classrooms rehabilitated • New academic programs responding to labor market needs implemented in 8 public universities • National Education Vision not completed 	<p>addition, 4,192 girls and 3,949 boys in secondary schools benefitted from transportation grants; hiring of 89 female teaching assistants was funded by the school community grant; 14,349 secondary school teachers received subject matter training; 34,073 primary school teachers trained on early grade reading skills; 23,670 girls in Grades 4–9 received CCT support; and 699 female primary school teachers were trained, contracted, and deployed in rural areas.</p> <p>New academic programs responding to labor market needs were implemented in 8 public universities with the support of the Yemen Higher Education Quality Improvement Project, including (a) a rigorous process of program and curriculum development for 12 undergraduate programs in 8 public universities; (b) four batches of students in 10 programs (2,363, of which 1,575 males and 788 females) between 2012/13 and 2015/16 academic year were admitted; and (c) the Council for Accreditation and Quality Assurance in Yemen was established and its strategic plan was finalized in 2014. The manual of procedures for quality assurance standards to be used for universities' self-assessment was developed.</p> <p>With Bank support, a Systems Approach for Better Education Results (SABER)-Workforce Development Benchmarking Study was launched. Surveys on early childhood development, workforce development, and student assessment have been completed and key findings shared with the MoE. However, the SABER School Autonomy and Accountability</p>	<ul style="list-style-type: none"> • Basic Education II • SABER-Workforce Benchmarking Study (ASA) • Education Sector Decentralization Study (ASA) 	<p>support is important to gain the client's trust and to build its capacity, which is critical for successful project implementation.</p> <p>VIII. Simple and realistic design of the project is essential to ensure timely and successful implementation of the activities.</p> <p>IX. Early engagement of project beneficiaries, as was the case of the Higher Education Quality Improvement Project and the university programs, proved to be conducive in enhancing the overall level of</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
	<p>work, which began in early 2015, could not be finalized due to the conflict in Yemen.</p> <p>The development of the Integrated Yemen Education Vision was progressing well until March 2015 when the Bank suspended disbursements on Bank-funded operations. All background papers were completed in January 2015, but the consolidation of the vision document stopped after the disbursements suspension.</p> <p>The education sector decentralization study explored various models from other countries to inform policy making in decentralization of the education sector in view of improving service delivery, community engagement, and school-based management and accountability.</p>		<p>ownership and in addressing design and implementation issues on time.</p> <p>X. Functional monitoring and evaluation activities are crucial in raising attention to the implementation challenges and in addressing them in a timely and efficient manner.</p> <p>XI. Qualified and highly committed project director and Project Management Unit (PMU) staff are crucial for successful implementation.</p> <p>XII. Effective partnerships with other education</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
			<p>stakeholders and the local education group are important in supporting the MoE in its policy and program development and implementation.</p> <p>XIII. Institutional and technical capacity building should be part of the operations for Yemen to achieve the intended project implementation results.</p>
<p>Progress in health before the ISN (October 2012):</p> <ul style="list-style-type: none"> Recommendations on integration of reproductive health and nutrition within outreach services adopted 	<p>Results in the health sector were partially achieved.</p> <p>Health outreach services were launched in the health and population project target areas (Sana'a, Ibb, Reimah, Al Dahla'a, Al Baydah, and urban slums in Aden) and reached about 1.7 million people with an access to a basic package of health, nutrition, and reproductive health services. In addition, the utilization of services for children (mainly polio vaccines) reached 95% in 2014 from 85% in 2013. With regard to the Schistosomiasis Control Project, its implementation led to a</p>	<p>Pre-ISN period:</p> <ul style="list-style-type: none"> Health and Population Project (SPN) Safe Motherhood (GPOBA) 	<p>XIV. The focus on supply- and demand-side service delivery models of basic health care has been essential for addressing the</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
<ul style="list-style-type: none"> • Nationwide schistosomiasis prevalence reduced by 10% • Contribution to the nationwide immunization polio campaigns <p>ISN milestones in health:</p> <ul style="list-style-type: none"> • Health outreach services launched in project target areas: Achieved • Second nationwide drug distribution campaign against schistosomiasis and soil-transmitted helminths completed: Achieved • Maternal health services delivery model for contracting private sector providers delivered: Not achieved 	<p>55% decline in prevalence of either form of schistosomiasis (from 16.7% in 2010 to 7.5% in 2014). The results signal that the project has achieved its initial goal of the control of schistosomiasis-related morbidity (PDO indicator: 50% reduction on the prevalence of schistosomiasis).</p> <p>Maternal health services. The number of women who have been reached for maternal outreach services has reached 220,000 in 2015, while the number of pregnant women who received antenatal care was estimated at 23767 in 2015. In addition, around 58,000 pregnant women and those of reproductive age were vaccinated against Tetanus in target areas in 2014–2015. Modern contraceptives were received by around 30,000 women in target areas.</p> <p>Child nutrition. About 57,000 under-5-year-old children have been screened for malnutrition and reached by outreach nutrition services in 2015.</p> <p>These positive achievements were measured before the conflict resumed in early 2015. Due to the new conflict situation, the health and nutrition situation has deteriorated in the country, but it is currently not possible to measure the impact on project outcomes.</p>	<ul style="list-style-type: none"> • Schistosomiasis Control Project (SPN) • Healthy Mother (JSDF TF) <p>ISN period:</p> <ul style="list-style-type: none"> • Emergency Crisis Recovery Project 	<p>main public health issues in Yemen.</p> <p>XV. Simple design and ownership are the main critical elements for the viability of health interventions in Yemen.</p> <p>XVI.</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
<ul style="list-style-type: none"> • Community Management of Acute Malnutrition launched: Achieved • Output-based Maternal Health Services launched in project target areas: Achieved 			
Objective 1.2. Expand access to social protection programs and improve targeting: Partially achieved			
<p>Pre-ISN situation:</p> <ul style="list-style-type: none"> • 140,966 person-months of employment created through the SFD • Bylaw to the Social Welfare law adopted • Standard methodology adopted to improve the SWF's targeting, which is enshrined in its bylaw through DPG • 140,340 person months of short-term 	<p>Results expected to expand access to social protection programs and improve targeting were partially achieved.</p> <p>The HBS was delayed by several months and completed in December 2014. It is the first comprehensive nationwide survey conducted in Yemen since 2004/2005. It contains rich information on the demographic and socioeconomic characteristics of the Yemeni population and is representative at the level of the governorate and each of the four quarters of the year in which the data were collected. The survey also contains specialized modules on education, health, vulnerability, and social protection that can be used to characterize the nonmonetary aspects of poverty and well-being. The HBS analysis will lead to a series of specialized notes, including the Profile of Poverty and Inequality.</p>	<ul style="list-style-type: none"> • AF for SFD • HBS (TA) • SFD IV (SPN) • PWP (SPN) • SWF (IS) 	

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
<p>employment created through PWP III</p> <p>ISN milestones:</p> <ul style="list-style-type: none"> • HBS conducted: Partially achieved (with delay) • 30,000 additional person-months of employment created through the SFD: Achieved • 55,000 person-months of short-term employment created through the Labor Intensive Public Works Program: Achieved • SWF beneficiary phasing-out/graduation strategy drafted: Not achieved • 100,000 beneficiary households recertified 	<p>Implementation of the SFD PWP created 353,000 person-months of employment by September 2015, including more than 40,000 during the ISN period.</p> <p>To improve efficiency of the SWF program, a bylaw of the SWF has been adopted. In addition, an improved targeting method has been adopted by the SWF. However, recertification of beneficiaries is still pending. It was planned to be completed in 2015 but was interrupted by the suspension of disbursements on Bank-funded operations. Moreover, the phasing-out strategy of SWF beneficiaries was not drafted.</p> <p>Implementation of the PWP has exceeded the expected results of creating about 55,000 person-months of short-term employment during the ISN period, as 112,712 person-months of short-term employment were created from June 2012 to April 2015.</p>		

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
using the PMT method: Not achieved			
Objective 1.3. Strengthen dialogue with and participation of women, young people, and marginalized groups*: Partially achieved			
<p>ISN milestones:</p> <ul style="list-style-type: none"> • Gender analysis completed and disseminated: Partially achieved • Youth stocktaking exercise completed, and recommendations discussed with the Government: Not achieved 	<p>Among the two Bank-funded activities to strengthen dialogue with and participation of women, young people, and marginalized groups, only one, namely the study on gender challenges, was completed during the ISN period. However, its dissemination was limited to an online platform, as it was not possible to hold workshops in Yemen because of the conflict. Therefore, expected results were partially achieved.</p> <p>Gender challenges in the Republic of Yemen (ASA). The study ‘The Status of Yemeni Women: From Aspiration to Opportunity’, completed in February 2014, details the challenges and proposes the policies and actions needed to create a more equal footing for women, be it in accessing health, education, and other services; the world of work; or that of political and civic life.</p> <p>Stocktaking of youth issues. This analytical work has not been initiated during the ISN period.</p> <p>IFC AS - business edge. The program-accredited trainers, initiated during the pre-ISN period, continued to deliver training under supervision from the SFD’s special agency SMEPS and were able to train 3,558 (42% of whom were women) despite the current security and political instability. The SMEPS will continue to monitor the situation and will implement activities that will make sense, based on their current staffing, financial situation, and the security situation.</p>	<p>Pre-ISN period:</p> <ul style="list-style-type: none"> • Business edge training and SME support targeting women and youth (IFC AS) <p>ISN period:</p> <ul style="list-style-type: none"> • Gender challenges in Yemen (ASA) 	

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
	Due to the extreme market circumstances, the SMEPS has been unable to expand its training outreach or partner with new trainers as was planned during the previous period.		
Objective 1.4. Improve management of water resources: Partially achieved			
<p>Pre-ISN situation:</p> <ul style="list-style-type: none"> • Annual water savings through improved irrigation efficiency increased from 40 to 55 million m³ • Small and medium spate irrigation schemes improved on about 2,171 ha • 100 new water user groups established each year for irrigation and rural water supply and sanitation • Rural access to water supply and sanitation services extended to an additional 11,000 and 500 people, respectively 	<p>Improvement of water resources management was partially achieved during the ISN period.</p> <p>No committee of basin users was formed between 2012 and 2014 as the insecure situation did not allow the consultation to take place or the basin committees to be formed.</p> <p>Groundwater irrigation registered progress, as by March 2015, 10,000 ha (as against 5,000 ha targeted during the ISN period) were covered by groundwater improved irrigation system.</p> <p>Access to water supply and sanitation improved in rural areas as a result of Bank-funded projects in the sector, as by March 2015, 5,640 households had access to water supply, that is, about 28,000 people (with a conservative assumption of 5 people per household) and 2,500 latrines had been constructed, serving about 10,000 people. However, in urban areas, access to water supply and sanitation did not expand during the ISN period (work was planned in Sana'a but could not take place due to insecurity).</p> <p>Rehabilitation of water supply did not improve much rural access to water services, as only 14,325 people received access to water service through water supply rehabilitation—the focus has been on new turnkey system for rural areas with a good analysis on water resources to have some</p>	<p>Pre-ISN period:</p> <ul style="list-style-type: none"> • Water Sector Support Project (SPN) • Sana'a and Taiz water supply issues and options (ASA) • GPOBA Water Program (TF) <p>ISN period:</p> <ul style="list-style-type: none"> • Water TA (ASA) 	<p>For the future, it would be recommended to have a two-pronged approach for water resource management: (a) explore the use of private sector (working closely with WSP) building on the results of the DNA and the upcoming WASH-Poverty Diagnostic in Yemen, and (b) continue the dialogue with client for integrated urban water supply for the major cities (Sana'a, Aden, Taiz, and so on).</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
<ul style="list-style-type: none"> • Urban access to water supply extended to 41,000 people • Additional 28,000 people in rural areas received improved access to water services as a result of rehabilitation work • An additional 28,000 people in rural areas and 50,000 in urban areas received improved access to water services as a result of rehabilitation work <p>ISN milestones:</p> <ul style="list-style-type: none"> • 5 basin committees formed and functional based on International Water Resource Management principles: Not achieved • Groundwater irrigation systems 	<p>sustainability. In urban areas, progress was higher, as 43,500 people received access to water supply through water supply rehabilitation.</p> <p>The Bank provided TA for a study on Sana'a water supply issues and options, which was completed in May 2014. The study did not cover the city of Taiz as initially envisaged, as the local water corporation of Taiz did not express interest for such a study.</p> <p>The GPOBA TF was canceled due to the security situation in the pilot areas that were targeted.</p>		

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
<p>improved in priority basins on about 5,000 ha: Achieved</p> <ul style="list-style-type: none"> • Rural access to water supply and sanitation services extended to an additional 15,000 and 5,000 people, respectively: Achieved • Urban access to water supply extended to an additional 4,000 people: Not achieved • An additional 50,000 people in rural areas and 15,000 in urban areas receive improved access to water services as a result of rehabilitation work: Partially achieved 			
Objective 1.5. Increase resilience to natural disasters and climate change: Partially achieved			
Pre-ISN situation:	Activities to increase resilience to natural disasters and climate change have partially achieved expected results,	Pre-ISN period:	Communication and participatory process. The more involvement of

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
<ul style="list-style-type: none"> Climate Change Mitigation and Adaptation Strategy finalized Advanced warning system in Hadramout Governorate in place 1,200 ha protected in Taiz and Hadramout/Al Mahra 80% fewer businesses affected by floods in Hadramout, Al Mahra, Taiz <p>ISN milestone:</p> <ul style="list-style-type: none"> CIS developed: Not achieved 	<p>mainly due to the conflict situation that prevented their implementation.</p> <p>Climate Change Mitigation and Adaptation Strategy: Achieved</p> <p>The pilot PPCR I Project, which was successfully implemented and closed in December 2014, assisted the formulation of a Strategic Program for Climate Resilience and identification of priority investments to cope with climate change, including three follow-up investments totaling US\$58 million in grant financing that have been allocated to Yemen by the PPCR: the CIS and PPCR Coordination Project (US\$19 million, already approved); a project in the agriculture sector (US\$19 million); and another one for coastal management (US\$20 million) under preparation before March 2015.</p> <p>The capacity of Inter-Ministerial Committee on Climate Change has been strengthened, and relevant ministers and technical persons have been assigned to follow up integration of climate resilience into central and sectoral planning. As a result, climate resilience strategies are embedded into the National Environmental Strategy and the Five-Year National Socio Economic and Poverty Reduction Plan. The Ministry of Planning has recently started to screen for climate risks in national planning processes.</p> <p>Developing a CIS: Not achieved</p> <p>Initial assessment for developing a CIS has been conducted under the PPCR I Project. During the second phase, under the CIS and PPCR Coordination Project (US\$19 million approved</p>	<ul style="list-style-type: none"> Climate change mitigation TA (ASA) GFDRR TA (ASA) Agrobiodiversity and Adaptation to Climate Change (GEF TF) Flood Protection and Emergency Reconstruction Project (SPN) <p>ISN period:</p> <ul style="list-style-type: none"> PPCR (TF) 	<p>stakeholders and consultations held at critical milestones, the more cooperation the project/strategy received from stakeholders. The consultation process provided enhanced engagement and communication among stakeholders. Ownership increases when stakeholders are involved in identifying their issues, priorities, and solutions. On the other hand, consultation requires proper expectation management.</p> <p>Awareness and information dissemination. The project aimed at strengthening the local capacities but a wealth of accumulated knowledge actually exists within local communities. It requires stimulation and encouragement to provide and share such unwritten knowledge but awareness raising activities helped reaching out the local</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
	<p>in September 2013), the system integrator was hired to conduct detailed analysis and design of the CIS. However, the work is on hold due to suspension of disbursements on Bank operations since March 2015. So far the assessment of existing technical systems and capabilities and proposal for improvement has been completed, and the assessment of the capacity and operation and maintenance costs for the four partner agencies (EPA, CAMA, NWRA, and MAI) is under way.</p> <p>Other results: Achieved</p> <p>The Multi-Sectoral Asset Data Base and Flood Risk Assessment for Hadramout has been prepared, and other expected results such as protecting 1,200 ha in Taiz and Hadramout and floods protection in Hadramout, Al Mahra, and Taiz were completed before October 2012.</p> <p>The Agrobiodiversity and Climate Adaptation Project (ACAP)</p> <p>This project closed on March 5, 2015, with satisfactory rating and achieved following key results:</p> <ul style="list-style-type: none"> • A Strategy for Climate Resilient Agriculture for rainfed highlands was prepared and finalized in consultation with key institutional stakeholders. This led to signing of an MOU (with MAI, CAMA, EPA, and NWRA as signatories) that includes arrangements for strengthening and institutionalizing climate data sharing and harmonization. However, the final stage of formal 		<p>communities and discovering hidden knowledge.</p> <p>TA for preparation of investments. Implementing projects in phases enables the government to build capacity and gain experience in implementing projects, which are useful for the next phases.</p> <p>Flexibility. Under difficult situation in the country, flexibility is needed to implement projects.</p> <p>Even when the goal is to deliver climate change-related global benefits, one must build national policies and priorities, because global benefits will be achieved and sustained only if they are consistent with national policies and priorities. In addition, project activities at the local level can be sustained only if they fit national policies and priorities. The centrality of developing national policies and priorities</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
	<p>adoption of the strategy has yet to be completed because of political crisis and ongoing war.</p> <ul style="list-style-type: none"> • The ACAP carried out an inventory of the landraces; had 46 races tested for climate resilience; had landraces that exhibited stability and climate resilience under different environmental zones submitted to the General Seed Multiplication Corporation for multiplication and dissemination; and identified and disseminated coping options for income-generating micro-enterprises based on the preferences of the farming communities that had agrobiodiversity conservation as their basis. • Achievements from the small-scale infrastructure include upgrading of terraces, construction of efficient small water storage, soil conservation, and small flood protection structures. The project completed and tested 122 small-scale infrastructure items (43 terraces, 52 water tanks, 13 soil conservation, and 14 wadi banks). Specific training was also provided to community associations on organizational aspects and the role of the associations in the community to maintain project interventions. With additional funds from the JSDF, 91 additional small-scale infrastructure upgrading projects were undertaken, which were tied to conservation of water, soil, terraces, crops, and seeds and which sought to maximize the use of local knowledge and adaptation practices. 		<p>cannot be overstated. Specifically, the ACAP's approach to development of national policies relied upon climate modeling and database-related training, among other things. In addition, much of the priority setting at the national level required focusing on rainfed agriculture, which had been achieved through the RALP and which preceded this project.</p>
Strategic Objective/Pillar 2: Improving Economic Management			
Objective 2.1. Strengthen analytical underpinnings for economic policy making: Partially achieved			

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
<p>Pre-ISN period:</p> <ul style="list-style-type: none"> • Macroeconomic advice provided on a regular basis to adjust to global economic developments • Standard macro framework developed and used by the MOPIC, MOF, and CBY • Enhanced national accounts developed (with IMF TA) pending final discussion <p>ISN milestones:</p> <ul style="list-style-type: none"> • Options to gain fiscal space and alleviate fiscal distress developed: Partially achieved 	<p>Macroeconomic advice provided on a regular basis to adjust to global economic developments: Partially achieved</p> <p>While some technical progress could be maintained with regard to policy analysis and documentation (for example, the monthly MOPIC socioeconomic updates, the biannual Bank economic update), the policy dialogue and the ultimate objective of rationalizing fiscal choices were compromised by the open conflict in the country since mid-2014.</p> <p>Standard macroeconomic framework developed and used by MOPIC, MOF, and CBY: Partially achieved</p> <p>Yemen successfully implemented a reform program supported by a US\$100 million IMF Rapid Credit Facility provided in April 2012. In February 2013, the Bank financed a US\$100 million Emergency Crisis Recovery Project to help the Republic of Yemen mitigate the impact of the 2011 crisis by providing cash benefits to eligible poor households. The macroeconomic situation weakened from early 2014, with increased sabotage of oil facilities, leading to a decline in oil revenue and, therefore, a deterioration in the fiscal and external positions and severe fuel and electricity shortages. To address the difficult economic situation, the GoY adopted a bold reform agenda to preserve macroeconomic stability and set the stage for boosting growth, employment creation, and poverty alleviation. This reform program, which included fuel subsidies reduction, was supported by the IMF (Extended Credit Facility) and the Bank through three operations</p>	<p>ISN period:</p> <ul style="list-style-type: none"> • JSEA follow-up (ASA) • Emergency Recovery Grant (New IDA) 	

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
	supporting the SWF. However, the current conflict put a halt on reforms implementation.		
Objective 2.2. Improve analytical framework on expanding economic options: Not achieved			
<p>Pre-ISN situation:</p> <ul style="list-style-type: none"> • General Investment Authority (new investment law) restructured • Key tax incentives consolidated <p>ISN milestones:</p> <ul style="list-style-type: none"> • Analytical work on economic integration options completed: Not achieved 	<p>The economic integration topic could not be tackled, partly because the policy debate concentrated initially on the NDC, not leaving space for political consensus building on economic policy choices, and since mid-2014 the debate has been overtaken by the open conflict in the country. Nevertheless, the recently published Economic Memorandum on Yemen—Unlocking the Potential for Economic Growth—underpins these questions again and will add to the future dialogue on these questions.</p>	<p>ISN period:</p> <ul style="list-style-type: none"> • Yemen Country Economic Memorandum (ASA) 	
Objective 2.3. Strengthen competitiveness in key sectors: Achieved			
<p>Pre-ISN situation:</p> <ul style="list-style-type: none"> • Proposal for fisheries sector restructuring ratified and approved by cabinet • Presidential decrees for establishment of 	<p>Implementation of projects in agriculture and fisheries achieved the following results:</p> <p>RALP. The project closed on September 30, 2014, with an overall Moderately Satisfactory rating and achieved the following CAS/ISN results:</p> <ul style="list-style-type: none"> • 2,221 rural producer groups/associations or networks established and functioning (including 5 regional seed growers associations (one per targeted governorate); 70 	<p>Pre-ISN period:</p> <ul style="list-style-type: none"> • RALP (SPN) • Water Sector Support Project (ISIS) • FRMC (SPN) 	<p>Simple project design that promotes active participation of the beneficiaries is key for efficient project implementation under limited administrative capacity, especially in low-income</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
<p>four FAs for coastal governorates issued</p> <ul style="list-style-type: none"> 1,400 rural farm producer groups, associations, or networks in place and functioning 30 km of terrace walls rehabilitated <p>ISN milestones:</p> <ul style="list-style-type: none"> FAs in coastal governorates operational: Achieved 800 rural farm producer groups, associations, or networks in place and functioning: Achieved (2,221) 60 km of terrace walls rehabilitated: Achieved (213 km) 	<p>seed producer groups (all for the enhancement of rainfed cereals and legumes production and postharvest handling, seed production, and management); 1,461 livestock producer groups; 82 poultry producer groups; and 491 honey producer groups</p> <ul style="list-style-type: none"> Farmers' access to livestock services through PPPs was improved (221 para-vet workers were trained and received basic veterinary tools and drugs to start private businesses of providing veterinary services in project areas, and 33 vet technicians have been certified and mobilized). Protection of soil, water, and rangeland: 213 km of terrace walls were rehabilitated under the RALP, 52 km of wadi banks protected, 30 ha of upper catchments were revegetated, 388 ha of land protected, and 810 ha benefited from irrigation canals with more than 110 canals constructed and 267 water harvesting structures rehabilitated and/or constructed. <p>FRMCP. This project closed on December 31, 2013, with a Moderately Satisfactory rating, with the following results achieved:</p> <ul style="list-style-type: none"> FAs created: Four FAs at the governorate level were established through presidential decrees, key staff appointed, and bylaws prepared. Fisheries sector awareness and training programs were conducted and operations manuals prepared for the new FAs, Fisheries Research Authority, and the Ministry of Fish Wealth. Targets met or exceeded for fish sold at retail and at 		<p>fragile and conflict-affected states.</p> <p>Create local-level coordination early because it may develop faster than that at the national level.</p> <p>Improve evaluation designs so that Project Appraisal Document's analysis could be replicated at project completion. Project preparation/design has to ensure that the project monitoring and evaluation system can deliver what would be required at completion.</p> <p>Country ownership is important. Under the project, changes in ministerial leadership led to lukewarm support. The Bank should seek means to tie disbursements more closely to progress on governance and management reforms in the context of a programmatic approach.</p> <p>Implementing a fishing licensing system is crucial to</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
	<p>auctions. Increase in quantity and value also attributed to improved quality due to new facilities and better services supported through the project (including new ice plants, access roads, landing sites, quality control labs equipped, and rehabilitated harbors at 3 fishing ports).</p>		<p>prevent degradation of the resource base, deterioration in fishers' livelihood, and decline in the contribution of fisheries to the national economy.</p> <p>Donor collaboration. High level of cooperation and partnerships with donors was a notable feature of the project throughout implementation.</p> <p>TPM. The use of a TPM agency for supervision and monitoring of project activities is vital in countries experiencing social and/or political unrest.</p>
Objective 2.4. Improve capacity for effective public financial management: Not achieved			
<p>Pre-ISN situation:</p> <ul style="list-style-type: none"> • Use of AFMIS covers 17 ministries and 3 departments • Use of the Loans and Grants Management Information System (LGMIS) covers 23 PMUs 	<p>Implementation of activities to improve capacity for effective public financial management suffered has not achieved most of the expected results during the ISN period, due to the political and security in the country.</p> <ul style="list-style-type: none"> • Use of AFMIS was not expanded to ministries, departments, and governorates as planned: No governorate (out of 18) uses AFMIS. Only 24 out of 30 central government ministries implemented AFMIS, and 10 government departments use the system. 	<p>Pre-ISN period:</p> <ul style="list-style-type: none"> • Public Finance Modernization Project (SPN) <p>ISN period:</p> <ul style="list-style-type: none"> • Public financial management AF 	<p>Having a strong, diverse, and stable team at the MOF is key to succeed in implementing public financial management operations. The partial success in implementing the rollout of AFMIS and LGMIS is credited to the team at the MOF. The team owned its components and built its</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
<ul style="list-style-type: none"> • Systems for cash flow management and commitment control introduced • Institutional capacity for implementation of procurement law introduced • Medium-term strategy for the higher authority on tender control developed • Capacity of COCA to conduct external audit in AFMIS environment enhanced <p>ISN milestones:</p> <ul style="list-style-type: none"> • Use of AFMIS expanded to 30 ministries, 11 departments, and 18 governorates: Not achieved • Use of LGMIS expanded to 36 PMUs: Achieved 	<ul style="list-style-type: none"> • Use of LGMIS: use of LGMIS in PMUs was a success, as it was expanded to 45 PMUs (vs. 36 planned). • Commitment Control and Cash Management System was not introduced in AFMIS as planned, as only 6 out of 30 ministries were able to use that platform. • The development of a single public procurement portal for publishing bids and awards did not materialize. • A medium-term strategy for COCA was developed as envisaged. 		<p>capacity and maintained close implementation support. The delay and weak performance in other components were due to high turnover of PMU coordinators.</p> <p>Alternatives to low attraction of international consultants to Yemen needs to be found. During the postconflict period, alternatives could be building capacity of local staff outside the country, looking for experts from the region, and so on.</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
<ul style="list-style-type: none"> • Commitment Control and Cash Management System introduced in AFMIS: Not achieved • Single public procurement portal developed for publishing bids and awards: Not achieved • Medium-term strategy for COCA developed: Achieved 			
Objective 2.5. Improve enabling environment for MSMEs*: Not achieved			
	<p>The ICT TA was expected to support policy dialogue and provide inputs to the Broadband Governance and Competitiveness Project, which had been prepared for presentation to the Middle East and North Africa Deauville Partnership Transition Fund. Expected outputs included (a) an assessment of the telecommunications policy, legal, and regulatory framework (completed); (b) identification of missing instruments and legislation (outstanding), and (c) preparatory work for developing the missing instruments (outstanding). Due to the current political and security situation, dialogue on this topic has been paused.</p> <p>Microfinance advisory (IFC)</p>	<p>ISN period:</p> <ul style="list-style-type: none"> • ICT Sector Assessment (ASA) • Workforce benchmarking (ASA) • EREP <p>Pre-ISN period:</p> <ul style="list-style-type: none"> • Microfinance Advisory, 	

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non- lending Activities	Lessons Learned
	<ul style="list-style-type: none"> • Microfinance Training Academy. Project feasibility study was finalized. Plans to present the findings to key stakeholders were suspended due to the security situation. Key stakeholders were impacted by the ongoing conflict and needed to downsize their operations (project current status ‘on hold’). • Al-Kuraimi Islamic Microfinance Bank. The Sharia-compliant SME product of KIMB has continued to operate across 4 branches (3 in Sana’a, 1 in Taiz). As of June 2015, the KIMB had disbursed close to 223 loans, valued at US\$3.3 million since project inception (average size of around US\$15,000). During this reporting period, the KIMB had disbursed 50 SME loans, valued at US\$970,913. However, it has had to largely halt new lending and dramatically slow its planned outreach in 2015. • Al Amal Microfinance Bank. IFC helped the microfinance institution develop the new SME products including (a) a pricing model; (b) a financing application form and financing approval process; and (c) setting up of the SME unit, including an organizational structure, financial projections, and initial targeting strategy for the SME unit, and developing initial draft policies and procedures for the new SME product/unit. <p>Corporate governance</p> <ul style="list-style-type: none"> • IFC delivered several training workshops in collaboration with the Yemen Institute of Directors. 	<p>Corporate Governance Project (IFC AS)</p> <ul style="list-style-type: none"> • Possible investment(s) in key targeted sectors (IFC INV) • SME support (IFC AS) 	

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
	<p>EREP</p> <p>The US\$3.72 million EREP aimed to improve the individual employability of graduates and the business capabilities of firms participating in a pilot scheme implemented by the SMEPS. As of early 2015, project performance was satisfactory. It reported a 40% employment rate among participating youth in the project (vs. a 20% target in 2014) with 11% female participation (vs. a 5% target). Direct project beneficiaries exceeded expectations at over 4,200 beneficiaries (including graduates benefitting from training or internships and employees of benefitting firms). However, the project lapsed after the suspension of disbursements of Bank-funded projects.</p>		
Objective 2.6. Improve infrastructure through expanding investments and strengthening management: Not achieved			
<p>Pre-ISN situation:</p> <ul style="list-style-type: none"> • 200 km of intermediate rural roads paved in accordance with acceptable industry standards • Formulation of strategies and programs to improve efficiency in key areas 	<p>Expected results in improving infrastructure have not been achieved.</p> <p>Energy. The Bank Group’s recent interventions in the energy sector have been mostly unsuccessful, in part due to what turned out to be a mismatch between the Bank’s strategy and the governance and institutional capacity in Yemen. During the three-year period before the political crisis in early 2011, the Bank assisted the Government in analyzing key issues and proposing actions needed to move the sector toward fiscal sustainability. The key activities included (a) an independent review of the legal, contractual, fiscal, and licensing terms and procedures associated with upstream oil and gas activities; (b) an analysis of the potential options and distribution analysis for a possible energy subsidy reform, along with a potential</p>	<p>ISN period:</p> <ul style="list-style-type: none"> • Road Asset Management Project • PPP in infrastructure TA (ASA) • PPP support (IFC AS) <p>Pre-ISN period :</p>	<p>Energy sector. A deeper understanding of the political economy and related incentives structure is necessary to improve the performance of the energy sector in Yemen. Many recommendations of previous analytical assessments turned out to be out of sync with the GoY’s implementation capacity. The lending projects for alternative generation sources—mostly grant</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
<p>of the transport sector are completed</p> <ul style="list-style-type: none"> • Study on renewable energy completed <p>ISN milestones:</p> <ul style="list-style-type: none"> • Study on assessing impact of energy pricing reform initiated: Partially achieved • Dialogue on the PPP in infrastructure initiated: Not achieved 	<p>roadmap; (c) an analysis of options and recommendations on an investment program on gas-to-power and the related market structures necessary to ensure economic benefits of such a program; and (d) an analysis of power sector issues and proposed form strategy to ensure sustainability. The Bank diagnosed that the sector’s underperformance was primarily the result of the pervasive involvement of a vertically integrated, poorly performing state-owned company (the Public Electricity Corporation), the chronic setting of low electricity prices by the Government, and the lack of a coherent and transparent framework to support private sector participation. However, there has been limited progress by the GoY and the Bank in implementing the recommendations. Much-needed investments in the sector failed to materialize and the sector’s performance kept deteriorating. The need for GoY’s resources to address short-term crises kept rising, getting into an endless, and vicious circle. The high increase in fuel prices without adequate strategic communication was an important factor to gain support for revolt against the Government in September 2014.</p> <p>Dialogue on the PPP. Bank and IFS support to PPPs did not materialize during the ISN period. During the CAS period, support to PPPs was primarily focused on assisting the private sector in closely liaising with the public sector with regard to the development of a PPP legislative framework. A draft legislation was completed, but many of its details were then hugely disputed by different stakeholders in Yemen, particularly with regard to the role of the private sector and where the PPP Unit was to be located. During the ISN period, support to PPPs was put on hold due to ongoing political</p>	<ul style="list-style-type: none"> • Rural Access II (SPN) • Power sector (SPN) • Port cities development II (SPN) • Integrated urban development (SPN) • Rural energy access (SPN) • Road sector management (ASA) • Gender and transport in Yemen (GAP TF) 	<p>financed—were closed largely undisbursed, despite the country’s low generation capacity and the fact that most existing plants run on hugely expensive imported diesel. The 60 MW Mocha wind farm involved multiple donor contributions but was not yet procured before the conflict resumed.</p> <p>Urban development:</p> <ul style="list-style-type: none"> • Identifying stakeholder incentives through a political economy analysis is essential for underpinning project design and confirming ownership, especially for policy reforms. • Mixing infrastructure investments with policy reforms is challenging in an FCV context but is feasible with strategic planning, clear champions, and strong implementation support.

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
	<p>unrest. No activities were envisaged implementable between early 2012 and late 2014. Dialogue on PPPs was only resumed in late 2014 when a new (and more technocratic) cabinet was formed. However, dialogue was again put on hold early January 2015 due to the conflict situation in the country.</p> <p>Road asset management: A US\$40 million Road Asset Management Project was approved in February 2013 to improve road conditions in four governorates (Al-Hodeidah, Ibb, Taiz, and Lahj) and to strengthen the Road Maintenance Fund (RMF) capacity in road asset management. Before suspension of disbursements, almost all contracts were under active execution. Most contractors have agreed to suspend the works until there is peace and to restart works as soon as the suspension by the Bank is lifted. Road maintenance remains an issue, as the GoY has suspended transferring 3% of the price of diesel and gasoline to the RMF after the Government decided to fully eliminate fuel subsidies. This is a very serious issue since it affects the overall ability of the RMF to maintain the road network and also to pay for the RMF-Project Implementation Unit's staff salaries. To address the issue of road maintenance sustainability and financing of the sector, the Bank's team will have to engage with the MOPIC, MOF, and MPWH (when country conditions allow) on the resumption of the RMF's revenue collection mechanism, to ensure the continued support and cooperation of donors involved in the country's road transport sector.</p> <p>Integrated urban development. Implementation of the project achieved the following results: (a) 24,400 people in targeted areas have access to 'improved sanitation' (exceeding</p>		<p>Restructuring should be considered as a key tool in implementation support rather than as a last resort.</p> <ul style="list-style-type: none"> • TPM needs to be conducted systematically, informed by sector standards and continuous interaction by task teams and Country Management Units. • The challenging operating environment in FCV countries requires continuity and due diligence on the Bank's implementation support system. • Adapting the Bank's operational approach to better fit an FCV context will allow for more flexibility and facilitate proactivity. <p>Ports cities development:</p>

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
	<p>target of 23,621); (b) 18,500 people in targeted areas have access to ‘improved water supply’; (c) 21,000 people in targeted areas have access to all season roads within a 500 m range (exceeding target of 19,500); and (d) 25,000 people are direct beneficiaries (of which 47% female—and exceeding the target of 19,500).</p> <p>Ports Cities Development Project. Results achieved could not be quantified as PDO target values are not available or not comparable to baselines, and investments are incomplete, that is, the Mukalla Roads Intersections were 100 completed, Mukalla Airport is 85% complete, and Hodeidah Fishing Port is 98% complete.</p>		<ul style="list-style-type: none"> • The Bank should ensure that signing of main contracts is imminent upon effectiveness of projects in Yemen, and any readiness shortfall should be presented candidly in project documents at the time of Board approval. • The challenging operating environment in fragile and conflict-affected countries requires continuity and due diligence on the Bank’s implementation support system. • Midterm reviews should be conducted even if implementation is not progressing and restructuring should be considered as a key tool in implementation support. • To measure project results, sources of data

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
			<p>and methodologies to calculate indicator values need to be clearly presented and understood by the Bank and counterparts.</p> <ul style="list-style-type: none"> • TPM needs to be conducted systematically and informed by sector standards to allow for portfolio-wide monitoring. • The continuous interaction between TPM agents and task teams and contextual reporting are essential for TPM to be viable. • Risk analysis should be an ongoing endeavor in dialogue between the Country Management Unit and Global Practice and should be used to substantially inform implementation support, especially in a fragile state.

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
			<ul style="list-style-type: none"> Adapting the Bank's operational approach to better fit a fragile and conflict context would allow for more flexibility and facilitate proactivity.
Strategic Objective/Pillar 3: Enhancing Local Service Delivery			
Objective 3.1. Enhance local service delivery*: Not achieved			
<p>Pre-ISN situation:</p> <p>ISN milestones:</p>	<p>The Yemen CSO Support Project (US\$8 million), which was approved in February 2014 to increase transparency and ease of entry in the CSO sector and enhance CSO capacity in social accountability, became effective at the end of August 2014. Project implementation was short, as disbursements were suspended in March 2015 following conflict intensifying since September 2014. Therefore, no tangible results have been achieved.</p> <p>The Local Service Delivery Project was not delivered during the ISN period. A concept note has been drafted but could not be reviewed due to the suspension of new lending programs in March 2015. Similarly, no new activity in the decentralization area was initiated, for similar reasons.</p> <p>The Accountability Enhancement Project (US\$6 million), which was approved in May 2014 to enhance capacity of targeted accountability institutions to provide access to information and to improve enforcement of the anticorruption law, became effective in July 2014. The project has not achieved much, as its implementation was constrained by the</p>	<p>ISN period:</p> <ul style="list-style-type: none"> Civil Society Support Project SPF Local Governance and Service Delivery Pilot (TF) Civil Society Assessment (ASA) Institutional and Capacity Needs Assessment (ASA) 	

Objectives and Indicators (ISN outcomes are identified with *)	Status and Evaluation Summary	Bank Group Lending and Non-lending Activities	Lessons Learned
	<p>security situation prevailing in Yemen, since September 2014 and the subsequent IDA disbursements suspension in March 2015.</p> <p>The Civil Society Assessment (ASA) was completed and fully disseminated with the counterparts.</p>	<ul style="list-style-type: none"> • Accountability Enhancement Project 	
Objective 3.2. Accelerate implementation of anticorruption reforms: Not achieved			
<p>Pre-ISN situation:</p> <ul style="list-style-type: none"> • National strategy and action plan to combat corruption finalized <p>ISN milestones:</p> <ul style="list-style-type: none"> • Decision Support System for Asset Declaration Unit established: Not achieved • Management Information System for Complaints and Investigations established: Not achieved 	<p>The US\$5 million Public Finance Modernization AF approved in May 2013 aimed at improving accountability in the management of public finances, by providing decision support systems and building capacity of two accountability institutions—Supreme National Authority of Combating Corruption and Civil Society Coalition Against Corruption. Expected outcomes were the reduced citizen’s experience and perception of corruption in the six pilot sectors of education, health, water, social protection, civil service, and electricity. Implementation of the Accountability Enhancement Project (US\$6 million), approved in May 2014, has not achieved much so far. In particular, the project has yet to help establish a Decision Support System for Asset Declaration Unit, or a Management Information System for Complaints and Investigations established.</p>	<p>ISN period:</p> <ul style="list-style-type: none"> • Public Finance Modernization Project AF 	

Appendix 2 of the CLR. The Republic of Yemen: Proposed Lending Operations and Approvals in FY2010–FY2016

FY	Proposed Operations		Approvals			
	Project Name	US\$ m	Prod Line	Project ID	Project Name	Commit. (\$m)
FY10	Port Cities Development Project II	35.0	PE	P117949	RY:Social Fund for Development IV(P)	60.0
	Mocha Wind Park Project	20.0	PE	P117408	RY - Rural Access II Additional Financing (P)	40.0
	Higher Education Project II	10.0	PE	P088435	Second Port Cities Development Project (P)	35.0
	Schistosomiasis Project	20.0	PE	P113102	Yemen Schistosomiasis (P)	25.0
	Social Development Fund Project IV	55.0	PE	P107050	RY-Integrated Urban Development Project (P)	22.0
			PE	P110733	RY Higher Education Quality Improvement (P)	13.0
			PE	P117608	Social Welfare Fund Institutional Support Project	10.0
			RE	P116110	Healthy Motherhood JSDF	3.0
			RE	P115673	Yemen Employment for At-Risk and Marginalized Youth	1.8
			RE	P114253	Education for All Fast-Track Initiative Catalytic Fund Phase	20.0
			RE	P117038	Emergency Social Safety Net Enhancement (EC Food Facility Gr	25.9
			RE	P118211	RY: Strengthening the Powerless Groups through a Family-Comm	2.7
			RE	P111757	Yemen Water for Urban centers- Output-based service provisio	5.0
			GE	P103922	Agro-biodiversity and Adaptation	4.0
			CN	P110603	RY-Loss Reduction Project (Clean Development Mechanism-CDM)	28.0
		RE	P121430	Yemen Industrial Stones Community Project	2.5	
FY11	Public Finance Modernization Project	10.0	PE	P122414	Yemen Private Sector Growth and Social Protection DPG (P)	70.0
	Integrated Urban Development Project	30.0	PE	P094755	Yemen Health & Population (P)	35.0
	Health and Population Project	30.0	PE	P117363	Yemen Public Finance Modernization Project (P)	12.0
	Subsidy Reform DPG	30.0	RE	P119963	Household Budget Survey 2010	1.6
		RE	P122687	Yemen: Pilot Program for Climate Resilience Phase I (PPCR I)	1.5	
FY12	<i>Basic Education Development Project AF</i>	40.0	PE	P122594	Labor Intensive Public Works Project (P)	61.0
	Public Works Project IV	40.0	RE	P119160	RY-Biogas Digesters: An Integrated Solution for Poverty Alle	2.6
	Rural Access Project (additional financing)	40.0				
FY13	<i>Water Sector Support Project (additional financing)</i>	90.0	PE	P133811	Emergency Crisis Recovery Project (P)	100.0
	<i>Agriculture Development Project</i>	30.0	PE	P130853	Yemen: Second Basic Education Development Project (P)	66.0
	Emergency Recovery Grant	75.0	PE	P125135	RY-Road Asset Management Project (P)	40.0
	AF SFD - LIW for Youth and Food Security	25.0	PE	P133699	Additional Financing for Social Fund for Development IV (P)	25.0
	OBA for Maternal and Child Health	10.0	PE	P133637	Yemen Public Finance Modernization Project - AF (P)	5.0
	Basic Education II	65.0	RE	P131236	Emergency Targeted Nutrition Intervention	2.7
	AF PFMProject - Support to CSOs & SNAAC	5.0	RE	P143715	SME Revitalization and Employment Pilot Project	3.0
FY14	Road Asset Management	40.0	PE	P145361	Corridor Highway Project	133.5
	PPCR Funded Projects (US\$50m)	50.0	PE	P132311	Financial Infrastructure Project	20.0
	<i>Institutional Modernization and Capacity Development Program</i>		PE	P146055	Mocha Wind Park Project (P)	20.0
	Civil Society Support Project	20.0	PE	P144522	Maternal and Newborn Voucher Project (P)	10.0
	<i>Local Service Delivery Project</i>		PE	P146312	Yemen Civil Society Organization Support Project (P)	8.0
			RE	P132116	Climate Information System and PPCR Coordination (P)	19.0
			RE	P144665	Gov't and Civil Society Organization Partnership	1.5
			RE	P145338	Support to Executive Bureau for the Acceleration of Aid Abso	3.4
			RE	P148288	Yemen Accountability Enhancement Project	6.0
FY15			PE	P151923	Emergency Support to Social Protection Project	90.0
			PE	P148366	RY: AF-Labor Intensive Public Works	50.0
			PE	P148474	Additional Financing II for SFD IV	50.0
			PE	P150129	RY Higher Education Quality Improvement Project - Additional	3.0

Note:

Projects in the ISN program

Projects not delivered

Note

(P) Projects listed in the CAS or ISN Program

Appendix 3 of the CLR. The Republic of Yemen: ESWs Proposed and ESWs Delivered in FY2010–FY2016

FY	Indicative Program	Task ID	Task Name	Date
FY10	Public Expenditure Review	P102789	ESSD RY Land Tenure study	12/15/2009
	Investment Climate Update	P106776	Coping strategies in Rural Yemen	12/23/2009
	Financial Sector Strategy	P107708	RY Education Country Status Report	3/1/2010
	Pathways Out of Rural Poverty	P106257	RY-Adaptation to Climate Change	4/12/2010
	Urban Development Strategy			
	Education Country Status Report			
FY11	Trade and GCC	P124164	DeMPA Assessment - Yemen	5/12/2011
	Agriculture Development Strategy			
	Natural Gas Sector Strategy			
	School to Work Transition Strategy			
	Gender Assessment Update			
	Qat and Water Analysis			
FY12	Country Economic Memorandum	P113257	RY-Investment Climate Update	8/4/2011
	Energy Sector Reform			
	Country Procurement Assessment Update			
	Health, Nutrition and Population Strategy			
FY13	Poverty Assessment			
	Country Social Analysis			
	Water Strategy Update			
	JSEA Follow-up			
	Civil Society Assessment ESW			
FY14	Gender Challenges in Yemen	P130602	Yemen Social Economic Assessment	8/2/2013
		P124992	RY-Sana'a Water Situation	6/8/2014
		P122911	RY-Gender Challenges in Yemen	6/11/2014
FY15		P147732	RY-Water and Agriculture ESW	11/13/2014
FY16		P147059	Yemen Country Economic Memorandum	12/21/2015
		P149513	Internship Impact Evaluation	2/18/2016
		P149514	BDS Grants Impact Evaluation	2/18/2016

Note

ISN Proposed ESW Program

Appendix 4 of the CLR. The Republic of Yemen: TA Proposed and TA Delivered in FY2010–FY2016

Proposed TA	Delivered TA			
	Task ID	Task Name	Output Type	Date
Support to Vision 2025 Update and preparation of the Fourth DPPR	P112602	RY-Inst Framework for Energy Efficiency	IDP	11/02/09
Macroeconomic policy	P112603	Yemen - Groundwater Management	TRG	11/03/09
Poverty monitoring	P115713	RY-Energy Subsidy Reform TA	HTG	01/12/10
Support in discussions with GCC	P116046	RY-Yemen Inspection Panel	STD	06/17/10
Business environment (FIAS)	P109978	RY Public Sector and Governance Program	IDP	06/28/10
Financial sector	P111755	RY Macro Capacity TA	HTG	06/28/10
Road Sector Management	P111647	Yemen Telecom sector reform	HTG	03/31/11
Energy pricing	P114431	Yemen Saada Comprehensive Needs Assess	IDP	06/01/11
Options for sustainable water supply to Taiz	P101822	GFDRR: RY-Strengthening National System	HTG	06/01/11
Natural gas regulatory framework	P112919	RY-Anti-corruption TA	HTG	06/24/11
Management of midstream natural gas projects	P120580	RY-Political Economy Stakeholder Mapping	IAR	06/20/12
Mining sector	P117422	RY Financial Sector Strategy	IAR	06/21/12
Transparency	P119537	Yemen QSDS	IAR	06/25/12
Public finance management	P116900	Yemen AML legislation	IAR	06/01/13
Procurement reform	P122064	RY- Gas Development	IAR	06/23/13
Civil service reform	P110551	Yemen SABER WfD	IAR	06/25/13
Support to Ministry of Legal Affairs	P122914	RY- Yemen Civil Society Assessment	IAR	06/26/13
Decentralization	P129806	Transparency and Anti Corruption TA	IAR	07/10/13
Support to children and youth action plan	P119084	RY-Renewable Energy Framework	IAR	08/06/13
Support to the gender national dialogue	P117811	RY HRITF Knowledge and Learning	EPD	04/06/14
Capacity building to the National Population Council	P131490	RY-Customs Administration Assessment	IAR	06/08/14
Education	P106896	Aden Development	IAR	04/18/15
Social policy reform	P132542	Yemen Energy Sector Strategy	IAR	06/22/15
Support to the qat national dialogue	P143633	Yemen AML/CFT Capacity Building	EPD	06/25/15
Capacity for disaster management	P143950	Supporting NDC Outcomes	IAR	09/30/15
Climate change mitigation	P122591	Yemen Damage and Needs Assessment	IAR	05/31/16
Household Budget Survey	P130810			
ICT Sector Assessment	P145883			
Decentralization Initiative NLTA - MENA MDTF	P147304			
Institutional and Capacity Needs Assessment	P145786			
Water TA	P144291			
Stocktaking of Youth Issues	P149935			
PPP in Infrastructure TA	P156874			
Workforce Development Benchmarking				
IFC Business Edge Advisory Program				
IFC support for PPPs, MSME finance, and Corporate Governance				
<u>Note</u>				
Note: ISN Proposed TA Program				

