

PROJECT INFORMATION DOCUMENT (PID) APPRAISAL STAGE

Report No.: PIDA1125

Project Name	Support to Executive Bureau for the Acceleration of Aid Absorption and Implementation of the Mutual Accountability Framework (SEBAA) (P145338)
Region	MIDDLE EAST AND NORTH AFRICA
Country	Yemen, Republic of
Sector(s)	Central government administration (100%)
Theme(s)	Other public sector governance (100%)
Lending Instrument	Specific Investment Loan
Project ID	P145338
Borrower(s)	
Implementing Agency	Executive Bureau for the Acceleration of Aid Absorption
Environmental Category	C-Not Required
Date PID Prepared/Updated	16-Jul-2013
Date PID Approved/Disclosed	22-Jul-2014
Estimated Date of Appraisal Completion	19-Jun-2013
Estimated Date of First Grant Approval	02-Apr-2013
Decision	

I. Project Context

Country Context

1. After almost a year of crisis, in the wake of the Arab Spring movement, Yemen has embarked on a political transition based on an agreement brokered by the Gulf Cooperation Council (GCC). The Government of National Reconciliation was formed and confirmed by the Parliament in December 2011. Presidential elections were held in February 2012, and President Abd Rabbuh Mansur Al-Hadi sworn in soon afterward. The National Dialogue Conference (NDC), a key element of the GCC agreement and transition process, has just been launched in an atmosphere of much hope, trepidation, and protest. The transition is expected to end in February 2014 with legislative and presidential elections, to be held under the new constitution, followed by the inauguration of a new president and formation of a new parliament. Implementation of the GCC agreement is largely on track, though gains achieved so far are fragile and important challenges lie ahead and much depends on the outcome of the NDC.

2. In the meantime, this transition government has an opportunity to start addressing the underlying causes of instability and social strife in order to rebuild Yemen's social and economic base and restore macroeconomic stability. Despite the challenges and unrest, there is an overall

sense of optimism and hope for inclusive change in post-revolution Yemen. However, Yemen's transition may face significant risks if reforms do not materialize quickly and if substantive changes are not felt by the population, thus contributing to disillusionment with the efforts of the new government and potentially a return to unrest and a reversal of gains made. Yemen needs the collective support of the development community as it works to sustain its transition and recovery, while fighting strong countervailing forces, including regional grievances that have led to enduring separatist violence in the north and south, al-Qaeda militancy, and recalcitrant elements of the previous regime in Sana'a.

Sectoral and institutional Context

3. The government has recently finalized an ambitious Transitional Program for Stabilization and Development (TPSD), which projects a total financing gap of about US\$11.91 billion, with US \$4.26 billion for short-term security, stabilization, and humanitarian needs and US\$7.65 billion for medium-term growth and development priorities (Table 1). The limited absorption and implementation capacity of various government institutions, especially in a transitional context, brought this issue to the forefront of development partner and GoY concerns given the large scale of donor pledges to the TPSD. A Joint Donor Group worked closely with the government to strengthen and prioritize the TPSD and its Public Investment Program (PIP) through: (i) consultations with line ministries, donors, private sector, and civil society organizations (CSOs); (ii) preparation of a "Mutual Accountability Framework" (MAF) that defines government and donor commitments, roles, and responsibilities; and (iii) development of a "Resource Mobilization Strategy" that defines funding flows by short and medium term priorities, provides details on the costing, suggested funding modality, and implementing agency.

4. The final TPSD and PIP were presented at a Donor Conference held in Riyadh on September 4-5, 2012, and received initial pledges of more than US\$6 billion from the international community in support of Yemen's short-term development agenda. The meeting was co-chaired by the Government of Yemen, Kingdom of Saudi Arabia, and the World Bank, and attended by representatives from 27 bilateral donor countries and 36 regional development and international finance institutions. During the Friends of Yemen Meeting which was held in New York City on September 27, 2012, additional pledges of US\$1.5 billion were made. The pledged funds are expected to support the country's urgent stabilization and development needs and to assist its ongoing political transition over the next 18 months. Following the transition, a second donor conference is expected to be organized to invite support for the subsequent phases of the country's development plan. The Riyadh meeting endorsed the MAF, which will help the government monitor the implementation of the TPSD over the transition period and ensure that donor pledges are aligned with national priorities and matched with specific programs and projects that are implemented both effectively and transparently.

5. An analysis of disbursements between 2006 – 2010 showed a total of US\$1.5 billion disbursed over the five year period, on average just US\$300 million annually. The billions pledged for development projects together with the limitations on technical and institutional capacity led the donors and GoY to the conclusion that the GoY is in need of significant capacity building and implementation support. As such, the Bank has been asked to manage a Technical Assistance Trust Fund to enhance government ability to work with donors and move forward the reform commitments made under a Mutual Accountability Framework –MAF and accelerate the absorption of the pledged funds.

6. The MAF contributes towards the overarching goals set out by the Government of Yemen to restore political, security and economic stability and enhance state building. It presents a realistic approach to key economic policy reforms that complement political and security related reforms under the ongoing GCC political initiative and its implementation mechanism. The Government has taken leadership and ownership to the MAF process and document. Subsequent to the MAF endorsement by the Donor Meeting in Riyadh, the Cabinet has also endorsed the framework. The MAF defines visible and high impact reforms that will help restore public confidence and enhance governance, transparency and accountability.

7. The Yemen MAF will benefit from international lessons learned and best practice on mutual accountability frameworks/transition compacts. The MAF includes key policy reforms and implementation commitments by the Government, and commitments from donors to respect Government ownership; deliver timely support; and strengthen the Government's ability to manage external support effectively. The six pillars of the MAF are selected high priority actions aimed at: 1) budget coherence and macroeconomic stability; 2) creating employment opportunities particularly for women and youth; 3) good governance rule of law and human rights; 4) increasing the effectiveness of key service sectors, and partnering with the private sector in public private partnership, (especially in the power sector); 5) meeting emergency humanitarian and material needs and delivering basic services to citizens (including strengthening the effectiveness of the Social Fund); and 6) civil society empowerment and partnership. The GoY and development partners have already demonstrated some progress in the implementation of the MAF.

8. The government of Yemen is establishing an institutional mechanism to take responsibility for providing support and monitoring for the implementation of the MAF policy reforms and acceleration of aid absorption. The Executive Bureau (EB) for the Acceleration of Aid Absorption and Policy Reforms as established by Presidential decree will be set up within the Ministry of Planning and International Cooperation (MoPIC). The EB will enhance the government's absorptive capacity of donor funding and establish transparent and structured mechanisms, processes, and criteria for pledge allocation as well as for project prioritization, implementation capacity, and project preparedness. The entity and its functions are discussed later in the document.

II. Proposed Development Objectives

III. Project Description

Component Name

Component 1: Executive Bureau Start-up Activities

Comments (optional)

Total

US\$ 4.50

Component Name

Component 2: Support for Executive Bureau Operations

Comments (optional)

none.

IV. Financing (in USD Million)

Total Project Cost:	3.40	Total Bank Financing:	0.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			0.00
MNA VPU Free-standing Trust Funds			3.40
Total			3.40

V. Implementation

The two components of this project will be implemented as two phases. First, the start-up activities will be undertaken through Bank execution on behalf of the recipient to set up the basic functionality of the Executive Bureau, and then as EB staff are hired and prepared to take over, the Bank's direct execution will be phased out and implementation handed over in full to the EB staff. There may be some overlap between the two phases with Bank execution continuing in some support aspects, such as training or technical support, even after the government has taken on execution.

Implementation Arrangements for Component 1- Start-up Activities:

The World Bank will execute these activities on behalf of the recipient for a duration planned to be no more than six months during which the Bank will procure consultants, goods, and non-consulting services using World Bank systems and capacity. World Bank execution on behalf of the recipient is an exceptional arrangement allowable with a request from the client and approval from Bank management under capacity constrained conditions due to fragility.

Implementation Arrangements for Component 2 – Support of Executive Bureau Operations

This component will be executed by the Executive Bureau itself. Upon the hiring of a Managing Director (or an Interim Administrator) by the EB Board of Directors (rather than by the Bank under the Bank-executed component) and core staff, the Bank will hand over the systems and activities to the EB staff.

The EB will be responsible, generally, for overseeing and monitoring and supporting the implementation MAF reform agenda and unlocking constraints and building capacities that contribute to the acceleration of aid inflows, in close coordination and consultation with relevant government institutions. The EB will establish its work program with the engagement of the various stakeholders.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		x
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11		x

Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12		x
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)**VII. Contact point****World Bank**

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