

Document of
The World Bank

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Report No: 72143-YE

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED GRANT

IN THE AMOUNT OF SDR 43.1 MILLION
(US\$66.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF YEMEN

FOR A

SECOND BASIC EDUCATION DEVELOPMENT PROJECT

January 18, 2013

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CURRENCY EQUIVALENTS

(Exchange Rate Effective 11/30/2012)

Currency Unit = Yemeni Riyal (YR)
 YR 215.52 = US\$1
 US\$0.65 = SDR 1

FISCAL YEAR
 January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AWP	Annual Work Plan
BEC	Basic Education Coordinator
BEDP	Basic Education Development Project
BEDP II	Second Basic Education Development Project
CAS	Country Assistance Strategy
CBY	Central Bank of Yemen
CCT	Conditional Cash Transfer
CGS	Curriculum and Guidance Sector
CLP	Community Livelihoods Project
CSS	Comprehensive School Survey
DA	Designated Account
DEO	District Education Office
DFID	United Kingdom's Department for International Development
DPs	Developmental Partners
EA	Environmental Assessment
ECD	Early Childhood Development
EFA - FTI	Education For All – Fast Track Initiative
EGRA	Early Grade Reading Assessment
EIRR	Economic Internal Rate of Return
EMIS	Education Management Information System
EMP	Environmental Management Plan
EPA	Environmental Protection Agency
ERDC	Education Research and Development Center
FM	Financial Management
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GEO	Governorate Education Office
GeES	General Education Sector
GES	Girls Education Sector
GOY	Government of Yemen
GER	Gross Enrollment Rate
GNI	Gross National Income
GNR	Government of National Reconciliation
GPI	Gender Parity Index
HBS	Household Budget Survey
ICB	International Competitive Bidding
IDA	International Development Association

IFR	Interim Financial Report
IMSC	Inter-Ministerial Steering Committee
ISN	Interim Strategy Note
KfW	Kreditanstalt für Wiederaufbau
LIB	Limited International Bidding
MDGs	Millennium Development Goals
MDTF	Multi-Donor Trust Fund
MOCSI	Ministry of Civil Service and Insurance
MOE	Ministry of Education
MOF	Ministry of Finance
MOSAL	Ministry of Social Affairs and Labor
MOPIC	Ministry of Planning and International Cooperation
MOU	Memorandum of Understanding
MTEF	Medium Term Expenditure Framework
MTRF	Medium Term Results Framework
NBEDS	National Basic Education Development Strategy
NCB	National Competitive Bidding
NER	Net Enrollment Rate
NEVY	National Education Vision for Yemen
NGSES	National General Secondary Education Strategy
NPV	Net Present Value
PAU	Project Administration Unit of the Ministry of Education
PDO	Project Development Objective
PFS	Project's Financial Statements
PMU	Project Management Unit of the Public Works Project
POM	Project Operations Manual
PRSP	Poverty Reduction Strategy Paper
PWP	Public Works Project
RFTC	Rural Female Teacher Contracting
RPF	Resettlement Policy Framework
SEDGAP	Secondary Education Development and Girls Access Project
SWF	Social Welfare Fund
TIMSS	Trends in International Mathematics and Science Study
TPMA	Third Party Monitoring Agent
TQS	Training and Qualification Sector
TO	Technical Office
USAID	United States Agency for International Development

Regional Vice President:	Inger Andersen
Country Director:	Hartwig Shafer
Sector Director:	Steen Lau Jorgensen
Sector Manager:	Mourad Ezzine
Task Team Leader:	Kamel Braham

REPUBLIC OF YEMEN
SECOND BASIC EDUCATION DEVELOPMENT PROJECT

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PAD DATA SHEET

Republic of Yemen

Second Basic Education Development Project

PROJECT APPRAISAL DOCUMENT

Middle East and North Africa

MNSHD

Basic Information

Date: January 18, 2013	Sector: Primary education (70%), Central Government administration (20%), Sub-national Government administration (10%)
Country Director: Hartwig Shafer	Themes: Education for all (80%), Gender (20%)
Sector Manager/Director: Mourad Ezzine / Steen Lau Jorgensen	EA Category: B-Partial Assessment
Project ID: P130853	
Lending Instrument: Specific Investment Loan	
Team Leader(s): Kamel Braham	

Does the project include any CDD component? No

Joint IFC: No

Recipient: Ministry of Planning and International Cooperation, Republic of Yemen

Responsible Agency: Ministry of Education

Contact: Project Administration Unit

Title:

Telephone No.:

Email:

Project Implementation Start Date: 02/14/2013 End Date: 02/28/2018
Period:

Expected Effectiveness 03/01/2013
Date:

Expected Closing 08/31/2018
Date:

Project Financing Data(US\$M)

Loan Grant Other
 Credit Guarantee

For Loans/Credits/Others

Total Project Cost :	72.0	Total Bank Financing :	66.0
Total Co-financing :	6.0	Financing Gap :	0.0

Financing Source	Amount(US\$M)
RECIPIENT	6.0
IDA: New	66.0
Financing Gap	0.0
Total	72.0

Expected Disbursements (in US\$ Million)

Fiscal Year	2013	2014	2015	2016	2017	2018	2019
Annual	0.2	9.2	12.4	14.0	15.8	14.0	0.4
Cumulative	0.2	9.4	21.8	35.8	51.6	65.6	66.0

Project Development Objective(s)

The Project Development Objective is to assist the Government of Yemen in improving student learning and equitable access to basic education in selected governorates and schools.

Components

Component Name	Cost (US\$M)
Component 1: Improving the Quality of Basic Education and Enhancing Student Performance	24.0
Component 2: Promoting Equitable Access to Quality Education	33.3
Component 3: Institutional Capacity Development	5.2
Component 4: Project Management	3.5

Compliance

Policy

Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the project require any exceptions from Bank policies?	Yes []	No [X]
Have these been approved by Bank management?	Yes []	No []
Is approval for any policy exception sought from the Board?	Yes []	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []

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

(*) By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

Legal Covenants: (i) Submission of a Project Operations Manual (POM); and (ii) Appointment of a Basic Education Coordinator, Early Grade Reading Focal Point and Education Research and Development Center Technical Coordinator.

Name Effectiveness Conditions	Recurrent No	Due Date 03/01/2013	Frequency Once
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Description of Covenant: (i) The Project Operations Manual (POM) has been adopted by the MOE in a manner satisfactory to the Association; (ii) Basic Education Coordinator, Early Grade Reading Focal Point and Education Research and Development Center Technical Coordinator have been appointed by the MOE with tasks, responsibilities and qualifications satisfactory to the Association.

Team Composition

Bank Staff

Name	Title	Specialization
Hassine Hedda	Finance Officer	Finance Officer
Mahmoud Gamal El Din	Senior Operations Officer	Operations/Implementation
Celine Gavach	Operations Officer	Operations/Implementation
Concepcion Esperanza Del Castillo	Consultant	Social Safeguards
Karine M. Pezzani	Operations Analyst	Operations/Implementation
Abdulrahman M. Abdullah Al-Sharjabi	Operations Officer	Operations/Implementation
Kamel Braham	Senior Education Specialist	Team Leader
Tomomi Miyajima	Education Specialist	Education
Helen Abadzi	Senior Education Specialist	Education
Juan Manuel Moreno	Senior Education Specialist	Education
Fernando Cartwright	Consultant	Education
Danielle Malek Roosa	Senior Counsel	Legal Advisor
Nikolai Soubotin	Senior Counsel	Legal Advisor
Shivendra Kumar	Consultant	Procurement
Moad M. Alrubaidi	Financial Management Specialist	Financial Management
Shinsaku Nomura	Education Economist	Education/Economic Analysis
Zaina Dawani	Consultant	Education
Asma Saleh Al-Hanshali	Program Assistant	Administration
Suiko Yoshijima	Environmental Specialist	Environmental Safeguards
Saleh Qasem Al-Manary	Financial Management Analyst	Financial Management Analyst
Samira Al-Harithi	Procurement Analyst	Procurement
Aiglaia Zafeirakou	Sr. Education Specialist, GPE	Education
Abdul-Wahab Seyni	Sr. Social Development Specialist	Social Safeguards

I. STRATEGIC CONTEXT

A. Country Context

1. **Despite substantial improvement in its economic and social indicators, Yemen remains one of the poorest countries in the world.** Situated on the southern end of the Arabian Peninsula, the Republic of Yemen has a population of some 24 million, of which about 76 percent live in rural areas where poverty incidence is particularly high. The country has a GNI per capita of US\$1,070 (2010) compared with an average US\$2,321 for lower middle-income countries. Yemen is among the ten countries in the world with the highest rates of food insecurity. The country ranked third for the highest level of malnutrition in the world: 58 percent of children under the age of five are stunted, and more than 1 in 10 children are acutely malnourished. On the UNDP Human Development Index, Yemen ranked 154th out of 187 countries in 2011. The report also showed that average life expectancy is up from 41.6 years in 1970 to 62.7 in 2010 with women's life expectancy mirroring the overall trend.

2. **The impact of the recent security, political and economic crisis is significant in all key development domains.** Yemen experienced intense and far-reaching country unrest from February 2011 until November 2011. The long lasting conflict and turmoil, and severe shortages of food and fuel, combined with high commodity prices have left many poor unprotected. During this period of crisis, the economy has contracted by 10.5 percent and the number of those living below the poverty line is estimated to have increased by 8 percentage points to 50 percent of the Yemeni population. Strong support from regional and global partners is needed to survive a critical transition period. As a fragile state, Yemen has enormous needs to rebuild its social and economic base rapidly and restore macroeconomic stability.

3. **Yemen is undergoing a challenging political transition.** Following the Gulf Cooperation Council (GCC) brokered agreement, a transitional Government of National Reconciliation (GNR) was formed in early December 2011 and mandated, among others, to undertake constitutional reforms, prepare for the next general election in early 2014, and work to stabilize the country's complex and difficult security and economic situation. In addition to having to respond to a pressing social demand for better governance, equity, employment, and a more open society, the GNR is confronted with a long standing regional conflict in the north, a separatist movement in the south, and the emergence of Al-Qaeda in the Arabian Peninsula. Despite these serious security challenges, the GNR has an opportunity to start addressing the underlying factors of instability and social strife comprising high levels of unemployment and informality, state capture of the economy and the tribal patronage system.

B. Sectoral and Institutional Context

4. **Yemen has made remarkable strides in expanding access to basic education, yet it is still far from achieving universal primary education.** Gross Enrolment Rate (GER) for basic education increased from 62 percent in 1998/99 to approximately 86 percent in 2010/11. However, the country is far from achieving the universal access to basic education: according to the 2005 Household Budget Survey, there were 1.8 million out-of-school children aged 6 -14 years, and the number is increasing and for those who are in schools, completion rates are low: only half of those who enter Grade 1 reach the end of the basic education phase (Grade 9). The Grade 6 Completion Rate in 2009/10 was 61 percent (51 percent for girls, and 71 percent for

boys). Because many children never enter school, many others drop out early and the population of school-age children is expected to increase rapidly, Yemen is unlikely to achieve the Millennium Development Goals (MDGs) of Education for All to ensure that all boys and girls complete a full course of primary schooling by 2015.

5. Despite significant improvement, equitable access to education remains a challenge, as shown in persistent gender, sectarian and regional disparity in key education indicators.

Girls' enrollment has increased substantially between 1997/98 and 2010/11, from 42 percent to 76 percent in basic education, and from 16 percent to 23 percent in secondary education. However, gender gaps are still large and vary from one governorate to the other. The Gender Parity Index (GPI) varies from a high of 0.97 in Sana'a to a low of 0.59 in Saada. Administrative data show that gaps in enrollment rate between districts within some governorates are large as well. There is also a growing community of marginalized children who tend to be at a higher risk of exclusion from the traditional education system, including the African-descendent Al-Akhdam and rural migrants to urban areas as well as migrants who returned to Yemen after the 1990/91 Gulf War.

6. Quality is the area where no significant progress has been made.

Education quality faces major challenges. Yemeni Grade 4 students ranked the lowest among many countries participating in the Trends in Mathematics and Science Study (TIMSS) 2007; Yemen ranked the lowest in both the mathematics and science tests among all 36 countries that participated. Ninety-four percent of Yemeni students did not reach the internationally set "low" performance benchmark for mathematics, and 92 percent did not reach the internationally set "low" benchmark for science. Despite a slight improvement, first results of TIMSS 2011 confirmed the low performance of Yemeni students. The poor performance of Yemeni students in the TIMSS is partially attributed to their inability to read the test questions. This low level of reading skills, most evident in rural areas, was confirmed by other surveys such as the Multiple Indicator Cluster Survey and recent studies conducted by United States Agency for International Development (USAID) and Save the Children (see Annex 2). There is a risk that the planned expansion in enrollment could further reduce quality if not adequately planned and resourced.

7. The country crisis has had an impact on the delivery of education services.

The Yemeni education system showed strong resilience during the 2011 crisis. The school year 2010/11 was completed, including national examinations and Comprehensive School Survey (CSS), despite the difficult country context. Nevertheless, the 2011 conflict had a negative impact on the education sector, including damage to and occupation of school buildings, inaccessibility of some schools due to insecurity, increased absenteeism of teachers and administrative staff and less than full completion of the curricula in 2010/11 school year. Overall institutional capacity of the Ministry of Education (MOE) was affected by conflict-generated disruptions and severe budget constraints. Displacement affected about 390,000 people in addition to the stock of about 214,000 Internally Displaced Persons from previous conflicts, of which 30 percent are within the school age bracket. Family priorities have also shifted due to increased security concerns and hardship generated by the economic crisis. There is also a non-negligible effect on students' and teachers' psychological well-being.

8. The Government of Yemen (GOY) strategy is framed in the National Basic Education Development Strategy (NBDES) which comprehensively addresses key reforms to improve access to quality, equity and efficiency of basic education.

Government endorsed six different strategies to address education issues at the various levels of education. The National Basic Education Development Strategy (NBEDS, 2003-15) aims to increase enrollment in basic education, particularly for girls and in rural areas, to reach 95 percent of the 6–14 year olds in Yemen by 2015. The MOE also developed a Medium Term Results Framework (MTRF) to translate those objectives into an operational plan and constitute the cadre for the integration of Development Partners (DPs) support to the education sector. The MTRF covers ten core pillars of activities addressing all aspects related to access to, equity, quality and efficiency of general education services. Recognizing the fact that the main targets of the NBEDS are likely not to be reached by 2015, delays in the implementation of key reforms and the impact of the 2011 country crisis, the MOE is working on the revision of the MTRF for the last phase of the NBEDS (2013-2015). The purpose of the revision is, within the NBEDS strategic framework, to: (i) update the main targets in terms of enrolment, gender parity and completion rates; (ii) put a stronger focus on quality; and (iii) take into account the impact of the 2011 crisis and conflicts.

9. **The basic education sector in Yemen is characterized by a high degree of donor harmonization.** Even though Yemen is a low Official Development Assistance per capita recipient (US\$28 million in 2010), education receives a large share of this external finance. DPs supporting basic education have signed a Partnership Declaration to ensure greater harmonization and alignment of sector support on the basis of the NBEDS. The DPs meet regularly with the MOE to monitor the implementation of the NBEDS, share information and coordinate their support to the sector. A Joint Annual Review (JAR) meeting brings together MOE leadership, other ministries involved in education, local authorities, and relevant DPs and NGOs to discuss and endorse the annual sector plan. The ongoing World Bank-financed Basic Education Development Project (BEDP) (P076185) and the third Education for All Fast Track Initiative grant (EFA-FTI III) (P114253) are all in line with the MOE plans and NBEDS framework.

C. Higher Level Objectives to which the Project Contributes

10. **The project is consistent with the World Bank Group's Interim Strategy Note (ISN) for Yemen (FY2013-2014) (Report# 70943-YE) discussed by the Board of Executive Directors on November 13, 2012.** The proposed project directly addresses the first pillar of ISN: Achieving Quick Wins and Protecting the Poor. The Bank has just prepared an interim strategy to support the transition period in Yemen through helping the Government produce tangible results that stabilize the country in the short term, while laying the groundwork for medium-term reforms and sustainable longer-term benefits. The first pillar of the ISN aims to support access to and reliable delivery of basic social services. The proposed Project will directly contribute to those high-level objectives through assisting the Government in ensuring continuity in the delivery of education services in the short-term, while supporting key interventions to improve quality of education in the medium-term. Despite the context of fragility, the education sector showed strong resilience as school years 2010-11 and 2011-12 were completed almost normally, and implementation of ongoing World Bank financed education projects, although delayed, was not interrupted despite the temporary suspension of disbursement.

11. **The proposed project design is also in line with the Government strategy.** The Yemen Transitional Program for Stabilization and Development (TPSD, 2102-2014) recognized the importance of human resources and set as its main objective in that area to *combine*

infrastructure expansion with quality improvement and capacity building measures and enhance the usage of existing detailed sectoral strategies especially in Education and Health. Within this context, the MOE is updating the MTRF to serve as a basis for Government investment and DP assistance to support education with a view to helping the country accelerate its progress towards achieving the education MDGs. The overarching objective of this sector program is for the Government to *provide equitable learning opportunities in basic education for increased students learning achievements.* The Project will contribute to support of the overall sector development program for the 2013-2017 period. The MOE proposed that this sector program be financed by DPs for an estimated total cost of about US\$233 million. It was agreed with the GOY that IDA financing will focus primarily on quality of education while the Global Partnership for Education (GPE) grant will have a stronger focus on access and equity issues. Other DPs such as Kreditanstalt für Wiederaufbau (KfW) have expressed interest and may provide additional funding to the program.

12. **The proposed Project will have a specific focus on gender equity.** Yemen is the lowest-ranked country for the sixth consecutive year in the 2011 Global Gender Gap Index, a composite indicator of gender inequalities in economic participation and opportunity, educational attainment, political empowerment, and health and survival. Intensifying participation and inclusion, with a special focus on gender and youth, is one of the main principles guiding the ISN under preparation. As was the case under BEDP, the proposed Project will promote gender equity in access to quality education through community awareness and participation, and specific interventions targeting girls, particularly in rural areas.

II. PROJECT DEVELOPMENT OBJECTIVES

A. Project Objectives

13. The proposed Project will contribute to the overarching sector objectives with a specific focus on quality. The Project Development Objective (PDO) is: *to assist the Government of Yemen in improving student learning and equitable access to basic education in selected governorates and schools.* This objective will be achieved through a mixture of interventions, some at the national level and some in targeted areas or schools. The Project will have four components: (i) improving the quality of basic education and enhancing student performance; (ii) promoting equitable access to quality education; (iii) institutional capacity development; and (iv) project management. Key interventions under Components 1 and 2 will focus on eight Governorates (Ibb, Taiz, Lahej, Aden, Sana'a, Al Hodeidah, Hajjah and Hadhramaout), and Sana'a City ("Amanat Al-Asemah"), selected based on the following criteria: (i) regional representation (North and South); (ii) need to sustain key interventions initiated under BEDP (Al Hodeida and Lahej); and (iii) accessibility given the current security situation.

B. Project Beneficiaries

14. Direct beneficiaries of the Project are expected to be Yemeni children enrolled in basic education and their families. Girls in rural areas and students in targeted areas and schools will derive additional benefits, in terms of better learning facilities, more qualified teachers and cash incentives, from specific project interventions. The society at large will benefit from a more accessible and equitable basic education system of improved quality. The MOE staff at both

central and decentralized levels, including teachers, will indirectly benefit from the Project as they will benefit from the skills learned through project interventions.

C. Key Results Indicators

15. Proposed PDO Indicators are:

- (i) ***Percentage of students at Grade 3 in selected cluster schools having acquired basic reading skills.*** Reading skills are evaluated at Grade 3, where students have had sufficient experience in the education system to ensure that the schooling, rather than simply student background, has a measurable impact on student performance. Improvement in reading skills will be measured through the percentage of students attaining a predefined score in a customized test administered at 150 cluster schools that are selected to measure tangible progress resulting from this intervention.
- (ii) ***Number of students in selected schools have better learning environment.*** It is expected that improved school infrastructure will contribute to a better teaching and learning environment in the schools targeted by the Project. Beneficiaries of such improved learning facilities will be students enrolled in schools rehabilitated or extended by the Project. The number of beneficiaries will be monitored annually through school surveys and project progress reports;
- (iii) ***GPI improved by ten percent in the eight project governorates and Sana'a City ("Amanat Al-Asemah").*** The GPI is the standard indicator to measure equitable access to both genders, with equity improved as this indicator gets close to one. The GPI has improved from 0.7 to 0.77 in BEDP targeted governorates over a five-year period. It is expected that the expansion of BEDP's relevant interventions to promote girls' enrolment and attendance under the proposed Project would have a similar effect in the selected governorates. The GPI will be monitored through the MOE annual school survey.

16. The PDO and intermediate level indicators are in alignment with Core Sector Indicators, and are highly relevant to the project scope and context. The detailed Project Results Framework and Monitoring is provided in Annex 1.

17. Overall expected key results are: (a) improved teaching practices and learning outcomes with a focus on reading skills in early grades; (b) improved access to a better learning environment at the basic education level, with reduced gender disparities in intervention areas; (c) increased involvement of Fathers' and Mothers' Councils and communities with strengthened capacities at schools; and (d) improved capacity of MOE to manage and monitor the sector.

III. PROJECT DESCRIPTION

A. **Project Components** (detailed description can be found in Annex 2)

18. **Component 1. Improving the Quality of Basic Education and Enhancing Student Performance** (*Total cost: US\$26 million; IDA financing: US\$24 million, including contingencies*). The objective of this component is to assist the MOE in improving the quality

of basic education, mainly through a stronger focus on reading skills, the building block for future student learning. The MOE has initiated a comprehensive curriculum reform aiming at improving student learning in Languages, Mathematics and Science. The Project will support the MOE in addressing the gaps in reading skills, which is identified as the first priority. This component will support a comprehensive set of activities, covering the development of curriculum and teaching and learning materials as well as training about 68,000 teachers, headmasters and supervisors across the country, and student assessment, with a goal of improving the acquisition of key reading competencies at Grades 1-3. This component will also support MOE efforts to improve teaching practices through the development of professional standards for educational staff and the provision of induction training to newly recruited teachers, headmasters, supervisors and social workers.

19. Component 2: Promoting Equitable Access to Quality Education (Total cost: US\$36.6 million; IDA financing: US\$ 33.3 million, including contingencies). The objective of this component is to promote equitable access to quality education in eight targeted governorates and Sana'a City ("Amanat Al-Asemah"), and about 200 schools through interventions addressing both supply and demand factors. The Project will finance: (i) civil works and necessary furniture and equipment to reduce overcrowding in selected urban and suburban schools (about 500 additional classrooms in 48 schools) and improve physical learning environment for children through rehabilitation of about 150 cluster schools; (ii) interventions to promote equity through the recruitment and training of about 700 rural female teachers, expansion of the BEDP Conditional Cash Transfer (CCT) program; and (iii) support to the Fathers' and Mothers' Councils to strengthen school-based capacity and community participation, including the provision of School Development Grants to about 210 schools (including the 60 schools supported under BEDP).

20. Component 3: Institutional Capacity Development (Total cost: US\$5.6 million; IDA financing: US\$5.2 million, including contingencies). The purpose of this component is to support the development of the MOE capacity to effectively and efficiently manage resources to deliver quality education services. This component will support, in particular, the restructuring of the MOE and the deployment of the EMIS developed under BEDP as well as the development of policy frameworks for teachers and for Early Childhood Development (ECD), and a communication strategy to raise awareness about girls' education and learning to read. In addition, this component will support the development of an integrated national education vision for the MOE (National Education Vision for Yemen (NEVY)) which was launched with Bank support. This component will finance: equipment, furniture, consultant services, training and study tours necessary to support the following: (i) modernization and reorganization of the MOE; (ii) deployment of the EMIS; (iii) developing the capacity of the MOE in policy design, planning and management; and (iv) preparation of the NEVY and related stakeholder consultations.

21. Component 4: Project Management (Total cost: US\$3.8 million; IDA financing: US\$3.5 million, including contingencies). The purpose of this component is to support and strengthen the Project Administration Unit (PAU) to carry out the fiduciary responsibilities for the Project and report on project progress in a timely and effective fashion as required by the Financing Agreement entered into between the World Bank and Government of Yemen. The component will finance: PAU and Project Management Unit of the Public Works Project (PMU) operating costs, office equipment maintenance, training activities to strengthen the capacity of PAU staff in fiduciary functions and project management, audit activities, remuneration of

consultants working for PAU, salaries of PMU staff, and workshops related to the review and monitoring and evaluation of project activities.

B. Project Financing

Lending Instrument

22. The Project will use the Specific Investment Loan (SIL) instrument, and will be financed through an IDA grant. The Bank has been supporting the education sector through a series of SILs over the past ten years, and this instrument is the most appropriate given the status and capacity of the sector as well as the nature of the activities supported by the Project.

Project Cost and Financing

23. The project will cost a total of US\$72.0 million, including contingencies, of which the Bank will finance US\$66.0 million (about 92 percent of the total project cost) and the GOY US\$6.0 million. It was agreed that some activities, as specified in the Annual Work Plans approved by the Inter-Ministerial Steering Committee, will be fully financed by counterpart funding.

Table 1: Project Cost and Financing

Project Components	Project Cost (US\$M)	IDA Financing (US\$M) (*)	Recipient Financing (US\$M)
1. Improving the Quality of Basic Education and Enhancing Student Performance	25.9	23.5	2.4
1.1. Reading and writing skills	19.2	17.5	1.7
1.2. Teaching Learning Practices	5.5	5.0	0.5
1.3. Assessment of Student Learning	1.2	1.0	0.2
2. Promoting Equitable Access to Quality Education	35.5	32.6	2.8
2.1. Improving School Physical Environment	21.1	19.4	1.7
2.2. Promoting Equitable Access through Demand-side Interventions	11.6	10.7	0.9
2.3. Support to Schools, Fathers' and Mothers' Councils and Communities	2.8	2.6	0.2
3. Institutional Capacity Development	5.6	5.2	0.4
3.1. Modernization of Education Sector Management	0.7	0.6	0.1
3.2. Educational Management Information System (EMIS)	2.0	1.8	0.2
3.3. Education Planning and Policies	2.9	2.8	0.1
4. Project Management	3.8	3.5	0.3
Total Baseline Costs	70.8	64.8	5.9
Physical contingencies	1.1	1.1	0.1
Price contingencies	0.1	0.1	0.0
Total Project Costs	72.0	66.0	6.0
Interest During Implementation	n.a.	n.a.	n.a.

(*) The IDA Grant will finance 100 percent of eligible expenditures of the US\$66.0 Grant, as specified in the Financing Agreement.

C. Program Objective and Phases

24. Not applicable.

D. Lessons Learned and Reflected in the Project Design

25. The project design takes into account the following lessons learned from the implementation of BEDP and other education projects in Yemen:

- i. *The importance of supply-side factors such as school infrastructure and availability of teachers in improving access.* In addition to its focus on quality, the Project will: (a) contribute to improving infrastructure in a number of schools; and (b) support a more efficient use of available resources, including school buildings and teachers;
- ii. *The critical role of community participation in ensuring and sustaining student enrolment and attendance.* The project will sustain and expand support initiated under BEDP to the Fathers' and Mothers' Councils;
- iii. *The ineffectiveness of the input-based approach to improve quality.* The effect of generic activities supported by BEDP to improve quality is questionable. First, there is no evidence that teacher training and supervision supported by BEDP has resulted in better teaching. Second, quality indicators at the country level remain poor with no improvement in internal efficiency and very low performance at TIMSS 2011. The proposed Project will adopt a competency-based approach, primarily focusing on reading;
- iv. *The need to establish a national assessment system focusing on basic literacy skills, given the low relevance of international tests at this stage for Yemen.* The proposed project will support the development of national assessment mechanism for reading skills at Grade 3, and will support the improvement of the Grade 9 national examination;
- v. *Ensuring ownership by supporting the counterpart team to take the lead in designing the project.* For identification and preparation stages, the MOE team took the full responsibility of preparing project proposals. These proposals were discussed with the IDA and other DP teams, and the resulting project design, although different from initial MOE proposals, is fully owned by the counterparts;
- vi. *Prioritizing simplicity in the project design.* BEDP was designed as a precursor for a Sector Wide Approach project with a comprehensive set of activities covering most priority areas of intervention identified by the MOE and endorsed by DPs. This approach resulted in a relatively weak results framework that was adjusted during project restructuring. As a result, the proposed Project will be simpler, with BEDP supporting a more limited set of activities;
- vii. *Employing existing implementation arrangements.* Lessons learned from ongoing education projects point to the fact that project implementation is likely to be smooth and timely if the implementation arrangements are simple and well understood by all the implementers. Therefore, BEDP II employs implementation arrangements similar to

those used for BEDP with the main difference being that the civil works will be implemented by the (PMU), as is the case for SEDGAP and FTI-CF III projects.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

26. The MOE is the GOY's agency responsible for implementing BEDP II with the support of: (i) the PAU, responsible for all fiduciary management of the project (excluding civil works activities); and (ii) the PMU, responsible for implementing civil works activities under Component 2 of the project. Similar arrangements have worked effectively for the implementation of SEDGAP and Phase III of the FTI Grant and will continue with BEDP II using the same terms and conditions. A Memorandum of Understanding (MOU) between MOE and MOPIC was signed to reflect their respective roles and responsibilities under BEDP II.

27. As is the current practice with the ongoing BEDP and SEDGAP, BEDP II will operate under the overall guidance and oversight of an Inter-ministerial Steering Committee (IMSC), chaired by the Minister of Education and comprising representatives of: MOF, MOPIC, PMU and PAU. In addition, the overall coordination of BEDP II at the national level will be ensured by a fully dedicated Basic Education Coordinator (BEC) nominated through a Decree by the Minister of Education. The BEC will be located in the Technical Office (TO) at the MOE, and will act as the primary Focal Point (FP) for BEDP II. The TO, through the BEC, will be responsible for coordinating all activities supporting the NBEDS in general, and the BEDP II in particular and implemented by the different units of the MOE at the central and regional levels. The TO will also be responsible for consolidating the Annual Work Plans (AWPs) of the MOE, and ensuring that the basic education sector activities of the AWP are consistent with the overall goals of the education sector.

28. Coordination at governorate and district levels will be carried out, respectively, by Governorate Education Offices (GEOs) and District Education Offices (DEOs) where the Project is active. GEOs and DEOs with support from the PAU will: (i) ensure project implementation in the targeted governorates and districts; and (ii) monitor project progress (through regular progress reports) in coordination with the PAU and PMU.

29. *Coordination of Component 1 activities.* Some activities planned under Component 1 represent a degree of innovation and complexity that will require a high level of coordination and technical expertise. In particular, sub-component 1.1. (reading skills) is a high stake intervention involving three key players (curriculum sector, training sector and other DPs). Therefore, the MOE will appoint an FP to make sure that interventions of the various players are implemented in a coordinated manner. Sub-component 1.3. (student learning assessment) which requires a high level of expertise, including international technical assistance (TA), will be implemented under the responsibility of the Directorate General for Examinations with substantial technical support from the Education Research and Development Center (ERDC). A Technical Coordinator will also be appointed within the ERDC to lead the technical team and act as the main counterpart with the MOE and international consultants who will be involved in the sub-component.

30. Implementation of the female teacher contracting scheme. As is the case for the current BEDP and Phase III of the EFA-FTI Grant operations, the female teacher contracting scheme will continue to be administered by the PAU. The operations manual for the female teacher scheme which is currently being used for BEDP and the EFA-FTI Phase III Grant will continue to be used for BEDP II. A Memorandum of Understanding (MOU) detailing the roles and responsibilities of the MOE (in training and certifying the teachers), the MOCSI (in recruiting the teachers into the civil service) and the MOF (in providing financing for the recruitment of these teachers) was signed.

31. Fiduciary responsibility of the PAU. The PAU will be responsible for financial management (FM), and procurement of goods and services in accordance with IDA regulations and procedures. In addition, the PAU will provide guidance, support and capacity building where required to the MOE project-related staff at the central level and in the GEOs and DEOs. The PAU will also be responsible for communicating with the Bank on all implementation matters, and will participate in the supervision missions. The PAU has acquired extensive experience in the implementation and supervision of IDA-financed projects, and the current staffing of the PAU has continued to be regularly reinforced through the previous investment operations. BEDP II will continue to support activities to strengthen the capacity of PAU personnel in the various aspects of project management. In addition, the PAU will be responsible for submission of the quarterly Interim Financial Reports (excluding the PMU part) and the annual Audit Reports to the Bank in a timely manner.

32. Responsibility of the PMU. The PMU will be responsible for the implementation of civil works under Component 2 in close coordination with the PAU. Accordingly, the PMU will be responsible for monitoring and undertaking quality control of the full procurement process up to awarding of contracts and later for the clearance of payments to contractors; and to carry out the FM and Disbursement function for the related activities. The PMU will coordinate the implementation of activities under its responsibility with the PAU and relevant MOE counterparts and will provide its contribution to the PAU for project progress reports. The PMU will participate in joint regular supervision missions.

33. Operations Manual. All eligible activities included in BEDP II will be implemented according to the overall Project Operations Manual (POM) agreed with the GOY. The POM is expected to be finalized and approved by the MOE by Project effectiveness. The POM will also include the terms of reference for consultancies to be carried out during the first year of the project so that activities can be initiated as soon as project effectiveness is declared.

34. Supervision of Project Implementation by the World Bank. Due to security concerns, the ability of the Bank to conduct supervision missions in the field remains restricted. A Third Party Monitoring Agent (TPMA) will be contracted, to assist the World Bank in monitoring project implementation. The TPMA will monitor the physical implementation of projects and procurement arrangements in accordance with signed contracts and compliance with the agreed social and environmental guidelines; and collect data on project outcomes and impact on the ground to support project monitoring and evaluation by the Bank; the Bank will share the results of these evaluations with the GOY. It is also expected that the TPMA will transfer technical expertise to Government staff in order to improve their project monitoring capability. The monitoring agent is expected to be in place by the end of 2013 and will report directly to the World Bank task team.

B. Results Monitoring and Evaluation

35. The project Results Framework and Monitoring in Annex 1 will be used as the basis for monitoring and evaluation of the Project. The PDO and intermediate outcome indicators will be monitored through official government data, results of the assessments of learning achievement supported by the project, reports on classroom observations, and the PAU progress reports.

36. The PAU will share with the Bank all related implementation progress reports that it receives from the relevant Governorates and Districts Education Offices (GEOs and DEOs). The GEOs and DEOs will monitor progress at the Governorate level and submit progress reports to the PAU. The PAU will submit the GEO progress reports to the World Bank when requested and will ensure that a technical summary of these reports is included in its bi-annual implementation progress reports to the MOE and the World Bank. The PMU is responsible for providing to the PAU the relevant information on civil works activities under sub-component 2.1, and this information will be included in the project progress report.

37. The MOE is aware that the collection, recording, management and use of data is a crucial input for BEDP II strategic development, priority setting, resource allocation and annual planning at the central, governorate, district, and school levels. BEDP II will contribute to further building capacity of the MOE, particularly in the targeted governorates and their school districts to improve data collection and analysis, and subsequent improvement in the expansion of access and the school environment. Annual school surveys are key sources of information for the Project and the sector in general. As the MOE has been using two different surveys over the past five years, a simplified Comprehensive School Survey (CSS) has been developed with support from BEDP and assistance from UNESCO. The MOE has made a commitment to use systematically the simplified CSS as the annual school survey starting 2012/13.

C. Sustainability

38. While Yemen's political transition is in progress, insecurity and conflicts in some areas of the country continue to affect the delivery of education. In addition, the GOY's spending remains largely contingent on external funding as a result of the recent political and economic crisis which had a negative impact on the country's fiscal sustainability. Despite this challenging period, the MOE has continued to demonstrate solid commitment to its basic education objectives by updating the MTRF, preparing a sound education sector plan, and remaining strongly engaged with the DPs. If the challenging country context persists, it brings into question the MOE's capacity to sustain the Project beyond its closing date. In order to address this risk, BEDP II will continue to support activities that build the technical and institutional capacity of the MOE. In particular, the project design includes specific measures to sustain the recruitment of female teachers as well as maintaining school grants. In addition, the World Bank, the International Monetary Fund (IMF) and the DPs are working closely together to help the GOY improve its management of the economy through a mix of technical assistance and financial support.

V. KEY RISKS AND MITIGATION MEASURES

A. Risk Ratings Summary

Risk	Rating	Risk	Rating
Stakeholder Risk		Project Risk	
Stakeholder Risk: No major issue expected	M	Design: The project involves new competency-based approach	M
Implementing Agency Risk		Social and Environmental: MOE has good experience in managing environmental issues	L
Capacity: MOE has limited capacity	S	Program and Donor: There is good coordination among donors but GPE interventions have not been identified yet	M
Governance: Risk of political interference and lack of accountability mechanisms	S	Delivery Monitoring and Sustainability: MOE may not have the capacity to sustain project interventions	S
		Overall Implementation Risk	S

B. Description

39. The overall implementation risk for this operation is Substantial because of country context, as well as capacity and governance issues, including, in particular:

- i. *Limited Supervision from the World Bank due to the security situation in the country.* While the situation in the country is relatively stable, the high level of insecurity currently prevents the World Bank from conducting supervision missions in the field. In order to mitigate this risk, a TPMA will be used to ensure regular monitoring and follow-up of Yemen projects in the field. Third party monitoring would include, in particular, on-site monitoring of infrastructure works, delivery of goods and services as well as the use of physical investments for the project.
- ii. *Limited Management Capacity.* While the MOE project management capacity has improved over the past ten years, it remains weak for at least two reasons: (a) civil servants working on donor-funded projects are not motivated to provide extra efforts; and (b) the PAU is still experiencing high staff turnover mainly due to the fact that PAU staff salaries are becoming less competitive. In order to mitigate these risks, BEDP II will continue to build the capacity of MOE staff in various areas of project management as an incentive for staff, and the World Bank is working with the MOE and the Country Portfolio Performance Review (CPPR) Committee on addressing the adjustment of the salary scale to retain qualified consultant staff.
- iii. *Coordination between the PMU and MOE.* Coordination issues between the PMU and the MOE may arise. An MOU between MOE and MOPIC was signed before negotiations to mitigate this risk.

40. Annex 4 shows the Operational Risk Assessment Framework detailing the risks and mitigation measures for the Project.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analyses

41. A preliminary cost-benefit analysis (see Annex 6) shows that the proposed Project is economically viable, with an Economic Internal Rate of Return (EIRR) of 12.2 percent when the assumed discount rate is 10 percent. The EIRR for the BEDP II design was found to be larger than that of a project with an alternative design that has all investments focusing on access only. The benefits of the Project come from: (i) more children completing basic education; and (ii) improved quality that leads to reduced repetition and dropouts and hence reduced “years invested per graduate.” The estimated EIRR was found to be most sensitive to the improvement in the retention rate. After the project completion, the approximate annual additional recurrent cost incurred by the Project during the first 15 years after the project closes ranges between US\$4.9 to US\$6.3 million, which is about 6 percent of the basic education budget in 2015. The overall cost includes the cost of maintenance of civil works and furniture, increased teacher salaries for those hired through the Project, the cost of new programs such as school grants, and the cost of conducting a learning assessment every two years.

B. Technical

42. The BEDP II builds on the findings of the comprehensive sector assessment done in 2009 and published in the Yemen Education Country Sector Report in 2010. The report recommended, *inter alia*, to: (i) rationalize the use of resources (schools, teachers) to ensure fiscal sustainability of universal education; and (ii) invest in early grades to ensure that children acquire basic skills, particularly in reading and comprehension. It will also benefit from evaluation studies undertaken to assess a number of interventions supported by BEDP such as the CCT scheme, rural female teachers program, and teacher training and supervision programs.

43. The Project benefited from two recent assessments of the acquisition of reading skills by Yemenis students (see Annex 2). The project design was also informed by the System Assessment and Benchmarking for Education Results (SABER)-Teachers survey implemented in seven Middle East and North Africa countries, including Yemen. The survey showed that the Yemen education system does not have enough teacher policy elements in place to achieve strong learning results. Main areas of weakness include teacher pre-service training, deployment, monitoring, incentives and school leadership. More importantly, there is a lack of a clear and coherent teacher policy framework designed to improve student learning. The Project will assist the MOE in developing and implementing such a framework.

C. Financial Management

44. The PAU and PMU have managed a number of Bank-financed projects and their performance was satisfactory. There are no overdue audit reports. Management Letters issued with the recent audit reports have included a number of observations to strengthen internal control. These have been considered during the assessment and design of the proposed Project.

45. The PAU and PMU will each carry out the FM related activities under their respective responsibilities. Both units have maintained well-functioning FM systems based on a ring-fenced approach which includes: (i) an automated accounting system which follows cash basis accounting and is capable of recording and reporting on all transactions; (ii) experienced financial management staff; (iii) an acceptable internal controls system based on documented procedures; (iv) a Financial Management Manual; and (v) quarterly financial reports and annual financial statements, reviewed and audited, respectively, by an independent external auditor, selected by the Central Organization for Control and Audits¹ (COCA) and acceptable to IDA, based on agreed terms of reference.

46. The PAU and the PMU will continue to submit to IDA quarterly unaudited Interim Financial Reports (IFRs) not later than 45 days after each calendar quarter and annual audited financial statements not later than six months after each calendar year. To ensure that funds are readily available to start the implementation process, two segregated Designated Account (DA) in US Dollars will be opened at the Central Bank of Yemen (CBY) in Sana'a and will be managed by the PAU and PMU separately.

47. Given the nature of the inherent risks in the country system and the Project and in view of the FM arrangements already in place in the implementing entity, the overall FM risk rating of the Project has been assessed as **Substantial**. The mitigating measures include the reliance on the MOE's PAU and PMU acceptable fiduciary systems (i.e. the procurement and financial arrangements in place for the purpose of monitoring the use of funds adequately and effectively), and building the capacity of the MOE's Internal Audit function, including strengthening the MOE's complaints handling. Detailed FM arrangements designed to mitigate any FM risk are outlined in Annex 3.

D. Procurement

48. Procurement under the Project would be carried out in accordance with the Bank's Procurement Guidelines: "*Guidelines: Procurement of Goods, Works and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers*" dated January 2011 and the Bank's "*Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers*" dated January 2011, as well as the provisions stipulated in the Financing Agreement. Procurement will be carried out by both the PAU and the PMU. The PMU will be responsible for civil works activities under sub-component 2.1 and PAU will be responsible for all other activities. Both the PAU and the PMU are familiar with the World Bank procurement procedures; the PAU is currently implementing three education projects (BEDP (P076185), SEDGAP (P089761) and FTI III (P114253), and the PMU is involved in implementation of two education projects (SEDGAP and FTI III). Procurement staff of both implementing agencies has been trained.

49. A procurement capacity assessment of PAU and PMU has been carried by the Bank procurement team. The assessment noted the sufficient capacity of the PAU and PMU to undertake procurement for the Project and identified steps to further strengthen the capacity of staff in procurement through: (i) further formal training in World Bank procurement procedures for 'Goods and Works' and 'Selection of Consultants'; (ii) adding new thresholds for contracts

¹ Government's audit bureau.

that would use procurement methods such as framework agreements and direct contracting; (iii) the provision of an international procurement advisor for consultations by PAU; (iv) the development of a 'Procurement Manual' to guide the PAU in its daily procurement activities; and (iiv) ensuring that complete records are maintained for each procurement package.

E. Social (including Safeguards)

50. Now more than ever before, Yemen needs strong assistance from donors in order to survive the transition period and, in particular, to assist in the rebuilding of its social and economic base. However, there are many obstacles to this rebuilding which also impact the implementation of BEDP II. These include the security challenges prevailing in many governorates. The conflict affected the delivery of education services, particularly damage or occupation of school buildings, inaccessibility due to the security situation, and absenteeism of both teachers and students as well as the weakened institutional capacity of the MOE as a result of conflict-generated disruptions and severe budgetary constraints. More details on the social analysis are provided in Annex 7. In spite of all these drawbacks, the MOE and the GOY have shown a steady commitment to basic education, focusing on the need for education to improve overall human development and the labor force in particular.

51. The project design draws on the lessons of the implementation of the first BEDP, and it is to be noted that of all the goals, the reduction of inequities in education, in particular for girls, remains the most challenging in the Project. Two obstacles are the cultural ethos of the place of girls in the household and the availability of schools. Two main targeting mechanisms need to be considered: (i) the availability of schools either in the village or close by; and (ii) the willingness of the men in a household to permit girls' attendance beyond the first few grades. These factors are of particular importance in rural areas. Interventions that provide better access to schools, female teachers, and enhanced community participation are key to the goals of the Project, hence the importance of Component 2. Without community participation, the cultural obstacles will persist. Communities must be organized in order to seek the participation of men as well as women to explain the importance of the Project and obtain a degree of ownership in it. The low level of adult literacy is one of the strong impediments for effective community participation in decision-making. Adult women in particular are a segment of the population that should be the focus of strong targeting measures to ensure a wider participation in and ownership of the Project and its objectives.

52. Another related and strong challenge to the BEDP II implementation will be the identification and training of female teachers, especially in rural areas. The great need for female teachers cannot be underestimated; the MOE's updated figures indicate the need for about 4,500 female teachers. This should be one of the Project's monitoring elements, as achieving a high number of trained female teachers could be a life-changing experience for the entire country.

Safeguards

53. The Project at this time does not present any issues to trigger OP4.12 (Involuntary Resettlement) and no Resettlement Policy Framework (RPF) is needed since activities only focus on the extension or rehabilitation within existing school yards which do not require any land acquisition. The RPF formulated in 2009 is comprehensive. In the past, land needs were met by donations from the communities, and these transactions were duly documented. The site

selection, construction of facilities and requirements for their appropriate operation and maintenance are discussed in the Environmental Management Plan (EMP). No major impact is anticipated during implementation of BEDP II as it only represents extension or rehabilitation of existing schools on existing land property. The PMU has completed and disclosed the EMP, taking into account lessons learned from the previous experiences, and the EMP is acceptable to the Bank.

54. While activities related to the extension and rehabilitation of schools may have an impact on the environment, no major effects are anticipated during the implementation of BEDP II. Therefore, the Project is classified as an environmental Category B according to the World Bank's Operation Policy on Environmental Assessment (OP 4.01), requiring partial assessment. The PMU has a track record of preparing and implementing the EMP for SEDGAP and Phase III of the FTI Grant. The PMU updated an existing EMP by strengthening the mitigation measures around sanitation issues considered as vital and essential for the overall development of students; it would also help prevent the girls from dropping out of schools due to the lack of clean toilets.

55. A public consultation took place on August 13, 2012 which was attended by stakeholders from non-governmental organizations, members of Fathers' and Mothers' Councils, and relevant employees from education sectors at the central and governorates levels. In accordance with World Bank Disclosure Policy and Guidelines, the executive summary of the EMP was translated into Arabic and both versions were disclosed at the World Bank's *Infoshop* on September 6, 2012. They were also disclosed on the website of the MOE and PMU on September 5, 2012. Once the rehabilitation/extension sites are selected, the site-specific assessment will be conducted by filling out an environmental screening sheet prepared as part of the EMP and submitting it for the Bank's no objection before initiating the actual physical intervention. Also, public consultations will be conducted again focusing on the communities in the selected sites. Conducting consultations before initiating construction is a mandatory process at the PMU. The risk of environmental impacts will be managed during the implementation phase by following the mitigation measures (including environmental screening sheet for each sub-project) and monitoring plan described in the EMP. The main elements of the EMP will be incorporated in the POM.

F. Other Safeguards Policies Triggered (*if required*)

56. None.

Annex 1: Results Framework and Monitoring
REPUBLIC OF YEMEN: Second Basic Development Education Project

Project Development Objectives													
PDO Statement:													
The Project Development Objective is to assist the Government of Yemen in improving student learning and equitable access to basic education in selected governorates and schools.													
.													
Project Development Objective Indicators													
PDO Level Results Indicators	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source / Methodology	Responsibility for Data collection	Description
				YR 1	YR 2	YR 3	YR4	YR5	YR6				
<i>PDO Indicator One:</i> Percentage of students at Grade 3 in selected cluster schools having acquired basic reading skills	<input checked="" type="checkbox"/>	Percentage	TBD	TBD	x	x	x	TBD	x	Twice	Student Assessment report	MOE/CGS/ERDC	% of students attaining predefined score in customized EGRA-type sample-based test
<i>PDO Indicator Two:</i> Number of students in selected schools have better learning environment	<input checked="" type="checkbox"/>	Number	0	x	x	150,000	150,000	200,000	250,000	Annual	Progress report	MOE/TO	Number of students enrolled in schools extended or rehabilitated by the project
<i>PDO Indicator Three:</i> Gender Parity Index (GPI) improved by ten percent in the eight project governorates and Sana'a City ("Amanat Al-Asemah")	<input checked="" type="checkbox"/>	Number	0.8	0.8	0.81	0.82	0.83	0.84	0.85	Annual	Comprehensive School Survey	MOE/TO	Ratio of enrolled female to male students

Intermediate Results Indicators													
Intermediate Result (Component 1)	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source/ Methodology	Responsibility for Data collection	Description
				Y1	Y2	Y3	Y4	Y5	Y6				
<i>Intermediate Result – Indicator One:</i> Reading skills program implemented	<input type="checkbox"/>	Text	No Reading Skills program	Language curriculum revised and teaching/learning material produced	About 63,000 grade 1-3 teachers trained on accelerated reading	About 68,000 grade 1-3 teachers trained on new Arabic curriculum skills module	Report on teaching practice through classroom observation produced	Cumulative evaluation and revision of teaching and learning material			Progress report	CGS/ERDC/PAU	This is a qualitative indicator summarizing the progress in the implementation of the reading skills program
<i>Intermediate Result – Indicator Two:</i> New teachers are better qualified due to induction program.	<input checked="" type="checkbox"/>	Number	0	5,000	10,000	15,000	20,000	25,000	25,000	Annual	Progress Report	TQS/PAU	Cumulative number of newly recruited teachers receiving induction professional training. Progress report will also include evaluation based on classroom observation
<i>Intermediate Result – Indicator Three:</i> Establishment of a sample-based assessment system to evaluate Grade 3 early reading skills at a national level, providing accurate results for each governorate	<input type="checkbox"/>	Text	No Test	Grade 3 baseline reading test completed in 2013	2013 test results analyzed	2013 test results disseminated		Grade 3 reading test completed in 2017	2017 test results analyzed and shared	Annual	Progress Report	CGS/ERDC/PAU	This is a qualitative indicator summarizing the progress in the implementation of the grade 3 students assessment
<i>Intermediate Result – Indicator Four:</i> Items Bank for Grade 9 examinations in Arabic, Math and Sciences developed	<input type="checkbox"/>	Text	No items bank for Grade 9 examination					Items bank populated	Test instruments created	Annual	Progress Report	CGS/ERDC/PAU	This is a qualitative indicator summarizing the progress in the improvement of the grade 9 examination

Intermediate Result (Component 2)	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source / Methodology	Responsi- bility for Data collection	Description
				YR 1	YR 2	YR 3	YR4	YR5	YR6				
<i>Intermediate Result – Indicator Five:</i> Learning environment is improved in selected overcrowded schools through building additional classrooms	<input checked="" type="checkbox"/>	Number	0		100	300	500	500	500	Annual	Progress Report	PMU/PAU	Number of additional classrooms built in existing overcrowded schools
<i>Intermediate Result – Indicator Six:</i> Learning environment is improved in selected cluster schools through rehabilitation	<input checked="" type="checkbox"/>	Number	0		20	50	100	150	150	Annual	Progress Report	PMU/PAU	Number of cluster schools rehabilitated
<i>Intermediate Result – Indicator Seven:</i> Number of girls receiving CCT incentives for better attendance and performance increased in the governorates of Al Hodeidah and Lahej.	<input type="checkbox"/>	Number	40,000	40,000	40,000	40,000	25,000	25,000		Annual	Progress Report	Girls Education Sector (GES)/PAU	Total number of girls benefiting from CCT in Al Hodeidah and Lahej
<i>Intermediate Result – Indicator Eight:</i> Additional female teachers are contracted and deployed in target areas.	<input type="checkbox"/>	Number	0	0	0	300	500	700	700	Annual	Progress Report	GES/PAU	Number of additional new female teachers contracted and who completed the qualifying training in targeted rural areas.

Intermediate Result (Component 3)	Core	Unit of Measure	Baseline	Cumulative Target Values						Frequency	Data Source / Methodology	Responsi- bility for Data collection	Description
				Y1	Y2	Y3	Y4	Y5	Y6				
<i>Intermediate Result – Indicator Nine:</i> Restructuring of the MOE adopted and implemented	<input type="checkbox"/>	Text	Zero	New MOE structure and bylaws adopted	Equipment and furniture provided to the new structures			Training of about 2,000 MOE, GOEs and DEOs staff completed				TO/PAU	Status of MOE modernization plan
<i>Intermediate Result – Indicator Ten:</i> EMIS is operational at both central level and in the governorates	<input type="checkbox"/>	Text	EMIS software developed	EMIS deployed with at least 50% of functionalities at the central level and in 3 pilot governorates	EMIS fully deployed at the central level and in 3 pilot governorates	EMIS fully deployed at the central level and in at least 50% of governorates	EMIS fully deployed at the central level and in all governorates	EMIS operational and deployed at central and local levels				TO/PAU	This is a qualitative indicator monitoring progress in the implementation of the EMIS
<i>Intermediate Result – Indicator Eleven:</i> Key policies adopted and being implemented	<input type="checkbox"/>	Text	No policies	MOE Communication strategy developed and being implemented	Teachers and ECE policy frameworks developed	MOE takes concrete steps for the implementation of Teachers and ECE policy frameworks	Teachers and ECE policy frameworks being implemented				Progress report		This is a qualitative indicator monitoring progress in the development and implementation of key policies part of MOE medium term strategy
<i>Intermediate Result – Indicator Twelve</i> National Education Vision for Yemen (NEVY) adopted	<input type="checkbox"/>	Text	No policies	NEVY is prepared	National consultation on the NEVY completed and NEVY adopted						Progress report	TO/PAU	This is a qualitative indicator monitoring progress in the development of the NEVY

Annex 2: Detailed Project Description
REPUBLIC OF YEMEN: Second Basic Education Development Project

Component 1: Improving the Quality of Basic Education and Enhancing Student Performance (*Total cost: US\$26 million; IDA financing: US\$24 million, including contingencies*). The objective of this component is to assist the MOE to improve the quality of basic education through a focus on reading skills, which are the building blocks for future learning. The component will also support the training of teachers and other educational staff as well as the development of student assessment mechanisms.

Sub-Component 1.1: Reading and Writing Skills (*Total cost: US\$19.5 million; IDA financing: US\$18.0 million, including contingencies*)

1. This sub-component will assist the MOE in strengthening students learning to read in early grades. The project will support the following interventions:

- (i) Revision of the Arabic language curriculum (Grades 1-12). The revised curriculum will allocate more time to reading, have a stronger focus on letter recognition, incorporate phonics instruction and include formative classroom evaluations to provide feedback to students. The new curriculum will benefit from an accelerated reading module, which is currently under development by the USAID-funded Community Livelihoods Project (CLP) project;
- (ii) Revision of textbooks, teachers manuals and teaching materials for Arabic language Grades 1-3;
- (iii) Training of and support to about 68,000 teachers, headmasters and supervisors on the revised Arabic language curriculum and approach to improving students reading skills in Grades 1-3. The training manuals will benefit from the training program being developed by the CLP project as continuing professional development at the school and cluster levels through regular professional development meetings, classroom observations and coaching. It is expected that about 5,000 teachers and other staff will be trained by the CLP project on the accelerated reading module;
- (iv) The Project will also support the revision of the curricula of Math and Sciences for Grades 1-3, as well as the revision of textbooks, teacher manuals and teaching materials for Grade 1 as part of the broader reform of the basic education curriculum.

Sub-Component 1.2: Teaching Practices (*Total cost: US\$5.5 million; IDA financing: US\$5.0 million, including contingencies*)

2. This sub-component will support MOE efforts to improve teaching practices through: (i) the development of professional standards and a framework for in-service training for teachers, headmasters, supervisors and counselors; and (ii) the provision of induction training to newly recruited teachers, headmasters, supervisors and social workers. The MOE recognizes that the poor quality of teaching is one the main issues facing the sector. Most newly recruited teachers - including those who graduated from faculties of education - lack essential basic teaching professional skills and practices. The MOE, supported by the Project, will design a 2-3 week induction program to be delivered by the Teacher Training Institutes (TTIs) to newly recruited staff.

This sub-component will also include an evaluation of the impact of training, at the level of teacher classroom practices, through a standardized classroom observation instrument.

Sub-Component 1.3: Assessment of Student Learning (Total cost: US\$1.0 million; IDA financing: US\$1.0 million, including contingencies)

3. This sub-component will support two main activities:
 - Design and implementation of an Early Grade Reading Assessment (EGRA). The assessment will benefit from the test instruments developed under the CLP and will be implemented in a sample of about 200 schools, including the 150 cluster-schools to be rehabilitated under Component 2 of the Project. The Project will finance: (i) a basic letter knowledge test to be administered at the end of school year 2013/14 to Grade 1 students, and aimed at adjusting the early grade reading module supported under sub-component 1.1; and (ii) a reading test to be administered twice during the project life to Grade 3 students with the purpose of evaluating the effect of project interventions. Support will include the survey design and administration of the test, as well as the analysis of test results and related capacity building of the Curriculum and Guidance Sector (CGS) and the ERDC which will both be involved in the implementation of this sub-component.
 - Enhancement of the Grade 9 examination through the development of a test items bank for Arabic language, Math and Science subjects; and the implementation of a Grade 6 test based on the test items bank developed with the support from GIZ under the National Assessment System of Students (NASS) project.

Component 2: Promoting Equitable Access to Quality Education (Total cost: US\$36.6 million total; IDA financing: US\$ 33.3 million, including contingencies)

4. The objective of this component is to facilitate equitable access to quality education through interventions targeting both the supply and demand for basic education, with a specific focus on girls' education.

Sub Component 2.1: Improving School Physical Environment (Total cost: US\$22.4 million; IDA financing: US\$20.2 million, including contingencies)

5. The objective of this sub-component is to promote equitable access to quality education in targeted areas by improving the physical learning environment. This objective will be achieved by building 500 new classrooms in 48 schools, rehabilitating 150 cluster schools, and providing equipment (e.g., science and computer labs) and learning materials (e.g., audio aids) to project intervention schools. These interventions will target the following eight governorates: Ibb, Taiz, Lahej, Aden, Sana'a, Al Hodeidah, Hajjah and Hadhramout, and Sana'a City ("Amanat Al-Asemah").

Subcomponent 2.2: Promoting Equitable Access through Demand-side Interventions (Total cost: US\$11.4 million; IDA financing: US\$10.5 million, including contingencies)

6. The objective of this sub-component is to promote equitable learning opportunities and foster girls' enrolment and retention in basic education by sustaining and expanding demand-side-interventions piloted under BEDP. The main activities include: (i) the establishment of a holistic policy framework that covers various incentive programs with a view to institutionalize and

eventually roll out the framework at the national level; (ii) the implementation of the Rural Female Teacher Contracting Scheme to recruit, train and deploy an additional 700 female teachers in rural areas; and (iii) ensuring the sustainability of the CCT program for girls' education to first continue serving the existing 40,000 beneficiaries served under BEDP for three years and subsequently add 25,000 new beneficiaries for the following two years of the Project. It is expected that the 40,000 initial beneficiaries will then be taken over by the Social Welfare Fund (SWF) under the Ministry of Social Affairs and Labor (MOSAL) which is now running the Government cash benefits program for the poor. Once the transition of those beneficiaries is ensured, the Project would be able to reach out to an additional 25,000 beneficiaries in the two target governorates (Al Hodeida and Lahej).

7. Given that rural areas have less than 30 percent of girls' enrollment rates due to high drop-outs, the CCT aims to address low enrollment and poor completion rates for girls. In more than 210 schools in Lahej and 66 schools in Al Hodeida governorate, BEDP provided CCTs to incentivize girls and their parents from the most underprivileged rural households to attend school. The scheme is designed to benefit girls in Grades 4-9, an age group for which high drop-out rates are observed for girls. The scheme is implemented in schools with at least 50 students, both boys and girls, enrolled and where classes through Grade 8 are provided. Any girl who is enrolled in school or who is re-enrolled in Grades 4-9 is eligible to receive the transfer for each year of successful completion of a grade, with the acceptance of failing a grade only once during her enrolment in the CCT program. The transfers are conditional on maintaining no less than 80 percent attendance and a passing grade. In addition, to encourage better learning for the beneficiaries, an achievement bonus is given to students attaining 65 percent or more overall in the final examination in Grades 6 and 9. Girls in Grades 4-6 are eligible for a yearly amount of YR7000 equivalent to US\$35, and girls in Grades 7-9 for a yearly amount of YR8000 equivalent to US\$40 (to a maximum of US\$120 per family). One transfer of YR3000 (US\$15) is made at the beginning of the school year to obtain school supplies and the rest is transferred every three months during the school year. Eligibility criteria and associated benefits and modalities of the CCT scheme will be revisited based on the outcomes of the evaluation to take place at the end of BEDP.

8. The CCT Operations Manual will be further refined to take into account the lessons learned from BEDP experience, and capacity building will continue to be provided to the CCT technical and operations team. It is planned that after the hand-over to the SWF, the CCT scheme will remain under the supervision of the MOE Girls Education sector through a coordinator. An MOU between MOE and MOSAL (and possibly MOF, but since MOF is already providing support, it is envisaged that MOF cooperation will continue even without a formal MOU) was established.

9. This sub-component will also support the GOY in developing a framework for planning, implementation, monitoring and evaluation of the various incentives programs to promote enrolment of girls and students from other disadvantaged groups. A number of programs - currently managed by the MOE directly or through Development Partners such as UNICEF, EU, SWF, WFP and NGOs - cover a variety of incentives such as: the distribution of school kits, school feeding and CCTs. The purpose of the framework to be developed is to improve the targeting and efficiency of such programs with a view to enhancing sustainability and institutionalization of the program.

10. Rural Female Teacher Contracting (RFTC) Scheme: Under BEDP, 550 female teachers were trained with a two-year Diploma, and 525 of them were certified and ultimately hired as public school teachers. These teachers are now on the official payroll of MOE. BEDP provided this scheme in four governorates (Al Jawaf, Shabwa, Dhamar, Al Hodeida). According to the 2010 report (which was shared during an MOE workshop) that presents data at the school level, girls'

enrollment and retention were improved in the schools that benefitted from this scheme. The report also indicates that female teachers stay with the same school and are happy with their jobs. Regarding the implementation mechanism and timeline of the RFTC, BEDP II will cover beneficiary schools in the eight targeted governorates. The selection mechanism and criteria will remain the same as in BEDP (e.g., women who can apply already live in the area, and have graduated from secondary education, etc.; details can be found in the existing Operations Manual). Also, their position is linked with the school to ensure sustainability. The selection process is also well managed: Fathers' and Mothers' Councils as well as supervisors first recommend potential candidates, and a committee is in charge of interviewing the applicants together with staff from DEO and GEO. After passing the initial interview, the selected women get trained for two to three months during the summer. Upon completion of the training, they get a contract (issued by Fathers' and Mothers' Councils) and are assigned to schools. Under BEDP, the training was repeated for three years. However, BEDP II will provide training only for two years, as is the case under FTI. The training is for a period of four months (90 working days) and the contract is for two years. Teachers take the final exam and those who pass the exam and meet all criteria (attendance, unannounced visits by supervisors, etc.), can be hired as civil servants. On the basis of regular progress reports, contracts are renewed every six months. Currently, the monthly salary of US\$100 equivalent is paid in three installments throughout the year. Salaries are transferred through the post office and female teachers themselves receive the money upon presentation of a personal ID. At the moment, no serious problem has been reported regarding money transfer except for a few days of delay. However, using a commercial bank to transfer the money could be also considered if it is geographically feasible. Under the new Project, it is planned to increase monthly salaries for 700 teachers to US\$145 during the contract period. These teachers will be trained in two groups (350 in the first group, 350 in the second group). Each cohort will need two years to complete the hiring process which means that four years in total will be required to complete the recruitment of 700 teachers.

11. It is currently envisaged that the MOE will take over the RFTC and fully institutionalize it; in fact, the MOE already secured a budget for this program. The target is to hire between 400–1,000 new female teachers annually. The MOF provided a budget line for this activity based on an MOU with the MOE. Every year, 5,000 additional posts are added for new teachers, and RFTC actually represents 10 to 20 percent of the entire newly recruited workforce. The project will support such solid institutionalization of this RFTC program at MOE.

Subcomponent 2.3: Support to Schools, Fathers' and Mothers' Councils, and Communities
(Total cost: US\$2.8 million; IDA financing: US\$2.6 million, including contingencies)

12. This sub-component aims to improve the capacity of schools and local communities in planning, implementation and monitoring for school based development, piloted under the BEDP, UNICEF and JICA projects. Building on the successful groundwork done under BEDP through the Whole School Improvement (WSI) schemes, BEDP II aims at expanding school grants to 210 schools, of which 150 are the cluster schools rehabilitated under sub-component 2.1 and the 60 schools are the continuation of the same beneficiaries. At the community level, the sub-component will also support forming, training and activating 2000 Fathers' and Mothers' Councils in targeted governorates which will be added to the 4,000 existing councils established and fully operational under BEDP.

13. Through BEDP, the MOE has established a General Directorate for Community Participation in the central Ministry, as well as Departments for Community Participation at the GEO and DEO levels to promote community participation through the Fathers' and Mothers' Councils. Most schools currently have such councils but, according to the MOE, not all of them are working effectively. Expected results include deeper involvement of Fathers' and Mothers' Councils in producing and implementing school-based development plans and school-based management.

14. This component will also expand the school grants initiated under BEDP to the 150 cluster schools to be rehabilitated under sub-component 2.1 to reach a total of 210 additional schools (including the 60 schools supported under BEDP). For basic and secondary education, the MOE has been considering the potential of capitation grants and, through donor financing, the MOE has been experimenting with small-scale pilot initiatives supported by donors such as JICA and UNICEF. Lessons from the BEDP-sponsored Whole School Improvement (WSI) scheme indicate large potential benefits, particularly through involving Fathers' and Mothers' Councils. The WSI scheme relies to a large extent on community accountability and involvement for effective implementation with specific roles assigned to communities in defining school needs. Furthermore, community involvement and strong capacity are absolutely critical for RFTC, as the selection, testing and the contracting of female teachers is done jointly by the school principal, MOE staff, and representatives of the Fathers' and Mothers' Councils. Given that the head of the Fathers' and Mothers' Council is also the signatory of the contract with the female teacher, this provides a mechanism for community accountability.

15. BEDP II will use the same implementation mechanism as in BEDP for the implementation of School-Based Development grants. The selected schools collectively attend a training (financed by the Project) which focuses on roles and responsibilities, school budgeting and management, etc. Once the school plan is approved, an amount of US\$1,500 is transferred, in one installment, to each school at the beginning of school year (September). Schools implement their approved plan and committees ensure their successful implementation. Currently, funds are transferred via post office but transfers could be made through a commercial bank if this is more convenient to the MOE given the scattered presence of post offices in certain areas (note that transaction fees are not significantly different between banks and post offices). At present, school grants include three categories of expenditures as follows: (i) infrastructure, toilets, furniture, equipment; (ii) management and administration archiving, etc.; and (iii) support to Fathers' and Mothers' Councils, and school activities. There is no threshold for each category and the share of expenditures is based on priorities at school. After three years of project implementation, it is expected that the MOE will take over this program. During the first two years of project implementation, the MOE will identify a mechanism for the transfer of the School Development grants program to the relevant Government entities.

Component 3: Institutional Capacity Development (Total cost: US\$5.6 million; IDA financing: US\$5.2, including contingencies)

16. The objective of this component is to improve the planning, management, monitoring and evaluation capacity of the sector for effective delivery of basic education services and an efficient use of available resources.

Sub-Component 3.1: Modernization of Education Sector Management (Total cost: US\$0.7 million, IDA financing: US\$0.6 million, including contingencies)

17. The objective of this sub-component is to support MOE's efforts in implementing its modernization plan which will result from the technical assistance currently underway in BEDP. Activities in this sub-component will build on the outcomes of the technical assistance, which will encompass the assessment of the capacity of MOE as well as a detailed organizational structure for the MOE at the central and governorate levels. This sub-component will take the work further through providing the necessary consultant services, equipment, furniture, and training at the central and local levels that will help support the implementation of the new structure and organizational change. The Technical Office (TO) of the MOE will be responsible for implementing this sub-component. It is expected that the detailed organizational structure will be approved and implemented by the end of 2016.

Sub-Component 3.2: Educational Management Information System (EMIS) (Total cost: US\$2.0 million, IDA financing: US\$1.8 million, including contingencies)

18. This sub-component will support the implementation of the EMIS software developed under BEDP, which is currently being tested. The core functions of the EMIS software were completed in December 2012 and the system is expected, during the year 2013, to connect the central Ministry with three governorates while the connection with the remaining 19 governorates is expected for 2014. The Project will finance the EMIS connection for 150 district offices through providing equipment and specialized training. In addition, the Project will finance the establishment of a National Student ID system as well as the annual school surveys and a comprehensive GIS-referenced school survey in 2015. The TO of MOE will oversee this component through the departments of MIS and planning while sharing the responsibility with Curricula and Guidance Sector on the National Student ID system.

Sub-Component 3.3: Educational Planning and Policies (Total cost: US\$ 2.9 million, IDA financing: US\$2.8 million, including contingencies)

19. The purpose of this sub-component is to enhance the capacity of the MOE in planning and policy design. This will be done through the financing of equipment, consultant services and training of relevant staff in policy design, planning, budgeting and effective coordination and communication. By the end of the Project, staff members are expected to be trained in all these areas. In addition, a manual of procedures on planning, monitoring and evaluation will be available at the central and local levels. This component will support: (i) the building of institutional capacity in planning, monitoring and evaluation at the central and local levels (micro-planning and school mapping); (ii) the enhancement of the MOE in annual budgeting and financial management system, which also includes capacity building for the MOE's internal audit department; (iv) MOE development of a comprehensive framework for teacher policies and Early Childhood Education (ECD); and (v) the development and implementation of a comprehensive communications strategy for the education sector, including awareness campaigns for girls' education. The TO of the MOE will be responsible for overseeing and coordinating the activities of this subcomponent. The MOE will ensure that the policy documents for teachers and ECD policy frameworks are completed and utilized by 2016. Furthermore, this subcomponent will support the development of an integrated national education vision for the MOE (National Education Vision for Yemen (NEVY)) which was

launched with Bank support. The Project will finance consultancies, workshops and study tours related to the preparation of the NEVY and related stakeholders' consultation.

Component 4: Project Management (*Total cost: US\$3.8. million; IDA financing: US\$3.5 million, including contingencies*)

20. The objective of this component is to support and strengthen the PAU to carry out the fiduciary responsibility and report the progress of BEDP II in a timely and effective fashion. The component will finance: PAU and PMU for project operating costs, office equipment maintenance, training activities to strengthen the capacity of PAU staff in fiduciary functions and project management, audit activities, remunerations of consultants working for PAU, PMU staff salaries, and workshops related to the review and monitoring and evaluation of project activities.

Annex 3: Implementation Arrangements

REPUBLIC OF YEMEN: Second Basic Education Development Project

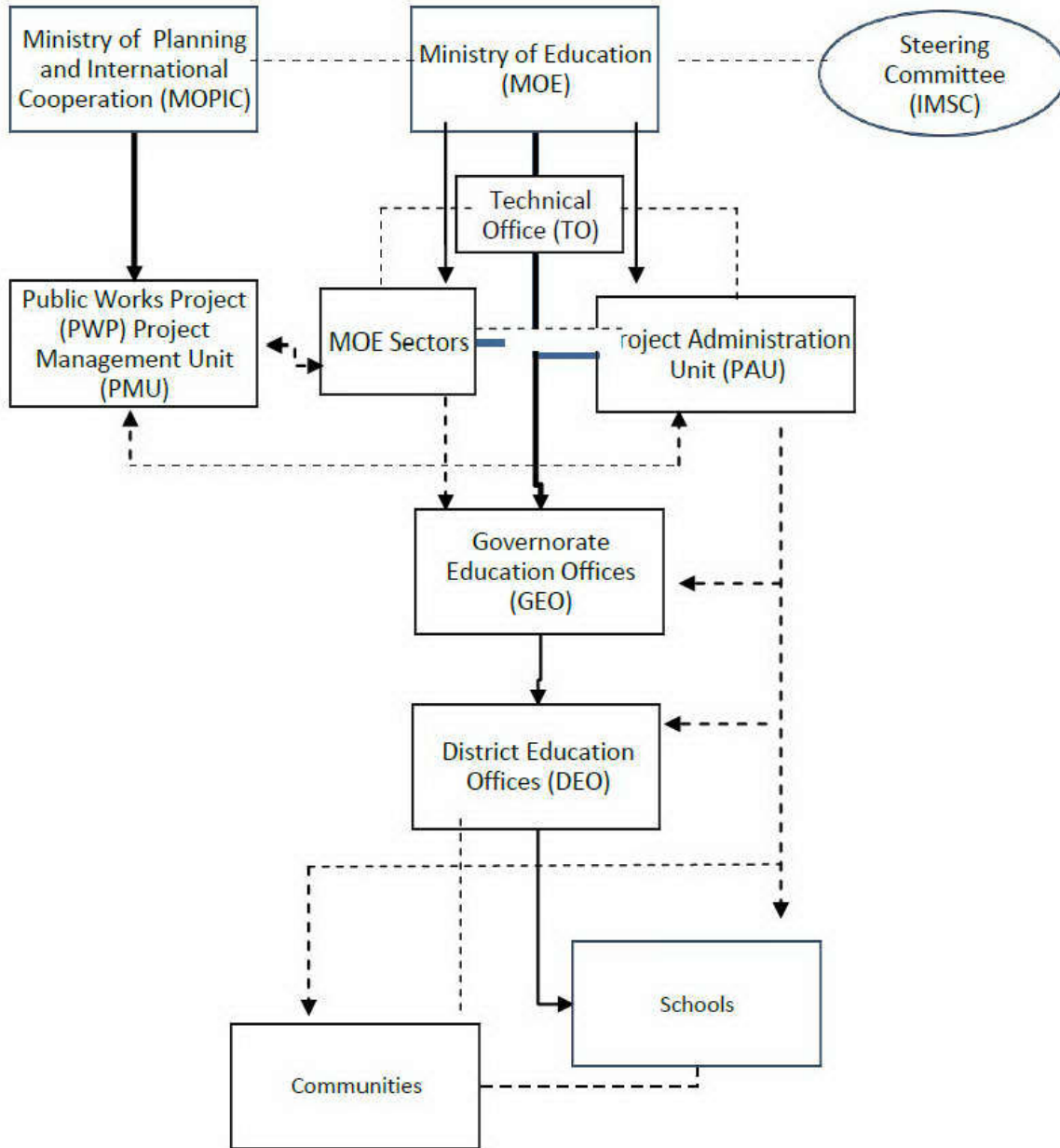
Project Institutional and Implementation Arrangements

1. The MOE is the GOY agency responsible for implementing BEDP II with the support of: (i) the Project Administration Unit (PAU) of the MOE, responsible for all fiduciary management of the project (excluding civil works activities); and (ii) the Project Management Unit (PMU) of the Public Works Project (PWP) of the Ministry of Planning and International Cooperation (MOPIC) responsible for implementing civil works activities under Component 2 of the Project. These arrangements have worked effectively for the implementation of SEDGAP and Phase III of the FTI Grant and will continue with BEDP II with the same terms and conditions, as agreed with MOE and MOPIC during the appraisal mission. A Memorandum of Understanding (MOU) was signed between MOE and MOPIC to reflect their respective roles and responsibilities under BEDP II.

2. *Project Oversight.* As is the current practice with the ongoing BEDP and SEDGAP, the proposed Project will operate under the overall guidance and oversight of an IMSC, chaired by the Minister of Education and comprising representatives of: MOF, MOPIC, PMU and PAU. In addition, the overall coordination of BEDP II at the national level will be ensured by a fully dedicated Basic Education Coordinator (BEC) nominated through a Decree by the Minister of Education. The BEC will be located in the TO of the MOE, and will act as the primary FP for BEDP II. Moreover, the coordination at governorate and district level will be carried out by the central GEOs where the Project is active. The IMSC is expected to be established by Decree, once the Project is approved.

3. The IMSC will meet at least once every four months. The Committee will be chaired by the Minister of Education, or his designate as applicable, and will be responsible for: (i) reviewing and agreeing upon policies relating to the achievement of the PDOs; (ii) reviewing and approving the annual project plans (included in the MOE's AWP); (iii) monitoring project progress; and (iv) advising on resolution of implementation issues arising during project implementation. The PAU Director will act as the Secretary to the IMSC.

Table 1: Organizational Chart of Implementation Stakeholders



Notes:

- > Supervision
- - -> Support/Coordination

4. At the national level, the TO, through the BEC, will be responsible for coordinating all activities supporting the NBEDS in general, and the BEDP II in particular and implemented by the different units of the MOE at the central and the national levels (governorates). The TO will also be responsible for consolidating the Annual Work Plans (AWPs) of the MOE, and the BEC will be responsible for ensuring that the basic education sector activities of the AWP are consistent with the overall goals of the NBEDS. The BEC will share all related implementation progress reports that it receives from the GEOs and DEOs involved in BEDP II through the PAU and the PMU. The BEC's job description will be similar to that of the Secondary Education Coordinator (SEC) of SEDGAP, with a focus on basic education only.

5. The BEC will ensure that the following sectors carry out their tasks in accordance with the regulations of the MOE:

- (i) The **School Mapping** team, within the Project Sector of the MOE and the Departments of Statistics and Planning and of Information Technology and Communication in the TO of the MOE, will gather all the required information concerning the scope and phasing of all activities to be targeted through the BEDP II in project governorates, districts and schools. In particular, the School Mapping team will be involved in the sub-component 3.3. of BEDP II aiming to support the capacity building for the staff at the central, governorates, and district levels. The School Mapping team will also be responsible for activities related to: planning, programming, school mapping, statistics, data collection and analysis, and will produce project reports for school expansion and establishment according to key variables. These project reports will be included in the AWP exercise of the MOE.
- (ii) The **Girls Education Sector** (GES) will coordinate the expansion of the BEDP II CCT with the Fathers' and Mothers' Councils in the schools targeted by the Project, through the corresponding project GEOs and DEOs, and will report on the implementation progress of this sub-component to the BEC.
- (iii) The **General Education Sector** (GeES) will coordinate the expansion of the BEDP II rural female program. This program will promote equity through the recruitment and training of about 700 rural female teachers. In addition, the GeES will be responsible for coordinating the technical assistance supporting the development of an ECE policy.
- (iv) The **Curriculum and Guidance Sector** (CGS) of the MOE will coordinate the overall the implementation of Component 1 with regard to the development of curriculum, teaching and learning materials. The MOE will appoint a focal point to make interventions of the various players under sub-component 1.1. ("Reading Skills") are implemented in a coordinated manner. A coordinator at the Training Sector (TS) will be responsible for the training of teachers, supervisors, headmasters and counselors. Sub-component 1.3. ("Student Learning Assessment"), which requires a high level of expertise, including international TA, will be implemented under the responsibility of the Directorate General for Examinations with substantial technical support from the ERDC.
- (v) The **Training and Qualifications Sector** (TQS) of the MOE will coordinate the implementation of capacity building activities to improve teaching and learning practices in the classroom (sub-component 1.2) with respect to the development and delivery of training modules to project schools and other non-project schools in selected governorates, through the corresponding GEOs and DEOs. Regarding the selection of

developers and trainers as well as the development and delivery of training manuals and materials, the TQS will draw upon relevant expertise in other sectors of the MOE (e.g., CGS, Education Resource Development Center, Girls' Education, General Education) and institutions (e.g., universities and higher institutes) in close coordination with the management level of these other sectors and institutions. The TQS will report on the implementation progress of the training activities in this sub-component based on field reports from GEOs and DEOs with district supervisors. Finally, the TQS will report on the implementation progress of this sub-component to the BEC.

6. Coordination and implementation in the Governorates and Districts will be carried out by central Governorate Education Offices (GEOs) and the Districts of Education Offices (DEOs) where the Project is active. GEOs and DEOs with support from the PAU will: (i) ensure project implementation in the targeted governorates and districts; and (ii) monitor progress (through regular progress reports) to the sector in coordination with the PAU.

7. *Implementation of the Rural Female Teacher Contracting Scheme.* As is the case for the current BEDP and Phase III of the EFA-FTI Grant operations, the female teacher contracting scheme will continue to be administered by the PAU. The operations manual for the female teacher scheme which is currently being used for BEDP and the EFA-FTI Phase III Grant will continue to be used for BEDP II. An MOU detailing the roles and responsibilities of the MOE (in training and certifying the teachers), the MOCSI (in recruiting the teachers into the civil service) and the MOF (in providing financing for the recruitment of these teachers) already exists for the current BEDP and will be used for BEDP II.

8. *Sustainability of the CCT scheme and School Grants.* To ensure sustainability and expand the CCT and school grants schemes, starting in the third year of project implementation, the GOY will take over the financing of the beneficiary schools supported under BEDP and II. An MOU detailing the roles and responsibilities for the transfer financing to the Government budget was signed between the MOE and the MOF.

9. *Fiduciary Responsibility of the PAU.* The PAU will facilitate the implementation of project activities (except for civil works activities under Component 2) through financial management (FM), procurement of goods and services and technical assistance in accordance with IDA regulations and procedures. In addition, the PAU will: (i) provide guidance, support and capacity building where required to the MOE's Directors, and project related staff in the Governorates and Districts; (ii) implement and monitor outcome and output indicators; (iii) support the Governorates to develop and implement their implementation plans; (iv) ensure compliance with the signed MOUs² related to project implementation; (v) resolve implementation issues; (iv) prepare and submit bi-annual progress reports to the MOE and the Bank, including the baseline and values of specific implementation indicators by component; and (v) submit the quarterly Interim Financial Reports (excluding the PMU part) and the annual Audit Reports to the Bank in a timely manner. Regarding Component 2, it should be specified that the MOE, through the PAU, will remain responsible for the preparation of school standard designs, the setting of the standard lists, drawings and technical specifications, and the monitoring of all activities implemented by the PMU.

² These include: (i) MOU between the MOE and MOPIC; and (ii) MOU for the Rural Female Teacher Scheme signed between the MOE, Ministry of Civil Service and Insurance (MOCSI) and MOF; MOU between MOE, MOSAL (SWF) and MOF for transfer of the CCT scheme to the SWF; and MOU between MOE and MOF for the transfer of the School Grants scheme to the MOE budget.

10. The PAU has acquired extensive experience in the implementation and supervision of IDA-financed projects, and the current staffing of the PAU has continued to be regularly reinforced through the previous investment operations. BEDP II will continue to support activities to strengthen the capacity of PAU personnel in the various aspects of project management.

11. *PAU reporting.* The PAU will be responsible for submission of regular bi-annual progress reports and the required audit reports to the World Bank in a timely manner. The PAU will fully participate in the joint supervision missions and will communicate with the Bank and DPs on all implementation matters.

12. *Responsibility of the PMU.* The PMU will be responsible for the implementation of civil works in Component 2, in close coordination with the PAU and relevant MOE units. More specifically, the PMU will be in charge of: (i) selecting private consulting firms to undertake the detailed survey and inventory of project sites; (ii) carrying out the procurement process and contract management for civil works; (iii) implementing civil works (rehabilitation, and extension of classrooms), including site supervision; and (iv) carrying out the FM and Disbursement function for the related activities. Accordingly, the PMU will be responsible for monitoring and undertaking quality control of the full procurement process up to awarding of contracts and later for the clearance of payments to contractors. The PMU will participate in joint supervision missions and meetings of the IMSC.

13. *PMU reporting.* The PMU will submit its implementation and monitoring reports to the PAU as agreed under an arrangement agreement between the two parties. A MOU spelling out the rules of engagement and responsibilities of the three parties, i.e., the MOE, PAU and PMU, was signed. The PMU will be subject to the same auditing arrangements as the PAU. In addition, the PMU will be responsible for submission the quarterly Interim Financial Reports (excluding PAU's part) and the annual Audit Reports (prepared by the same auditor of PAU) to the Bank in a timely manner.

14. *Operational Manuals.* All eligible activities included in BEDP II will be implemented according to the POM agreed with GOY. The POM is expected to be finalized and approved by the MOE by effectiveness. The POM will also include the terms of reference for consultancies to be carried out during the first year of the project so that activities can be initiated as soon as project effectiveness is declared. All eligible activities under sub-component 2.2., such as the contracting of rural female teachers, provision of CCT for girls, and support of Fathers' and Mothers' councils will be implemented according to the respective existing manuals which were developed under BEDP, i.e.,; the "Rural Female Teacher Contracting Manual," the "Operational Manual for the Conditional Cash Transfer Scheme," and the "School Development Grants Manual." These manuals, which provide a comprehensive description of implementation, disbursement procedures, and monitoring and evaluation of activities under these three different schemes, will be part of the POM.

Financial Management, Disbursements and Procurement

Financial Management

15. An assessment of the FM arrangements for the proposed BEDP II was undertaken in July 2012 to assess the capacity of the implementing entities of the Project and assist in determining

the required FM arrangements for implementation. A detailed FM capacity assessment was conducted on the PAU and the PMU. The outcome of the assessment is satisfactory to the Bank.

16. The option of using country systems, i.e., MOE systems, to implement the fiduciary arrangements of the proposed Project has been considered and due to current weaknesses in the project financial management system, the country system requires further enhancements in order to be fully reliable for Bank-financed projects. The ongoing Bank-financed Public Finance Modernization Project (P117363) is building the capacity of the Government to be able to carry out the fiduciary functions in the future. Though the MOE project management capacity has improved over the past ten years, there are remaining challenges for the country's fiduciary system such as low civil servant salaries which do not provide sufficient incentives for the civil servants working on donor-funded projects. In connection with the efforts to develop the country systems, the proposed Project provides activities to build the capacity of MOE staff in various areas of project management, including the MOE's internal audit department.

17. The proposed Project is a follow on to the on-going BEDP which closed on December 31, 2012. The PMU will implement the civil works activities in the proposed Project and the PAU will implement all other activities, in accordance with financial management procedures currently in place. Both the PAU and PMU are currently involved in implementing the education sector projects (SEDGAP-P089761 and FTI III-P114253). The PAU and PMU will manage all financial management and disbursement aspects of their respective assigned activities for the proposed project (e.g., accounting recording and reporting through the use of an automated accounting system, maintaining adequate internal control procedures based on an acceptable manual of procedures, and management of the disbursement process including administration of the Designated Account and Grant disbursements for all activities).

18. Both the PAU and PMU maintain a well-functioning FM system based on a ring-fenced approach which includes: (i) an automated accounting system which follows cash basis accounting and is capable of recording and reporting on all transactions; (ii) experienced financial management staff; (iii) an acceptable internal controls system based on documented procedures; (iv) a Financial Management Manual; and (v) quarterly financial reports and annual financial statements, reviewed and audited, respectively, by an independent external auditor, selected by the Central Organization for Control and Audits³ (COCA) and acceptable to IDA, based on agreed terms of reference.

19. The PAU and PMU will continue to submit to IDA quarterly unaudited Interim Financial Reports (IFRs) not later than 45 days after each calendar quarter and annual audited financial statements not later than six months after each calendar year. To ensure that funds are readily available to start the implementation process, two segregated Designated Account (DA) in US Dollars will be opened at the Central Bank of Yemen (CBY) in Sana'a and will be managed by the PAU and PMU separately. The financial management arrangements described in this Annex are designed to mitigate financial management risks identified for this Project.

Use of Country System through building the capacity of the MOE Internal Audit Department

20. Under the Bank's technical assistance, a Public Expenditure and Financial Accountability (PEFA) assessment was carried out in 2007-2008 to measure the performance of the Public Financial Management (PFM) functions in Yemen. The effectiveness of internal audit scored D+

³ Government's audit bureau (i.e. Supreme Audit Institution)

which is the lowest score used in PEFA. While progress has been made in establishing internal audit units within central Government ministries and governorates, there is a challenge to establish procedures for ensuring that the work of these units is properly managed and supervised. Further, the quality of internal audit reports, and the implementation of their findings and recommendations, is variable. The Bank is providing technical assistance through the Public Finance Modernization Project to support the Government on the basis of international practices on setting up an internal audit function.

21. The MOE's internal audit department is not functioning properly due to the low capacity illustrated by lack of technical skills and needed resources. While there is an internal audit plan, it is not implemented due to lack of funds to finance the planned audits. As a result, the internal audit department works on a case-by-case basis, undertaking investigations and reporting back to the Minister's Office in response to complaints submitted to the Minister's Office from either inside or outside the MOE and sometimes for specific supervision purposes.

22. Sub-component 3.3. of the proposed Project will contribute to strengthening and improving the Internal Audit Department responsible for MOE internal audit. It will also complement the work done at the country level which is supported by the Bank under the PFM Project and will be implemented in coordination with the MOF, COCA and MOCSI. This will be done through:

- (i) Improving MOE's Internal Audit skills and knowledge to play its role as a modern internal audit department. MOE's Internal Audit Department will be provided appropriate IT equipment; and a number of MOE's Internal Audit staff will be trained to become trainers on Internal Audit Function and internal controls modules and processes.
- (ii) Supporting MOE's Internal Audit capacity to develop an internal audit manual and methodology and start implementing it during the life of the Project. The MOE will contract a consulting firm to support then develop the internal audit manual and implement the manual to provide the MOE's internal audit staff with on-job training.

23. The expected result is that MOE's Internal Audit will play an appropriate and effective role as part of the overall internal control framework. This includes moving from responding to complaints to having a regular audit tasks based on annual plans with targets aimed to be achieved at the end of the year. It is expected that by the project completion date, MOE's Internal Audit staff will be able to conduct internal audit in accordance with international good practices.

24. The design of this support took into account the Republican Decree No. 5 in 2010 related to the restructuring of the Internal Audit function. The decree requires line ministries to establish an internal audit organization structure and internal audit bylaws. Establishing the MOE's internal audit organization structure and bylaws will be accomplished through a decree by the Minister of Education and endorsed by MOCSI, and through coordination with the MOF.

1. Implementation Entities, Staffing, Accounting and Internal Controls

25. The financial management units in both the PAU and PMU are adequately staffed with a qualified and experienced financial manager supported by a chief accountant and, under their

supervision, a group of accountants and a cash custodian. All staff members are provided with job descriptions and IDA Disbursement Guidelines and policies. In addition, each entity has an internal audit unit headed by a manager who is assisted by internal audit staff. The internal audit unit provides for additional safeguards through reviewing and monitoring the internal controls in the implementation of all Sub-projects and operations. There is a need to improve the internal audit reporting because it is currently focused on ex ante reviews and irregular reporting cycle. The internal audit managers should submit their reports to the PAU and PMU Directors periodically, who should take the necessary actions when applicable to resolve any outstanding issues. The internal audit reviews should be ex post vs. ex ante and should follow the risk-based approach. During each supervision mission, the quality and efficiency of such reports will be reviewed by the mission members. The staffing capacity and arrangements are deemed adequate to manage funds received from the World Bank and the donor community. The staffing capacity will be regularly monitored by the Bank.

26. The PAU and PMU have acceptable automated accounting systems which follow cash basis accounting and are capable of recording all activities, generating required reports such as the quarterly IFRs and annual financial statements. The IFRs generated from the system report the sources, uses of funds by category and activity, cash withdrawal, cash forecasts for the following two quarters, and Designated Account Statements.

27. In the PMU, an acceptable internal controls system is in place based on procedures documented in the PMU's manual. The current practices and controls of the PMU which will be continued during the proposed project are considered adequate and properly mitigate the related risks associated with the civil works activities. The PMU maintains 10 branch offices covering all the governorates. Each office maintains around three staff members including a manager who is responsible for supervising and monitoring all sub-projects in the assigned area. In addition, the PMU recruits consultants and NGOs who are primarily responsible for reviewing and validating the progress made in each sub-project and reporting to the office manager. The review includes assessing the quality of the work completed and the consultant will sign the invoices presented by the contractor with the required approval and/or comments. The office manager remains responsible for regular monitoring of the implementation of Sub-projects and verification of the works upon completion. After verification process, the office manager will sign the invoice before dispatching it to the PMU main office in Sana'a for further approvals and subsequently the payment process. All the related fiduciary aspects will be carried out by the FM department at the PMU.

28. The PAU has an internal controls system in place based on procedures documented in the FM manual which has been improved to address the expanding size of the PAU and the complexity of its operations. The FM manual shows the staff reporting system in the PAU and indicates the separation of responsibilities among staff in the FM department. The majority of the proposed project activities will be implemented by the PAU and through the sub-offices of the MOE in the respected governorates. The PAU will implement the assigned activities within the project components: "Learning Environment, Quality of Teaching & Learning" and "Institutional Capacity Development", and will follow the disbursement guidelines of the World Bank. All the related fiduciary aspects will be carried out by the FM department at the PAU.

29. The proposed Project's operating cost allocation is defined in the Project's Financing Agreement and will include provision for both the PAU and the PMU. The operating cost annual budget is prepared by the FM department and approved by the Project Director; any payments

processed under operating costs will be reviewed and approved by the Finance Manager and the Project Director. The operating costs will be fully supported and documented with original vouchers and will be subject to the external auditor's validation. In this project, the PAU will strengthen the internal controls on the operating expenditure and will prepare a quarterly report on the consumption of the operating cost in details and this will be shared with the Bank.

30. The PAU and the PMU both maintain an acceptable fixed assets register for the assets financed by IDA. Reconciliation of assets registries and actual locations/usage of these assets will be conducted annually including spot checks, and accordingly an annual report is issued that provides the assets from various sources of financing. This will be subject to the external auditor's verification. The fixed assets registries will be enhanced by ensuring that all the fixed assets of the project are permanently branded (tagged) and all related data of the assets are updated in the registries. This will be done within two months after project effectiveness.

31. The current Financial Management Manuals, which are periodically updated and improved based on implementation experience, cover the following aspects: (i) flow of funds; (ii) financial and accounting policies; (iii) accounting system and internal control mechanisms; (iv) Chart of Accounts; (v) financial reporting (including formats of financial management reports); (vi) auditing arrangements; (vii) budgeting; (viii) organization and staffing for financial management functions; (ix) procurement; and (x) provision of advances to sub-area offices, and accounting of funds provided to these sub-area offices.

2. Flow of Funds

32. The PAU and PMU will each be responsible for their respective allocated funds from the Project. For the funds, two segregated Designated Accounts (DA) in US Dollars – one for the PAU to manage and the other one for the PMU - will be established at the Central Bank of Yemen (CBY). Authorized signatories, names and corresponding specimens of their signatures will be submitted to the Bank prior to the receipt of the first Withdrawal Application. Deposits into and payments from the DA will be made in accordance with the disbursement letter and Bank Disbursement Guidelines. The PAU and PMU will prepare withdrawal applications along with the related supporting documents, signed by the designated signatories. Also, two sub-accounts will be opened at the CBY and managed by the PAU and PMU separately in Yemeni Riyals and US Dollars respectively.

33. In addition, the PMU will provide advances to the office of the sub-area managers (in the amount of YR50,000) to enable them to pay for small operating expenditures which would subsequently set-off these advances against expenditures incurred by the sub-area offices. Advances to the sub-account will be accounted for on a regular basis (30-day reporting).

34. The PMU, responsible for the implementation of the civil works, will ensure the quality of works through getting the consultant reports on completed works; these reports are usually provided before the final contract payment. The PMU keeps maintenance guarantees of 5 percent of the contract cost.

3. Financial Reporting

35. In line with the IDA guidelines, the following reports will be required for this Project:

(i) **Quarterly**: The PAU and PMU each will be required to generate quarterly Interim Financial Reports (IFRs), to be reviewed by the External Auditor, and will submit these IFRs to IDA as part of the progress report or separately. Each implementing agency will cover its allocated funds and will reflect in the IFR the statement of sources and uses of funds by category of expenditure; statement of uses of funds by component, indicating funds received, quarterly cash forecast, an expenditure report comparing actual and planned expenditures by activity, and DA's reconciliation statement. These reports will be generated through the accounting system and should be remitted to IDA within 45 days from the end of the quarter. Along with the IFR, the PAU will be preparing a quarterly report on the use of the operating costs in details to be attached with the IFR.

(ii) **Annually**: The proposed Project Financial Statements (PFS) will be prepared annually following the cash basis of accounting with disclosure of the unpaid commitments at the report date, and will be subject to external audit and the audited PFS will be submitted to the Bank within six months from year-end. The PFS will include: (i) statement of sources and uses of funds, indicating sources of funds received and project expenditures by category of expenditure; (ii) appropriate schedules classifying project expenditures by component, showing yearly and cumulative balances; and (iii) DA reconciliation statement reconciling opening and year-end balances;

(iii) **Monthly Commitment Tracking Sheet**: The PAU and PMU will be required to prepare and submit to IDA on a monthly basis the statements of project commitments that will consist of the following: contracts listing that will include listing of all contracts showing amounts committed and disbursed under each category as of date of the report.

4. Auditing

36. The Project's financial statements will be audited by an independent private sector external auditor who will also review the IFRs quarterly. The external auditor should be acceptable to the Bank and the Central Organization for Controlling and Auditing (COCA). Based on the experience with the current education project, and on the identified weaknesses and risks in the proposed Project, an expanded scope TOR will be prepared and submitted for the Bank's no objection at the beginning of the Project. The external auditor report (in English and Arabic) shall encompass all the project components and activities under the Financing Agreement and shall be in accordance with internationally accepted auditing standards, e.g., International Standards on Auditing (ISA). The audit report and opinion will cover the proposed Project's financial statements, reconciliation and use of the Designated Account (DA), and use of direct payments. In addition, the auditor is required to prepare a "management letter" identifying any observations, comments and deficiencies in the system and controls that the auditor considers pertinent, and shall provide recommendations for their improvements.

5. Disbursement Arrangements

37. The PAU and PMU will each be provided with an initial advance (not exceeding the DA ceilings in accordance with the disbursement letter) to the Designated Account which will be replenished by sending Withdrawal Applications (WAs) to IDA. The Designated Accounts will be used in accordance with the IDA's operational policies. Each implementing agency Director along with its Finance Manager will be responsible for administration of the Designated Account

and all related disbursement transactions. Only two signatures are required on any withdrawal application - that of the implementing agency Director and the Finance Manager.

38. The proceeds of the Grant will be disbursed in accordance with the traditional disbursement procedures of the Bank and will be used to finance project activities through the disbursement procedures currently used: i.e., Direct Payment, Advances, Reimbursement and Special Commitment. Replenishment and Reimbursement Withdrawal Applications will be accompanied by Statements of Expenditure (SOEs) in accordance with the procedures described in the Disbursement Letter and the Bank's "Disbursement Guidelines". Interim Unaudited Financial Reports and Annual Financial Statements will be used as a financial reporting mechanism and not for disbursement purposes. The minimum application size for direct payment and reimbursement will be the equivalent of 20 percent of the Advance ceiling amount.

39. The Bank will honor eligible expenditures completed, and services rendered and delivered by the Project closing date. A four month grace period will be granted to allow for the payment of any eligible expenditure incurred before the Grant Closing Date.

40. Retroactive financing in the amount of US\$300,000 equivalent in order to undertake urgent activities to be financed under Category 1 of the Financing Agreement made on or after January 2013 and up to the signing date of the Financing Agreement. Payments will only be made for items procured in accordance with applicable procurement procedures.

Withdrawal of the Proceeds of the Financing

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods (excluding vehicles), works, non-consulting services, consultants; services and training for the Project	37,100,000	100%
(2) Conditional Cash Transfer under Part B.2 (iii) of the Project	4,100,000	100%
(3) School-Based Development Grants under Part B.3 of the Project	600,000	100%
(4) Operating Costs	1,300,000	100%
TOTAL AMOUNT	43,100,000	

Designated Account

41. The PAU and PMU will open a segregated Designated Account (DA) at the Central Bank of Yemen (CBY) in US Dollars to cover the Grant's shares of eligible project expenditures. Each DA will be managed by the PAU and PMU separately. The ceiling will be US\$3 million for each DA. The PAU and PMU will be responsible for submitting monthly replenishment applications with appropriate supporting documentation.

Sub Accounts

42. Two sub-accounts will be opened at the CBY and managed by the PAU and PMU separately. The sub-account of the PAU will be denominated in Yemeni Riyal (YR), while the sub-account of the PMU will be denominated in US Dollars. Transfers from the DAs to the sub-accounts will be done based on cash forecasts prepared by the PAU and the PMU for a period of 90 days, but documented based on the list of expenditures. Payments out of the sub-accounts will be for training, incremental operating costs, conditional cash transfers (CCT), school-based development grants and small consultancy contracts not exceeding US\$5,000 each and will be made through checks signed by the implementing agency Director along with the Finance Manager. Payments from the sub-accounts can be replenished as disbursements occur and proper supporting documents are filed, and reconciliation of the sub-accounts should be reflected in the respective DA Reconciliation Statement (Attachment 6 of the Disbursement Letter). Disbursements out of the sub-accounts are subject to the Project's internal controls as well as the annual external audits. The Recipient is responsible for bearing all risks associated with foreign exchange fluctuations when making transfers from the Designated Account which is denominated in US Dollars to the sub-account and to the sub-area managers denominated in Yemeni Riyal. At the end of the project, any unused balances in the sub-accounts should be deposited to the related Designated Accounts, including any balance in Yemeni Riyal which should be converted to US Dollars.

Statement of Expenditures - SOEs

43. Necessary supporting documents will be sent to the Bank in connection with contracts that are above the prior review threshold, except for expenditures under Contracts with an estimated value of: (a) US\$300,000 or less for works; (b) US\$200,000 for goods; (c) US\$100,000 or less for Consulting Firms; (d) US\$50,000 or less for Individual Consultants, as well as incremental operating costs, training and school-based development grants which will be claimed on the basis of SOEs. The documentation supporting expenditures will be retained at respective project implementation unit and will be readily accessible for review by the external auditors and periods Bank supervision missions. The same flow of funds arrangements in charts A&B apply to both PAU and PMU. Chart A below summarizes the flow of funds from IDA to the Designated Account through Withdrawal Applications, to finance the Project's eligible expenditures. Payment requests from the DA for eligible expenditures will be approved by the implementing agency Director and the Finance Manager, and then the payment requests will be sent to MOF for approval of payment from the DA at CBY through the use of the MOF's Loans and Grants Management Information System (LGMIS) which is an e-disbursement mechanism.

44. Chart B below summarizes the flow of funds from IDA to the sub-account at CBY. Transfers from the DA to the related sub-account will be through requests by the PAU/PMU to the MOF. The PAU and PMU will replenish their sub-accounts through sending such requests to the MOF through LGMIS. The PAU and PMU are not entitled to claim the advance made from the DA to the sub-accounts until settlements are made and original supporting documents are available. Payments from the sub-accounts will be made for eligible expenditures under the Project. Payments from the sub-accounts will be made through checks signed by the implementing agency Director along with the Finance Manager.

45. *E-Disbursement.* The Bank has introduced *e-Disbursement* for all Yemeni-supported

projects. Under *e-Disbursement*, all transactions will be conducted and associated supporting documents scanned and transmitted online through the World Bank’s Client connection system. *E-Disbursement* will considerably speed up disbursements and facilitate project implementation.

Table 2: Flow of Funds
Chart A – Flow of funds through DA at CBY

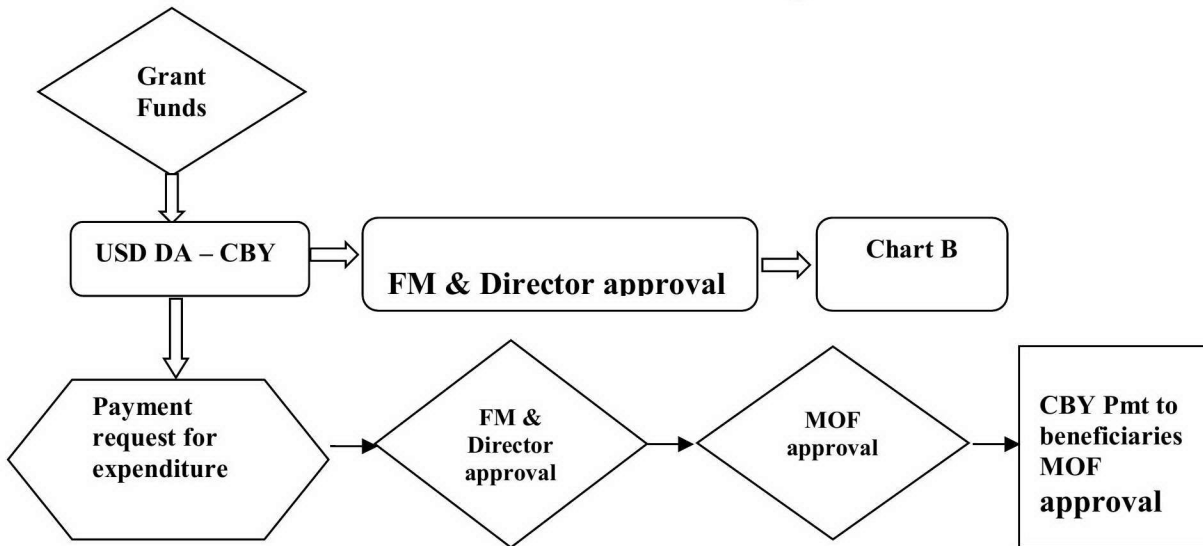
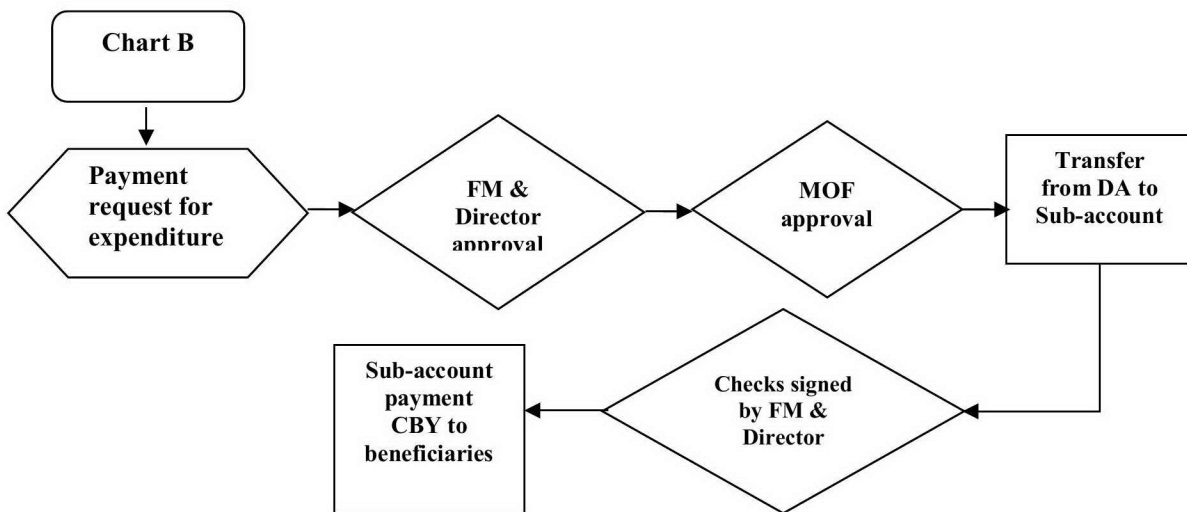


Chart B – Flow of funds through sub-account at CBY



Governance

46. Weak governance may affect the project resources. The above fiduciary arrangements, including ring-fencing combined with the strengthening of the capacity of the MOE’s internal

audit function and complaints handling system, reporting and tailored external audit arrangements, are designed to mitigate these risks. To ensure transparency and accountability, the World Bank will work closely with the MOE to help strengthen the complaints handling system of the PAU in order to allow for anonymous reporting of irregularities and complaints. In addition, mitigating measures are designed to address the different risks associated with the nature of the components. For example, eligible activities under the Project, such as subcomponent 2.2, include contracting of rural female teachers, provision of CCT for girls, and support of Fathers’ and Mothers’ Councils. These activities will be implemented according to the respective existing manuals which were developed under BEDP, i.e., the “Rural Female Teacher Contracting Manual”, the “Operational Manual for the Conditional Cash Transfer Scheme”, and the “School Development Grants Manual”. In addition, the PAU will contract with an independent external auditor with a TOR acceptable to the Bank to carry out an expanded audit of the compliance of the internal controls process associated with these activities. For subcomponent 2.1, which will finance building new classrooms, rehabilitating schools, and providing equipment, a Third Party Monitoring Agent (TPMA) will be used to supervise on-site monitoring of infrastructure works, delivery of goods and services and reconcile the physical inspections with the financial reports.

Bank Supervision

47. The financial management of the Project will be supervised by the Bank in conjunction with the overall supervision of the project, and supervision missions will be conducted at least twice a year.

FM Action Plan

48. The following FM action plan was agreed upon with the Recipient during the Appraisal mission:

No.	Action	Completed by date	Responsibility
1	The accounting software to be prepared for the proposed Project and a draft of the IFR to be submitted to IDA by negotiations.	Completed	PAU & PMU
2	The MOE will introduce a fixed assets system utilizing tag numbers for all assets.	2 months after effectiveness	PAU

Procurement arrangements

49. BEDP II will be implemented with the assistance of the PMU (PWP) and PAU (MOE). Both of these have successfully managed implementation of procurement activities up to now. The PMU has developed a robust MIS system for procurement linked to financial management. Despite the large number of contracts that PMU handles, the MIS system is flexible to accommodate changes as and when needed. Periodic post procurement reviews conducted by the Bank staff for both PAU and PMU have concluded that all procurement activities have been carried out in a manner satisfactory to IDA. The existing procurement capacity confirms its adequacy to meet the needs of the Project. Procurement activities under the Project would be carried out in accordance with the “*Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants*”, dated October

15, 2006 (“Anti Corruption Guidelines”). Procurement of goods, works and non-consultant services would be carried out in accordance with the IDA’s “Guidelines: *Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers*” dated January 2011, consultant firms and individuals will be selected in accordance with the IDA’s “Guidelines: *Selection and Employment of Consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers*” dated January 2011, and the provisions stipulated in the Legal Agreement. For each contract being financed by the Grant, the different procurement or consultant selection methods, estimated costs, time frames, and prior review requirements, will be agreed between the Recipient and IDA and included in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual implementation needs and improvements in institutional capacity.

50. Procurement of Works and Goods: Works contracts under the Project will mainly include construction of additional 500 classrooms in overcrowded schools, renovation of 150 cluster schools in the following governorates: Ibb, Taiz, Lahej, Aden, Sana’a, Al Hodeidah, Hajjah Hadramaout, and Sana’a City (“Amanat Al-Asemah”). Goods will include but will not be limited to: provision of necessary science labs, computer labs, libraries, audio learning facilities (cassettes), instructional & learning materials and packages necessary for handicapped students under multiple contracts with a total estimated cost of US\$ 16,920,000. Civil works contracts estimated to cost less than US\$5,000,000 will be awarded through NCB procedures. Works contracts valued above US\$5,000,000 and Goods contracts valued above US\$500,000 will be awarded through ICB procedures. Works contracts valued below US\$200,000 and Goods contracts below US\$50,000.00 equivalent may be procured through shopping procedures by soliciting at least three quotations. All works contracts valued above US\$5 million equivalent will be subject to prior review and approval by IDA. All goods contracts valued above US\$500,000 and all framework agreements regardless of their value will be subject to prior review and approval by IDA.

51. Selection of Consultants: Consultancy Services procured under this Project will be provided by firms and individuals, and could include, but not be limited to the following: (i) selection of consulting services (survey, design, supervision & quality assurance) of the construction and rehabilitation of schools in the different Governorates, (ii) selection of consultants to prepare the structural organization, (iii) Hiring of regional and local consultants to prepare the required guidance manuals, (iv) Consultants to design the training materials and train 2065 basic administrative cadres of the MOE, and (v) designing a manual and tools for collection, and for publishing related information on household incentives.

52. Consultant firms and individuals will be selected in accordance with IDA Guidelines for selection and Employment of Consultants (dated January 2011). For firms, all contracts above US\$300,000 will be procured using Quality and Cost Based Selection method (QCBS). Least Cost-Based Selection (LCS) and selection based on consultant qualification procedures would be used for small contracts of standard or routine nature estimated to cost less than US\$300,000 or equivalent. Shortlist of consulting firms for services estimated to cost less than US\$300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines. All consulting services contracts above US\$300,000 will be subject to IDA’s prior review. All individual consulting assignments will be selected on the basis of comparison of CVs in accordance with Section V of the Guidelines for Selection of Consultants.

Training activities

53. Training activities would include but will not be limited to: conducting workshops, study tours, etc.

54. Prior Review Threshold: Thresholds for applicable procurement methods (not limited to the list below):

	Procurement Method	Contract Value Threshold (US\$)	Prior Review (US\$)
1.	ICB and LIB (Goods)	> 500,000	All ICB and first two NCB contracts
2.	NCB (Goods)	< or equal 500,000	
3.	Shopping (Goods)	< or equal 50,000	
4.	Shopping (works)	< 200,000	
5.	Frameworks agreement	< 500,000 maximum aggregated amount per agreement	All agreements regardless of value.
6.	ICB (Works)	≥ 5,000,000	≥ 5,000,000
7.	NCB (Works)	< 5,000,000	
8.	Direct contracts		All

Summary of the planned procurement packages for the first 18 months of implementation

Selection of Consultants

55. Prior Review Threshold: Selection decisions subject to Prior Review by IDA as stated in Appendix 1 to the Guidelines: Selection and Employment of Consultants:

	Selection Method	Prior Review Threshold	Comment
1.	Consulting Firms (Competitive)	≥ US\$300,000	Plus first two contracts
2.	Consulting Firms (Sole Source)	All contacts	
3.	Individual Consultants (Competitive)	> US\$100,000	
4.	Individual Consultants (Sole Source)	All contacts	

56. Short list comprising entirely national consultants: A short list of consultants for services, estimated to cost less than US\$300,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Consultancy Assignments with Selection Methods and Time Schedule

Activities	Est. Cost (US\$)	Method	Start	Finish
Revise and develop national standards for educational professions	36,000	CQS	3/2/2013	5/7/2013
1. TA to develop policy framework for teachers	50,000	CQS	3/4/2013	5/6/2013
2. Technical Assistant to develop awareness campaign for ECE	16,000	IC	20/2/2013	5/6/2013
Technical Assistant to develop action plan for the implementation of the ECE strategy	12,000	IC	3/2/2013	3/6/2013
Set up accounting procedural manual to establish standard units for the costs of activities,	35,000	CQS	15/2/2014	5/7/2014
Technical assistance to analyze public disbursement	60,000	CQS	3/2/2013	5/4/2013
Prepare a complete procedural manual for the accreditation and quality	30,000	IC	3/4/2014	5/8/2014
Technical assistance to develop strategy, reading skills, evaluation of girls education	32,000	IC	3/5/2013	5/9/2013

Procurement Plan

57. The initial draft procurement plan prepared by the PMU was reviewed and cleared by the Bank. The plan will be updated annually or earlier if required to reflect the latest requirements. A General Procurement Notice has been published in December 2012.

58. A summary of the procurement contracts planned during the first 18 months after project effectiveness is shown in the table below:

Ref	Description	Estimated cost (US\$)	Procurement method	Review by Bank(prior/post)	Comments
1.	Summary of the NCB (Works) packages (multiple contract) Building/ Rehabilitation numbers of classroom in many Governorates	16,920,000	NCB	Post	First two contracts will be prior reviewed
2.	Summary of the ICB (Goods)	500,000	ICB	Prior	All contracts
3.	Summary of the NCB (Goods) packages (multiple contract)	400,000	NCB	Post	First two contracts will be prior reviewed
4.	Summary of the consultancy services(multiple Design and supervision contracts)	1,080,000	IC	Post	

Procurement capacity assessment

59. A Procurement Assessment of the PAU and PMU was conducted in September 2012.

The assessment involved a careful review of the organizational structure, procurement staffing, procurement administration, filing and systems used to manage the procurement process.

60. The existing staffing and workload of both the PAU and PMU were reviewed based on the history of project implementation and staff performance in the past. Procurement activities will be carried out by the existing PAU and PMU, and the arrangements and staffing will remain the same for the proposed Project, thereby building on the existing staff experience. using IDA Procurement Guidelines.

In terms of the procurement risk assessment, the risk is considered ‘Moderate’.

Key Actions Proposed

(i) Providing the PAU staff with training on preparation of ICB Bidding Documents for Goods and on preparation of evaluation reports. The procurement team should attend the training which will be held under the PFMP project.

(ii) Finalizing the preparation of the procurement manual by PAU. This should include the agreed upon procurement methods, prior review by IDA, record keeping, complaint handling, dispute resolution, information disclosure, etc., as per IDA guidelines. The manual should be ready before initiation of the first procurement activity.

(iii) Adding new thresholds for contracts that would use procurement methods such as framework agreement and direct contracting.

(iv) Ensuring that complete records are maintained for each procurement package. All documents related to a procurement package should be kept together in one file for ready reference for review.

Post Review & Frequency of Procurement Supervision

61. The Bank will undertake a post procurement review once a year for no less than 10 percent of the contracts. The Bank education team will supervise the project twice a year.

Monitoring & Evaluation

62. The project Results Framework in Annex 1 will be used for monitoring and evaluation of the Project. The PDO indicators are monitored through Government official data and intermediate outcome indicators are measured through the PAU progress reports and results of the assessments of learning achievement supported by the Project.

63. The PAU will share all related implementation progress reports that it receives from the targeted governorates and related governorates and Districts Education Offices (GEOs and DEOs). Relevant staff in the GEOs and DEOs will monitor progress at the governorate and district levels and submit progress reports to the PAU. The PAU will submit the GEO progress reports to the Bank when requested and will ensure that a technical summary of these reports will be included in its bi-annual implementation progress reports to the MOE and the Bank.

64. The MOE is aware that the collection, recording, management and use of data are crucial inputs for BEDP II strategic development, priority setting, resource allocation and annual planning at the central, governorate, district, and school levels. BEDP II will contribute to further

building capacity in the targeted governorates and their school districts to improve data collection and analysis, and subsequent improvement in the expansion of access and the school environment.

Role of Partners (if applicable)

65. Not applicable.

Annex 4: Operational Risk Assessment Framework (ORAF)
REPUBLIC OF YEMEN: Second Basic Education Development Project

1. Project Stakeholder Risks	Rating: Moderate			
Description: There are no major issues related to stakeholders. However, this is a transition Government and the overall social and political picture is still taking shape. Although the team has no specific reason to think that the project would trigger any adverse reaction from any stakeholders, there may be a potential risk of unexpected reaction from some social groups, particularly in conflict areas.	Risk Management: The MOE and the Bank will continue their close collaboration to try to maintain their commitment to the education sector.			
	Resp: Both	Stage: Both	Due Date :	Status: In progress
	The MOE continues to involve key regional stakeholders in preparation of the sector plan and project.			
	Resp: Both	Stage: Preparation	Due Date : 10/30/2012	Status: Completed
2. Implementing Agency Risks (including fiduciary)				
2.1. Capacity	Rating: Substantial			
Description: The PMU is the implementing agency for the civil works activities of the project. PMU is staffed with experienced staff and consultants, and there is no major concern regarding its capacities. However, the MOE will be the implementing agency for the other components of the project, and the PAU will be in charge of the fiduciary aspects of the project. Although they have improved over the past ten years, MOE's capacities are still relatively weak.	Risk Management: The Project will continue financing capacity building activities for MOE staff and will contribute to the strengthening of the Steering Committee chaired by the Minister (which is in charge of setting up priorities).			
	Resp: Client	Stage: Implementation	Due Date :	Status: In progress
Description: The PAU has experienced staff even though PAU staff salaries are not competitive.	Risk Management: The need to adjust the salary scale of PAU staff will be submitted to the CPPR to make sure that qualified staff members do not leave the project for better-paid jobs. In August 2012, 3 PAU staff received clearance from the Bank to be promoted.			
	Resp: Both	Stage: Preparation	Due Date : 09/30/2012	Completed
Description: The PAU capacity to implement procurement during the lifetime of the project is relatively weak.	Risk Management: A Procurement Adviser has been hired under BEDP and SEDGAP to support PAU procurement staff and will continue under BEDP II if needed. The project will also finance further formal training in World Bank procurement procedures for 'Goods and Works' and 'Selection of Consultants'.			
	Resp: Client	Stage: Implementation	Due Date : 07/31/2013	Status: Not yet due
Description: The Project requires proper FM arrangements in both implementing entities.	Risk Management: The FM arrangements will include the following: (i) PAU and PMU will maintain staff experienced in implementing Bank financed projects, (ii) acceptable internal controls system based on documented procedures to adequately manage the use of project's funds and assets, (iii) acceptable automated accounting systems, (iv) maintaining a separate Bank Account for the Grant funds, (v) preparing and submitting to the Bank quarterly IFRs and annual financial statements, reviewed and audited by an external auditor. The Bank will keep providing support and training as needed. Additionally, the project will support the strengthening of the MOE's internal audit function including			

	their complaints handling system.
	Resp: Both Stage: Both Due Date: 03/01/2013 Status: Not yet due
2.2 Governance	Rating: Substantial
Description: There is a risk of political interference and lack of accountability and oversight by MOE leadership.	Risk Management: The Project has been prepared by the MOE, with support from the Bank and consultants, through studies and task teams, and includes representatives from PMU, MOPIC and MOF. In addition, the Task Team has witnessed ownership from and collaboration among the large delegation of MOE staff met during the identification and preparation missions. The MOE team was prepared and mobilized, under strong leadership from the Minister of Education, who is very committed to the proposed Project.
	Resp: Client Stage: Both Due Date : Status: In progress
Description: There is competition and weak coordination between PMU, Social Fund for Development and MOE for the civil works component.	Risk Management: An MOU was signed between MOE and PMU to clarify the rules of engagement and responsibilities of the three parties: MOE, PAU and PMU
	Resp: Client Stage: Implementation Due Date : 12/31/2012 Status: Completed
Description: Misunderstandings between PMU and MOE have been an issue in the past, and may affect the Project.	Risk Management: A complaint mechanism system to the IMSC will be built into the project.
	Resp: Client Stage: Both Due Date : Status: Not yet due
Description: There is a lack of progress in achieving efficient public financial management reforms, especially given the recent political situation.	Risk Management: It will be agreed with the recipient to enhance the use of country systems; however. The project design relies on the already established PAU and PMU structures.
	Resp: Both Stage: Both Due Date: Status: In progress
3. Project Risks	
3.1. Design	Rating: Moderate
Description: This project is not a repeater of BEDP. In particular, Component 2 (Quality) will introduce some new tools and concepts in Yemen (such as the competency-based approach to curriculum and assessing learning outcomes).	Risk Management: The Project has been prepared by MOE and there will be buy-in on the new tools, concepts and implementation mechanisms from MOE staff. The Bank will spend significant amount of time strengthening MOE staff understanding of these new practices.
	Resp: Both Stage: Implementation Due Date : Status: In Progress
Description: The MOE and the Bank are using a "program-approach" where a comprehensive program for the whole sector and country is followed. The IDA will only finance part of this program. Development Partners may also come in later to finance some other parts of the program.	Risk Management: The Development Partners are fully on board regarding project preparation; many of them were part of the identification and preparation missions and others are being kept informed of progress. The Task Team will continue collaborating with the Development Partners to ensure buy-in and complementarity.
	Resp: Bank Stage: Implementation Due Date : Status: In Progress
Description: Using the program approach, the project may need to intervene in areas that are currently unsafe.	Risk Management: As a priority, the Project will first choose to intervene in "safe" geographical areas of the country. The project will also be implemented in phases, and the target areas may be changed for the following phase if the security situation deteriorates in a specific area.
	Resp: Client Stage: Both Due Date : Status: In Progress
3.2. Social & Environmental	Rating: Low
Description: School extension/rehabilitation and the use of toilets may have an impact on the environment.	Risk Management: PMU (which will be in charge of the civil works activities) prepared the Environmental Management Plan (EMP). PMU is experienced with implementing the current EMP and consultants will be hired to monitor adherence to the EMP.

	Resp: Client	Stage: Implementation	Due Date : 06/30/2013	Status: Not yet due
3.3. Program & Donor	Rating: Moderate			
Description: Although interest from DPs in the MOE's overall basic education program is high, there is a risk that each partner will follow its own agenda and not collaborate fully with other partners. A US\$300 million program has been identified, which will be partly funded by IDA and Global Partnership for Education (GPE) grants currently under preparation. However, additional financing has not been identified yet. SEDGAP and BEDP experience has shown that DP priorities and funding fluctuate, and funds that were pledged may be withdrawn.	Risk Management: It was decided, during the preparation mission, that part of the program would be funded through two separate IDA and GPE operations which would not be contingent on other DPs' inputs, and that the PDO would focus on project interventions only. However, in order to ensure complementarity of activities with other DPs – should they decide to fund part of the program - DPs will continue to be involved in all aspects of the preparation and implementation of the program. This coordination already takes place for BEDP and SEDGAP through the Joint Annual Review (JAR) and regular education groups. In addition, the DPs are collaborating for the Joint Economic and Social Assessment, which is being prepared post-crisis. Finally, the MOE is currently doing an effective job at donor coordination.			
	Resp: Bank & Client	Stage: Both	Due Date :	Status: In progress
Description: Some BEDP II activities will need to build on the first BEDP achievements, which have not been completed yet (such as the EMIS).	Risk Management: The Task Team is closely following up on BEDP completion to ensure that the project's outputs can serve as a basis for BEDP II.			
	Resp: Bank	Stage: Both	Due Date : 06/30/2013	Status: In progress
3.4. Delivery Monitoring & Sustainability	Rating: Substantial			
Description: The MOE may not have the financial, technical and institutional capacity to sustain the project beyond the Closing Date.	Risk Management: Technical and institutional capacities of MOE will be built during project implementation. In addition, in Project design, measures to ensuring sustainability (such as the hiring of female teachers and school grants) will be dealt with during project implementation. However, given Yemen's fiscal situation, financial sustainability is always a risk in Yemen projects.			
	Resp: Client	Stage: Implementation	Due Date :	Status: Not yet due
OVERALL RISK RATING AT IMPLEMENTATION: SUBSTANTIAL				

Annex 5: Implementation Support Plan

REPUBLIC OF YEMEN: Second Basic Education Development Project

Strategy and Approach for Implementation Support

1. The implementation support plan for the Project has been developed based on the specific nature of the project activities, lessons learned from past operations in the country and sector, and the Project's risk profile in accordance with the Operational Risk Assessment Framework (ORAF). The plan will be reviewed once a year to ensure that it continues to meet the implementation support needs of the Project.

2. *Strategy and approach for implementation support.* The implementation support strategy was developed based on the current context in Yemen where the Bank presence remains very limited with the presence of a core team of about nine staff led by the Country Manager. While the situation in Yemen is relatively under control, the levels of unpredictability and insecurity are still high, and supervision missions are still conducted outside the country. However, ensuring a close monitoring and follow-up of project activities on the ground will be critical to identify implementation issues and address them in a timely fashion. To achieve this, the Bank is currently considering using a TPMA, as is done in other fragile states. A monitoring agent, reporting directly to the Bank, will be recruited to ensure regular visits to project sites, conduct physical checks and obtain feedback from stakeholders in the field.

3. The first year of the implementation will be critical in ensuring that project staff resources and technical capacity are in place to enable the delivery of better general and professional education outcomes.

4. The FM and procurement specialists as well as the operations officer who are currently based in the field will play a vital role in successful implementation support. These Bank specialists, in collaboration with the Task Team Leader and team, are expected to provide timely, effective, and intensive support to the client.

5. *Implementation Support Plan.* During the first year, the Project will have semi-annual implementation support missions which will take place outside the country - or in the country - if security allows. Field visits will be conducted using the TPMA who will regularly report to the Bank team. The semi-annual missions will focus on review of project performance against the results framework and progress towards agreement on planned actions. The scope of the implementation support missions will also include monitoring the MOE's compliance with stipulated FM, procurement, and safeguards guidelines. One month prior to the supervision mission, the MOE, through the PAU, will provide to the Bank a comprehensive progress report on project activities. To ensure high quality and comprehensive support in light of the project design, the Bank team will be comprised of specialists in education, economics, FM, procurement, safeguards, and project implementation, with the specific team composition for each mission to be determined based on the requirements at that time.

6. The project launch mission is scheduled for March/April 2013. Regular implementation support missions will follow to support the MOE, PAU and PMU. A comprehensive mid-term review will take place and is also included in the Bank and GOY's implementation support plan. The annual resources required for effective implementation support will be substantial, though it will be discussed and agreed with the sector unit and country management unit.

Annex 6: Economic and Financial Analysis
REPUBLIC OF YEMEN: Second Basic Education Development Project

I. Fiscal Context and Government Policies

1. *Government Policies:* During the past decade, the Government of Yemen has prioritized the expansion of educational opportunities. Given its significant demographic and geographic challenges and limited capacity, Yemen has performed well in expanding coverage of formal education opportunities. NBEDS, approved by the Cabinet of Ministers in 2003, aims to increase enrollments in basic education, particularly for girls and in rural areas, to reach 95 percent of the 6-14 year olds in Yemen by 2015. Since the articulation of the NBEDS, the GOY has made significant progress in strengthening the policy environment. Based on the NBEDS principles, and recognizing the financing gap facing the achievement of universal primary completion by 2015, the GOY prepared a “credible” plan in 2002, which led Yemen to be selected as part of the first group of 10 countries to receive financing from the EFA FTI Catalytic Fund (recently renamed “Global Partnership for Education – GPE”). The MOE has pioneered the articulation of the Medium Term Results Framework (MTRF, 2006) and the Medium-Term Expenditure Framework (MTEF, 2007) in Yemen; these aimed to further operationalize the NBEDS by translating the long-term goals into annual action plans and fund requirements. In 2011, a second MTRF for 2011-2015 was developed to provide the roadmap to the attainment of the NBEDS goals.

2. *Political Unrest in 2011:* The political unrest in 2011 has had various negative impacts on the education system in Yemen, via sharp contraction of economic activities and deteriorated macroeconomic environment, decreased public revenue collection, deteriorated delivery of education services, including: (i) damage to and occupation of school buildings; (ii) inaccessibility of some schools due to insecurity; (iii) increased absenteeism of teachers and administrative staff; (iv) no completion of the curricula in the 2010/11 school year; and (v) delays in the delivery of school buildings, equipment and materials. Overall institutional capacity of the MOE was affected due to conflict-generated disruptions and severe budget constraints.

3. *Public Expenditure on Education:* The share of education expenditure remains relatively high at 13 to 20 percent of total Government expenditure during the past decade. Recently, the Government of Yemen has experienced sharp drops in the public revenue collection twice, at the time of the global financial crisis in 2009, and during the political turmoil in 2011. Each incidence resulted in a reduction, from the preceding year, of total Government expenditure by 18 percent and 12 percent. However, despite these difficulties, the GOY protected the education expenditure in these years. Public expenditure on education steadily grew during this difficult period, and its share in the total Government expenditure grew from 13 percent in 2008 to 19 percent in 2011.

4. *Medium Term Result Framework 2011-2015:* Despite an effort to secure public education financing towards accomplishment of the GOY’s long term educational development objectives, the GOY still faces a serious financing gap towards achieving the NBEDS goals by 2015. The MTRF for 2011-2015 envisages financial resources of US\$4,529 million for basic education in the concerned period. In the MTRF, the original NBEDS targets have been modified, adjusting some of the earlier ambition. The enrollment target has been modified to 83 percent net

enrollment rate of age 6-14 cohort by 2015/16, as opposed to 95 percent in the original NBEDS. However, despite an adjustment to realistic targets, a significant resource gap remains. According to the MTRF, estimated costs are US\$5,924 million under the status quo scenario and US\$5,337 million under the reform scenario. As a result, financing gaps in these two scenarios are US\$1,395 million and US\$808 million between 2011 and 2015 respectively.

Table A1: Financing Gap of Basic Education, 2011-2015

	2011	2012	2013	2014	2015	US\$ Million Cumulative
Resource Envelope						
Basic Education	858	881	885	929	976	4,529
Cost Stream						
Status Quo Scenario	926	1,047	1,192	1,304	1,454	5,924
Reform Scenario	891	977	1,081	1,149	1,239	5,337
Financing Gap						
Status Quo Scenario	-67	-166	-307	-375	-479	-1,395
Reform Scenario	-33	-96	-196	-220	-263	-808

Source: GOY MTRF 2011-2015

Note: Resource Envelope between 2011-2013 is as presented by MOF MTEF. 2014-2015 by MOE estimation.

5. *Development Partners' Support:* Between 2008 and 2012, DPs have financed between 2.3 percent and 5.3 percent of the total Government education expenditure (Table 2). In absolute terms, DP financing is generally increasing from US\$26.4 million in 2008 to US\$59.9 million in 2011 (US\$44.1 million is planned in 2012). However, the financing trend shows that there is still a large gap between the financing gap as described in the MTRF and the trend of DPs' support during the past 5 years. The political unrest in 2011 also aggravated the situation, inducing temporary suspension of DP support, including the Basic Education Development Project (BEDP) and Fast Track Initiative Phase III Grant.

Table 2: Trend of Government and Donor Financing

	2008	2009	2010	2011	2012	US\$Million
Government Financing	1129.2	1137.2	1043.6	1076.3	1382.7	
DP Financing	26.4	41.3	28.3	59.9	44.1	
Total Financing	1155.6	1178.5	1071.9	1136.2	1426.8	
% of DP Financing	2.3%	3.5%	2.6%	5.3%	3.1%	

Source: Ministry of Education

Note: Years 2008 – 2009 are actual and 2010 – 2012 are budget/commitment.

6. *Contribution of the BEDP III:* The proposed BEDP II will support the Government's MTRF by providing US\$66 million from 2013 to 2017. The proposed amount will account for about 4.7 percent of the financing gap in the status quo scenario, or 8.0 percent of the financing gap in the reform scenario, and will account for approximately 1.3 percent of annual Government education expenditure on basic education.

II. Economic and Sensitivity Analysis

1. Cost Benefit Analysis

7. The benefits of the project are projected to exceed the costs, with an Economic Internal Rate of Return (EIRR) of 12.2 percent, indicating the economic viability of this Project.

Benefits

8. The benefits of the Project result from: (i) more children completing basic education as a result of improved retention rate; and (ii) reduced “years invested per graduate” due to reduced repetition and dropouts. In other words, the education system will function more efficiently (i.e., producing more outputs with less inputs) as a result of improved quality of teaching and learning, and will accommodate more students in the system. Although the Project supports the system improvement through modernization of the MOE and improving teacher deployment, this Cost-Benefit Analysis does not include the benefit of improved system efficiency as directly attributed benefits of the Project due to difficulty of quantifying the economic gains of the reforms. However, the Project does indirectly affect improvement in system and teacher deployment, so the analysis makes a broad assumption of gradually improving efficiency of the system through improving the student teacher ratio (STR).

9. Quality of basic education is poor in Yemen. Studies have shown that children do not acquire basic reading skills at early grades of basic education, resulting in non-comprehension of lessons and low retention of students. The Education Status Report (2010) shows that among women who dropped out at Grade 3 of basic education, only about 30 percent of urban and 25 percent of rural women were able to read a simple sentence⁴ smoothly. The Early Grade Reading Assessment (EGRA), which was conducted in April 2011 for Grades 2 and 3 students from 40 schools in three governorates (Sana’a, Amran, Lahej), shows that 43 percent of Grade 2 and 25 percent of Grade 3 students could not read even a single word of text (Research Triangle Institute (RTI) Presentation June 5, 2012). Among children who could read at least one word, the Grade 2 average fluency was 11 words per minute; the average for Grade 3 was 16 words per minute. This evidence shows that basic education students do not have adequate reading skills at the lower grades.

10. This low comprehension results in repetition and dropouts of students. The Household Budget Survey (HBS) 2005 shows that 40 percent of children drop out by losing interest in continuing schooling.⁵ While it is often argued that lack of schools or lack of female teachers are the major obstacles to continuing schooling, only 11 percent of students (3 percent male, 19 percent female) report that such supply-side issues are the main causes for dropout.

⁴ An example of tested simple sentence is such “The child is reading a book.”

⁵ The survey did not ask why student lost interest. The reasons for losing interest can include other than non-comprehension. However, the fact that the proportion of children who never come to school because of no interest is only 8% of age 6-14 out-of-school children, it is fair to assume that children, who are originally motivated to study, are losing interest in education while in school.

Table 3: Reasons for drop-out before Grade 9 completion

	Male	Female	Total
Supply-side issues (lacks of schools, teachers, female teachers)	3%	19%	11%
Family is not interested	8%	22%	15%
Children are not interested	47%	34%	40%
Number of dropped out students before Grade 9	289,451	326,593	616,044
<i>c.f. Never enrolled because not interested</i>	<i>10%</i>	<i>8%</i>	<i>8%</i>

Source: WB staff estimation using HBS 2005

Note: Non-enrollment covers age 6-14, dropout covers age 6-17.

11. The economic analysis assumes that internal efficiency will improve as a result of three activities: (i) quality interventions will improve comprehension and increase interest of students to continue; (ii) the female teacher recruitment program will prevent girls to dropout, (iii) CCTs will address demand side factors such as economic issues or the family's apathy with regard to children's education.

12. The years invested per basic graduate are 13.6 years for boys and 15.7 years for girls as opposed to the standard 9 years.⁶ As a result of interventions to increase quality of education and retention, internal efficiencies improve and the years invested per student will improve to 12.2 and 13.6 years for boys and girls respectively by 2032. Assuming that the current cost structure continues and the unit cost, YR33,770 (US\$ 157 per year per basic student) in 2010, remains, the system enables to free US\$59 million (NPV US\$13 million) over next 20 years.

Costs

13. The estimated project cost is US\$72 million, of which the Bank proposes to invest US\$66 million between 2013 and 2017. The recurrent costs incurred from the Project will include: (i) increased number of teachers and teacher salaries due to higher qualifications, (ii) increased maintenance cost for schools and furniture, (iii) school grants, and (iv) cost of learning assessment every two years.

EIRR Simulation Results

14. Table 4 shows the summary of both cost and benefit streams. The EIRR of the Project will be 12.2 percent and the Net Present Value (NPV) over 20 years will be US\$ 14.4 million using a discount rate of 10 percent.

⁶ Calculated based on student flow patterns in 2009/10 and 2010/11 school years.

Table 4: Summary of Cost and Benefit Streams and EIRR

	Years since project started									(real USD '000)
	Year 1 2013	Year 2	Year 3	Year 4	Year 5	Year 6	Year 19	Year 20	Program Total	
Increased G9 Completers										
Increased number of G9 graduates due to project	-	369	1,287	2,765	4,782	7,531	97,082	107,326	763,299	
BENEFIT STREAM										
Increased earnings of graduates	-	186	565	1,173	2,126	3,257	31,605	34,715	260,201	
Total saved unit cost due to increased internal efficiency	-	1	7	25	63	135	9,669	11,354	59,093	
Total saved foregone earning for all graduates	-	1	8	28	70	150	10,753	12,632	65,648	
Total Benefits	-	188	580	1,226	2,258	3,541	52,026	58,702	384,942	
COST STREAM										
Project Cost	5,000	15,000	25,000	20,000	5,000	-	-	-	70,000	
Recurrent Cost	-	300	300	300	300	4,925	5,999	6,323	79,832	
Total Costs	5,000	15,300	25,300	20,300	5,300	4,925	5,999	6,323	149,832	
Net Benefits	(5,000)	(15,112)	(24,720)	(19,074)	(3,042)	(1,384)	46,027	52,379	235,110	
								IRR	12.2%	
								NPV at discount rate of 10%	14,428	

Assumptions:

Benefit and cost estimation is based on the difference between with-project and without-project scenarios.

For benefit stream:

Grade 1 enrollment increases at 2.8 percent natural population growth rate.

Retention rates to Grade 1-9 improve 0.2 percentage point for boys and 0.3 percentage point for girls every year from the baseline in 2010

Difference of wage between G9 completers and illiterate is YR9700 (US\$ 45) per month (WB staff calculation using HBS2005).

Increased salary is calculated based on number of increased graduate multiplied by average labor force participation rate (73 percent for male, 26 percent for female).

Benefit potentially generated from more number of post-basic graduates (e.g. secondary, university) due to more completers of G9 is not included.

For cost stream:

Annual maintenance cost is calculated as: (1) for civil works - 0.5 percent during first 10 years and 1.5 percent during next 10 years of total value of the building;

(2) furniture – 5 percent of installment cost. Installment cost is US\$100 per seat*500 classrooms * 30 students per classroom, spread over project 5 years, and paid by the Government.

Salary includes that of for female teachers hired and additional teachers required due to increased students (assuming \$2400 per year)

School grant cost is \$2000 per school*1,200 schools.

Reading assessment test is conducted in every two years starting from year 7, and unit cost is \$250,000 per round.

Student teacher ratio is assumed to improve by 0.1 every year.

2. Sensitivity Analysis

15. Sensitivity analysis was conducted by changing key parameters from the already presented base scenario. By changing four main parameters, four low case scenarios, where NPV is likely to fall under zero (i.e., EIRR is below 10.0 percent under 10 percent discount rate assumption), and one high case scenario are presented. There is a high risk that the NPV will fall zero if (i) the improvement of student teacher ratio (STR) in basic education is from 28.0 to only 29.0 as opposed to 29.9 in the base scenario, (ii) the wage difference between basic education graduate and illiterate is less than YR5,800 per month, (iii) the annual improvement in the retention rate for boys is only 0.05 percentage point as opposed to 0.1 percentage point, and (iv) the annual improvement in the retention rate for girls is only 0.09 percentage point as opposed to 0.2 percentage point. On the other hand, if girls' retention rate improves 0.3 percentage point per annum, EIRR will reach 12.2 percent over 20 years.

16. This sensitivity analysis shows that improvement in the quality of education should result in an improvement in the retention rate in order to produce a quantifiable monetary benefit. Improved retention rate will reduce the wastage in public investment and reduced opportunity costs of students while they are in school. However, improved quality of education will be linked to higher productivity of workers and better quality of life through improvement of social

indicators. Increased number of basic education graduates will increase enrollment in post-basic education. These externalities are not included in this economic analysis.

Table 5: Summary of different scenarios under different assumptions

Scenarios	Low 1	Low 2	Low 3	Low 4	Base	High
Results						
EIRR	9.8%	9.9%	9.7%	9.8%	12.2%	13.8%
Assumptions						
STR in 2032 (baseline is 22.5 in 2010)	23.8				24.4	
Monthly wage difference between G9 completer and illiterate (YR)		7,500			9,700	
Annual improvement in retention rate for boys			0.15%		0.20%	
Annual improvement in retention rate for girls				0.20%	0.30%	0.40%

3. Externalities of the Project

17. Education is inextricably intertwined with poverty, social development, and the labor market, and has the potential for widespread benefits to society. It is widely accepted and empirically demonstrated globally that education confers significant social and economic benefits. A number of international studies have illustrated the social benefits of education with particular emphasis on the importance of education for girls, which renders influences on behaviors, practices, and outcomes for population and health. The Education Status Report (ESR, 2010) measured the social impact of education in five areas: (1) impact of education on the population growth of the country, (2) intergenerational impact on girls' education; (3) impact of mothers' education on maternal health; (4) impact of mothers' education on children's health; and (5) impact of parents' education on poverty.

18. The ESR concludes that given the large social impact and low unit cost of basic education, social benefits can be increased cost effectively by focusing on education for all up to Grade 6. Education improves people's lives through a variety of channels such as fertility, population growth, health and poverty, and the net social benefits of primary education are largest (high level of benefits and lowest unit cost). From a series of analyses on social indicators, the primary education level yields the highest proportion of social impact (i.e., 43 percent of total social benefit incurred until university education). The unit cost of primary (Grades 1-6) education per student is approximately YR 190,000 without any repetition. For YR100,000 spent, the expected benefit is 22.8 percent. On the other hand, the expected benefits at the upper basic level (Grades 7-9), secondary level (Grades 10-12) and university level are 11 percent, 12 percent, and 5 percent, respectively. These figures imply that the marginal benefit is the largest at the primary education level (WB 2010).

III. Sustainability

19. Analysis shows that three types of costs will likely affect the fiscal sustainability of the interventions, following the completion of the BEDP II. Cost benefit analysis assumes that the effects of reforms and innovative measures will continue even after the project completion.

Therefore, it is important that these recurrent costs are included in the Government budget in order for the Project to produce estimated economic benefits. The recurrent costs will include:

- (i) *Increased maintenance cost of civil works:* The project will construct an additional 500 new classrooms through the extension sub-component, which will incur maintenance costs of US\$103,000 annually for the next 20 years after completion of the Project, assuming 0.5 percent of total civil works cost for the first 10 years and 1.5 percent from the 11th year.
- (ii) *Increased teacher salary cost:* Female contract teachers who are recruited through the BEDP II will be officially recruited after qualification training is completed, as per earlier agreement between MOE and MOCS. Recruitment of 700 female teachers through the Project will add US\$2.4 million per annum.
- (iii) *Continued implementation of school grants and learning assessment:* The Project provides approximately US\$2,000 per annual as school grants for 1,200 schools. To continue the same support, annually US\$2.4 million is required as recurrent cost from year 6. Similarly, continuing Grade 3 reading assessment test will require US\$250,000 every two years.

20. The approximate annual additional recurrent cost incurred by the Project during next 15 years after project end is ranging between US\$4.9 to 6.3 million, which is about 6 percent of the basic education budget in 2015. Unit cost per student is assumed constant because the increased cost due to project intervention will be offset by the reduced years invested per graduate.

Annex 7: Social Analysis

REPUBLIC OF YEMEN: Second Basic Education Development Project

1. BEDP II builds on the lessons and successes of the BEDP and other projects that have sought to improve the quantity and quality of education, particularly among girls. The recent events following the “Arab Spring”, however, have had significant repercussions in all the key development domains that have erased many of the previous gains. The economy has contracted by 10.5 percent, and it is estimated that the number of people in absolute poverty has risen to 50 percent of the total Yemeni population. The conflict resulted in a displacement of some 390,000 people in addition to the 214,000 displaced from previous conflicts. Of these, 30 percent are of school age. Families that were not displaced nonetheless changed their survival strategies due primarily to economic hardship. This combination of factors has doubtless affected the people living in the more remote and mountainous areas with difficult access and limited transportation. In spite of this, the GNR is making great efforts to address the factors of instability, including high levels of poverty and unemployment.

2. Thus, now more than ever before, Yemen needs strong assistance from donors in order to survive the transition period and, in particular, to assist in the rebuilding of its social and economic base. However, there are many obstacles to this rebuilding which also impact the implementation of BEDP II. These include the continued degree of insecurity prevailing in many governorates, the separatist movement in the south, and tribal conflicts in the north. The political conflict throughout the country has affected the delivery of education services, particularly due to damaged or occupied school buildings, inaccessibility due to insecurity, increasing absenteeism of both teachers and students, as well as the institutional capacity of the MOE which suffered because of conflict-generated disruptions and severe budgetary constraints.

3. In spite of all these drawbacks, the MOE and the GOY have shown a steady commitment to basic education, focusing on the need for education to improve overall human development and the capacity of the labor force in particular. As indicated previously in this document, the overall project objective is to assist the GOY in improving student learning and equitable access to basic education.

4. The project design draws on the lessons of the implementation of BEDP, and it is to be noted that of all the goals, the reduction of inequities in education, in particular for girls, children with special needs, and street children, remains the most challenging in the Project. The factors of supply and demand are complex, in particular at the community level, and these directly affect the enrolment and retention of girls in primary school, but the basic obstacle is still the cultural ethos of the place of girls in the household. Two main targeting mechanisms have to be considered: (i) the availability of schools either in the village or close by, and (ii) the willingness of the men of a household to permit girls to attend school beyond the first few grades. These factors are of particular importance in rural areas, and in those where there are no roads, lack of access to schools is a significant obstacle to school enrolment. The situation is somewhat better in urban areas where there may be more school access. Nonetheless, the cultural factors that persist in reducing equity among girls and women continue to be an obstacle.

5. Interventions that provide better access to schools, female teachers, and enhanced community participation are key to the goals of the Project. Without community participation, the cultural obstacles will persist. Communities must be organized in order to seek the

participation of men as well as women to explain the importance of the Project and obtain a degree of ownership of it. It is because of this aspect of community organization and assistance to parents' associations that sub-components 2.2 and 2.3 are of vital importance to the Project. Without this targeted support, there is less chance of actually improving the ability of girls to enroll in schools above Grade 2 or 3.

6. The same obstacles in various forms exist in dealing with children with disabilities due to the social stigma attached to them. These children are often hidden from public view and thus have no access to education. Again, the most aggressive community information and organization campaigns must take place to improve this segment of the population's access to schools. But this also must be accompanied by a campaign to assure parents that children with special needs will receive the attention they need to succeed in school. The inclusion of working children and street children can only be improved by targeting the areas where they exist and assessing the reasons why they cannot attend schools. Here again, the importance of working at the community level cannot be stressed enough. As previously stated in the first BEDP Project Appraisal Document (PAD), the low level of adult literacy is one of the strong impediments to effective community participation in decision-making. Adult women in particular are a segment of the population that should be addressed with strong measures and a variety of educational forms and media. Lacking such information, the attitudes towards the benefits of literacy and education cannot be easily attained. There are examples from other countries world-wide that show the benefits of higher literacy for women and their active community participation. Where strong communities exist, their cohesion acts as an element to ensure that schools are functioning correctly, that teachers are in attendance and that the necessary school materials and furniture are provided to make them work effectively.

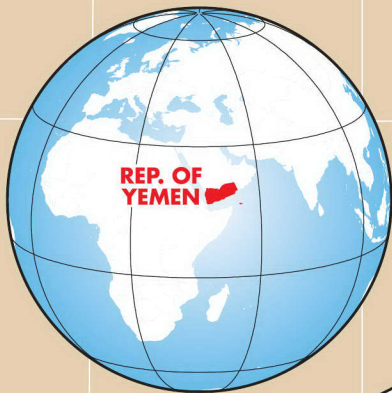
7. Another related and strong challenge to the BEDP II implementation will be the identification and training of female teachers, especially in rural areas. The great need for female teachers cannot be underestimated; the MOE's updated figures indicate the need for about 4,500 female teachers. This should be one of the Project's performance indicators and achieving a high number of trained female teachers could be a life changing experience for the entire country.

Safeguards

8. The Project does not present at this time any issues related to OP 4.12 (Involuntary Resettlement). In the past, land needs were met by donations from the communities, and these transactions were duly documented. The civil works associated with toilet facilities and lavatories should be assessed for any land acquisition needs as well. The site selection, construction of facilities and requirements for their appropriate operation and maintenance are discussed and addressed in the EMP.

REPUBLIC OF YEMEN

- SELECTED CITIES AND TOWNS
- ⊙ GOVERNORATE CAPITALS
- ⊕ NATIONAL CAPITAL
-  RIVERS
-  MAIN ROADS
-  GOVERNORATE BOUNDARIES
-  INTERNATIONAL BOUNDARIES



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