When we had the discussion on the Yemen CAS nearly 18 months ago I hoped that colleagues would bear in mind two facts in considering developments in the country. First, is that not long ago, the Yemen was one of the most underdeveloped and inward-looking areas in the world; the second is that the country went through devastating turmoil in the first half of the nineties of which it has not yet fully recovered. I still believe we need to keep these in mind when considering both the many changes that have taken place in the past few years and the magnitude of problems that the country has to grapple with. The Progress Report we have today gives a clear picture of the progress achieved since early 1996 in CAS implementation and I only wish to make few comments:

First, the Yemen authorities have made substantial efforts in many fronts to create the right environment on which progress can be built, and it is gratifying to see that the Bank made the most of the new opportunities by expanding its sphere of operations in areas where help is most needed. The authorities managed to consolidate the newly unified country, deepen the democratic process with the recent-multi party elections, improve regional relations and enhance the country’s position as a stable point with a promising future as an international trading link, and turning economic policy irreversibly toward liberalized market economy as a means to address the country’s chronic structural deficiencies and pervasive poverty.

Secondly, and in response, Bank strategy has rightly moved from tackling the most pressing impediments, to dealing with the much more difficult long-term sectoral reforms while still taking measures to alleviate the negative impact of reform. The two operations you have today are a good example of this appropriate strategy. My only regret, however, is that the IFC has not so far kept pace with the new opportunities as acknowledged in para. 22 of the document. I hope the Corporation will, not before long make a tangible contribution to the much needed private sector development of the country.

Thirdly, the response of donors has been excellent. This of course is not surprising when credible policies are in place. I was particularly impressed by the generous attitude of donors at the Consultative Group meeting at the European Union headquarters last June. Pledges were above expectations and valuable comments were made.
by donor representatives, especially those of Minister Pronk of the Netherlands. I was also amazed when I was in the Yemen sometime back and was told that no less than 50 Bank staff were in the field, preparing and supervising many IDA operations. I felt somewhat apprehensive that the country’s limited institutional capacity would not be able to cope with such a large number of staff, but it seemed that even a larger number would be welcome! My Yemeni authorities are deeply grateful for all the understanding and assistance that the donor community has shown, and for the dedication of Bank staff: Mr. Devis, Mr. Sud and their colleagues, both here and at the resident mission in Sana’a. We look forward to Mr. Wolfensohn’s forthcoming visit to the country and hope that the Yemen will be on the itinerary of Executive Director’s group travel in the coming months. This will provide a good opportunity to see firsthand, both the achievements and problems that still have to be tackled.

This brings me to my final point which relates to the future agenda. Fortunately, the present document and the authorities Policy Framework Paper issued few weeks ago gives comprehensive review of present policies and future plans. As shown in the documentations, the authorities have no illusion about the difficulties and the risks that lie ahead, but are determined to move forward to broaden and deepen reform as detailed in the matrix of the PFP. They are already on the way to tackle difficult areas, including the financial sector, the civil service, regulatory reform and water and energy. They are also allocating larger resources to improve the admittedly weak education and health indicators. Strong and successful efforts have also been made to improve the implementation record as indicated in the most recent figures on portfolio implementation. Their efforts have so far yielded tangible results as shown in the document, but the tasks ahead remain difficult, especially if we keep in mind that the Yemen is still a $300 per capita country. The prospects, however, are good if policies, as well as donor assistance, remain on track. This is why I think that moving the Bank strategy towards the High Case as suggested is a well-deserved acknowledgment of the efforts of the country. The Yemen has so far made an excellent use of donor resources and has made credible plans to further improve performance.