

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA3157

Project Name	Corridor Highway Project (P145361)
Region	MIDDLE EAST AND NORTH AFRICA
Country	Yemen, Republic of
Sector(s)	Rural and Inter-Urban Roads and Highways (100%)
Theme(s)	Infrastructure services for private sector development (50%), Regional integration (20%), Export development and competitiveness (20 %), Conflict prevention and post-conflict reconstruction (10%)
Lending Instrument	Investment Project Financing
Project ID	P145361
Borrower(s)	Republic of Yemen
Implementing Agency	Ministry of Public Works and Highways
Environmental Category	A-Full Assessment
Date PID Prepared/Updated	24-Feb-2014
Date PID Approved/Disclosed	24-Feb-2014
Estimated Date of Appraisal Completion	07-Mar-2014
Estimated Date of Board Approval	29-Apr-2014
Decision	

I. Project Context

Country Context

1. Situated on the southern part 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 low GNI per capita of US\$1,110 (2011), while on the UNDP Human Development Index, Yemen ranked 154th out of 187 countries in 2011. However, 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. Across all economic indicators, Yemen is characterized by high levels of poverty and inequality.

2. In addition to the already existent widespread poverty, Yemen experienced intense and extensive domestic 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 left many poor unprotected. During this period of crisis, the economy 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. Rising fuel costs caused sharp increases in transport costs,

sometimes reaching 100 percent in urban areas and twice as much in rural areas. Meanwhile, oil production is expected to continue to decline and reserves are expected to run out by 2021 in the absence of new oil discoveries and developments. State revenues from natural gas production and exports will offer some cushion, but cannot compensate for the loss of oil revenues.

3. As a result of the events of 2011, Yemen has embarked on a political transition based on an agreement brokered by the Gulf Cooperation Council (GCC). The Government of National Reconciliation was formed and confirmed by Parliament in December 2011. Presidential elections were held in February 2012, and President of the Republic of Yemen, Mr. Abd Rabu Mansour Hadi sworn in soon afterward. The National Dialogue Conference (NDC), a key element of the GCC agreement and transition process, was launched in an atmosphere of much hope, trepidation, and protest. The NDC ended in early February 2014 with the signature of a series of agreements by the participating groups. Legislative and presidential elections are to be held under a new constitution, followed by the inauguration of a new president and formation of a new parliament. Implementation of the GCC agreement thus overall as originally planned, albeit with a delay of about four months. Nevertheless, the gains achieved through the NDC are fragile and important challenges lie ahead.

4. In the meantime, this transition government has an opportunity to start addressing the underlying causes of instability and social strife in order to rebuild Yemen's social and economic base, and to restore macroeconomic stability. There is an overall sense of optimism and hope for inclusive change in post-revolution Yemen, but the country's transition may face significant risks if reforms and economic opportunities do not materialize quickly, and if substantive changes are not felt by the population. Yemen needs the collective support of the development community as it works to sustain its political transition and economic recovery, while fighting strong countervailing forces, including regional grievances that have led to enduring separatist violence in the north and south, al-Qaeda militancy, and recalcitrant elements of the previous regime in Sana'a.

Sectoral and institutional Context

5. Yemen's road sector has gone through a radical transformation in the past three decades. The most striking element has been the creation of a network of modern paved roads linking most of the main cities and governorates, particularly in the densely populated and mountainous western part of the country. This network has indeed grown from only about 5,000 km in 1990 to about 14,000 km in 2010, a 280 percent increase over about twenty years. Major progress has also taken place in rural areas where about 5,500 km of paved roads have been constructed in the past twenty years (out of a total of 58,200 km of non-urban roads). The paved road network is in relatively good condition, in part due to its young age but also due to the mostly excellent geotechnical conditions and road building materials in Yemen. The improvements of the road network have had a major impact on the population and the economy, promoting internal and external trade, enabling a growing share of the population to have access to public services and markets, and ensuring that food imports reach remote areas.

6. Moreover, the organization of the road sector and its main institutions has also radically changed in the past decades. The Ministry of Public Works and Highways (MPWH) has gradually taken firm control of the road sector and of the strategies and expenditure programs necessary for its development. In addition, a diverse set of private road construction and maintenance companies and engineering firms has emerged with a cadre of qualified specialists with good understanding of the

special physical conditions and human constraints in Yemen. Despite this positive change in Yemen's road sector, the Government still needs to develop more effective methods and institutions that are necessary for managing, operating and maintaining its road network at higher standards, particularly larger infrastructure such as new highways.

7. Unfortunately, Yemen also has one of the poorest traffic safety records in the region with almost 6,500 deaths every year on the road network. Traffic police records show about 13,000 accidents with injuries each year, affecting about 17,000 people and their families. It is thus clear that Yemen's transportation challenges go beyond the physical and economic, and that future transport-related programs should include strong road safety components.

8. In terms of main road arteries, Yemen's major cities are connected by an existing North-South road. It begins in the southern port city of Aden and passes through Taiz, Ibb, Dhamar, Sana'a, Amran and Saada before reaching the Saudi Arabian border. Although the existing road is a vital transportation route, it was not designed for efficient long-distance and inter-urban traffic. There are a host of problems affecting its use, first and foremost its inadequate physical capacity for handling rising levels of traffic. This lack of capacity has resulted in traffic jams, particularly where the road passes directly through the densely populated and congested centers of the capitals of eight governorates. Another problem are the high gradients and often sharp curves of the road, resulting in low average travel speeds of only between 40 to 60 km/hour. Overall, the road cannot serve as an efficient long-distance transport artery for passengers and commercial freight. The Ministry of Public Works and Highways estimates that traffic on the road has increased at a rate of 5 percent per year over the past ten years, with traffic now surpassing the road capacity on many sections. Long lines of vehicles form behind heavy trucks which slowly climb or descend the winding mountaineous road sections. This leads to risky behavior of drivers trying to overtake trucks, often resulting in serious accidents claiming many lives.

9. The MPWH has implemented partial solutions in the past, such as bypasses and ring roads in some cities, but they did not generally resolve the issues mentioned above, prompting the Government to seek a more comprehensive solution. With this intention, the Yemeni Government started already in 2003 to conceptualize and design a completely new dual carriageway highway between Aden and the border with Saudi Arabia ("Saada-Aden Yemen International Corridor Highway" or "SAYICH"). The new highway will provide the country with a 712 km long North-South route that will adequately serve its current and future transport needs. Detailed and in-depth studies to select the best overall highway alignment and the most appropriate technical design solutions were carried out between 2003 and 2005 by a German engineering design firm hired by the GoY. Since that time, however the GoY has not been able to mobilize the funding necessary for that highway.

10. During the ongoing National Dialog Conference, the new Corridor Highway was identified by all parties involved as a key strategic project which would be crucial for unifying the country and provide much needed economic opportunities for the numerous communities along the corridor. Besides the medium- and long-term benefits of transport cost reduction, trade facilitation and better access to markets and services, and general economic revitalization, the construction itself of the road would bring important short-term benefits through job opportunities for thousands of workers. It is these short-term benefits that are of specific importance in the context of the ongoing political consolidation and unification process. There is thus a clear and widespread consensus that the construction of this highway will provide strong economic and social benefits to the inhabitants of

the eight Governorates it will connect with each other. These are the Governorates of Aden, Lahj, Taiz, Ibb, Dhamar, Sana'a, Amran and Saada, which represent about two thirds (2/3) of Yemen's total population. There is little or no disagreement between the various groups that were involved in the National Dialog Conference about the central importance of this planned highway for Yemen's process of internal integration and political consolidation.

11. The first section of the new highway to be built is between Aden and Taiz, with a length of 140 km. This section was of particular importance in the context of the National Dialog, since it connects the areas of the former South and North Yemen, and thus the main conflicting interest groups. Recognizing the above, and the need to demonstrate actual quick progress on the ground, the Government of the Kingdom of Saudi Arabia agreed in early 2013 to fund the construction of 85 km of this section, between the city of Taiz and the locality of Noubat Dokaim. Loan and Grant Agreements totaling US\$ 320 million were signed between the Saudi Fund for Development (SFD) and the GoY in March 2013. The tender for the construction of these 85 km was formally launched on June 30, 2013. It is expected that contracts for the civil works can be awarded by April 2014 and construction works can start around October 2014.

12. The Bank is planning to support the Government's program for the Saada – Aden Yemen International Corridor Highway (SAYICH). Through the "Corridor Highway Project" initial IDA grant funding of US\$ 150 million is to be provided, most of which would go towards the construction of the 55 km sub-section between Aden and Taiz which is not funded by the Saudi Fund for Development. World Bank/IDA funding could also be provided for later stages of the SAYICH Program.

13. The different sections of the overall SAYICH Program are shown below. It envisions multiple donors for the different highway sections. The World Bank is planning to support the broader SAYICH Program through the "Corridor Highway Project" which covers the Aden - Noubat Dokaim sub-section (55 km) of Section 1 of the SAYICH. The proposed IDA credit will thus fund the construction of 55 km section between Aden and Noubat Dokaim while the already signed loan/grant from the Saudi Fund for Development will fund the other 85 km between Noubat Dokaim and Taiz, as a separate project. The IDA-funded project will nevertheless also include activities to lay the groundwork for the other future sections of the Corridor Highway, such as updating existing feasibility and design studies, and carrying out new environmental and social safeguards studies for the future sections. In addition, the project will also help to establish appropriate institutional arrangements for the management, operation and maintenance of the highway.

Section 1:

- Sub-Section from Aden to Noubat Dokaim: 55 km (IDA funding)
- Sub-Section from Noubat Dokaim to Taiz: 85 km (SFD funding)

Section 2: Taiz - Ibb - Dhamar - Sana'a: 214 km (funding to be identified)

Section 3: Sana'a - Amran - Saada (Albain border): 358 km (funding to be identified)

II. Proposed Development Objectives

The Project Development Objective is "Improved transport connectivity and safety on the targeted section of the transport corridor between Aden and Taiz".

III. Project Description

Component Name

Highway Construction

Comments (optional)

Component Name

Institutional Support and Strengthening

Comments (optional)

IV. Financing (in USD Million)

Total Project Cost:	191.00	Total Bank Financing:	150.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
BORROWER/RECIPIENT			41.00
IDA Grant			150.00
Total			191.00

V. Implementation

14. The Corridor Highway Project will be implemented by the Ministry of Public Works and Highways (MPWH). Since 1970, MPWH has been the implementing agency for several IDA-funded road projects, with two of them ongoing. MPWH has gained much experience in the execution of externally funded road projects. Given the good track record of MPWH in the preparation and execution of externally funded projects, the risk of problems related to the capacity of the implementation agency are considered to be moderate. Overall implementation risks are nevertheless regarded as substantial, mainly due to the overall country risks and also due to environmental and social safeguards risks which exist, mostly along the SFD-funded highway section which is much more densely populated. Risks are also moderate during the project preparation stages (road design, feasibility studies, environmental and social assessments, etc.) where the performance of MPWH has been mostly satisfactory. Most project preparation activities for the Corridor Highway Project have been completed already.

15. The MPWH has established within its own internal structure a specific Project Implementation Unit (PIU) which is responsible for all aspects of the overall preparation and implementation of the broader Saada – Aden Yemen International Corridor Highway Program, including the proposed Corridor Highway Project. The PIU is staffed with eleven staff, including engineers, accountants and a procurement specialist. This includes technical preparation, management of construction and consultant contracts, environmental and social safeguards management, procurement and financial management, among others. An environmental and social safeguards specialist is presently being hired to strengthen the PIU in that area. The MPWH has demonstrated its capacity to establish and staff PIU's for specific projects which then successfully implement projects under the Bank's (and other donors) guidelines and procedures.

16. Despite the widely recognized governance issues in Yemen at the country level, these high

country risks have so far not translated into problems in the execution of externally funded projects in the road sector. There have not been any reports of interference by higher-level authorities in the management of road projects by MPWH. Externally funded road projects benefit from tight scrutiny and oversight by the external funding agencies. Additionally, all projects in the road sector, independent of the funding source, are subject to internal auditing and control through the Ministry of Finance and other Government agencies. In order to further increase good governance, regular technical audits by an independent international auditor will be carried out to verify that all road works have been executed in compliance with the technical specifications.

17. The existing arrangements for procurement and financial management that are being applied under the ongoing IDA-funded road projects will essentially be applied in the same way for the new Corridor Highway Project. The PIU for the Corridor Highway Project includes a qualified procurement specialist who has already received substantial training and who has successfully taken on procurement responsibilities. In order to ensure the quality and efficiency of project accounting, the PIU has acquired an automated accounting system and is currently finalizing the customization of the system.

18. The PIU will designate one full-time staff member (presently being recruited) to monitor compliance with the Bank's environmental and social safeguards policies (OPs 4.01 and 4.12) and also with OP 4.11 on Physical Cultural Resources. The PIU's existing staff has been actively involved in the preparation of safeguards documents for the proposed project. The World Bank will provide opportunities for further training and skills development for the PIU staff.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)

VII. Contact point

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