

Document of  
The World Bank

Report No: NCO2580

NOTE ON CANCELLED OPERATION REPORT  
(IDA-42790 TF-57637)

ON A

CREDIT  
IN THE AMOUNT OF SDR 10.1 MILLION  
(US\$15 MILLION EQUIVALENT)

TO THE

REPUBLIC OF YEMEN

FOR A

SECOND VOCATIONAL TRAINING PROJECT

February 28, 2013

Human Development Sector  
Middle East And North Africa Region

## CURRENCY EQUIVALENTS

(Exchange Rate Effective November 30, 2012)

Currency Unit = Yemeni Rial (YR)

1.00 = US\$0.0047

US\$1.00 = YR 214.825

## FISCAL YEAR

January 1 – December 31

## Abbreviations and Acronyms

GOY	Government of Yemen
MOPIC	Ministry of Planning and International Cooperation
MTEVT	Ministry of Technical Education and Vocational Training
PMU	Project Management Unit
SDF	Skills Development Fund
SELU	Skills and Employment Liaison Units
TA	Technical Assistance
TEVT	Technical Education and Vocational Training

Vice President: Inger Andersen

Country Director: Hartwig Schafer

Sector Manager/Director: Mourad Ezzine/ Steen Lau Jorgensen

Project Team Leader: Kamel Braham

NCO Team Leader: Kamel Braham

**Republic of Yemen**  
**Second Vocational Training Project**

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<b>A. Basic Information</b>			
Country:	Yemen, Republic of	Project Name:	RY-Second Vocational Training Project
Project ID:	P086308	L/C/TF Number(s):	IDA-42790,TF-57637
NCO Date:	02/28/2013		
Lending Instrument:	SIL	Borrower:	REPUBLIC OF YEMEN
Original Total Commitment:	USD 15.00M	Disbursed Amount:	USD 0.37M
Revised Amount:	USD 0.03-M		
<b>Environmental Category: C</b>			
<b>Implementing Agencies:</b> Ministry of Technical Education and Vocational Training			
<b>Cofinanciers and Other External Partners:</b>			

<b>B. Key Dates</b>				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	05/13/2004	Effectiveness:	10/05/2007	10/05/2009
Appraisal:	11/17/2006	Closing:	05/31/2013	09/03/2012
Approval:	03/27/2007			

<b>C. Ratings Summary</b>	
<b>Performance Rating by NCO</b>	
Outcomes:	Not Applicable
Risk to Development Outcome:	Not Applicable
Bank Performance:	Moderately Unsatisfactory
Borrower Performance:	Moderately Unsatisfactory

<b>D. Sector and Theme Codes</b>		
	Original	
<b>Sector Code (as % of total Bank financing)</b>		
Central government administration	32	
Vocational training	68	
<b>Theme Code (as % of total Bank financing)</b>		
Education for the knowledge economy	50	
Improving labor markets	25	

Micro, Small and Medium Enterprise support	25	
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### **E. Bank Staff**

<b>Positions</b>	<b>At NCO</b>	<b>At Approval</b>
Vice President:	Inger Andersen	Daniela Gressani
Country Director:	Hartwig Schafer	Mahmood A. Ayub
Sector Manager:	Mourad Ezzine	Mourad Ezzine
Project Team Leader:	Kamel Braham	Gillian M. Perkins
NCO Team Leader:	Kamel Braham	

### **F. Ratings of Project Performance in ISRs**

<b>No.</b>	<b>Date ISR Archived</b>	<b>DO</b>	<b>IP</b>	<b>Actual Disbursements (USD millions)</b>
1	09/09/2007	Satisfactory	Satisfactory	0.00
2	03/23/2008	Satisfactory	Satisfactory	0.00
3	11/09/2008	Moderately Satisfactory	Moderately Satisfactory	0.00
4	06/30/2009	Unsatisfactory	Unsatisfactory	0.00
5	12/14/2009	Unsatisfactory	Unsatisfactory	0.40
6	05/26/2010	Moderately Unsatisfactory	Moderately Unsatisfactory	0.49
7	01/12/2011	Moderately Unsatisfactory	Moderately Unsatisfactory	0.54
8	08/26/2011	Unsatisfactory	Unsatisfactory	0.58
9	10/26/2011	Unsatisfactory	Unsatisfactory	0.58
10	05/21/2012	Unsatisfactory	Unsatisfactory	0.58

## 1. Context, Project Development Objectives, and Design

1. **As the only low-income country in a resource rich region, the Republic of Yemen faces major development challenges.** With a GNI per capita of US\$2,180 in 2011, Yemen ranks amongst the poorest countries in the world with a majority of the poor concentrated in rural areas. A country of deep rooted tradition, it has limited natural resources, notably scarce water, limited arable land and declining oil reserves. Aridity is increasing due to the effects of climate change on rainfall. Limited water supplies face pressure from increased and more intensive agriculture and the rapid growth of urban areas.

2. **Despite recent achievements, Yemen is unlikely to reach key MDG's.** In 2011 Yemen ranked 133 out of 177 countries on the Human Development Index. At 32 percent, the number of undernourished in the country was one of the highest in the region. Yemen has very high rates of mortality for children under five years old among comparable countries, largely attributable to 20 percent of girls having their firstborn before the age of 18. Women in Yemen have limited rights and few opportunities, leading to their social and economic disadvantage. Malnutrition and lack of proper immunization are major problems for Yemeni children which also affect their enrolment in education. Yemen has the lowest pre-primary gross enrolment ratio (GER) of less than one percent among all low income countries in the MENA region. Enrolment also drops sharply after primary education is completed.

3. **The population of Yemen is growing rapidly.** Yemen's population has more than doubled since 1975 and has grown approximately 35 percent since the 1994 census, making Yemen the second most populous country on the Arabian Peninsula. In 2010 the total population was estimated to be 24,050,000. According to United Nations estimates, in 2007 about 46 percent of the population was under age 15 and slightly more than half the population was between the ages of 15 and 64. The population is almost equally divided between males and females. While population growth rates have declined from 4.8 percent per annum in the early 1990s to 3.0 percent in the early 2000s, Yemen still has one of the highest fertility rates in the world. Should this rate of growth continue, the population is expected to almost double again, reaching 47 million by 2040. United Nations Development Programme (UNDP) has identified that population growth is the most critical problem facing Yemen and is the root cause of many other problems. Youth unemployment, exacerbated by the entry of several hundred thousand people in to the labor market every year, is widely believed to be an underlying cause of civil unrest in both the north and south of Yemen.

4. **The labor market in Yemen is largely informal.** The majority of workers are found either in subsistence agriculture or in small informal enterprises located in urban centers and employing fewer than five workers. This situation, coupled with population growth, results in Yemen being characterized as a labor surplus economy with no ready solution in sight. The annual growth rate in the establishment of new enterprises is estimated to be 4 percent, while growth of jobs in the public sector has been severely constrained as a result of economic conditions in the country. Youth unemployment is currently estimated to be in excess of 30 percent, thereby exacerbating the potential for further civil unrest in the country.

5. **A decade of social and political unrest has challenged the development agenda on all fronts.** Social, political, and armed conflict has prevailed in different parts of the country during the past decade. This has included: (i) the Houthi rebellion which began in Sa'dah and subsequently expanded to conflicts in Hajjah, Amran and Al-jowf; (ii) increased activity by Al Qaeda on the Arab Peninsula which culminated in an attempt to blow up a Detroit-bound airliner; (iii) a series of events in the south of the country associated with perceived political and

economic inequity; and (iv) regular political demonstrations in the capital, Sana'a. These conflicts have impacted communications, transportation, access to power, water, and food supplies, the delivery of public services and all normal operations of both the public and private sector, including the operations of all development partners.

6. In terms of the Second VTP project, the foregoing unrest resulted in a suspension of disbursement in July 2011 with consequent delays in procurement and project implementation at large.

### **TEVT Sector Issues**

7. **In 1998, a national Technical Education and Vocational Training (TEVT) policy framework was developed by the Government of Yemen (GoY) within the context of: (i) the Yemen Strategic Vision 2025; (ii) the second five-year development plan 2001-2005; and (iii) the National Poverty Reduction Strategy.** The foregoing policy framework was used to guide the deliberations of a national conference on TEVT which took place in 1999 and identified the following concerns regarding performance of the system: (i) the low capacity of the TEVT system and the need to increase the number of training institutions; (ii) a low relevance of the system to labor market needs; (iii) a need to enhance program effectiveness and quality through the adoption of quality standards; (iv) a need to improve staffing and associated professional development; (v) a need to upgrade physical facilities and equipment; and (vi) the development of a vocational guidance and counseling system in order to enhance enrolment, retention and graduate employment.

8. **The foregoing TEVT policy framework was developed concurrently with implementation of the first Bank-financed Vocational Training Project (Cr. 2793, which closed in June 2003) which was designed to address both TEVT system management and finance and quality improvement.** The objectives of the management and finance component of this project were: (i) to increase employer community participation in training design and delivery; (ii) to increase the level of autonomy at the training institute level; and (iii) to establish a Skills Development Fund which would diversify sources of finance for the sector. Objectives of the quality improvement component included a focus on curriculum development, training of trainers, continuing education, and the upgrading of a limited number of training centers. During the course of the project, key achievements were made in terms of the initial establishment of the Skills Development Fund, improving institutional capacity and the quality of curriculum development together with the upgrading of physical facilities. While the Skills Development Fund component was rated as "marginally satisfactory," a number of related governance, regulatory and monitoring issues were identified as requiring urgent attention.

9. **Following completion of the foregoing project, GoY requested Bank support for a second investment in the TEVT sector.** While the Bank was responsive to this request, the absence of a detailed sector development strategy created a gap in the ability to identify a series of achievable development objectives for the sector, or to formulate a series of project components that would enable achievement of these objectives. As a result, agreement was reached between Ministry of Technical Education and Vocational Training (MTEVT), the World Bank and the European Training Foundation (ETF) to collaborate on the preparation of a Situational Analysis and a TEVT Strategy for the country.

10. **Building on the Situational Analysis, and through the adoption of a broad based stakeholder consultation process, MTEVT published a "Technical Education and Vocational Training Strategic Development Plan."** This plan identified the following core

strategic issues in the sector: (i) a need to diversify programming in order to respond to the needs of a wider range of social and sectoral partners; (ii) a need to develop linkages with the labor market at a number of levels in order to ensure that all activities of the system were driven by employer and employment demand; (iii) a need to review the governance, management and organizational structure of MTEVT to better reflect the requirements of an employment driven marketplace; (iv) a need to reorient and re-equip the network of TEVT institutions to meet a wider range of employer and community skill development needs; and (v) a need to diversify the financing of TEVT in order to share costs more equitably amongst beneficiaries. Building on the foregoing issues, a Strategic Development Plan for the TEVT Sector was developed in a results-based format, together with a series of goals, enabling objectives and action plans. Costing of the strategy was prepared and the plan forwarded to the Council of Ministers with subsequent approval being provided by the cabinet on July 7 2004. This strategy provided the foundation upon which the Second Vocational Training Project was built.

### **Rationale for Bank Involvement**

**11. Prior to embarking on the development of a second vocational training project in Yemen, the Bank had gained substantial experience with the design and implementation of other education sector programs in the country.** This had included analytical work, strategic planning and lending for basic, secondary, and higher education. In the TEVT sector work had been completed and valuable lessons learned from the first vocational training project. The nationally endorsed strategy for further development of the TEVT sector clearly identified a need to focus on further development of the institutional capacity of the TEVT Ministry. Based on its previous experience in the sector, together with its regional and international experience, the Bank was seen to be the logical institution to support the required capacity development while also addressing an identified national priority which was fully aligned with the prevailing CAS.

### **Project Preparation**

**12. Project preparation was undertaken with support from a PHRD grant which enabled further analysis of institutional capacity and the engagement of a wide range of stakeholders in the sector.** This included: (i) dialogue with employer community representatives in the nationally-identified target economic sectors of fisheries, construction and food processing; (ii) workshops with Chambers of Industry and Commerce; (iii) in depth analysis of the management and operations of the Skills Development Fund; (iv) the convening of a Policy Forum with the Skills Development Fund with international representation; and (v) the drafting of a revised Skills Development Fund (SDF) Law. All elements of the project design which emerged had direct linkages to the TEVT Sector Strategy and were fully endorsed by the government prior to project appraisal and loan negotiations.

### **Project Development Objective**

**13. The objectives of the Second Vocational Training Project were** “to provide the public training system with improved mechanisms for responsiveness to employment needs, and to enhance the capacity and effectiveness of the Skills Development Fund in articulating and financing the training needs of enterprises.” This was to be achieved by: (i) developing a planning and monitoring capacity in MTEVT oriented to employment demand; (ii) piloting mechanisms for employer participation in the design and delivery of new pre-service and in-service training models in target sectors of the economy; and (iii) supporting reform of the Skills Development

Fund. The project had two sets of beneficiaries: the public training system and the Skills Development Fund.

## **Project Components**

**The project included the following components:**

14. **Component 1: Monitoring and Evaluation and Project Management (US\$3.01 million).** This component included the following two sub-components.

*Sub-Component 1.1 Monitoring and Evaluation (US\$1.44 million).* The objective of this sub-component was to support the development of a planning monitoring and evaluation system designed to improve decision making and the deployment of resources. This was to be achieved through the provision of technical assistance and training at the central and institute levels, the establishment of a basic Management Information System, the conduct of tracer studies and employer satisfaction surveys, and the introduction of performance-based monitoring and budgeting procedures for MTEVT training institutions.

*Sub-Component 1.2 Project Management (USD1.57million).* The objective of this sub-component was to ensure efficient administration and coordination of components 1 and 2 through the establishment of a Project Management Unit (PMU) staffed by local consultants. The project was to finance goods, technical services, and training for the institutional strengthening of the PMU.

15. **Component 2: Design and Delivery of Training Programs (US\$10.14 million).** The central purpose of this component was to pilot a series of initiatives at the pre-service, in-service and instructor training levels, all designed to demonstrate the benefits to be gained from collaboration with employers. The component comprised the following three sub-components

*Sub-Component 2.1 Technician Level Programs (US\$6.13 million)* This sub-component would pilot the development and delivery of new technician level programs of international standard in four existing training institutes to meet employer identified needs in the target sectors of fisheries, food processing and construction. The project was to finance a twinning program that would provide: (i) services for program development, training, and fellowships for staff; and (ii) small civil works; and, instructional equipment.

*Sub-Component 2.2 In-Service Training (US\$2.23 million).* This sub-component would pilot approaches for improving public sector training providers to respond more effectively to respond more effectively to employer defined skill development needs in the three target sectors. This would be achieved through the establishment of Skills and Employment Liaison Units (SELU) in each of the pilot institutes with a mandate to undertake outreach activities with employers leading to workforce skill upgrading. The project was to finance technical services through the twinning program; staff training; equipment; materials; and local transportation costs.

*Sub-Component 2.3 Instructor Development (US\$1.78 million)* this sub-component would pilot approaches in four existing institutes to strengthen the occupational skills and competencies of a cadre of 48 Master Instructors. The project was to finance technical services from international subject specialists, training costs for work placements, fellowships, seminars, workshops and equipment.

16. **Component 3. Reform of the Skills Development Fund (US\$1.85 million).** The objective of this component was to support the reform and restructuring of the SDF under revised legislation. The project was to finance a long-term advisor who would assume the role of managing director of the organization, as well as technical assistance, short term training, workshops and equipment.

### Implementation Arrangements

17. **The project design was based on two parallel implementation arrangements with oversight by a national Steering Committee Chaired by the Minister of MTEVT.** Committee members were to include: (i) the Chairman of the SDF Board of Directors; (ii) the Vice Minister of MTEVT; (iii) four MTEVT Deputy Ministers; (iv) a representative from the Ministry of Planning; and (v) a representative from the ministry of Finance.

18. **Components 1 and 2** were to be implemented by the MTEVT with the support of the PMU under the leadership of the Minister through the existing ministry operational structure. In the case of Component 2, which comprised the main focus of the project, implementation support was to be provided by the twinning partner in terms of implementation planning, employer community relationships, performance monitoring and reporting.

19. **Component 3** was to be implemented by the SDF under the supervision of its Board of Directors. The long-term advisor who was to be recruited under the project and assigned the responsibilities of Managing Director would also assume overall responsibility for implementation of the Component. The SDF would not have a project unit as such. Procurement, financial, and reporting functions under the credit were to be assigned to competent members of the SDF staff.

### Risk Analysis

20. The overall risk rating at the time of appraisal was deemed to be Substantial. The following table summarizes the risks, risk ratings and risk mitigation measures.

<i>Risk</i>	<i>Rating</i>	<i>Risk Mitigation</i>
Employers show continuing reluctance to collaborate actively with training providers in the analysis of training needs and design and delivery of training programs.	S	Project design allows for compensation for the time and costs of employer participation through both the Skills and Employment Liaison Units and the Skills Development Fund
Training center directors are not provided with the skills and incentives necessary to adopt a strong leadership and development approach to their institution and employer communities.	H	MTEVT has expressed commitment to changing and strengthening leadership where necessary
The teaching staff profile cannot be progressively upgraded due to public/private wage differentials	S	New regulations for Training Institutes will allow the possibility of contract hiring of trainers from the private sector
Institutional capacity at the MTEVT is insufficient to manage change and implement policy reforms	S	Substantial technical services and training is incorporated in the project

Institutional capacity in the MTEVT and its PMU is insufficient to manage and coordinate project implementation	S	Coordination of technical services, training and twinning activities for Component 2 will be handled by a consortium or joint venture partnership with a manager in the field
Restructuring of SDF is not fulfilled	S	Substantial technical services and training is to be provided both pre- and post- project effectiveness
Failure to procure sufficiently high quality technical services	M	An experienced short term consultant will be recruited to assist MTEVT/PMU in the preparation of Terms of Reference, bidding documents, advertising, and bid evaluation procedures. For some long-term technical services roles, options will be considered of basing in home country with regular field visits
Capacity is insufficient to manage a large technical services contract effectively.	M	Technical services provided for PMU

21. **Financing Plan** The project was to be 100% financed by IDA for a total cost of US\$15 million equivalent, with an estimated US\$9 million in foreign expenditures and US\$6 million in local costs.

22. **Quality at Entry.** The project design underwent a Quality Enhancement Review process prior to project appraisal. Issues raised by the review panel included: (i) the relevance of the proposed project to skill development needs in Yemen; (ii) the current and projected labor market demand for TEVT graduates; (iii) provision of incentives to ensure employer community collaboration; (iv) the capacity of the SDF to undertake a reorientation of its service delivery model; and (v) a need to improve the project outcome indicators. In response, the project team concurred that the existing TEVT model was strongly supply driven with both quantitative and qualitative misalignments with employment demand. The project team noted, however, that the project was designed to address these misalignments and to demonstrate the procedures associated with demand driven programming through the adoption of a partnership-based approach with the employer community. With respect to the issue of incentives, the project team indicated that MTEVT was currently formulating procedures that would incentivize both ministry staff and participating employers. In terms of the SDF, the valuable contribution from the QER panel resulted in the provision of technical assistance from a DFID trust fund to assist the organization to develop operational procedures that were felt to be relevant to the Yemen situation. The resultant Operations Manual was subsequently discussed at length by the SDF Board of Directors with some adjustments being made to the eligibility criteria.

## 2. Post-Approval Experience and Reasons for Cancellation

23. **The Yemen Second Vocational Training Project transitioned through five distinct phases during the period from project appraisal to cancellation.** These phases included: (i) project appraisal and effectiveness; (ii) political constraints on meeting effectiveness conditions; (iii) activities undertaken while awaiting effectiveness; (iv) slow implementation progress leading to a request to restructure the project; and (v) cancellation of the project. Key events associated with each phase are provided in the following paragraphs.

### *Phase 1: Project Appraisal and Effectiveness*

24. **The project was appraised on February 28, 2007 based on a six-year implementation period with an expected effectiveness date of June 1, 2007 and a closing date of May 31, 2013.** The credit was approved on March 27, 2007 with the legal documents signed on June 7, 2007. Effectiveness conditions included: (i) the Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Entity; and (ii) the Recipient has established the PMU referred to in Section I.A.3 of Schedule 2 to this Agreement with organization, staffing and terms of reference satisfactory to the Association” which in turn was subject to the passing of the SDF law.

25. **The revised SDF Law was endorsed by the Cabinet in February 2007** and, as agreed during negotiations, the credit agreement and revised SDF Law were submitted to parliament as a package. Other effectiveness conditions included procurement of financial management software and submission of a legal opinion.

26. **While not a specific condition of effectiveness, agreement had been reached with MTEVT to have a fully staffed PMU in place by the expected date for project appraisal.** Recruitment of PMU staff however was seriously delayed. Initial advertisements for staff did not yield relevant candidates. A second advertisement was issued in March 2007. By September 2007 only the Financial Officer and Technical Coordinator had been appointed. This deficiency constrained the ability of the ministry to ensure timely meeting of the effectiveness conditions.

### *Phase 2: Political Constraints on Meeting Effectiveness Conditions*

27. **Following approval of the credit, a series of unfortunate political constraints impeded the ability to meet conditions of effectiveness as summarized below.**

- Following initial submission of the credit agreement and new SDF Law to the Parliamentary Committee in April 2007, a number of perceived outstanding issues disallowed the call for a vote of approval prior to the summer recess. This delayed further consideration until after Ramadan which in 2007 occurred in mid-October. Consequently the initial effectiveness date of October 5, 2007 could not be met and was therefore extended to December 5, 2007.
- No further action was taken until the next sitting of parliament in February 2008 which approved the credit agreement but did not bring closure to the outstanding issue of ratifying the revised SDF Law. **This resulted in an extension of the credit effectiveness deadline to July 5, 2008.**
- Following a Ministerial change in MTEVT, renewed efforts were made to resolve outstanding issues. While again resulting in some progress, revisions to the SDF Law were not approved and the **deadline for effectiveness was once again extended to October 6, 2009.**
- Based on an intervention by the Bank management in a high-level meeting convened on October 4, 2009, the Parliamentary Committee indicated a readiness to approve the revised SDF Law.
- Parliament ultimately approved the revised SDF Law on October 5, 2009, which enabled the signing of a subsidiary agreement between the Government of Yemen and the Skills Development Fund, thus enabling the revised effectiveness date of October 6, 2009 to be met. The Project was declared effective on October 5, 2009.

28. **The foregoing delay in excess of two years seriously impacted the potential for achieving the intended development objective** as the project design was based on development and delivery of the new three-year technician level programs which would require two years for TA selection, contracting, mobilization, program development, equipment procurement, and staff training before students could be enrolled in the first year of each new program of three years. The government, however, confirmed its strong commitment to the project objectives and demonstrated a high degree of cooperation for a quick launch of the project. This resulted in an agreement to proceed with project implementation.

### *Phase 3: Activities Completed While Awaiting Effectiveness*

29. **While project implementation activities and associated disbursements could not take place during the June 2007 to October 2009 period**, MTEVT, the SDF, and the Bank team maintained close contact and undertook a series of activities designed to enhance implementation readiness as soon as the effectiveness conditions were met. These activities included:

- Staffing the PMU with a Project Director, Technical Advisor, Procurement Officer and Financial Officer;
- Design and delivery of professional development workshops relating to instructional program design and curriculum development;
- Review of readiness of physical facilities in the pilot institutes;
- Preparation of Terms of Reference for Component 1 and 2 Technical Assistance activities;
- Development of an Operation and Procedures Manual for the SDF reflecting the new operational modality;
- Conduct of a survey of Pilot Institutes together with the delivery of workshops designed to enhance readiness to establish SELUs who would deliver in-service training activities; and
- Further dialogue with employers in the target sectors regarding employee competency expectations.

### *Phase 4: Slow Implementation Progress Leads to Agreement to Restructure the Project*

30. **During the period October 2009 to December 2010 some progress was made on the following fronts.**

- The implementation approach to Component 1 was adjusted with the ultimate recruitment of a short term policy and planning advisor who drafted a comprehensive set of organizational recommendations and operating procedures in close collaboration with MTEVT. While MTEVT indicated a readiness to proceed with the proposed recommendations, the Bank team indicated reservations in a number of areas. These reservations were discussed and documented with the ministry.
- The RFP for Component 2, the largest component of the project was cleared by the High Tender Board and forwarded to the short listed firms on August 25, 2010 with a deadline of October 25, 2010 for the submission of proposals. This RFP resulted in no proposals being received, with all firms citing “factors external to the project” as the reason for non submission. A second request for expressions of interest was issued after receiving a commitment from four short listed firms that they would in fact submit proposals. Once again due to the declining security conditions in the country no proposals were received.

- With respect to Component 3 the SDF established a new Executive Board, drafted by-laws, and drafted a transition plan. Terms of reference were prepared for the recruitment of a short-term advisor as opposed to a long-term advisor as proposed in the original project design. These TORs were developed to assist the SDF with initial implementation of the new business model

31. **In spite of the progress noted above**, in July 2010, consensus was reached between MTEVT, SDF, and the Bank that while supporting the skills development sector in Yemen continued to be a national priority, the slow rate of implementation and associated disbursement was such that the project should be restructured by reducing the scale and simplifying the elements. The essence of the proposed restructuring was as follows:

- Component 1 would be reduced in scope and implemented through the creation of an inter-Directorate technical committee with the long term advisor being replaced with three short-term consultants focused on developing a basic M&E system together with a basic data gathering and analysis capability. Performance studies would focus on 10 institutes as opposed to 25 in the original design;
- Component 2 would retain the firm/consortium implementation modality but the overall scope of the component would be reduced through reducing the number of institutes from four to two, in-service training would be delivered by existing staff and instructor training would focus solely on new program areas;
- For Component 3, the long-term managing director position would be replaced by short/medium term international advisors and the scope of training and workshops would be reduced;
- A fourth component would be introduced through a reduction in the size of the PMU and the appointment of a new Project Manager.

32. **The impact of the foregoing changes was to reduce the Credit from the original value of US\$15 million equivalent to US\$9 million equivalent.**

- **On May 11, 2011, GoY forwarded a request to the Bank to restructure the project** in accordance with the agreements reached in December 2010. The foregoing communication was accompanied by a request from the SDF to withdraw from the project and to use its own internal resources.

33. **A Restructuring Package was prepared by the project team but was not processed for approval within the Bank.** In parallel, the terms of reference for the second and largest component were revised. This coincided with deteriorating security conditions that led to an agreement to postpone issuing the “Request for Expression of Interest” in anticipation of low to no-response from potential bidders. This was immediately followed by slowing down of operations prior to the formal announcement of suspension of disbursement and consequently consideration of project cancellation rather than project restructuring. As a result of ongoing discussions between Bank management and the newly appointed TEVT Minister, GoY was advised that while the Bank recognized the importance of skills development in the country, a regional policy study of the TEVT sector was currently under implementation and that the findings of this study would be used to guide future investments in the sector.

### ***Phase 5: Cancellation of the Project***

34. **In March 2011, due to the escalation of social and political unrest in the country, the Bank's local staff was relocated to Amman**, thereby resulting in an inability to fulfill the Bank's fiduciary and supervision responsibilities. Consequently, suspension of disbursements for the project was declared on July 28, 2011.

35. **With continuing unrest in the country, it was agreed in May 2012 to fully cancel the project for the following reasons:** (i) most project activities could not be completed before the closing date of May 31, 2013, and, subsequently, the project would not be able to achieve the intended development objectives; (ii) the difficulties faced by the project were seen to continue even when the suspension was lifted due to the weak capacity of both the Ministry of TEVT, the PMU and the SDF; (iii) a lack of local expertise to undertake some project consultancies; and (iv) the difficulty in hiring qualified firms or international consultants willing to travel to Yemen to work on the project. It should be noted that the lengthy request for restructuring process, the suspension of disbursement, the Bank's orientation towards focusing its intervention, and lengthy request for credit cancellation should be factored in when assessing the extent to which the Bank Team took proactive measures towards a timely cancellation. In a critical sector such as TEVT, this is a key priority for both the Government and the Bank; and thus decisions were made in such a pace that allows for the dialogue to be pursued through the on-going technical assistance to establish a sector diagnosis through a rigorous data collection instrument (Yemen SABER – Work Force Development).

### **3. Assessment of Bank Performance**

Rating: *Moderately Unsatisfactory*

36. **The World Bank Performance is rated as: *Moderately Unsatisfactory*.** While the Bank team provided extensive support to the MTEVT and PMU during project preparation and supervision, project design was too complex given the low capacity of the implementing entities, project readiness for implementation- particularly of Component 3 (SFD) has been over-estimated and high turn-over of Bank Team Leaders has had a negative impact on project supervision.

37. **Prior to the preparation of the project, the World Bank team worked closely with the MTEVT to formulate a series of policy objectives that would guide the project design.** These objectives focused on the need to: (i) adopt an employment demand driven approach to program development; (ii) adopt a measure of decentralization and institutional autonomy at the Institute level in order to enable an increased measure of responsiveness; (iii) adopt a close working partnership approach with employers; and (iv) implement a rigorous program of process and output monitoring. During this period, the Bank team was also instrumental in facilitating a comprehensive analysis of the history and operation of the SDF and bringing international experience in the formulation of recommendations for change. The resultant dialogue which took place at an inter-agency policy forum was instrumental in generating understanding, cooperation and respect between the ministry and the SDF, where a climate of antagonism and mistrust had previously prevailed, while also formulating a new SDF Law that would enable the adoption of a new business model.

38. **During the course of project preparation**, the World Bank team provided extensive support to the ministry and the PMU in the identification of potential consultants and providing guidance on procurement procedures together with feedback on the quality of consultant deliverables. During the course of implementation it became apparent that the overall project design which emerged was overly complex. (See Section 5: Lessons Learned.) In addition, the unexpected very low capacity of the Ministry and the SDF contributed significantly to the delay in implementation.

39. **During project implementation, the World Bank undertook regular supervision missions** which included the provision of technical and administrative support to the PMU and the ministry. During a critical supervision mission in October 2009, Bank management, together with support from local Bank staff, was instrumental in facilitating resolution of outstanding issues with the Parliamentary Committee and the subsequent promulgation of the new SDF Law. This resolved the final outstanding condition of effectiveness and enabled implementation of project activities to begin. The Bank team subsequently provided continuous guidance on the preparation of terms of reference, contracting procedures, and TA outputs.

40. **The project would nevertheless have benefited from a more consistent approach to task team leadership.** During project preparation, appraisal and the initial phases of implementation, the leadership style was collaborative and facilitative with a strong focus on capacity building and deepening understanding among the respective directorates of MTEVT regarding the project objectives and implementation arrangements. At a later stage, despite the Bank's support, it was less than what was needed to get the project off the ground. A number of factors of shared responsibility between the Bank and the ministry resulted in the dismissal of the PMU Director, the loss of the project history, which was not regained through the temporary Acting Director arrangement. These conditions have not allowed for a successful project restructuring. This is despite the Bank's efforts to effectively collaborate through constructive continuing dialogue between the Bank and the ministry. Still, the project's complex design and delayed start of implementation due to effectiveness conditions as well as non-response of service bidders should be perceived as a shared responsibility of both the Borrower and the Bank, and thus triggering the moderately unsatisfactory rating.

41. **Following the evacuation of Bank staff to Amman**, the Bank team continued to provide support to the ministry and the PMU through regular audio conferences and email. This continued until agreement was reached to close the project due to continuing unrest in the country and recognition that the development objectives could not be achieved within the context of the prevailing conditions. In collective terms, a mix of internal and external factors influenced both the Bank and the Borrower's performance, including the change of management, changing country context and subsequent increase of social and political unrest. These factors, together with a less than adequate PMU capacity, complexity of project design, and slow-down of Bank's support that preceded suspension of disbursement created conditions that did not allow for adequate supervision support.

#### **4. Assessment of Borrower Performance**

Rating: *Moderately Unsatisfactory*

42. **The Borrower Performance is assessed as *Moderately Unsatisfactory*.** During the preparation stage, constructive dialogue with the Bank took place at the vice ministerial level who

demonstrated clarity of understanding of the sector, combined with strong leadership and decision-making skills. A counterpart team was established; institutional change was initiated, including staff changes at the institute director level; and the elements of a performance-based incentive scheme were developed for the project. Subsequent changes at MTEVT resulted in a loss of momentum as the incoming team progressed through the inevitable learning curve. This fact, coupled with significant weakness in the PMU, seriously inhibited effective decision-making and timely resolution of issues. In retrospect, the project/activities design proved overly ambitious and complex considering the incoming implementation stage counterpart. This seemed to have adversely affected project implementation more than readiness at the preparation stage; where the TOR for the second and largest component was developed and the operational manual for the Fund was drafted with close Bank Team's support.

43. **At no point in the project history was the PMU fully staffed by individuals having the requisite competence and experience.** The initial appointment of a project director was delayed for approximately one year. Delays took place in terms of purchasing a financial management system satisfactory to the Bank. While there were appointees to the position of procurement specialist in the PMU, the procurement support remained relatively poor. Consequently, while action plans were drawn up at the end of each supervision mission, implementation delays were consistently experienced.

44. **While the SDF represented an essential institutional partner in the project design, this role was never internalized or acted upon by the SDF Board of Directors.** Few Board members from the employer community attended Board meetings. No new staff were appointed, apart from a finance officer. The Operations Manual was not endorsed. No initiatives to promote the new operational procedures were initiated.

## 5. Lessons Learned

45. **Policy coherence is a pre-requisite for effective project design and implementation.** Prior to preparation of the project, the World Bank team engaged in intensive policy dialogue at the senior level of the MTEVT and with the Ministry of Planning and International Cooperation (MOPIC). During these discussions, the contradictions arising from the adoption of the nationally endorsed target to enroll 15 percent of secondary school leavers in TEVT programs and the associated construction of 20 new institutes vs. the adoption of an employment demand-driven approach as reflected in the national strategy remained essentially unresolved. While recognizing the logic of the demand-driven approach, MTEVT chose to characterize the proposed project as a pilot project and to incorporate lessons arising in future policy directions. This dichotomy was not well understood at other levels of the ministry, which detracted from understanding and committing to the development of an employer community partnership in all facets of the program design and implementation.

46. **Project design built on sound policy should not be allowed to become hostage to uninformed politics.** As a precursor to project preparation, extensive analysis of the legal, regulatory, institutional, management, administrative and operational aspects of the SDF were completed. Building on this analysis, a policy framework that would guide reform of the SDF was formulated and endorsed by MTEVT, SDF, and the Council of Ministers. Revisions to the SDF Law that would enable the adoption of the policy framework were subsequently submitted to a parliamentary committee for ratification. Anecdotal evidence indicates that at this point the proposed revisions became the subject of either misinformation or disinformation which resulted in a delay in excess of two years in meeting project effectiveness conditions. This placed the

whole project in jeopardy. More intensive intervention by the executive management level of the SDF, MTEVT, and MoPIC was needed to bring the issue to an earlier resolution.

47. **The capacity of Yemen institutions to implement change is low. Project designs must have modest objectives and be simple in construct.** The project design process for Component 2 was founded on international TEVT best practice, including: (i) employer community partnership at its core; (ii) the identification of occupational competencies; (iii) development of standards; (iv) development of learning assessment tools; and (v) the provision of related learning resources, tools and equipment. The delivery model was based on a twinning arrangement with an international consortium that would support both program development, program implementation, and provide management support while counterpart institutional capacity would be built through working groups drawn from the respective directorates of the ministry, chaired by a deputy minister. The partnership-based approach proved to be beyond the experience of MTEVT. Both country and sector contexts should be factored in while developing project designs and implementation arrangements. This would help mitigate country risks as well as likely political instability.

48. **The SDF needed significantly more on-the-ground support for program implementation.** Following its revision, the SDF Law was deemed by the SDF, the TEVT Ministry and the Bank to be one of the most progressive skills development fund laws in the region. Promulgation of the Law was accompanied by the appointment of a new Board of Directors. While the policy context and accompanying operation and procedures manual were sound, the SDF essentially had only a single employee charged with program implementation. This was contrary to the organizational model reflected in the operations manual which identified the structure of the management team together with their operational responsibilities. The project design was based on the identification of a long-term advisor who would also serve as managing director of the fund in its early stages, while also supporting the development of the Yemen management team. The intended pace of development was once again overestimated. The achievable rate of change in all projects in Yemen needs realistic evaluation.

49. **Investment in leadership is a critical issue in Yemen.** Bank-funded development projects are inherently multi-dimensional in nature and call for mature leadership throughout their implementation. The current pool of project management and leadership skills in Yemen as reflected by advertisements for PMU staff, local TA providers or local consultants is neither deep nor broad. This suggests that the capacity of all appointees needs to be carefully assessed and supported by relevant professional development experiences that would serve as both an incentive and a pathway to professional growth, thereby enhancing project performance.

50. **Arabic language skills are an essential requirement which underpins project ownership and comprehension.** Many of the policy issues, project design concepts, implementation details, and operational modalities for the TEVT project were discussed with the partners primarily in the English language. The majority of documents designed to capture these discussions were similarly prepared in the English language. This being the case, it was frequently evident that those responsible for implementing the project were neither fully aware or informed of the purpose and expected outcomes from the responsibilities to which they were assigned. This problem was compounded by an internal culture in both the Ministry and the SDF which discouraged open discussion and information sharing. While this is a lesson which applies to all languages and cultures, it is of particular importance in Yemen thus highlighting the importance of the role played by local and regional Bank staff.

51. Although the basic education sector in Yemen is not confronted to the same issues as the TEVT one and has a much stronger capacity, lessons learnt from the VTP II were useful in the preparation of the Second Basic Education Development Project (BEDP II, P130853). The preparation process for BEDP II ensured: (i) policy coherence through making sure that project objectives and design are in line with the sector strategy which was updated during project preparation; (ii) project focus on service delivery rather than policy reform; and (iii) implementation arrangements have been kept the same as the previous project (Basic Education Development Project, P076185).

## **OPPORTUNITIES AND CONSTRAINTS FOR TEVT IN YEMEN**

52. **Yemen continues to experience population growth rates which exceed the growth rates of both the economy and employment generation.** These facts, coupled with the recent social and political unrest, call upon all partners to refocus on lessons learned from previous interventions while drawing on related international best practice in order to build more productive and economically relevant human capital in the country.

53. **Based on the most recently available data, the Yemeni workforce exhibits certain characteristics.** In terms of sectors of employment, 76 percent of the Yemen workforce is employed in the formal or informal sector, and 24 percent employed in the public sector. Fifty-four percent of the workforce is classified as being herders or agricultural workers. In terms of educational attainment of the **employed** workforce, 35.1 percent are classified as illiterate; 21.6 percent can read and write; 19 percent have completed basic education or held a pre-high school diploma; 16.6 percent have completed high school; and 7.7 percent hold a university degree. The level of educational attainment of the **unemployed** workers is 30.4 percent who are classified as illiterate, 24.7 percent can read and write; 19.4 percent have completed either basic education or hold a pre-high school diploma, and 4.7 percent have a university degree. These data comprise a baseline from which any future investments in the development of human capital should build.

54. **Public investments in post-primary education, including those of development partners, have to date been channelled either through MTEVT or MOHESR.** Human capital development outcomes arising from investments in both of these entities have been modest at best, while also essentially targeting employment either in the public sector or the formal economy. Few interventions have focussed on strengthening the informal sector. As noted above, the informal sector is the largest employer in the country and as such plays a central role in poverty alleviation. The informal sector is its own training provider through what is essentially a traditional apprenticeship model, while also carrying all associated costs for skill development. Outcomes from this approach are inevitably uneven as there are no standards or means of recognition. Similarly, the informal sector does not have access to entrepreneurial training or sound management practices thereby constraining the growth of individual enterprises.

55. **While international experience in providing training for the informal sector has also shown modest results, a number of new approaches are emerging.** Traditionally, training support for the informal sector has been channelled through existing TEVT institutions which are constrained by their internal institutional mechanisms and operational procedures, while also employing instructional staff who do not have occupational skill levels relevant to the sector. More recent experience has shown promise if the interventions are channelled through either existing or newly formed trade associations who engage existing master craftsmen who have been provided with a minimum amount of pedagogical training and exposure to current good practice in their respective occupational fields. This leads to the adoption of a dual system model where training takes place on the job with short term upgrading provided through a partnership with the

local TEVT provider for the delivery of entrepreneurial training and the award of a certificate of readiness for employment. Using this model, incentives need to be provided to the enterprises that provide training as well as the master instructors who are the primary training service providers. Voucher systems have also proven to be of value.

56. **In the context of Yemen, the question of which agency should be assigned a mandate to lead training support to the informal sector needs to be resolved.** The answer to this question is outside the scope of this note but for discussion purposes, the Social Fund for Development (SFD) has proven to be one of the more enterprising and connected agencies whose past experience has provided wide coverage both geographically and sectorally. As a partner to the SFD, the SDF could potentially provide financial resources, provided clear guidelines were in place, while MTEVT could provide short-term pedagogical training for master craftsmen who would be the training service providers and the certifying authority.

57. **A second initiative having employment potential is to access employment in the wider Gulf region.** The GoY continues to recognize the Gulf labor market as an important region of opportunity to relieve the growing rate of unemployment associated with the issue of population growth exceeding economic growth. An important analysis of this situation is provided in a report prepared by MOPIC in May 2009. This report provides a clear assessment of the educational characteristics of the labor force in Yemen, together with an assessment of the regional labor market and associated expatriate workforce. The report also addresses the political and regulatory dimensions of accessing the labor market and identifies steps that would need to be taken to increase participation by Yemeni workers. Building on the foregoing analysis, the issue of access to the Gulf labor market was adopted by GoY in 2010 as one of the 10 national priorities for economic development.

58. **In spite of the global economic downturn,** the Gulf region continues to experience dynamic growth with numerous planned investments which will continue to demand large numbers of expatriate workers. Expatriate workers are predominantly employed either in the service sector or the construction sector, with a smaller but significant number being employed in professional fields such as engineering, education, health care and financial services. In all the foregoing sectors, the common language is increasingly becoming English, and basic competency in the use of ICT is a requirement for a high percentage of positions. These factors underlie the predominance of Asian expatriate workers, while also defining the nature of employment opportunities that can realistically be accessed in the short term by Yemeni workers. These opportunities for Yemeni workers would include janitorial services, drivers, security services, retail and hospitality sector services where English is not a requirement, semi-skilled occupations in the construction sector such as painting, warehousing, masonry, carpentry, etc. In order to access higher level skilled worker positions, a longer term strategy would need to be put in place.

59. **The design of an approach to gaining access to employment opportunities in the Gulf region begins with recognition of the need to adopt a business approach** rather than an administrative, institutional or bureaucratic approach. Adoption of this principle suggests that the management of the training and employment placement might be led by a private sector entity, while management of the regulatory and work permit issues could be led by the relevant GoY ministry. For discussion purposes the private sector entity would:

- Develop the network of relationships with recruiters in the Gulf region which are used by major companies and contractors to engage required staff;
- Identify target occupations and employment opportunities consistent with the characteristics of Yemeni workers;

- Develop basic occupational competency profiles that would guide training program design;
- Identify, mobilize and coordinate private or public training providers, locally, regionally, or internationally;
- Establish procedures and mechanisms to identify trainee candidates; and
- Establish procedures for candidate placement in employment.

60. **The two approaches outlined in the foregoing paragraphs are considered to be complementary rather than being mutually exclusive** and are put forward to stimulate discussion regarding potential approaches to an issue which is fundamental to social and economic development in the Republic of Yemen. Table 1 provides a macro-level summary of the opportunities and constraints associated with the foregoing options.

**Assets and Constraints Surrounding Skill Development for Employment in the Formal Sector, Informal Sector, and Regional Labor Market**

<b>Formal Sector</b>	
<b>Assets</b>	<b>Constraints</b>
<p>MTEVT is established as the national training provider with a broad geographic distribution of training centers</p> <p>MTEVT has a Program Framework offering courses targeted at formal sector employment</p> <p>MTEVT has a cadre of trainers with assigned teaching responsibilities in a wide range of occupational specializations</p> <p>MTEVT is provided with an annual budget from the central government as well as having potential access to the SDF</p>	<p>MTEVT does not exhibit the institutional flexibility and responsiveness to be an effective partner with the employer community</p> <p>A high percentage of MTEVT instructional staff have very low levels of occupational experience and competence</p> <p>Many MTEVT training centers are not equipped with instructional tools and equipment required to build skills expected by employers</p> <p>Graduates from MTEVT programs are not equipped with skills required by employers consequently, employment outcomes are low</p>
<b>Informal Sector</b>	
<b>Assets</b>	<b>Constraints</b>
<p>The informal sector represents an estimated 70% of all employment in the country</p> <p>The informal sector provides independent skill development through traditional apprenticeships</p> <p>The informal sector has developed a flexible and responsive workforce through necessity</p> <p>The informal sector has potential access to training resources through the SDF</p>	<p>No structure, time, or skill development knowledge and tools</p> <p>No supporting institutional arrangements for employee development or certification</p> <p>Lack of access to technology, capital, or management development tools</p> <p>SDF has not developed suitable mechanisms to support skill development for the informal sector</p>
<b>Regional Labor Market</b>	
<b>Assets</b>	<b>Constraints</b>
<p>Yemeni workers have historically shown a readiness to undertake employment in the region</p> <p>Yemeni workers bring a common language to regional employment</p> <p>Yemeni workers bring a cost advantage to the increasingly high cost of Asian workers</p>	<p>Yemeni workers do not have sufficiently high skill levels to work in a more technologically developed environment</p> <p>Yemeni workers face political and bureaucratic constraints to employment in the region</p>

## Annex 1. Bank Lending and Implementation Support/Supervision Processes

### (a) Task Team Members

Names	Title	Unit	Responsibility/ Specialty
<b>Lending</b>			
Yasser El-Gammal	Sector Manager	MNSHD	
Mira Hong	Operations Officer	MNSSP	
Thao Le Nguyen	Senior Finance Officer	CTRLN	
Ghada Youness	Senior Counsel	LEGLE	

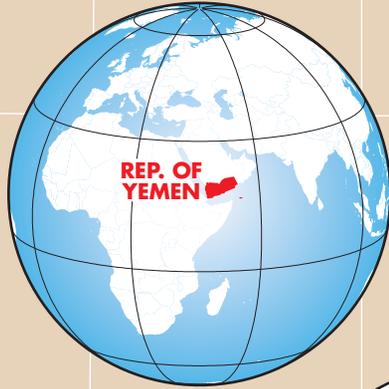
<b>Supervision/NCO</b>			
Afrah Alawi Al-Ahmadi	Senior Human Development Specialist	SASSP	
Asma Al-Hanshali	Program Assistant	MNCYE	
Saleh Qasem Al-Manary	Financial Management Analyst	MNAFM	
Abdulrahman Al-Sharjabi	Operations Officer	MNSHE	
Moad M. Alrubaidi	Financial Management Specialist	MNAFM	
Brigitte S. Franklin	Program Assistant	MNSHD	
Ahmedou Hamed	Consultant	AFTPE	
Mira Hong	Operations Officer	MNSSP	
Amira Kazem	Operations Officer	MNSHE	
Mikael Sehul Mengesha	Senior Procurement Specialist	MNAPC	
Samih W. Mikhail	Consultant	MNSHD	
J. Roger Pearson	Consultant	MNSHD	
Kamel Braham	Senior Education Specialist	MNSHE	Task Team Leader
Moukim Temorov	Resident Representative	MNCDZ	Task Team Leader
Gillian Perkins	Consultant	IEG	Task Team Leader
Shivendra Kumar	Consultant	MNAPC	Procurement Specialist

<b>(b) Staff Time and Cost</b>		
<b>Stage of Project Cycle</b>	<b>Staff Time and Cost (Bank Budget Only)</b>	
	<b>No. of staff weeks</b>	<b>USD Thousands (including travel and consultant costs)</b>
<b>Lending</b>		
FY04	3.23	32.64
FY05	30.68	149.73
FY06	39.76	194.52
FY07	62.76	292.79
FY08	16.78	39.51
FY09	0.51	3,195
<b>TOTAL</b>		<b>712,385</b>

<b>Supervision/NCO</b>		
FY08	19.35	89.69
FY09	18.95	73,583
FY10	15.73	88,080.5
FY11	27.01	117,239
FY12	13.49	47,912
<b>TOTAL</b>		<b>326,904</b>

# REPUBLIC OF YEMEN

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



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