

**TO THE CONSULTATIVE GROUP MEETING
ON THE REPUBLIC OF YEMEN
LONDON, NOVEMBER 15- 16, 2006**

**STATEMENT
OF THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT
(OFID)**

**Mr. Chairman;
Excellencies;
Distinguished Delegates and Honoured Guests;**

I wish to firstly express the gratitude of the OPEC Fund to the Governments of Yemen and Great Britain and the World Bank for facilitating the holding of the Consultative Group Meeting on the Republic Yemen and for allowing us to contribute to the important proceedings of this distinguished gathering.

I am especially appreciative of the role that the Gulf Cooperation Council has played in sponsoring this meeting as well as the contribution of its member states to the development effort of the Republic of Yemen.

The OPEC Fund has had a long and constructive partnership with the Republic of Yemen, born out of its commitment to play in active role in the country's development. This commitment commenced from the time of the Fund's inception as an International Development Agency, when Yemen established itself as a country with particular needs as a developing nation, especially in the social and economic programs required to consolidate its unification. It has since been accorded the highest priority as a beneficiary of OPEC Fund assistance. The Fund's first operation in Yemen was a Balance of Payments loan extended in 1976. Since then our development assistance has evolved to include 27 operations covering a wide spectrum of the country's development needs in transportation, water supply and sanitation, agriculture and rural development, power supply, health, education and industry.

The Fund has applied the entire range of instruments at its disposal to deliver its assistance to Yemen, adapting over the years to meet the country's development needs as defined by the Government and embodied in the

national development plans. Assistance has generally been in the form of concessional loans for public sector projects, balance of payments and program support. Grants have been provided as a contribution towards humanitarian aid and technical assistance. A Private Sector Facility has commenced operation at the Fund, providing loans and equity investments to private enterprises with development credentials. Three private sector loans have thus far been extended to industrial projects in the short time since the inception of the Facility, the establishment of which has effectively complemented our public sector operations, thither diversifying our commitment to the Republic of Yemen and auguring well for the future as the Government continues to promote the growth of the private sector. Moreover, in its recent meeting the Ministerial Council of OFID has endorsed the establishment of a Trade Facility of wish Yemen will be one of the beneficiaries.

Ladies and Gentlemen,

Sustainable development is best served by policies that advance national development goals in careful recognition of existent limitations and constraints. Throughout the early and mid-1990s, the series of dislocations and disruptions that Yemen went through resulted in large budget deficits, high inflation, declining incomes and unemployment. As we are all aware, the Government has since 1995 been implementing an economy-wide reform program designed to stabilise the economy and achieve sustainable growth and development. The stabilisation program has achieved tangible results, with core inflation dropping from about 65 percent in 1994 to its current single digit status. However, anticipated benefits of higher employment, economic growth, and better public services are yet to be realised to the plaimed extent. Limited capacity in the country's public administration continues to be a constraint to the practical implementation of Government plans. This is recognised by the Government and its development partners in the measures being taken and the credits being advanced to strengthen key areas of public sector management. In line with our mandated policies, we shall continue to extend our assistance to the Republic of Yemen in support of the development programs that are prioritized by the Government and further legitimized by in-built institutional components that ensure the delivery and continued sustainability of their benefits. This shall continue to be the standard by which we participate in the projects of the current five-year plan, 2006-2010.

Our assistance strategy is otherwise shaped by the Government's reform program and rooted in its national development plans. The strategy is focused on directly targeting poverty reduction through support to social programs in health, sanitation, education, public works programs and rural development. Our support to the economic sectors is focused on the remaining areas of the public investment program — mainly road construction, human resource development, power generation and the all important water supply sector.

Ladies and Gentlemen,

The Republic of Yemen faces a daunting set of challenges to its social and economic development with which we are all familiar: the need to diversify the economy and reduce dependence on oil, the need to further the development of the human resource base and physical infrastructure, the urgency of developing the legal and regulatory environment, the need to address the pressing issues of water resource management and the dynamics of high population growth as well as illiteracy, disease and malnutrition. It is a corner stone of our policy to continually enhance and validate our commitment to the development of the Republic of Yemen through close consultation with the Government and our development partners in the donor community over these issues. The important discussions and deliberations of the Consultative Group Meeting must continue to facilitate the process of improving the focus of the strategies and policies within which our common commitment to the Republic of Yemen is frame-worked. Let me conclude by reiterating our support to Yemen's development programs and our firm commitment to give Yemen utmost priority, all in the context of our world — wide mandate.

Thank you.

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