

Governance in Yemen's Water Sector: Lessons from the Design of an Anticorruption Action Plan

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While the World Bank has been working on the broader issues of good governance at the country level for many years, with a few exceptions, the focus on sector- and project-related governance and corruption issues is relatively recent. In 2007–08, a team of World Bank and Yemeni government sector specialists were presented with the opportunity to design a water sector investment operation as part of a Sector-Wide Approach (SWAp). At that time, a strategic decision was made to make resources available to diagnose the governance issues in the sector, identify the vulnerabilities and potentials of ongoing reforms, and build consensus around a sector governance program. The project under discussion supports the Yemeni government's US\$1.5 billion 5-year National Water Sector Strategy and Investment Program (NWSSIP). More specifically, this project will support the Yemeni Government's US\$381 million Water Sector Support Program. It comprises US\$141 million in counterpart financing from the government budget and the remainder from other development partners.¹ The SWAp framework builds on country-level governance and anticorruption initiatives. The framework has piloted the design of the first specific Anticorruption Action Plan in the Middle East North Africa Region (MNA), to be implemented for the entire water sector as part of the Water Sector Support Programme (WSSP).

The government's decision to prepare an update of its national water strategy that would run from 2009–15 provided an opportunity to incorporate institutional design elements that would improve governance. The strategy update's objective was to incorporate changes in light of the experiences of the past five years and to provide a basis for a sector-wide approach (SWaP) to financing. Under the supervision of an Inter-Ministerial Steering Committee of five ministers, a highly participatory process was adopted to evaluate experience to date and to prepare the updated national water strategy.

The water sector project supports implementation of Yemen's National Water Sector Strategy and Investment Program (NWSSIP). The strategy is intended to (1) strengthen institutions for sustainable water resource management, (2) improve community-based water resource management, (3) increase access to water supply and sanitation services, (4) increase returns to agricultural water use, and (5) stabilize and reduce groundwater abstraction for agricultural use from critical water basins.

Governance and Corruption Risks in the Water Sector

Table 11.1 lists the 4 major issues identified in the assessment of governance and corruption risks in the water sector. Corresponding mitigation measures also are presented and are elaborated below, as part of the

Anticorruption Action Plan.

Issue 1

Nonoptimality in selection of specific investment projects, including interference by “influential persons” in decisionmaking at the national level, in some instances combined with an absence of feasibility studies and inflated cost estimates, which provide opportunities for excess profits and/or payment of bribes and kickbacks.

Mitigation measures. Development of the National Water Sector Strategy and Investment Plan (NWSSIP), which clarifies the policies for achieving sustainable use of water as a natural resource and specifies the corresponding investment priorities. NWSSIP will be supplemented by the elaboration of a Medium-Term Expenditure Framework (MTEF) for the water sector—a three-year rolling public sector budget document.³ In addition, under WSSP, investments to be supported by the pooled donor funding mechanism must meet specific investment criteria. These criteria will vary by subsector. They will include minimum internal rate of return (IRRs), maximum unit costs per capita or per hectare (ha), or financial rates of return (as for local utility companies).