

REPUBLIC OF YEMEN

POVERTY REDUCTION STRATEGY PAPER (PRSP) 2003-2005

(Translated from the Original Text in Arabic)

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FOREWORD

Modern day challenges have imposed on countries of the world the necessity to keep pace with scientific and technological advancement and to shift to information and communication technologies. They have also placed a double burden on developing countries, which are divided between the necessity to accommodate such changes on one hand and having to address their problems of poverty in all its forms, including hunger, illiteracy, and disease, on the other.

Our country cannot move to the future except through a better focus on finding appropriate solutions to improving the livelihood of the people including combating poverty, expanding the social safety net, and paying due attention to the health of the people. This cannot be completed without combating illiteracy, nurturing a generation armed with modern knowledge through the expansion in basic education, and giving precedence to technical education, vocational training, and community colleges. Finally, furthering access for effective participation of women in society along with broadening the range of participation and augmenting democracy and pluralism will always be the correct and immutable option for Yemen.

Realizing the well-being of humans and bettering their knowledge and livelihood represent the noble end we strive for. This is an occasion to underpin the significance of undertaking the preparation of a comprehensive Poverty Reduction Strategy absorbing all development changes and needs, drawing from the prevailing positives in practical life and warding off the negatives that have hampered the realization of our ultimate development objectives, especially human development. The activities of the state ought to be based on clear strategies addressing a practical diagnosis and identification of potential and development of the national resources needed to achieve our ends and objectives.

The preparation of the PRS has coincided in timing, form and content with the preparation of the 2nd Five-Year Socio-economic Development Plan (2001-2005). The overall objective of the Plan has focused on the generation of economic growth, poverty reduction, job creation and ensuring socio-economic stability. The acceleration of growth in governorates and local communities necessitates an increase of economic opportunities for the poor. These opportunities must be synergetic with regional development and labor-intensive production modules. And since women in the rural areas bear the responsibility of food production, it has become imperative to design specific policies and programs to support higher productivity in agriculture and livestock.

Yemen's Strategic Vision 2025 also constitutes the third pillar for realizing a leap in improving the planning process in Yemen. Development strategies are planned to surpass short and medium ranges and absorb all development changes and needs.

The underlying objectives of the PRS will only be achieved if the various efforts and proposed interventions are able to establish good management and efficient local authority, appropriate and just economic growth, reduction of poverty in size and region, improvement of social indicators, creation of development axes, improvement of targeting the poor through the activation of the social safety net and the restructuring of its institutions to safeguard those with a low productive profile. It is also imperative to enhance public education and awareness on saving the environment, increase involvement of the poor and women and enhance their socio-economic and cultural empowerment. The policies that have been adopted on

addressing poverty must proceed in parallel with the framework of a broad, coordinated and synergetic front leading the way with priority interventions and urgent measures in the medium term from 2003-2005 and in the long term through 2025.

The government and its different agencies must realize deep-rooted and comprehensive reforms, revision of the function of the state and the direction of its work mechanisms towards transparent, efficient and cost effective measures. An efficient civil service and judiciary are prerequisites to any development process. Realizing modernization and strategic development also demand a calculated and organized transformation into a decentralized system and the direction of energy and resources towards building an administrative system and apparatus capable of providing highly efficient services. Local authorities ought first to identify the needs and undertake the implementation and supervision of projects, especially given their responsibility in presenting plans and establishing development programs at the local level.

While the PRS embodies a government document, the participation of effective agencies from the government, civil society, the private sector and the donor community in implementation is as important as their earlier participation in the preparation process of the document. I seize this opportunity to extend our thanks and gratitude to all of Yemen's development partners for the role they have played in assisting Yemen to realize its objectives and exit from its development gridlock including their contribution to the preparation of this important document. I would urge all donors to maintain their role and participation in the development efforts in Yemen given the fact that development and its millennium goals have become the common responsibility of both advanced countries and the developing world, through which to overcome challenges and difficulties, particularly poverty that has become an impediment to construction and a breeding ground for extremism and terrorism.

Ali Abdullah Saleh

President of the Republic of Yemen

PREFACE

The government commitment of reducing poverty is clearly manifested through its program by which it has obtained the parliament's confidence. The program focuses on the basic issues which should be given absolute priority as one of the most important underpinnings of the modern state of Yemen along with the policies aiming at spinning the wheel of economic development and creating job opportunities and reducing poverty.

In continuation of the successes that have been realized since the application of the economic, financial and administrative reform program (EFARP) in 1995 up to the present, the government is going ahead with the trends aiming at financial and monetary reform within the frame of the total reform program by underscoring the reformation of public expenditure, rationalizing ongoing disbursements, continuing measures to gradually remove erroneous subsidy policies, and reviewing the laws, regulations, systems, and procedures related to tenders, auctions, and procurement to ensure the proper application and integrity of the financial and technical elements in the tenders.

The government is also presently seeking to apply the general sales tax and simplifying the procedures of tax collection within the framework of developing and reforming revenue agencies. It is reviewing some individual tax laws in the forefront of which is the income tax law with the goal of achieving greater justice. Moreover, the government is undertaking the necessary procedures to block tax evasion, combat customs smuggling, and support local authorities to raise their efficiency in the collection of relevant local revenues. By virtue of the continuous Paris Club rounds towards reducing Yemen's foreign debts, the government is trying to achieve efficient administration of the public debt and enhance Yemen's relation with creditors for the sake of continuing reduction and keeping foreign debts within secure limits.

As for monetary policy and financial sector reform the government is seeking to continue the maintenance of a flexible and rational system for the exchange rate and to free interest rates for the purpose of encouraging local savings and the flow of foreign capitals. The government is working to control the growth of monetary supply, reinforcing the policy of financing from non-inflationary sources, activating the role of treasury bills, and undertaking practical policies for managing money supply, in addition to improving the performance of the banking sector, activating the bank law and proceeding to establish a stock exchange to support local and foreign savings and encourage investment.

In order for development to be the project of the future, it is necessary to develop the infrastructure and the service and production base since industry and its various branches are considered one of the strategy options for Yemen in achieving total development renaissance. This includes small and micro-industry, either for providing numerous and varied job opportunities that would accommodate the surplus labor force and absorb unemployment, or to create positive growth on the business scale. The focus in this field can be achieved by providing the basic structure to assist and favor the establishment and expansion of activities as well as providing the organizational, legal and procedural format which encourages local and foreign investments.

It would be meaningless to talk about comprehensive development and to go ahead with economic, financial and administrative reforms without developing the human cadre responsible for implementing those reforms and eliminating any defectiveness

or distortion. Therefore, the administrative reform, in its broad and comprehensive meaning, is considered as one of the most important issues that gains the government interest. The government, considering the administrative and civil service reform to be among the most dynamic and demanded components of its program, is obliged to promptly proceed to correct the path of civil service and public employment, with the aim of ensuring society's support and interaction with the reform processes and stimulating its participation in development.

The acceleration of achieving judicial reform has become an extremely urgent matter. Consequently, the government emphasizes this issue's high priority position whose activities are based on the program previously approved by the government in 1997. Judicial reform is connected with establishing order and stability, as well as combating corruption, this action being a fundamental underpinning and a necessary and primary condition for any reform process. Consequently, security is also another issue of special importance due to its connection with accomplishing reform in the whole system and providing the appropriate climate to embody the principle of law and order.

Human development is the main axis on which total development rotates considering that man, with his energies and abilities, is the actual source for the advancement and development of society. Our Yemeni society, which owns huge human wealth, is looking with great hope to a flourishing and progressive future with man as its basis, for man is the goal of development and its source of energy. Accordingly in this domain, the government aims to expand primary health services, especially in rural areas and remote regions through correcting the existing defects in the function of the public and private institutions and maintain close monitoring of them. The continuing implementation of the national campaign to thwart endemic diseases occupies great importance in providing the necessary health for citizens and alleviating suffering in epidemic areas. The coordination and cooperation with the local councils and the related authorities is considered an essential vehicle for employing population and reproductive health policies, raising awareness of population problems, and determining a tie between population policies and their application in the health services system.

To achieve comprehensive progress in the human development arena, the government is endeavoring to establish an interrelated system for education, qualifying, training, and research, so as to create a national base for knowledge and technologies in synchrony with the requirements of sustainable economic, social, and cultural development. The institution and the teacher will be the main foundation in the field of education. At the same time, the concentration on the quality of education and discipline of all types and manners of institutions requires the government to practice its role of supervision and monitoring to achieve the national goal of coherence of the educational process and its complementary role with the human development system.

Strategic priority is also given to women for improving their conditions and expanding their participation, particularly through the assimilation of women in economic and social development, taking into consideration the principles, religious values, and social traditions, rightly guided by the Prophet's (may peace and blessings of Allah be upon him) saying: "Women are men's sisters". This action begins with a focus on decreasing the illiteracy rate among girls and increasing their enrollment in education as well as promoting family awareness in order to stop girls' drop out.

Finally, one of the most prominent and central issues in the civilized renewal of people's life lies in establishing the trend toward promoting civil society organizations

to take over effective roles in all aspects of life, establishing a conduct based on tolerance, social solidarity, and constant, attentive support to the process of institutional, legal, and behavioral capacity building. This trend springs from the principle of cooperation between the government and civil society since the government is trying to create a firm bond between fostering civil society organizations and the establishment of human rights as a culture, approach, and genuine social conduct. Consequently, it is of a great importance to emphasize the duties of the government's partners in civil society and the private sector as well as donors with whom we share our objectives and aspirations in achieving the millennium development goals to improve the living standards of the citizens of least developed countries. All of us have realized that we live on a planet in which excessive wealth should not coexist with abasing poverty.

Abdul-Qadir Ba Jammal
Prime Minister

INTRODUCTION

Many might question the timeliness of adopting a Poverty Reduction Strategy at the same time the government is in the process of implementing its development plans according to the Second Five-Year Plan (2001-2005).

Since the mid-1980s, most developing countries and particularly the least developed have suffered from economic crises reflected in chronic imbalances, weak economic growth, uncontrollable inflation rates and unstable local currencies, not to mention the expansion of poverty. Yemen was not exempt from these experiences and hence adopted an Economic, Financial, and Administrative Reform Program (EFARP) supported by the World Bank and the International Monetary Fund in cooperation with donor countries and organizations. In spite of the important progress towards achieving economic stability over the last few years, the EFARP alone was incapable of changing the economic situation immediately, or to prevent the adverse effects it caused to some portions of society including the spread of poverty in all its various dimensions. Results of the 1998 Household Budget Survey indicate that 17.6% of the population suffer from acute poverty or food poverty, while 41.8% are under the upper poverty line which, in addition to food expenditure, accounts for spending on other necessities including clothes, education, health, housing and transportation. The data also reveal disparities of the severity of poverty between rural and urban areas, and among governorates and districts.

Although Yemen achieved improvement in some aspects of human development such as life expectancy at birth which has increased from 55.4 years in 1990 to 59.3 years in 1997 and 61.1 years in 2000, which matches the average rate of all Arab countries. Also, the improvement in the mortality rates for infants and children under five per one thousand live births from 75 and 105, respectively, in 1997 to 67.4 and 94.8 in 2000 coincides with the expansion of health services from 42% in 1994 to 50% in 2000 and the coverage of sanitation facilities to 35.2% in 1999. Still, these indicators are not satisfactory. The same situation is found in education where indicators still reflect a situation that impedes the realization of the desired economic development as only 47.3% of the adults can read and write, 52.7% are illiterate and the enrollment rate has increased to only 54.5% leaving a large number of school age children, particularly females, outside the education system.

Change and adjustment of the poverty situation that many countries endure demands the generation of major transformations in the position of human poverty, its related policies, and the roles played by the government, donors, and civil society in its alleviation. Since 1997 the Yemeni government, in cooperation with the United Nations Development Program, has embarked on a Poverty Alleviation Program and worked to create job opportunities aimed to assist the government in confronting the obstacles blocking economic and social development, to maintain a balance in favor of human development, and to prepare a procedural plan for poverty alleviation that includes complete coverage of all social realms that coincides with and complements the program of restructuring the economy.

As a result of the changing trends in the international arena in terms of assistance to developing countries to overcome crises and to deal with the problems of poverty in its various aspects, efforts have turned, particularly since the Copenhagen Social Summit in 1995, towards defining the goals for improving the state of human development in developing countries. These countries are to endeavor hand-in-hand with the donor countries and organizations to realize the stated goals by the year 2015. Included in those goals are the improvement of population, health, education and

environmental conditions and reducing poverty by half. This direction has led the IMF and the World Bank to redirect their approach towards helping developing and least developed countries in poverty alleviation. In consequence, the amenities and soft loans (credits) offered by these two institutions include the new stipulation that they be accompanied by the preparation and implementation of a national poverty reduction strategy.

Because the preparation of the Poverty Reduction Strategy coincided in timing, form and content with the Second Five-Year Plan, the Plan now reflects the details and foundations of poverty alleviation so that the PRS could become an integral part of the preparation and a basic ingredient of the strategies and goals of the Plan. The PRS displays the concern of the government lead by President Ali Abdulla Saleh and its determination to face the phenomenon with energy and perseverance and to reduce the suffering of the people by moving towards development and the betterment of living standards.

The issue requires major efforts to renew and improve the conditions of citizens from poor families in obtaining their minimum requirements of food and basic services followed by a strong drive in current policies and lack of hesitance particularly in the programs and frameworks that had not previously included human development directions and dimensions. For this reason, the PRS aims to accomplish tangible results at all angles by concentrating on the indicators that relate to the actualization of dignified life, enabling people to earn their livelihood by gaining the necessary knowledge and skills, provision of basic health services that curtail death and disease through redefining the health sector's priorities and, finally, rural development and the containment of internal migration to urban areas through providing the infrastructure needed in rural areas.

The PRS has designated the policies and procedures necessary for arriving at its goals and leads the role of program and project implementation capable of translating goals into reality. It also gave absolute priority to sector projects that could aid in poverty alleviation particularly education, health, water and sanitation, and electricity.

The PRS is a joint program between Yemen and other donors from regional and international organizations and countries. It is also a mechanism of cooperation that aims to treat the causes of poverty and lessen its consequences by direct and intense intervention in the sectors mentioned above. Therefore, the PRS Paper is not merely a document detailing government policies concerning poverty alleviation, rather it demonstrates the implementing state's and donors' joint commitment to enhance cooperation between them in reducing poverty, it no longer being an issue limited to the afflicted country but a mutual issue that concerns the whole world.

The concentration on the policies and directions covered in the PRS does not mean the neglect of other issues. The foundation and application of government policies represents a comprehensive system that should not be partitioned in order that general and specific policies may be implemented to improve the living standards of each citizen in a climate of security, stability, and social justice.

If the available financial resources for Yemen are limited then its situation is the same as other developing countries, meaning that it cannot stand alone against the spread of poverty in the shade of retracting rates of economic growth locally and internationally, nor can it accommodate globalization and the trend towards liberalization of external trade. Therefore, there is no escape from requesting the help of international donor organizations and countries that accept the moral and

humanitarian responsibility towards the peoples who are less fortunate in terms of development. International organizations, headed by the World Bank and the IMF and including donor countries such as Germany, Holland, and Japan, etc., have demonstrated their concern with the preparation of the National PRS and their readiness to help in bridging the financial gap by guaranteeing their commitment and participation with the Yemeni government in actualizing the goals it is striving towards, in view of the PRS being the proper mechanism and method for attaining the millenium development goals that the international society committed itself to on numerous occasions the most recent being the Millenium Summit organized by the United Nations in New York in the year 2000.

Ahmad M. Sofan
Minister of Planning and Development

LIST OF ABBREVIATIONS

ACB	Agricultural Credit Bank
APFPF	Agricultural Production and Fisheries Promotion Fund
CA	Customs Authority
CAS	Country Assistance Strategy (The World Bank)
CBY	Central Bank of Yemen
EFARP	Economic, Financial and Administrative Reform Program
FFYP	First Five –Year Plan
FZA	Free Zone Authority
GASM	General Authority for Standards and Measures
GCC	Gulf Cooperation Council
GDI	Gender Development Index
GDP	Gross Domestic Product
GEM	Gender Empowerment Measure
GIA	General Investment Authority
GNP	Gross National Product
GNI	Gross National Income
GoY	Government of Yemen
HBS	Household Budget Survey
HCB	Housing Credit Bank
HDI	Human Development Index
HPI	Human Poverty Index
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy
JSA	Joint Staff Assessment (The World Bank and the IMF)
MDGs	Millenium Development Goals
MoAI	Ministry of Agriculture and Irrigation
MoC	Ministry of Culture
MoCSS	Ministry of Civil Service and Securities
MoE	Ministry of Education
MoEG	Ministry of Endowments and Guidance
MoEW	Ministry of Electricity and Water
MoF	Ministry of Finance
MoFW	Ministry of Fish Wealth
MoHESR	Ministry of Higher Education and Scientific Research
MoI	Ministry of Interiors
MoInfo	Ministry of Information
MoIT	Ministry of Industry and Trade
MoJ	Ministry of Justice
MoLA	Ministry of Legal Affairs
MoOM	Ministry of Oil and Minerals
MoPD	Ministry of Planning and Development
MoPDP	Ministry of Public Health and Population
MoPWUD	Ministry of Public Works and Urban Development
MoSAL	Ministry of Social Affairs and Labor
MoT	Ministry of Telecommunications
MoTE	Ministry of Tourism and Environment
MoTMA	Ministry of Transport and Marine Affairs
MoVTTE	Ministry of Vocational Training and Technical Education
NCSSN	National Committee for Social Safety Net
NGO	Non-Governmental Organization
NPC	National Population Council
PC	Privatization Committee
PMO	Prime Minister’s Office
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PWP	Public Works Project
QCMA	Quality Control and Meteorology Authority
RoY	Republic of Yemen
SEC	Supreme Exports Council
SFD	Social Fund for Development
SFYP	Second Five-Year Plan
SSN	Social Safety Net
SWF	Social Welfare Fund
TA	Tax Authority
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program
YR	Yemeni Rial
WTO	World Trade Organization

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EXECUTIVE SUMMARY

1. The Government Commitment to Poverty Alleviation

The government's adoption of democracy and political pluralism is regarded as a strong base and true guarantee to ensure citizens a decent and dignified life, free of destitution and need, which is a basic right to all citizens. The commitment of the Government of Yemen (GoY) to poverty reduction has been enhanced by the plans and programs submitted by the successive governments before Parliament to obtain its confidence. The government's latest program presented to Parliament in 2001 reflects its commitment to effective contribution to human resources development and the necessity to alleviate suffering especially that endured by the unemployed and those with limited income through enhancing the capacities and capabilities of such groups in production and participation in the development process in addition to the development of the social safety net.

In collaboration with donors, the government explored the various conditions of the citizens, particularly the hardships of living since 1992, by carrying out of a number of studies, household budget surveys (HBS), and poverty assessments to ascertain the causes and features of poverty, which are essential prerequisites for the formulation of a comprehensive strategy for intervention. Several surveys, studies, and reports were completed, the most important of which include the 1994 Population Census, the 1998 HBS, the 1999 Poverty Survey and the 1999 Labor Force Survey. These surveys provided a good database for the analysis and diagnosis of poverty and subsequently for formulating effective policies and remedies for poverty reduction in accordance with the available capabilities and resources.

In the preparation of the Second Five-Year Plan (SFYP) for Social and Economic Development, 2001-2005, the GoY also sought to place the framework of the poverty reduction strategy as the core and basic ingredient of the strategy and objectives of the plan. The overall objectives of the SFYP focused on achieving economic growth, poverty reduction, job creation, and ensuring social and economic stability. Also, one of the SFYP's priorities is the creation of an environment conducive to poverty reduction through empowering the poor, raising their capacities, expanding their choices, and ensuring their effective participation through the State or through its forging of a partnership with the private sector and the civil society.

The GoY crowned its efforts towards poverty reduction through its preparation, with the effective assistance of donors, of the Poverty Reduction Strategy Paper (PRSP). The PRSP is consistent with the objectives and policies contained in the Strategy Vision for Yemen 2025, the SFYP, the Millennium Development Goals (MDGs) and other domestic and international commitments, and has been prepared with a realistic and scientific methodology and with broader participation.

2. Development of the Poverty Reduction Strategy Paper (PRSP)

The GoY started the preparation of the PRSP through the Interim-Poverty Reduction Strategy Paper (I-PRSP) that was approved, as an initial draft, by the Cabinet in April 2000. The I-PRSP was later finalized in line with the GoY's program, the principles of the comprehensive reform program and the overall framework of the SFYP. The first draft of the I-PRSP was presented in seminars and workshops conducted for discussions of the Strategic Vision 2025 and the framework of the SFYP which were held at the governorate level during June-October 2000. Government officials, leaders of the civil society, labor unions, NGOs including women's associations and professional syndicates, academicians, political parties, the media and private sector representatives attended these workshops. Based on the outcomes of these workshops, the draft I-PRSP was revised and then forwarded to the World Bank and the International Monetary Fund (IMF) in its final form in December 2000. The I-PRSP was presented at their respective Boards of Directors in February 2001 and both boards welcomed

the GoY's preparation of the I-PRSP and accepted it as a good base for the preparation of the comprehensive PRSP.

To ensure the preparation of a national PRSP in compliance with the applicable rules and regulations set for it and to ensure its consistency with the SFYP, a 21-member committee was formed for its preparation chaired by the Vice-Minister of the Ministry of Planning and Development (MoPD) and comprising representatives of all agencies and institutions concerned with poverty issues and under the supervision of the Minister of Planning and Development.

3. Broader Participation and Consultations in the Preparation of the PRSP

The PRSP Preparation Committee adopted a mechanism to ensure continuous consultation with, and participation of, all concerned agencies to convey to these agencies the activities of the Committee and discussion themes and to, in turn, reflect the views of these agencies on the themes of the strategy in order to have a comprehensive interaction. A time-oriented agenda was also drawn up for consultation activities in the headquarters of the respective agencies. These activities were organized for discussion of sectoral issues relevant to the PRSP. The program of the PRSP Preparation Committee also included holding a number of workshops and conferences in 2001 and 2002 with the participation of government agencies and active civil society organizations on poverty issues and problems. The second stage of the PRSP preparation process also included the organization of four workshops at the governorate level after the initial draft was prepared. These workshops aimed at involving the governorates (from within and from neighboring governorates) along a detailed program that was prepared in collaboration with local authorities and regional universities, as well as with the donors for those regional workshops that were specified to include donors and international organizations. A consultative meeting with donors on the final draft of the PRSP was also organized in May 2002.

With regard to involvement of the poor and hearing their concerns and priorities, the PRSP Preparation Committee undertook a second survey in 20 districts where the poverty incidence exceeded 50% of the total population being characterized as pockets of poverty. This survey represents a vehicle for the participation of the poor in the formulation of the strategy and their preparation for a broader participation in the subsequent monitoring and follow-up of the implementation of the strategy.

4. Poverty in Yemen

The 1998 HBS showed that 17.6% of the Yemeni population live under the food poverty line, whereas the percentage of the population who are incapable of obtaining all their food and non-food requirements (represented in food, clothing, shelter, health, education and transport) is 41.8%. These percentages reflect the gravity of the situation and living conditions of approximately 6.9 million people, who are suffering from the different dimensions of poverty, not to mention the other large numbers that are living close to the poverty line and are vulnerable to being dragged to below the poverty line, along with the high poverty gap, which is estimated at about 13.2% and the severity of poverty, which amounts to 5.8%.

Poverty in Yemen takes on a rural attribute, especially as the Yemeni people are, to a large extent, mostly rural dwellers, despite the rapid urbanization. Rural areas of Yemen encompass about 83% of the poor and 87% of those who suffer from food poverty, at the same time that nearly three-fourths of the total population in 1998 were rural dwellers. The percentage of the rural population who are poor amounts to 45%, as compared to 30.8% for the urban population, in addition to the wide gap and severity of poverty among the rural population compared to that of the urban population. This attribute also shows that, according to the 1998 HBS, spending on food absorbs 54% of income in the urban areas, whereas it climbs to 67% in the rural areas, which reflects low incomes in the rural areas on one hand, and an even lower degree of spending on non-food requirements there on the other.

In the same way that poverty is inequitably distributed between rural and urban areas, there is also an obvious disparity among the different governorates of the RoY, whereby half of the poor are concentrated in four governorates: Taiz, which has 18.7% of the total poor population; Ibb (with 16.2%); Sana'a Governorate (with 11.9%); and Hodeidah (with 10.2%). The highest poverty incidence rates are found in Taiz governorate, where 56% of the population of the governorate is poor, followed by Ibb (with 55%), Abyan (with 53%) and then Lahj (with 52%). Poverty incidence is also high in Dhamar governorate (49%), as well as Hadhramout, Al-Mahra and Shabwah (all with 43% of their respective populations who are poor), whereas the incidence is low in Aden (30%), Sa'ada (27%) and the Capitol Secretariat (23%). The incidence is lowest in Al-Baidha (15% of the population of the governorate).

The 1998 HBS Survey results reveal a number of poverty features in Yemen and the characteristics of the poor. The survey confirmed the relationship between the family size and poverty as evident by the high average family size of poor families, reaching 8.2 persons compared to 7.1 for the average family size for the total population. The average family size for poor families in urban areas rises to 9.2 persons compared with 8.0 in the rural areas, and the dependency rate is high among poor families reaching 158 compared to 111 for better-off families. The incidence and depth of poverty are also higher in families with a higher ratio of children to adults. The results show that the gender of the head of the family does not significantly effect on the probability of falling into poverty. With regard to the social characteristics of poverty, the results show a strong relationship between the level of education and poverty where 87% of the poor suffer from illiteracy or did not complete basic education levels.

Poverty is further exacerbated and made more inclusive by the extent of inequity and disparity, which is aptly illustrated by low income levels, low productivity and seasonal unemployment, although most of the poor in both rural and urban areas are working. The 1998 HBS shows that both the employment situation of the head of households and the sector where they are employed have an effect on the occurrence of poverty. At the national level, 84% of the poor are in families with an employed head of household, compared with 2.5% of the poor families with an unemployed head of household and 13.5% of the poor families who have a non-productive head of household (housewife, students, handicapped, etc.). About 84% of the poor work within the private sector of which 47.3% are engaged in agriculture, followed by services (35.9%) and industry (16.8%). Foreign remittances are a major source of income, with 8% of the population living in families that are recipients of such remittances, according to the 1998 HBS.

Human poverty is measured by a number of social indicators related to population such as fertility, infant and maternal mortality, and other such measures including illiteracy rates, enrollment in basic and secondary education, access of people to primary health care and potable water, in addition to the percentage of the population who have access to electricity. All these indicators reflect a low level of human development in Yemen amounting to a Human Development Index (HDI) of 0.468, which ranks Yemen 133rd of 162 countries that were classified in the World Human Development Report for 2001, in accordance with the HDI for 1999, thus placing Yemen among the countries of low human development. Most of these indicators show the urgent need to escape the limitations of access to basic social services, both in urban and rural areas, for males and females, and for the poor and non-poor alike with higher priorities for reduction of the three gaps discussed above.

Regarding the environment and poverty, the increase in population and the spread of poverty lead to a strain on the natural resources, in general, and on soil, vegetative cover, and water resources in particular. This is paralleled by water denudation of land that accompanies floods and an increasing neglect of rainfed agricultural land because of its poor returns. The expansion of urban and industrial centers at the expense of the natural environment, the trend towards irrigated agriculture and the costs associated with the use of organic and chemical

fertilizers and pesticides increase the problems of water pollution, which in turn leads to the deterioration of the local ecological systems and the expansion of desertification, not to mention the negative impact on the climate changes and the increase of acid rains.

5. Causes of Poverty

Poverty is considered the result of a set of natural and human factors, domestic policies and external factors that come together to create an environment conducive to the occurrence and spread of poverty and its increase in severity. However, while many of the features of poverty reveal the causes for its occurrence and expansion, there are major and direct causes that exacerbate the problem. The analysis of the linear regression equation undertaken using the 1998 HBS data has shown that large family size raises the probability of falling into poverty; families with a large number of infants and children have a higher probability of being poor whether they are located in rural or urban areas; the probability of falling into poverty is reduced with the head of the household being of an older age whereas the probability increases in families headed by a widower or widow; the employment situation affects, to a large extent, the probability of falling into poverty whereas the danger of falling into poverty is reduced largely in families headed by a businessman or a self-employed person. The equation also reveals that unemployment is not a major factor in determining poverty whether in rural or urban areas. Rural dwellers cannot afford to stay idle despite the fact most of them suffer from underemployment. Finally, geographical location is considered a critical factor in the probability of falling into poverty where there are big differences in the per capita share in government expenditure across the governorates despite isolating other characteristics of the family.

6. The Social Safety Net (SSN)

The idea of establishing a social safety net (SSN) appeared, and was enhanced, to reduce the contractionary and negative effects which coincided with the implementation of the Economic, Financial and Administrative Reform Program (EFARP) and the decline in government spending directed towards social protection in general and the government subsidy for basic goods and services specifically and their replacement with low cost targeted social programs for the protection of the poor and for improving their livelihood. Therefore, the SSN in Yemen has been composed of two major groups which are: (i) programs and mechanisms that were set up as part of the requirements for the social infrastructure that aims to enhance social solidarity and to secure social equilibrium primarily including the civil and military service pension schemes, and (ii) programs and mechanisms that aim to confront the adverse social and economic effects of the EFARP on the poor and limited income groups.

Despite the importance of the direct and indirect role of the SSN in alleviating poverty in recent years, however, it only encompasses modest capabilities for combating poverty and for reaching effectively to the poor. The SSN still faces a number of difficulties and impediments that prevent it from achieving its overall objectives and diminishes its effectiveness in reducing poverty and reaching the poor.

7. Contribution of the Civil Society in Poverty Reduction

Yemen witnessed a large growth in the emergence and development of a modern civil society. The number of civil society organizations rose from 270 in 1990 to 2,786 organizations in 2000. Civil society and community organizations also became numerous and diversified and their economic and social activities increased, in addition to the increase of the number of beneficiaries targeted by them. Most of these organizations operate in traditional realms, such as local community development, elimination of illiteracy, maternal and infant care, and cooperatives. The majority carry out their activities within a limited geographical expanse such as the local community, with a weak presence and dissemination of their services in rural areas, where most of the population and the poor are dwelling.

Over the past few years, areas of activity of civil society organizations have developed to include efforts towards alleviation of poverty and to combating unemployment and providing job opportunities, besides providing educational and health services and working in environmental protection. Nevertheless, the impact of their activities in reducing poverty is still limited and of weak impact, as a result of the traditional methods followed by these organizations in carrying out their functions and their inability to innovate mechanisms and programs to enhance the voluntary spirit within the wealthy groups to increase the financing sources.

8. The Poverty Reduction Strategy (PRS)

Based on the causes and the factors that determine the probability of falling into poverty, and the results of the surveys and studies undertaken during the last two years, three major sets of factors lead to poverty in Yemen, which are as follows:

- Decline in income and its association with the nature and extent of economic growth.
- High population growth and the poor development of human resources and infrastructure.
- Weak levels of social protection.

The PRS aims to achieve, through the adoption of interlinked and well-designed policies, measures, activities, and mechanisms, to create an environment which is conducive for poverty reduction and the realization of specific and prioritized objectives including the achievement of economic growth, creation of job opportunities, provision of better basic services, and securing an effective social safety net for the poor. These goals are to realized under a responsible management characterized by efficiency and honesty and a mechanism that encourages participation and collaboration. In this strategy, the private sector is essentially charged with the task of achieving economic growth, while the government undertakes the provision of the physical and institutional structure in addition to the continuous expansion and improvement of social services.

8.1. Goals of the PRS

The PRS includes the development of specific goals that can be monitored and followed-up, as well as general policies and programs to achieve growth and provide services for the reduction of poverty. The GoY has set for itself, as part of its commitments with the international community and partners in development, a number of goals as reflected in the SFYP and the Strategic Vision 2025. The PRS targets reduction of poverty by 13.1% during the period 2003-2005, to decline to 35.9% in 2005. This may be achievable through appropriate economic growth that will lead to increasing real GDP by about 4.7%, depending on the growth of the non-oil sectors by an annual average rate of 6.3% to ensure increases in GDP per capita and improvements in living standards. This growth is expected to keep pace with effects of the population policies that seek to reduce the annual population growth rate to 3% by 2005. The strategy also seeks to achieve a number of sectoral objectives leading to overall poverty reduction.

8.2. Axes of the PRS

The GoY and its partners in development recognize that poverty reflects more than just the insufficiency of income or the provision of the basic needs of the population. Rather, it also indicates the exposure to suffering and lack of capacity to express opinions as well as lack of representation, capacity build-up and empowerment. All those concerned recognize the need for cooperation and partnership between the government, the private sector, civil society and the international community in order to achieve the general goals of the PRS without competition and racing. In this context, the PRS sets out four main axes of intervention:

- ▶ *Achieving Economic Growth*
- ▶ *Human Resources Development*
- ▶ *Improving Infrastructure*
- ▶ *Ensuring Social Protection*

To ensure achieving the objectives through the policies, measures, and actions plans, the proper execution, supervision and monitoring require an approach that supports the four axes, which is a precondition and a proper environment for achieving the success desired and to sustain its results. This approach is the reinforcement of governance and prudent management, in addition to broadening the scope of participation and collaboration. Poverty reduction policies are distinguished by the fact that they proceed concurrently within a broad consistent and harmonious front according to the order of priorities for intervention and the urgent measures in the middle period (2003-2005) and also takes into consideration the long-term period of the Strategic Vision 2025.

8.3. Implementation of the PRS

The PRS was based on the directions of the SFYP regarding priorities with a special focus towards poverty reduction efforts. Public expenditures during the three years of the PRS were prepared under the macroeconomic framework of the strategy that strives to achieve high and increasing economic growth rates within a sustainable fiscal policy in the medium and long-terms and in the light of estimated external financing and the absorptive capacity of the economy. Furthermore, the need to increase expenditure allocations for the social sectors and infrastructure was taken into consideration to contribute towards poverty reduction.

The forecasts of the PRS are built on an expected decline in oil revenues, increased non-oil revenues and rationalization of public expenditures to minimum growth levels to ensure containment of the fiscal deficit. Total current government revenues (including grants) are expected to decline in the coming three years to reach 29.5% of GDP by the end of the PRS period as a result of the expected decline in oil and gas revenues from 20.3% of GDP in 2003 to 16.2% by 2005. GoY's policy for revenue mobilization and development, particularly for non-oil revenues, is based on the most efficient utilization of available economic resources and adjustment of the tariffs for public services using economic foundations. The government is currently working on the development of the tax system through the application of the Generalized Sales Tax (GST) and raising the efficiency of tax administration and collection. In the public expenditure side, the medium-term expenditure framework reflects the adoption of the policy of expenditure restraints in the light of expected decline in government revenues. In particular, current expenditures are projected to decline from 28.2% of GDP in 2003 to 25.4% in 2005 despite the expected increases in wages and salaries, goods and services, maintenance and operations, and debt services, while transfers and subsidy allocations are expected to decline sharply. These indicators reflect government effort to raise the efficiency of the civil service, retrenchment of excess public sector employees, reducing masked unemployment while raising salaries and wages for employees in the administrative apparatus of the State in addition to rationalization of spending on non-developmental activities.

It is expected that, given the above-projected expenditures and revenues, a fiscal deficit will be realized throughout the three years of the PRS being careful that it not reach unsafe limits, i.e., not more than 4% of GDP in 2004. The budget was also based on the fact the deficit will be financed from real sources to avoid any inflationary pressures caused by deficit financing. The fiscal framework includes a continuous increase in development expenditure reaching 7.8% of GDP in 2005. Development expenditure targets sectors relevant to poverty reduction and improving the livelihood of the population especially in rural areas and providing them with basic social services. Social spending, including education, health and social welfare, is projected to reach around 13.2% of GDP in 2005.

The PRS includes the preparation of lists of investment programs and projects that are necessary for realizing the objectives outlined in the strategy. These programs and projects have been identified at the sectoral level as either ongoing or new projects with investment costs taking into consideration the impact of these programs and projects on either job

creation or the increase in the number of beneficiaries, and the measurement of such as a ratio of the primary objective. Implementation duration for each project or program and the breakdown of the expected investment for the period has been estimated during the period before the implementation of the strategy (pre-2003) and broken down by the three years of the implementation of the strategy i.e., 2003, 2004, 2005 consecutively. In case project implementation exceeds the period of the strategy implementation, the remaining total sum is also calculated.

The total cost of projects under the PRS amounts to YR 413.4 billion during the next three years of which only YR 18,891 million will cover the cost of new projects representing 4.6%, compared to YR 394.7 billion for ongoing programs and projects. Local financing is estimated at 73% of the total. The remaining cost will be covered from foreign financing sources, of which most has been secured. Furthermore, since the GoY is seeking to realize the MDGs without which Yemen would lag behind in development, it is necessary to secure financing from donors for new projects that still lack funding as well as assistance in additional programs and projects that would help reduce the gap between the current situation and the MDGs.

9. Directing International Aid towards Poverty Reduction

Yemen has relied on bilateral donors and regional and international multilateral donor agencies on the basic human services that have a direct impact on the daily life and activity of the people. Such priorities match up to a large extent with those of the donor countries and financing institutions, which target the contribution in the improvement of the livelihood and strengthening the capacities of individuals in all fields that are essential to poverty reduction.

Due to insufficient domestic resources the GoY will remain incapable of financing strategic projects related to basic infrastructure and social services let alone the implementation of the PRSs, which should eventually realize the objectives for prospective human development. Dependency on grants and loans in addition to technical assistance will largely remain. In addition, the GoY, in collaboration with the donor community, seeks to optimize the financial resources effectively and its distribution to ensure maximum benefits for human development programs and poverty reduction.

10. Risk Factors

The set of economic, financial and administrative reform measures adopted by Yemen since 1995 has led to positive results. These were clearly reflected in the improvement in macroeconomic indicators and the stabilization and opening up of the national economy, although the economic base remains weak and prone to risk. Therefore, it becomes rather difficult to control all circumstances and factors that could accompany the implementation of the PRS especially since Yemen is prone to internal shocks such as drought and flooding in addition to external factors, particularly the fluctuation of oil prices and holdup of foreign assistance.

11. Monitoring and Follow-Up

The program for the preparation of the PRS included a review and an evaluation of the Poverty Information and Monitoring System (PIMS) established in 1998 in collaboration with UNDP aimed at strengthening the poverty information infrastructure, provision of a comprehensive, precise and modern information system on poverty through data collection and analysis to help in placing policies and remedies.

During the last three years the project completed the first and second stages in addition to the completion of the 1999 Poverty Survey and the building of capacities in the design of questionnaires, systems, data collection and analysis. The PRS contains a proposal to

restructure the duties and roles of the various government agencies involved in poverty analysis and monitoring in the framework of a database system and comprehensive monitoring and the use of the aid and assistance provided by donors. At the same time, the proposal calls for remedying the lack of coordination between those agencies and the linking of various activities of the SFYP and the PRS as the need arises.

Similarly, as an important part of the preparation and implementation of the PRS requires coordination of policies, objectives, programs and projects related to the strategy through an effective and suitable mechanism, the National Committee for the Social Safety Net is proposed to remain as a supreme coordination committee while the tasks of coordination, follow-up, evaluation of policies and programs are proposed to be allocated to the PRS Committee and the Information and Follow-up System of the Ministry of Planning and Development to ensure linkages of the various database system and the monitoring of poverty with a technical mechanism for the Social Safety Net along a detailed program and an action plan that will be formulated in due course.

CHAPTER 1: DEVELOPMENT IN YEMEN AND THE POVERTY REDUCTION STRATEGY

1. Introduction

Over the ages, with the exception of some short intervals, Yemen has suffered from poverty in all of its different characteristics. In fact, the structural causes of poverty are more apparent in the Yemeni case, as manifested in scarce water resources, limited area suitable for agriculture, rugged terrain and geographical features of the country in general, besides the poor human capacities and the lack of elements of political stability during most of the past centuries.

Since the 1970s, economic and social development programs in Yemen focused on upgrading living conditions of the people through the construction of basic infrastructure, expansion of social services and support to agriculture and industry. Owing to the poor bases from which economic activity in the country began, most of these development programs may be considered to be within the framework of the efforts to alleviate poverty. These programs have been helpful, notwithstanding the obstacles that confronted them in raising the standard of living in general, and resulted in obvious progress in the various human development indicators. Nevertheless, the road is still long, especially after economic conditions took on a downward trend starting in the late 1980s, and the shocks that the economy was exposed to in the early 1990s, which resulted in a decline in the Gross National Product (GNP) per capita from US\$ 701 to US\$ 318 during the period 1990–1995.

The establishment of the Republic of Yemen (RoY) on the 22nd of May 1990 was a step forward towards achieving political stability, although the elements and ingredients of stability were not to be completed until the foundations of unity were fully set in after the failed secession attempt following the Summer War of 1994. The Government of Yemen (GoY) sought to confront the economic imbalances by adopting an Economic, Financial and Administrative Reform Program (EFARP), which commenced in 1995, and which is considered to be a crucial factor in achieving economic stability, vitalizing the economy, raising incomes and creating new job opportunities. The First Five-Year Plan for Economic and Social Development, 1996–2000 (FFYP) included a multitude of components for economic, financial and administrative reforms, besides focusing on the required policies and programs for the alleviation of poverty, in its broader concept, including provision of education, health and other basic services. In 1996, the GoY, in collaboration with the United Nations Development Program (UNDP), embarked on the preparation and adoption of a comprehensive program for poverty alleviation and job creation, comprising advanced visions and effective components that delve into all aspects of policies, data and information, local community development, micro-credits, productive families, human resource development and finally, labor market issues.

The preparation of the Second Five-Year Plan (SFYP) for Economic and Social Development, 2001–2005, coincided with the GoY discussions with the World Bank and the International Monetary Fund (IMF) in the first quarter of 2000 on the next stage of the EFARP and with the new trend of both international organizations towards adoption of the Poverty Reduction Strategies as contractual programs and mechanisms that rest on continuing economic, financial and administrative reforms on one hand and which take into consideration the need to remedy the adverse effects that arise from such reforms on the other.

The SFYP's document constitutes a reference framework for the macro, sectoral and regional development plans in the medium-term, and also provides interim remedies for the existing development challenges, based on a comprehensive and detailed assessment of the development progress realized under the FFYP and the EFARP, which began to be implemented in 1995, in addition to the Strategic Vision 2025. During the preparation of the SFYP, the GoY sought to make the framework for poverty reduction the axis on which SFYP revolves, and to have the general objective of the SFYP focus on the generation of economic

growth, poverty reduction, creation of job opportunities and ensuring economic and social stability. The SFYP was thus directed towards reflecting the determinants and foundations for the poverty reduction strategy paper (PRSP) and to make the PRSP an integral part of the process for the preparation of the Plan, as well as a basic component for the Plan's strategy and objectives accordingly. Similarly, and in view of the direct relationship between labor, production and poverty, the SFYP's document, for the first time, devoted a separate chapter to manpower and labor market issues.

An absolute conviction also prevailed that achieving the overall objectives of economic and social development can only be attained by enabling local communities to set the course and harvest the fruits of development and through having communities participate in preparing, implementing and monitoring development plans, programs and projects. Planning and execution at the local level takes into consideration the particular features of local communities and reflects the issues and needs better because of the direct association of local governments with respective communities and populations. Accordingly, planning and implementation at the local level becomes a mechanism for improving and upgrading the adequacy and effectiveness of poverty reduction strategies and programs. Therefore, the implementation of the SFYP depends on having all the official and community efforts, at both the central and local levels, in full partnership with the private sector, civil society organizations in addition to the donors, in the preparation of programs and projects and when proceeding with their implementation, follow-up and assessment.

2. Government Commitments towards Poverty Reduction

The first and fundamental commitment of the GoY towards combating poverty stems from adherence to the Religion of Islam as a belief, source of legislation and a way of life, which calls for the elimination of poverty and guaranteeing equity in the distribution of the nation's resources and well-being. The Islamic belief is manifested in the worship requirements, led by the imposition of Zakat (alms tax); one of the five Pillars of Islam. The commitment of GoY towards poverty reduction is also apparent in its legal and political commitment as embodied in the Constitution of the State, which sets out the rights and duties of both the government and the citizens, and which guarantees all citizens a free and dignified life, void of deprivation and destitution, as a fundamental right. The adoption of democracy and political pluralism is considered a strong basis and a guarantee for the continuity and sustainability of these rights, by considering them as obligations to be fulfilled.

The commitment of the GoY towards poverty reduction was further enhanced by the programs which successive governments presented to the House of Representatives (Parliament) in order for the latter to give its vote of confidence. The last government program, which was presented to Parliament in 2001, reflects the commitment of the GoY towards effectively contributing to human resources development and the need to alleviate the hardships of life faced by citizens, especially the unemployed and limited-income groups. This program gives more attention to and care for reinforcing the capacities and means for these groups in production and in participation in development, in addition to the development of the Social Safety Net (SSN). The government's commitment towards combating poverty is further reinforced by the objectives and policies included in the SFYP for poverty reduction, especially through upgrading the capacities of the poor and expanding the sustainable schemes that support the poor, increasing the opportunities and options available to the poor and their effective participation.

Government's commitment towards poverty reduction is also confirmed by the ratification of most of the international conventions and agreements, starting with the International Declaration of Human Rights, the International Convention of Civil and Political Rights, the Social Economic and Cultural Rights Charter, and those treaties dealing with the removal of all forms of discrimination against women, protection of children and labor, etc. Yemen also took part in the World Summit on Social Development, which was convened in

Copenhagen in March 1995. Yemen considered the resolutions of this Summit to be an integral part of national commitments, especially with respect to combating poverty, which became the core of economic and social development policy of Yemen. A renewal of such commitments followed with the high level participation of Yemen in the Third Millennium Summit in September 2000, during which poverty, narrowing the gaps between rich and poor countries, concern for the hardships of women, and enabling and strengthening the role of women, occupied a major portion of GoY interpositions in the Conference. Yemen also considered the results and resolutions of this Conference as additional obligations that must be fulfilled accordingly.

Practically, the commitments of the GoY towards poverty alleviation became clear with the undertaking, starting in 1992, of a number of studies, household budget surveys (HBS), and poverty assessments to ascertain the causes, features and determinants of poverty as a necessary prerequisite for setting out the practicable remedies to confront poverty in a comprehensive and strategic way. Other studies, surveys and assessments followed, of which the most notable are the 1998 HBS, the 1999 Poverty Survey and the 1999 Labor Force Survey, in addition to two national Human Development Reports issued in 1998 and 2001.

The serious attention of the GoY towards combating poverty was topped off by taking on the task of preparing and adopting a PRS, with the effective assistance of donors. The PRS, which is consistent with the policies and objectives of the Strategic Vision 2025, the SFYP and the Millennium Development Goals (MDGs) and other local and international commitments, is prepared on scientific and realistic bases and through a broad participation. The implementation of the PRS, starting from 2003 for the duration of three years, will overlap with the last three years of the SFYP (2003–2005) to confirm the linkage between the objectives and policies of the SFYP and the PRSP, to help in its implementation and to facilitate the subsequent follow-up and monitoring.

3. Development of the Poverty Reduction Strategy Paper (PRSP)

Several meetings were held and communications were exchanged between the Ministers of Finance (MoF) and Planning and Development (MoPD), representatives of the IMF, the World Bank, and the relevant authorities in the two ministries, in the first quarter of 2000, to discuss the orientations, work program and requirements for the preparation of the PRSP, which has now become an essential prerequisite for obtaining concessional financing and facilities from the respective institutions. Agreement was reached that the PRSP would be prepared in two phases, which are: (i) preparation of the Interim PRSP (I- PRSP), which would give a general framework for the PRSP, and (ii) preparation of the final and complete version of the PRSP.

The GoY began to prepare the I-PRSP through a Ministerial Committee and a team of national experts, which completed the draft I-PRSP in March 2000. This was presented to the Council of Ministers in April 2000, which approved the initial draft of the I-PRSP and designated both the MoPD and MoF to continue contacting the IMF and the World Bank and the international donor agencies and organizations to reach agreement on the final version of the I-PRSP consistent with the general program and orientation of the GoY, the objectives of the EFARP and the general framework of the SFYP. The GoY, through the I-PRSP confirmed that the policies and the procedures recommended for reducing poverty should be elucidated within the framework of the SFYP, so that it will in turn become an integral part of the Plan.

Accordingly, the initial I-PRSP was presented at workshops and seminars that dealt with the Strategic Vision 2025, and the macro-framework for the SFYP, which were held at the regional level during June-October 2000, and were attended by government officials, leaders from civil society, labor federations and non-governmental organizations (NGOs), women's and professional associations, academicians and representatives of political parties, the media and the private sector. Since the participation of the poor is considered a major element in the

preparation of the PRSP, a survey for the Voices of the Poor was undertaken in three regions where the poor are concentrated, in order to draw out their views in a more scientific and systematic manner.

Subsequently, an updated I-PRSP was completed and presented to both the IMF and the World Bank for the first time in October 2000 to reflect the extent of participation that was arranged during this period on one hand and, on the other, to review the macroeconomic framework of the I-PRSP in light of the developments in the international prices of oil and progress achieved in the implementation of the EFARP. The final version of the I-PRSP was forwarded in December 2000 to the World Bank and the IMF and was presented to their respective Boards of Executive Directors in February 2001, both of which expressed their delight with the preparation of the I-PRSP and approved the I-PRSP as a sound basis for the preparation of the full PRSP. They also stated that they were pleased with the intent of the GoY to proceed with the preparation of the full PRSP within the framework of current planning work in progress.

As a result of the continuous consultation with the World Bank Office in Sana'a, it was agreed that a regional PRSP Workshop would be organized in July 2001, to provide and introduce technical knowledge and expertise to the Yemeni side, through the participation of specialized experts in the preparation of the PRSP. The workshop provided an opportunity for achieving the following: (i) launching the SFYP document as a base for the preparation of the PRSP; (ii) identifying the strong and weak points and the complementary and partnership aspects, based on the I-PRSP; and (iii) formulating a time-targeted action plan for the preparation of the PRSP with a specific action plan agreed with the donors for (ii) above.

Participants in the Workshop, which was inaugurated by the Prime Minister, included all government entities, donors, members of the various committees of the Parliament and the Shura (Consultative) Council, civil society organizations that are engaged in poverty work and human rights, in addition to representatives of international financing institutions. The workgroups of the Workshop came out with a diagnosis of the poverty problem and identification of its causes and determinants, as well as appropriate objectives and policies for poverty reduction. The Workshop concluded with a number of recommendations, including: (i) the importance of wider participation in the preparation of the PRSP to ensure its successful implementation; (ii) the need for coordination among all concerned government agencies during the implementation of the PRSP, especially between the MoPD and the MoF, and particularly in setting priorities for government spending; and (iii) the participation of donors in the preparation of the PRSP also deemed to be of utmost importance, as this will be of help in clarifying the required remedies and will reinforce the effectiveness of the policies and interventions contemplated in the PRSP.

To ensure that the PRS is prepared in line with the criteria and rules delineated for it and to ensure consistency with the SFYP, a 21-member committee was created, under the Chairmanship of the Vice-Minister (MoPD), for the preparation of the PRSP under the supervision of the Minister of Planning and Development. All the primary agencies concerned with poverty issues have been represented in the committee. A time-linked agenda was also set for the preparation of the PRSP to take into consideration the GoY's commitments to donors, especially in light of the preparation of the World Bank's Country Assistance Strategy (CAS).

The PRS Preparation Committee was entrusted to take into consideration the following documents: (i) the I-PRSP; (ii) the SFYP which includes the framework of the PRS; (iii) the Poverty Alleviation Plan prepared by the Poverty Alleviation and Job Creation Program; (iv) comments and recommendations on the I-PRSP, especially the remarks and suggestions that were included in the Joint Staff Assessment (JSA) of the World Bank and IMF; and (v) the output of the workshops and seminars on the PRSP that were organized during the preparation phase.

In the identification of objectives, policies, programs and projects, the strategy has relied on studies that have been prepared by teams of experts and on the

lessons learned during the preparation of the SFYP. The strategy has also relied on the information and comments that were raised in workshops in the different governorates and during working sessions organized with the various agencies including representatives of donor countries and agencies. The lists of projects in the SFYP have also been revisited to identify investments required to achieve the macro and sectoral objectives that are outlined in the strategy and to measure their impact on the different poverty indicators.

4. Participation and Consultations

The PRSP preparation process included arranging and holding a number of seminars and workshops with wider participation to achieve the maximum benefits by incorporating the views of all sectors, categories, donors, civil society, local governorate authorities, and others, and to inform these groups of the GoY's strategy for poverty reduction and its link to the SFYP as well as making use of the suggestions and recommendations which will be made during the consultations for the benefit of the PRSP preparation team.

Representatives in the PRSP Preparation Committee were directed to maintain contacts with their respective agencies and to convey to them an outline of the activities of the committee as well as themes to be covered under the strategy, and in return, they should convey to the Committee the views of these agencies on such issues, to ensure continuous consultations. A time-oriented agenda was also drawn up for consultation activities in the headquarters of the respective agencies. These activities were organized for discussion of sectoral issues and strategies relevant to the PRSP to broaden the scope of participation, and to benefit from the various points of view originating from these government agencies. These activities were conducted over the period from 20/12/2001 to 21/1/2002, with the attendance of senior officials of government ministries and agencies and other concerned personnel, as well as the participation of some of the donors and local and foreign NGOs, under the supervision and with the participation of the PRSP Preparation Committee and in line with the preparation program (see Annex 3).

The MoPD also sent out letters to all government agencies, Parliament and the Shura Council, and civil society organizations including political parties to increase their involvement in the process through participation in the seminars and conferences, which the PRSP Preparation Committee was planning to organize for discussions on specialized and sectoral issues. Similarly, within the framework of involving and consulting with the donors during the preparation of the PRSP, donors and foreign NGOs working in Yemen were invited to a consultation meeting on December 10, 2001. There, the Minister of Planning and Development outlined the GoY's commitment to the preparation of the PRSP and the importance placed to this task. He also reviewed the phases that have been completed in the course of the preparation, focusing on the need for the participation and contributions of all entities and activities in the process. All those present at the meeting expressed their appreciation of the role of the GoY and the steps taken in this respect. Participants highlighted the importance of emphasizing gender issues in the strategy as well as the importance of subsequent monitoring and follow-up.

The second phase of the PRSP preparation program included holding four conferences in a number of governorates according to a detailed program that was prepared in coordination with the local authorities and regional universities, as well as with the donors in some of the workshops in which donors were involved, in addition to other consultation meetings with donors. These activities aimed at involving major governorates, where the conferences were arranged, to absorb participants from these governorates as well as from the adjacent governorates, from the Parliament and Shura Council, and from relevant and international donor organizations. Each conference comprised 3–4 concomitant work-groups. The workshops reviewed economic and social developments in Yemen, highlighted the

background and features of poverty reduction strategies, and reviewed the GoY's orientations and policies linking them to the elements entailed in the PRSP proposal and the goals and policies upon which it would be built.

The objectives of the concomitant work-groups in each of these conferences was to discuss selected issues related to the PRS, starting with the causes and differences of poverty between the different governorates, to the role of the private sector, civil society and local communities, the importance of agricultural development, the environment, etc., in addition to discussing the relationship of some issues, such as human rights and gender and the pivotal role they play in the success of poverty reduction policies (see the agenda for the conferences and workshops in Annex 3). The workshops consisted of the presentation of a background document on the chosen subject that had been previously prepared by consultants. The document entailed a series of introductory issues written by researchers and specialists in the host governorate. Once reviewed, discussion sessions among the participants were opened. The PRSP benefited from the opinions and suggestions that came out of these sessions, whether they were supportive of the PRS policies or presented questions concerning the advantages or effectiveness of those policies, or those that contributed to the redirection of policies and the delineation of priorities.

The seminars revealed that there were many viewpoints and numerous inclinations, some of which agreed with the GoY approaches, especially those related to giving priority to social and basic services, infrastructure and to the importance of agricultural development, while at the same time there were also different orientations and viewpoints made in these workshops, particularly concerning the views on the performance of the EFARP, trade liberalization, the question of protectionism, government employment, and lifting the subsidy for diesel fuel, which many considered to be an essential cost element for the feasibility of agriculture. There were also some opinions that considered the call for partnership with the private sector and civil society as implying that the GoY was abandoning its duties and responsibilities. Similarly, and notwithstanding the fact that there was agreement on the factors that lead to poverty, opinions differed during these conferences and seminars on the ranking of these factors in terms of their importance at the governorate level, and on the causes of poverty.

The preparation of the PRSP also entailed the arrangement of several seminars and work groups during both 2001 and 2002, with the participation of the government entities and active NGOs, in order to deal with different aspects and numerous issues of poverty. Leading these activities was the preparation and arrangement of the National Conference on Qat, the organization of which took more than a year before it was held in April 2002. The importance of this Conference stems from the fact that it dealt with a very sensitive, priority issue, in view of the effect Qat has on many aspects of life and the economy as well as on the various aspects of poverty.

The PRSP program also includes four awareness workshops during June 2002 to cover those governorates that did not host regional conferences. Both the PRSP document and the government policies were discussed, with special focus on poverty reduction. Furthermore, the role of local authorities in the implementation of the strategy was highlighted.

Similarly, and within the framework of linking the relevant issues with the strategies related to poverty reduction, the World Bank contributed by providing a Poverty Update based on the 1998 HBS, while the IMF assisted in preparing the macroeconomic and financial frameworks. Also, an agreement was reached with the UNDP to undertake a study on the 20/20 Initiative, which comprises the general framework for embodying the needs of primary social services and the achievement of a substantial increase in investment in these services coupled with donor cooperation with national governments to allocate more resources and improve efficiency of expenditures for their practical application. These social services are deemed to be major vital stimulants for reducing and breaking the vicious circle of poverty. The initial

results of the study were reviewed in different workshops, one of which was held with the PRSP Preparation Committee, in order to benefit from the issues that were put forth in the workshops and to take into account the appropriate recommendations within the approaches and policies of the PRS. The GoY, along with the World Bank, is also currently working towards the preparation of a Rural Development Strategy concurrently with the preparation of the PRS. The significance of the rural strategy is obvious, not just for its relation to poverty issues, but also when considering that most of the population live in rural areas and thus require that development strategies be accorded a rural attribute. The rural strategy is also being prepared through broad participation and with numerous workgroups specialized in the preparation of action plans for such a strategy. At the district level, these outcomes rely on detailed charts and maps for the different indicators, which will be used as the basis for setting forth an instrument within the tools of the PRS by which to identify development and poverty reduction programs and projects accordingly. These outcomes are also considered inputs in the implementation, evaluation and follow-up of the PRS over the next few years.

With regard to involvement of the poor and learning about their conditions and priorities, the PRS Preparation Committee, along with the UNDP and the British OXFAM, undertook a new round of field visits to 20 districts, which are considered pockets of poverty because poverty incidence exceeded 50% in these districts. The visits provided an opportunity to listen to the voices of the poor in these districts, with regards to all aspects of their lives. The visits also represented the involvement of the poor in the preparation of the PRSP and in preparing them for broader participation in the implementation and evaluation phases. The PRSP document incorporates the concerns and priorities of those poor people.

CHAPTER 2: THE CURRENT CHALLENGES

1. Introduction

Although three decades have passed since Yemen embarked on its development course, it is still, however, classified as being among the 20 least-developed countries of the world due to its limited institutional and human resources, which result in poor productivity and accordingly a poor standard of living. An examination of the conditions of Yemen at the commencement of the 21st Century reveals, in many aspects, the existing challenges and the need for dealing with them seriously by setting forth clear and urgent strategies and policies. The high population growth and its impact on all aspects of life, of which the most important are the rise of poverty, the continuation of the illiteracy challenge, the poor rates of school enrollment, lack of consistency with development needs, and the poor coverage of health services are all considered factors that make the status of human development a basic challenge that cannot tolerate further delay or procrastination. Similarly, water scarcity, which Yemen also suffers from in addition to the problems in its imbalance, poses a challenge that requires seriousness, urgency and setting forth the required remedies to confront it. Other challenges, such as the poor performance of the administrative apparatus of the government, which hinders progress and development, also show the need for facing up to these issues and giving them the attention and priority that will lead to the alleviation of their negative short, medium and long-term impacts.

2. Major Development Challenges

2.1. Population Problems

2.1.1. Population Growth

Over the last three decades, Yemen witnessed a rapid population growth which was reflected in the increase in total population by more than two and a half times during the period, and its rise from 12.8 million in 1990 to 18.4 million people in 2000. Yemeni society is characterized by an almost equal gender distribution as well as a young age structure, where the age group of 0–15 years old encompasses 48.8% of the total population leading to the enlargement of the base of the population pyramid and to a large average family size (7.4) and to raising the economic dependency ratio to 477 for every 100 economically active persons in 2000. Providing such a population structure with social services presents a heavy burden on the society, in addition to increasing the pressures on the labor market.

Over the past period, population policies, the relative improvement in the education and health sectors in general, and the increased awareness among the public on population issues, have yielded a noticeable overall improvement in demographic indicators and characteristics, such as the reduction of fertility to 5.9 live births for each woman, the number of crude births to 41.2, and the crude mortality rate to 9.8 deaths for every 1,000 births. The specialized relevant surveys show the significantly strong relationship between educational levels of women and the fertility rate, since the actual fertility rate reaches 6.9 among illiterate women as compared to 3.2 among mothers who completed basic education. These surveys also show the high fertility in rural areas (7) as compared to that of urban areas (5).

Despite the retraction of the population growth rate from 3.7% to 3.5% over the last decade, however, it is still one of the highest population growth rates in the world, whereby the population is expected to reach 21.7 million by 2005, and to more than 43 million people in 2025, if growth continues at the current rate. This population growth is absolutely incompatible with the available economic resources, and therefore, it limits the potentials for economic growth and social development, not to mention the pressures this creates on education, health, food and the environment.

2.1.2. Geographical Distribution and Internal Migration

Population is distributed at 26.5% in urban areas and 73.5% in rural areas, over an area of approximately 460,000 km², with a population density which does not exceed 40 persons per km² and mostly consists of small clusters that do not exceed 500 persons. About half the population live in the governorates of Taiz, Ibb, Sana'a, and Hodeidah whereas the populations of the least populated governorates, which are Al-Mahra, Al-Jawf, and Marib together do not constitute 3% of the total population. This reflects the concentration of the population in a few governorates and in urban areas, and the dispersion of the population in rural areas. The distribution of the population clusters in the mountains, valleys and coastal areas in small entities that are scattered and far apart leads to difficulty of access of these communities to essential services, especially in light of the scarcity of resources. The population concentration in the Central Highlands, and the small number of people living in the Western and Eastern Plains leads to the appearance of disparity between the population distribution and the availability of resources, which is reflected, for example, in the increase of the pressures on the groundwater in the Central Highlands.

Similarly, although urban areas are still relatively small, urbanization is accelerating and raises concern due to the rapid increase in migration from rural areas and the high growth rate of the urban population which reached 7% per annum, compared to a total population growth rate of 3.5% per annum. The urban growth rate of the Capitol Secretariat is 9% per annum, which, by itself, constitutes about 28% of the urban population of Yemen. The limited resources and services in the cities, and their inability to confront the continuing population growth, which leads to confusion in the provision of essential and supplementary service and the appearance of shanty housing that does not provide even the simplest requirements, exemplify the urban problems. These cities require urban planning and expansion of road networks in order to transfer the transport sector from an impediment to a source of growth. Rural-urban migration also leads to an increase in the burdens on women, the elderly people and children in agricultural work, the neglect of agricultural land, and the destruction of the mountain farm terraces.

2.1.3. Population and the Labor Market

The labor market in Yemen faces major challenges stemming from rapid population growth and the young age-structure of the population; both of them lead to rapid expansion of the labor force by rates exceeding the already high total population growth. The number of the population who are of working age (15 years old and over) rose from 7.6 million in 1995 to around 9.3 million in 2000, i.e., by an average annual growth rate of 4.2%. Similarly, the increase in the number of university graduates, the high percentage of children not enrolled in the educational and training system, and the high drop out rate, in addition to the trend of individuals, especially females, to seek employment to improve their standards of living –all resulted in increasing the new entrants to the labor market and the increased participation rate, which in itself is considered a challenge facing the ability of the national economy, and primarily the private sector, to provide the job opportunities that are adequate for absorbing these people and absorbing the presently unemployed workers. The labor force is expected to rise by a rate of 3.8% a year during the period from 2000–2005, thereby requiring 170,000 new job opportunities annually.

Underemployment, weak capabilities, and poor management of manpower resources are the most apparent problems of the labor market in Yemen. The labor market also suffers from unemployment in all its forms, whereby manifest unemployment has risen and the number of unemployed individuals increased from 277,000 in 1994 to 469,000 in 1999 and to 509,000 in 2000, according to the projections for the SFYP, thus raising the unemployment rate from 8.3% to 11.5% and 11.9% of the total labor force respectively. Unemployment among women is 8.2% as compared to 12.5% among males. Underemployment (wage earners and self-employed for less than 35 hours a week) reached 25.1% including mostly seasonal, casual and part-time employment, particularly in the rural areas. Those underemployed are characterized also by weak capabilities and low productivity as well as low wages, which affect their living standards and result in the expansion of the incidence of poverty.

The large rush to enroll in universities in general, and in liberal arts and theoretical studies in particular, led to a rise in the number of unemployed graduates, in view of the limited available opportunities for them in the government administrative apparatus and their degrees and specialized fields being unsuitable for the needs of the private sector, which reflects an enormous waste in human capital and its productive capacities. The excess of graduates of the technical and vocational institutes and centers as well as universities is estimated to be 22.1% of all the unemployed, with the majority being high school graduates and holders of degrees in social studies and anthropology. During the next five years, it is estimated that 150,000 students will graduate and compete for approximately 55,000 job opportunities leaving more than 95,000 graduates unemployed.

Unemployment was not just confined to new entrants to the labor market, who are graduates and dropouts from the education and training system, but also included those who were laid off their jobs for various reasons. Data shows that the percentage of unemployed who were previously employed rose from 29.7% to 62.8% between 1994 and 1999. In general, the unemployment rate for the age group from 15–24 years old is the highest rising from 17.9% to 18.6%, which calls for the adoption of policies and programs for the employment of young people, both males and females.

Box 2.1: Weaknesses of Employment Offices

The statistics from the employment offices show a reduction in the demand for labor due to various reasons, the most significant of which are the poor quality of the service provided by the employment offices and the lack of notification by businesses on any job vacancies. These statistics show that the number of job seekers registered with these offices reached 15,146 in 2000, with an average of 700 for each office. Only 3,070 were employed directly by employers, while 12,076 remained unemployed. This means that each office served only 2,016 persons throughout the year, at a rate of eight jobs a day. This is a poor rate, which reflects the weakness of the services provided by these employment offices, due to their weak structuring and the inadequacy of their financial and human resources.

The situation is further exacerbated when we find that the educational level of labor reflects an obvious deficiency in the scientific and technical skills and capabilities, as the illiteracy rate among workers amounts to 48% (37% for males 83% for females), and that 66.2% of the total unemployed are illiterate or are just able to read and write, which indicates the high percentage of drop-outs from the educational system who become job seekers every year. Thus, this group of the unemployed faces significant difficulties in getting integrated into the market and thus falls into the vicious poverty circle.

If it is obvious that the unemployed are also poor, then they are bound to engage in work in the informal job sector, which is considered a major reason for the widespread nature of this sector in Yemen. The labor market faces challenges of the expansion of the informal sector, which absorbs about 65% of the total employed labor in 1999. This sector consists of a limited number of activities and is narrow in scope. The informal sector is also characterized by lack of social protection and poor productivity that exacerbates the problems of poverty.

2.1.4. Population and Gender

The rate of women participation in economic activity continued to decrease, which did not exceed 22.7% in 2000 as compared to 69.2% for males, notwithstanding the increase of this rate from 17.9% in 1995, due to the increase in the number of graduates from the educational system and the increasing dependence of women participating in production and work in order to face up to poverty. The participation of women is concentrated in the traditional fields, especially in agriculture, where productivity and returns are poor, and accordingly so is income. The number of female workers has risen by 331,000 female workers, during the period, with the agricultural sector taking in 90.6% of such an increase, followed by the government services sector of 6.3%, with the remaining 3.1% distributed among the other productive and service sectors. This situation reflects the shortage of job opportunities available to women outside the agriculture sector and the poor contribution and participation of female workers in services, which leads to continuously finding them in traditional and less rewarding occupations and accordingly limits their contribution and participation in the development process in general, as well as maintaining the gender gap.

Although there are several factors that limit the participation of women, such as the prevalence of negative social and cultural values due to upbringing that focuses on traditional misconceptions with respect to the role of women and the poor application of effective laws and legislation on women which are essentially based on equality of both sexes. However, widespread illiteracy, deprivation from education, and the poor quality of educational attainment of women are considered the major constraints against broadening the participation of women in the economy, and in society in general, and stands in the way of the equitable benefit from the fruits of development.

The rate of participation of females from poor families is 5 percentage points less than that from non-poor families, where as this difference among males is 4 percentage points. This reflects that females are given greater opportunities in non-poor families than their counterparts in poor families in most facets of economic activity, especially as the illiteracy rate among the employed from poor families amounts to 59.8% of all the families, as compared to 50.8% of those employed from amongst non-poor families.

2.1.5. Child Labor

Child labor, within the age group from 6–14 years old, increased from 240,000 children in 1994 to 327,000 children in 1999, with a high average growth rate of 6.4%, which reflects the expansion and severity of poverty and the reliance of poor families on child labor. Female child labor constitutes 51.4% of total child labor, according to the 1999 Labor Force Survey. Although 49.5% of the child labor force has not enrolled in education, there are still 39.5% who are enrolled while being employed as compared to 11% who were previously enrolled.

Child labor is concentrated in the rural areas (95%); activities related to agriculture (92%), general services and sales in permanent and mobile trading outlets (5%). About 91% of these children work with the family without pay, and for hours that range from 15-34 hours per week, whereas 8% of these children are self-employed or work for a cash or material wage. The causes and reasons for child labor vary from helping the family (71%), poverty of the family, unemployed parents, or a deceased family provider (15.3%), to other reasons led by the lack of enrollment in education and the lack of desire and failure to proceed with education (10.4%) and ending with the desire for self attainment (3.3%).

2.2. Water and Water Resources

The growth in population is accompanied by a natural restriction and challenge which is manifested in the critical and multi-faceted water crisis. Yemen is situated within a dry and semi-arid area, where the average annual rainfall ranges from 500–800 mm in the highlands, 50–100 mm in the coastal strip, and below 50 mm in the eastern regions. The per capita share of the recoverable water resources amounts to 137 m³ as compared to a per capita share of 1,250 m³ in the Middle East and the world average of 7,500 m³. Accordingly, the per capita share in Yemen is less than 11% of the per capita share in the Middle East and North Africa region and less than 2% of the world average. These figures place Yemen on the bottom of the ladder of nations that are under the water poverty line.

2.2.1. The Imbalance in Water Resources

Water studies have clearly shown the imbalance between the available resources and water consumption. Whereas the annual average of total rainfall is estimated to be 6.7 billion m³, the surface water flow in the valleys (wadis) is estimated to be 3.5 billion m³. Rainwater is used to irrigate 47% of the cultivated area, whereas 11% of the cultivated land is spate irrigated. While a small portion of the flowing surface water, through filtration or during irrigation, seeps down to feed lower shallow water sediments in the short-term and ground water in the long run, most of the surface water is either lost by evaporation or by flowing out into the deserts or out to the sea.

The recoverable water is estimated to be about 2.5 billion m³, of which surface water constitutes 1.5 billion m³ and the ground water constitutes about 1 billion m³. However, the total water consumption has increased rapidly from 2.9 billion m³ in 1990 to the present 3.4 billion m³, primarily distributed for agriculture (3.094 billion m³), domestic uses (238 million m³) and other uses (68 million m³). The balance of the available water resources and consumption shows that the annual gap has increased from 400 million m³ in 1990 to 900 million m³ in 2000. The problem becomes more evident, when it is seen that over 91% of water is used for agriculture and that a large portion of this quantity reflects the inefficiency of irrigation and the waste due to the use of antiquated methods that reduce irrigation efficiency, apart from the use of water to irrigate agricultural products that do not add any value to the society. Whereas the total domestic water consumption in the Sana'a basin amounted to 22.8 million m³, the irrigation of Qat consumed 59 million m³ in the basin. This gap and depletion do not reflect systematic and similar effects among all water basins and water zones, where some of the zones are subject to even greater depletion that reaches to between 250–400%. In some of the basins, the situation calls for the government to take urgent measures to preserve these basins, such as the Taiz, Sa'ada, Sana'a basins and the Abyan and Tiban deltas. As a result, many major cities suffer from water shortages, in a number of which the crisis has reached the point whereby some areas only receive water on a few days in the month, such as the city of Taiz. The reduction of the ground water table by one meter reflects the depletion of water that took many long years to be formed, and its reduction by more than 100 meters over 20 years means the depletion of groundwater reserves that took over 400 years to accumulate. The fall of the groundwater table is accompanied by the deterioration of water quality and the rise of its salinity, which makes it non-potable or even fit for use in agriculture. Consequently, the salination of some agricultural land resulted from the use of poor quality water and the lack of rain over several years.

Box 2.2: Qat and Water

Expansion in Qat cultivated area has directly impacted the use of water resources. Some studies have shown estimates of Qat water requirement that differ under the various climatic conditions of the different regions. The annual estimated requirements of one hectare of Qat are between 600 m³ and 12,000 m³. Despite the uncertainty of the quantity of water required for Qat cultivation, it is apparent that Qat is irrigated with more water than it needs because of water mismanagement and inefficiency of water transmission and irrigation techniques especially in the areas that depend on water for supplemental irrigation.

2.2.2 Population Growth, Expansion of Cities, and Urbanization

Population growth is still very high indicating that the number of people will double over the next 19 years reaching 38 million by 2026, which means doubling the pressure on the available natural resources, in particular water resources. If other water sources are not available, then the per capita share of water shall decrease from the current 137 m³ to 66 m³ by 2026, or at best 92 m³. Water services are presently available to only 57.4% of the population and only 6.2% have access to sanitary drainage services, which are concentrated in the major cities only. The pressure on the water resources will not be confined to domestic use, but will also be accompanied by a horizontal and vertical expansion to crop agriculture and livestock raising, all of which will rely on the same current sources of water, some of which are already undergoing depletion.

Industrial growth, expansion of public and private services, such as parks, hotels, tourism, and other activities also require the provision of additional water, and in contrast, the increasing risk of water pollution, due to the increase in solid, liquid and gaseous wastes, raises the consumption of natural and industrial resources in all their manifestations. Since cities are already witnessing poor water quality and shortage of water and sewerage services, along with the deterioration of the environment and pollution, many of these cities will face severe water crises in the future.

In the rural areas, where most of the population is scattered among small clusters, population is densely concentrated in areas characterized by rugged topography and located directly atop watershed areas, thus creating a number of problems, some of which are related to water pollution in the areas where water streams are formed which makes it almost impossible and

costly to transfer water to such areas and provide them with water and sanitary drainage services. With rainfed agriculture now inadequate to meet the needs of the rural family and while the expansion of irrigated agriculture is beset with a shortage of both water and land, the future of development of these areas is confronted with many challenges.

2.2.3. Water Management, Traditional Rights and Market Trends

The shortfall characterizing water management, especially in the areas of evaluation, planning and allocation, does not lend any help towards setting priorities that are consistent with the scarce water resources and with the economic feasibility of their use, and in a manner that will ensure that the basic needs of the people are fulfilled and will prevent their quantitative and qualitative deterioration. These issues reflect the poor level of the institutional and legal systems of the water sector, as well as the poor professional performance, inadequate controls and application of regulations, neglect of popular participation in the financing, management and maintenance of water projects, in addition to the lack of essential studies and information and the shortage of financing sources. These factors stand as an obstacle to raising the efficiency and rationalization of water use, and evaluation of the reality vis-à-vis the demand and supply situation for water. Similarly, the bias towards the supply side in the management of water is not just confined to government management, but also goes beyond this to the management by individuals and the private sector as well, due to the ability to use water resources without charges. The inefficiency and poor performance of this sector is reflected more visibly in the poor efficiency of irrigation at 35%-40%, and the water losses in the potable water supply services that go up to 31%.

Originally, traditional water rights were created for making use of water for the purposes defined for them, whether agricultural or domestic use, while public ownership was maintained. However, with the passage of time this ownership turned into individual or family ownership inherited from generation to generation. This led to the frequent division of water sources among the subsequent generations in keeping with the fragmentation of agricultural holdings to the extent that they are now inadequate for provision of potable water. The competition for water rights and potable water needs and for domestic consumption gave rise to disputes, especially in the regions of scarcity. By the same token, such water rights are no longer applicable given the importance of water allocation to meet the basic needs for water.

This situation further constrains the ability of the government to direct water consumption towards uses that are of greater benefit to the society, and creates a conflict between the government functions of controlling and regulating such rights for the public interest and the absolute rights of ownership of water sources. Most likely, the competition for the underground water sources will increase due to the differences in the ability of beneficiaries to drill deeper for water. Competition will create sectoral and individual disputes that will make it difficult to reconcile between the public and private rights to water which will lead to the inability of the concerned entities to make the appropriate decisions to control the deterioration of water rights and meet the needs of development. With the absence of a specific outlook to deal with all these issues, the water crisis will only intensify further and will complicate development efforts. The scarcity of water resources constitutes a real constraint to the expansion of development projects that depend on water, since most of the known potable water resources have already been tapped and are subject to rapid depletion. By the same token, the evolvement and development of other potential potable water resources will prove more costly, which will not allow such projects to maintain their economic feasibility.

Treated wastewater is also considered a potential non-traditional water source that could be used for contributing to the expansion of vegetative areas, rangeland and forests and for the establishment of green belts to contain sand encroachment and fight desertification. They can also be used economically to irrigate certain suitable crops, in a manner that does not pose any health hazards and which helps preserve the environment. There are nine sewage treatment plants already in Yemen, in a number of major cities, all of which produce 92,000

m³ a day of treated wastewater (33 million m³ per annum), which constitutes 69% of their productive capacity. Such treatment is undertaken by oxidation tanks and activated sludge process. The efficiency of this treatment is poor, in view of the poor regulations of the sanitation drainage systems. Waste products of industrial plants, health facilities, automobile oils and lubricants are poured into the public sewerage networks, without undergoing any primary treatment at their respective facilities, thus placing a heavy burden on treatment plants incapacitating them from carrying out the appropriate treatment that will lead to the safe use of treated wastewater. Some treatment plants also dispose their waste output to the sea (Hodeidah, Aden and Mukalla).

Farmers, where such treatment plants exist, use wastewater irrespective if it was treated or not for irrigation and in an unsafe manner, especially during years of drought. This has been accompanied by the appearance of different environmental problems such as pollution of surface water and an increase in the salinity of agricultural land, when such wastewater is used intensively and when rainfall is delayed. Some of the specialized projects of the Ministry of Agriculture and Irrigation work towards setting up green belts and planting trees in some of the areas that are exposed to sand encroachment and desertification, relying on wastewater for irrigation.

Agriculture faces the biggest challenge since it is the most adversely affected and since the demand for water for agricultural uses is bound to gradually be reduced forcefully, with the growth of the population and the expansion of urbanization, in favor of demand for water for domestic and service uses and industrial purposes. This is especially so since productivity of water in agriculture is poor. Similarly, as water continuously becomes scarcer, only the rich people will become able to have access to water from more costly water sources, and thus will be able to invest in agriculture. The small and dispersed land holdings of the small farmers who are reliant on traditional water resources will be unable to pursue their search for more costly water and accordingly will be unable to compete. Subsequently, their role in the rural economy and in securing stable lives for the rural family will decrease, and with it the source of livelihood for the rural people will eventually cringe. Such conditions will lead to the abandonment of agricultural land and migration from the rural areas, which threaten the geographical distribution of the population and threaten the rural economy. The rural labor force is also motivated to enter the labor market, the requirements of which they are unable to fulfill. This will also lead to increasing the pressure on water resources and increasing the severity and spread of poverty among new social categories.

If the provision of water services is now acceptable in meeting the basic needs for water and domestic consumption, its future growth and development, without control, will lead to the rise of additional problems that adversely affect both water resources and the lives of the people altogether. Trading in water under a market economy will encourage switching of water uses from one purpose to another in pursuit of the highest financial returns, which in turn could give rise to a disruption of traditional water rights and will lead to a sudden change in irrigation methods and lifestyles of people, especially in the regions of greater water scarcity. Since the water costs can go up to YR 1,000 per m³ during drought periods in some areas, low income groups and the poor will not always be able to have access to water which will disturb the equitable access to water. This method also threatens scarcer water resources because as each water resource dries up, water merchants just relocate to another, with profitability being the only yardstick in this business.

2.3. Human Resources

2.3.1. Health and Health Conditions

The existing government health system since the 1970s is based on a traditional system for the provision of health services. This system consists of health units, centers and hospitals. It has witnessed noticeable expansion over the last decade, as the number of health units expanded from 912 to 1,821, the number of health centers rose from 392 to 574, and the number of hospitals increased from 74 to 116 with a bed capacity of over 11,000 beds. The number of doctors during 1995–2000 also rose by an average rate of 7.3% per annum, and the number of nursing staff rose by 6.7%. However, the number of people per doctor is still 4,810, whereas for the nurses it is 2,400 per nurse and the number of people per hospital bed is 1,664. These rates are by all standards considered very poor, even when compared to developing countries and other Arab States such as Syria and the Sultanate of Oman, where the same comparative figures are seven times higher than they are in Yemen.

The government health sector still suffers from poor service provision, quantitatively and qualitatively, due to the low expenditures on the sector, in general, and on investment, operations, and maintenance in particular, and the inequitable distribution of facilities and manpower, which are concentrated in cities, until coverage of health service reached 80% in urban areas compared to 25% in rural areas, not to mention the absence of rational use of the health services.

Illness and death rates due to prevalent diseases are greater than the rates for non-endemic diseases. The situation becomes worse due to the population's lack of access to safe drinking water (40% of the population), due to the low percentage of coverage of the sewerage network, to which only 6.2% of the population have access, and from an environment that helps to make diseases and endemic ailments widespread, like malaria and schistosomiasis. The most widespread and most serious diseases in Yemen are diarrhea, malnutrition, complications of pregnancy, severe respiratory diseases, malaria, schistosomiasis, liver diseases, and tuberculosis, with an increasing number of the AIDS carriers and infected patients.

Extreme centralization in the health sector also resulted in affecting the regulatory and control functions of the Ministry of Health and Population, the weak capacities of regional health departments to plan and execute health programs and services to the people effectively and efficiently, apart from the poor participation of the local communities in the health system. Despite poor efficiency of the service and the resources, which are limited to start with, and the lack of confidence in the primary health facilities at the village and district levels, inhabitants in those areas are compelled to bypass the primary health facilities and resort to government health facilities at the governorate or central levels, which adds to strain on the central services. Also, beneficiaries have to bear the high cost brought on by the cost of transport and the long wait for access to the service. In many cases the patients have to simply bear their illnesses, if it does not get worse and more serious, especially women who are unable to move from one area to another to obtain health services without having a male relative as accompaniment (*mahram*).

The increase of demand for public general and specialized medical and health services and the inability of the government sector to meet needs also led to the rise in the number of private hospitals and clinics, which rapidly became widespread, with an increase from the modest numbers in the early 1990s to 90 private hospitals and 550 clinics in 2000, with the concentration of most of them in the major cities, especially in the Capitol Secretariat. However, the high cost of their services make them inaccessible to the majority of people, not to mention that the poor control of these facilities and the lack of application of the regulations against malpractice contributed to the general deterioration of the standards of quality of services.

2.3.2. Education and Training

The Constitution stipulates that educational opportunities should be equitably available to all citizens, so as to meet the desires of individuals on one hand, and the needs of the society on the other hand, in accordance with economic and social plans. The unified RoY was established under chronic accumulated problems and difficult conditions led by: the high population growth; dispersed population in small communities located in areas with a diverse topography; widespread illiteracy, which was then estimated to be 64% of the population; in addition to the poor enrollment in basic education (57.6%), especially for girls whose enrollment did not exceed 37.6%; the high dropout rate that was more than 15%, particularly in the lower grades of primary education.

The government directed its greatest attention to educational issues, with an increase of expenditures for the education and training sector until they reached to an average of 18% of public expenditures during 1990–2000. These expenditures led to an increase in the ability of schools, institutes and universities to absorb more students, and thus to an increase in the total number of enrolled students in all educational levels from 2,453,000 students in 1990 (of which 29.1% were females) to 3,993,000 students in 2000 (of which 33.1% were females) and an average growth rate accordingly of 5% per annum for all students.

The government also adopted a National Strategy for Eliminating Illiteracy and for Adult Education, with the aim of eradicating illiteracy and freeing people from alphabetical and functional illiteracy. Nevertheless, the limited financial resources, which were allocated for fighting illiteracy and the poor role of civil society in combating illiteracy, led to the achievement of only partial results, which did not go beyond the elimination of illiteracy among the 290,000 male and female illiterates over the period 1995–2000. In view of the large numbers of illiterates who are not enrolled in the educational system, and the large number of drop outs, the matter of eliminating illiteracy and providing education for adults will undoubtedly remain a primary encumbrance for present and future development plans.

2.3.2.1. General Education

Indicators show a clear deficiency in several aspects of general education, whereby the percentage of children who are outside the educational system reach 38% of total children, of whom 22.8% are males and 56.1% are females. Enrollment in schools in rural areas amounts to about 38%, compared to 80% in urban areas, which reflects a sharp difference in accessibility to educational services and is even less for females in the rural areas. This difference goes back to numerous factors of which the most important are: the scattered distribution of the population; the need to employ children; and the insufficient number of schools available for girls or, in many cases, their far distance from the population clusters, not to mention the poor awareness of education for girls.

Basic education, which takes in 83.8% of the total number of students and pupils in all the educational and training levels, also suffers from poor internal efficiency as illustrated by high dropout and failure rates. Group observation studies indicate an average yearly dropout rate of 8% from basic education, joining the number of students who are outside the education system and illiterates. Studies also show that the average failures and repeaters comes to 11%, and accordingly, instead of completing the basic education level in 9 years, students take an average of 15 years, with even longer periods for female students, which reflects financial and human waste of the utmost gravity.

In addition to the foregoing, general education faces a multitude of distortions and difficulties, which are exemplified by curricula that do not keep pace with modern developments, the obvious inadequacy of school buildings and equipment quantitatively and qualitatively, and the poor contribution of civil society in the education process. The sector also suffers from a disparity in the average number of students per teacher, especially between rural and urban areas, the low number of female teachers and girls' schools in the rural areas, and the poor standards in the qualification of teachers.

Until unification the education system suffered from a shortage in the number of available teachers, which was dealt with by bringing in teachers from other Arab states. The large growth of public education led to the expansion of teacher qualification and training programs within the framework of five programs directed at graduates of the basic education level, education colleges, intermediary institutes and the higher teacher institutes, in addition to the use of general secondary school graduates to work in teaching. These approaches – despite obvious differences in qualifications and skills – resulted in the replacement of the non-Yemeni teachers and the creation of a surplus, in total, with the deficit for women teachers still continuing – 28.4% of the total teaching personnel – especially the rural female teachers. The Comprehensive Education Survey of 1999-2000 showed that 40% of the teaching staff were holders of secondary school certificates or better academic qualifications and that 60% have completed basic education, in addition to qualification and training for one or two years, which shows that the majority of the teachers are lacking in basic skills in education and teaching, which in turn is reflected in the quality of the output of the tributaries of the education system.

2.3.2.2. Vocational Training and Technical Education

Interest in pursuing vocational training (after the basic education level) and technical education (after the secondary school level) is still poor, seen in the percentage share of students in both levels out of the total number of enrolled students in all levels amounting to only 0.4%. The number of graduates from technical education was 1,456 male students and only 180 female students, i.e., one technical graduate for every 17 university graduates, whereas the proportion should be 4 technical graduates per university graduate. The vocational and technical diploma carriers, in both the intermediate and high branches represent less than 2% of the total workforce in the national economy. The gender gap is also obvious in vocational training and technical education due to a number of impediments, which are linked with traditions and customs, and poor awareness on the future roles of women in the achievement of development.

Vocational training and technical education is confronted with a number of quantitative and qualitative challenges, such as the disperse administrative affiliation, the low absorption capacity of the vocational centers and technical institutes, the predominance of theoretical subjects over practical aspects in their curriculum, their retarded follow-up on the developments and advances in their fields, and the unsuitable output to the needs of the production establishments and units of the private sector. A small number of private sector firms have established their own institutes for training their own staff, while a large number of graduates and dropouts turned towards enrolling in the private training institutes, which are estimated to number 66 institutes, that focus on qualification and rehabilitation programs in languages and secretarial training, with some of them entering into new fields, such as health, information technology, communications and programming.

2.3.2.3. University Education

University education witnessed an increase in enrollment of about 16%, on average, during the period from 1990–2000. This growth was paralleled by an increase in the number of government universities, which grew from 2 universities comprised of 86 colleges and 42,000 students 16.7% of whom were female, to 15 universities (of which seven are public universities) with 130 faculties (colleges) of 184,000 students (24.5% being females). The number of graduates from all the universities in 2000 came to about 17,836 male students and 6,600 female students, with 87.8% in the liberal arts and theoretical fields and 12.2% in the scientific fields, apart from 8,100 male and female students who graduated from the teachers' institutes.

The government and private university education sectors both face numerous difficulties, that prevent it from undertaking its functions efficiently and effectively, which may be broken

down into two major sets of difficulties: internal and external. The internal issues related to university education are exemplified by the typical structures and regulatory frameworks of the universities, with an obviously significant amount of duplicity and redundancy in the colleges and divisions of the universities and the predominance of the theoretical nature of most of the specialized fields and the methods and techniques for teaching. Other setbacks include the absence of ongoing teaching units, the retardation of the university curricula in matching diversified cognition with its application including a severe shortage of teaching equipment and services (libraries, laboratories, workshops, etc.) and the prevalence of administrative centralization.

Admission to university education is lacking in specific policies, which means the detachment of university admissions from the needs of development and of the labor market, in addition to lack of consideration of the absorption capacity and the available resources for admitting students and distributing them to different faculties, and the slow interaction of the private sector in determining the needs of graduates and in providing training services during study. Universities also complain of the shortage and poor distribution of teaching staff, poor resources to prepare and rehabilitate the teaching staff, the high students per teacher ratios, which reflect adversely on the students ability to acquire knowledge, not to mention the quantitative and qualitative shortage in the supervision, technical and administrative staff in most of the Yemeni universities.

2.4. Institutional Structure of the State

2.4.1. Reasons and Factors Behind the Inflated Government Administrative Apparatus

The merger of the authorities, institutions and organs, as they had existed in both parts of Yemen, led to additionally inflating the administrative apparatus of the government, in addition to the creation of units whose only purpose was to absorb the senior and administrative staff in the two former parts. This reflected on the financial and monetary conditions of the country, which, to start with, suffer from scarcity of resources, a weak productive base and structural deficiency and flaws in budgeting. This situation continued to be aggravated during the early years of the 1990s, as a result of the continuation of operations of a number of productive and service institutions which were confronted with financial deficits and poor performance.

Public administration was also affected by a series of major events during the period from 1990–1994, of which the most important was the return of some 800,000 Yemenis from the Gulf states following the Second Gulf War, which burdened the government with the responsibility of absorbing some of this returning labor in the public sector and bloated the administrative apparatus with employees that were of limited qualifications and low wages and for whom there was really no need.

Box 2.3: Administrative Distortions

The situation of the administrative apparatus of the government is exacerbated in view of the administrative deficiencies summarized as follows:

- Inflated organizational and functional structure of the government.
- Misallocation of manpower.
- The principle of suitability and competence is absent in the selection and appointment to public employment.
- The failure of a large number of public and mixed sector enterprises.
- Conflicting and intertwining responsibilities among the ministries and the respective authorities and corporations affiliated with them, and poor coordination among them.
- Duplicity of functions between the governorate leadership and the ministry branches in the ministries and districts.
- Multiplicity and extension of lines of authority.
- Absence of employee files.
- Absence of the clear delineation of the government employment and distribution according to their organizational formations.
- Lack of statistical data on government employees, their geographical distribution and employment and qualification particulars.
- Redundancy, excessive employment, and ghost workers.

Erroneous employment policies continued and resulted in doubling of the numbers of employees in the administrative apparatus and in the public and mixed sectors over the first five years of the 1990s until the number of employees grew from 191,000 to 348,000 employees. The wage bill also inflated to reach about 10.3% in 2000 of the GDP and 27.9%

of total public expenditures despite the average real wage of an employee in the government administrative apparatus that declined from YR 4,385 per month in 1990 to YR 1,387 in 1995, losing about two-thirds of its value, in addition to the high pressure between the maximum and the minimum values.

The civil service suffers from the geographical misallocation of employees, or in terms of government functions and services, whereby employees were concentrated in the major cities and, specifically, in the health and education sector. The civil service is faced with poor capacities and a severe shortage in qualified personnel. The Employment Survey of 1998 shows that the employees having university degrees represent 16.3% of the total employees, while the employees without any educational qualification rose to 26.6% of the total number of 404,522 employees.

Although the implementation of the EFARP has led to the adoption of employment policies by the government, which resulted in a decreasing rate of employment growth and an increase in the size of the administrative apparatus of the government and the public and private sector in December 2000 to 428,000 employees, who represent 11.8% of the total labor market, this number is still quite high when compared to the services that it provides, besides not enhancing the financial positions of the employees and the efficiency of their performance.

2.4.1.1. Corruption

Administrative conditions became worse as a result of the augmentation of the various forms of corruption in the shade of the poor application of the law, the absence of an integrated public administrative system, poor managerial competence, low wages, salaries and incentives, rigid centralization and redundant administrative procedures, the lack of employment classification and sorting system and the absence of reward and punishment and accountability, which led to making the administrative apparatus incapable of keeping pace with domestic and external developments. Obtaining public employment has become, to a certain extent, associated with corruption and nepotism, time-consumption, connections, and sometimes money and bribery, not to mention treating public employment as though it was a right and a privilege.

As a result, the public employee obstructs most of the functions by deliberately delaying any processing of any transactions, in order to obtain additional payments, and, accordingly, make the poor the most unfortunate victims of corruption. Corruption, however, was also not confined to the low level employees alone, but also extended to the higher levels, exemplified by possession of major contracts, import licenses and other various forms of monopolistic acts. Corruption grew and broadened, given the increasing violations of policies, which gave rise to the intentionally fabricated and false gaps between demand and supply and the creation of opportunities for making illegal profits. It is no secret that the adverse effects caused by corruption which were a major factor hindering investment, disrupting public confidence, adulterating the social resources, and accordingly retracting private investment and economic growth – except for investments in the oil sector.

2.4.1.2. Control, Accountability and the Courts

The deficiencies in the functions of the government were not confined to the administrative aspects, but rather extended beyond it to include the control function, as seen in the immobilization of the effective monitoring regulations for the prevention of corruption and for revealing it and tightening the noose around it. The organizational environment in the units having control

Box 2.4: Factors Behind Weak Judicial System

- Poor qualifications of some judges and members of the general prosecution and the lack of judicial training.
- Poor control of the courts and the general prosecution.
- The lack of full adherence to the application of the provisions of the Laws for Litigation, for Punitive Procedures and for Corroboration and Civil Execution.
- The spread of misconceptions and the improper mechanisms for the relations between the courts and the general prosecution.
- Lack of judicial police force and adequate protection for members of the judiciary.

mechanisms were also subjected to the very same deficiencies and weaknesses, and therefore lost the ability and the means of exposing violations and corruption, for taking the needed internal enforcement measures in the administrative units, and for determining the negative impacts that arose accordingly, so as to help make the necessary reforms and to ensure that errors and excesses are staved off and prevented from recurring.

Confidence in the courts is reduced by the cases and issues related to corruption itself. The judicial system in past recent years faced obstacles and difficulties, the most significant of which were inadequate laws and legislation that differed in their orientations and directions and did not keep pace with the future role of the government, the generalization of punishments and penalties, the procedures for issuance of legislation and laws are not yet completed, lack of effective coordination in enforcing laws, and the inaction of administrative units in preparing their particular punitive rules and procedures. The judicial system is confronted with the ineffectiveness of its authorities and organs, exemplified by the prolongation of cases and lack of rapid processing of cases and the failure to execute some of the court's rulings.

The administrative and financial courts also face difficulties and problems in dealing with public property and public employment cases due to its recent creation, lack of the needed experience and the minimum cognizance of the concepts of judicial proceedings for administrative and financial cases, and of the rules of financial control and accounting and auditing principles. Finally, financial punitive legislation is considered deficient due to not encompassing most of the violations and assaults on public property and employment, in addition to the fact that those punishments which are executed are not considered as adequate.

1. Introduction

Since the early 1990s, Yemen faced several shocks, mainly through two major factors manifested by the reunification of the two parts of Yemen in May 1990, and the heavy economic costs that came with it, and the Second Gulf War (1990-1991), which resulted in the return of over 800,000 Yemeni emigrants from the Arab Gulf states and the suspension of foreign aid to Yemen by these and other states. This resulted in economic difficulties that pulled Yemen down into a bottomless pit and compelled the GoY to adopt a comprehensive reform program.

2. The Economic Situation

During the first half of the 1990s, the performance of the economy was subject to several retrogressions, which resulted in the retraction of non-petroleum GDP, and an absolute reduction in GNP from US\$ 9,019 million in 1990 to US\$ 5,431 million in 1994. Such changes, and the decline of per capita GNP from US\$ 701 in 1990 to US\$ 367 in 1994 subsequently led to the deterioration in the standard of living of people and the reduction of income levels. Both the unemployment rate and the inflation rate also rose, as well as the demand for basic goods and services, which caused severe pressure on the economy. The roots of the problem go back to the government’s adoption of an expansionary fiscal policy during a period of declining revenues. The public budget recorded a high deficit, reaching 14.9% of GDP in 1994, which was financed by the local banking system, primarily with the Central Bank of Yemen (CBY) lending to the GoY through issuance of money, thus leading to an indecorous growth of money supply.

Similarly, the Balance of Payments recorded a large deficit, reaching US\$ 709.7 million in 1994, despite the large increase in oil exports in 1993 and 1994. This situation reflects the weak export base, with oil exports constituting more than 90% of total exports and the heavy reliance on imports, especially food imports and the continuous decline in workers’ remittances to Yemen.

The credit worthiness of Yemen was also shaken due to the inability of the GoY to service its external debt, which has accumulated over the salability period that prevailed in the region as a result of higher oil prices. As a result, the GoY was compelled to resort to heavy domestic borrowing. GoY’s external debt exceeded domestic debt, when it reached 177% of GDP as compared to 52% of GDP for domestic debt in 1994. This resulted in an increase in the cost of servicing the external debt. Notwithstanding the concessionary terms of the loans to Yemen, external debt service reached 28% of total exports in 1990, rising to 52.8% in 1994, and thus constituted an obvious challenge to the economic and social development in Yemen.

Social and economic developments in Yemen during 1990-1994 reflected the impact of a number of economic and social factors at the national, regional and international levels, which were not consistent with, and supportive to, sustainable economic growth. The trends in economic growth were characterized by sluggishness, fluctuations and imbalances; with the real GDP growing at low rates averaging 4.1% during the period, which was slightly

Box 3.1: Macroeconomic Indicators, 1990-1994

- Large fiscal deficit, which reached 14.9% in 1994.
- Waste of most public resources in non-targeted subsidies.
- High inflation rates which exceeded 50% as a result of deficit financing.
- Sluggish economic growth and investment and rise in capital flight.
- Sharp deterioration in the value of the riyal and existence of multiple exchange rates.
- Unprecedented spread of unemployment in all its forms.
- Deficit in the trade balance and balance of payments, increase of foreign debt, and failure to meet international commitments.
- Sharp deterioration in quality of basic social services.
- Frozen relations with donor countries and international organizations.

above the rate of population growth of 3.7%; i.e., a growth that does not lead to improvement in the standard of living of citizens. The picture becomes clearer, when we look at the trend in real non-oil GDP, which reflects the narrow base for economic growth, as it declined in 1994, to a negative growth rate, and during the period reached an average of about 4%, which is less than the overall GDP growth rate. This adds to the growth characteristics the features of instability and imbalance, because of the significant effect of oil production on GDP particularly in the last two years of that period.

Economic growth trends during 1990-1994 also coincided with a number of macro-imbalances, in addition to the population increase of the unified economy and the return of the Yemeni emigrants in the shade of constant but poor exploitation of limited resources, which reduced the chances for growth since the links between investment and savings are considered the most important determinants of economic growth. Savings and investment rates in Yemen reflect structural deficiency, manifested in poor productivity and the high social tendencies for consumption, as well as the unstable conditions that prevailed during that period which did not stimulate the attraction of investment.

The demand gap peaked in 1993 at 28.6% of GDP in 1993; i.e., it increased five-fold its rate of 5.7% in 1990. This high gap is attributed to a rapid increase in total final consumption in comparison with a modest increase in total investment. Private consumption expenditure played a major role in increasing total final consumption expenditures due to the return of large numbers of Yemeni expatriates, which prompted the rise of this rate to 90.2% of GDP in 1993. Public expenditures also played a role in raising the resource gap (between savings and investment) as a result of its association with rising budget deficit.

Although the decline in public revenues was the major cause for the rise in fiscal deficit as percent of GDP during 1990-1994, public finance distortions became more severe and aggravated with the decline in investment spending to 3.4% of GDP and 12.4% of public spending 1994, accompanied by a low rates of GDP growth. Thus, the budget during that period was, in fact, a budget for current spending with salaries and wages absorbing a large share of total spending due to the large and rapidly growing size of the manpower in the civil service. Salaries, wages and associated benefits of the civil service, public sector and mixed sector grew during the period by 27.6%, 22.5% and 24.9% respectively.¹ The increase in the number of new employees in these entities, however, rose only by an annual average of 13.9% and led to the reduction of the

Box 3.2: Trends in Monetary and Fiscal Policies during 1990-1994

- Adoption of expansionary monetary policies, which was reflected in the rise of the budget deficit.
- Bias towards ongoing expenditures, especially salaries and wages, against investment spending. Thus the fiscal policy was not conducive to high and sustained GDP growth.
- Deficit financing of the budget, which was inflationary, contributed to economic instability and was unfavorable to the investment climate.
- Fiscal policies focused on expenditures and did not address revenue mobilization.
- Public revenue structure was characterized by a number of flaws, the most apparent are the inefficiency of tax collection, systems and practices that encouraged tax evasion, and the direct and indirect exemptions, in addition to the existence of informal economic activities that are far from the reach of the tax system.
- The tax system was based on pure fiscal considerations and did not reflect development priorities by affecting the incentives for savings and investment.
- Fiscal policies did not support and encourage human development, if we look at the share of expenditures allocated to primary social services.
- The existence of multiple exchange rates, which led to high yielding profits from speculation and the misuse of foreign currency reserves.

Box 3.3: Sources of Income for Government Employees

Due to reduced wages, many sought other sources of income, as the 1998 HBS revealed that the average wage of an employee did not exceed 55.3% of the total income needed by his dependents. Income derived from self-employment was 17.2%, followed by income from other sources such as inheritances, dowries, awards, gratuities, etc. amounting to 13.1%; then comes property income, such as rent, stock dividend and interest on deposits, and finally income from current transfers, such as retirement pensions, insurance compensation, internal transfers and transfers from overseas (5.3%).

¹ There are no indicators of the salaries and wages in the (formal) private sector for this period. However, they usually change with the changes in the salaries and wages of the civil service and the public and mixed sectors, in the same direction, with a relatively higher margin reserved for the private sector.

annual increase in wages to 11.3%, accompanied by an inflation rate of 38%, which resulted in a deterioration of real wages of employees from YR 65,775 for 1990 to YR 27,774 in 1994, with a rate of retraction of 57.8%.

The result of all this was that by the end of 1994 economic conditions had reached a level that threatened an eminent catastrophe due to intolerable economic imbalances. The GoY was left with no alternative but to adopt and proceed with the implementation of an economic reform program (EFARP) that aims to remedy such imbalances and achieve economic stability and hence to restructure the national economy to suit the adoption of the free market mechanisms.

The structure of the national economy was not isolated from all these developments, as the contributions of the economic sectors to GDP changed during this period. The contribution of the agriculture sector was reduced from 24.2% of GDP in 1990 to about 22.6% in 1994, in contrast with a marked increase in the contribution of manufacturing, including oil refining, from 9.3% in 1990 to 13.9% in 1994, while the contribution of the extraction industry remained constant at 13.6% of GDP during the period, despite the large increase in oil production mainly because of the decline in oil prices. However, the important feature in the structure of the Yemeni economy is the dominance of services, the contribution of which rose to 53.2% in 1994 from about 46% of the GDP in 1990. The business and financial services sector grew during the last two decades to meet the needs of the private sector, whereas transportation and communications services grew as a result of the infrastructure projects, which were undertaken by the GoY. *In summary, the situation showed a picture of an economy increasingly dominated by the services and oil sectors, given the limited role of manufacturing, which was growing languidly, whereas the agriculture sector, on which about three-quarters of the population live at subsistence level is characterized by lack of dynamism.*

Box 3.4: Critical Problems Faced by the Yemeni Economy

- Low standard of living due to lower GNP per capita.
- High unemployment in all its various forms.
- Dependence of the national economy on oil.
- Limited sources of foreign currency in the economy.
- Imbalance of the government budget.
- Deficit in the current account of the Balance of Payments.
- High Foreign Debt.

With respect to the labor force, in addition to its increase in size being a natural result of the population growth since the number of laborers reached 3.3 million according to the 1994 population census, the labor market is also characterized by the large size of the informal sector, which includes the self-employed and the employed without wages working with the family or other parties. The activities of the informal sector are the largest absorbers of labor, especially unskilled labor, which is usually associated with agriculture, personal and social services, retail trade, transportation, and the economically unclassified economic sectors. The agriculture sector is the cornerstone in terms of providing job opportunities despite the reduction of its share to 53% compared to a growing share for the services sector, which absorbs 33% of the labor force (17% for government services alone). Manufacturing, however is considered as having limited potential for providing job opportunities, not only when compared with the other sectors, but also in terms of its contribution to the GDP (4% and 10.7% respectively). The low absorption of labor in this sector is primarily attributed to the technology employed by modern manufacturing enterprises that is capital-intensive in nature.

It should be noted that the increase in the size of the labor force is partially attributed to the increase in the share of women in the labor force, which realized an annual average growth rate of 8.2%, thus reaching 17.7% in 1995, which reflects the increasing trend of women engagement in employment as they seek to improve their conditions and the living standards of their families. Hence, the percentage share of females in the labor force rose to 20.3%, where most are engaged in agriculture which absorbs 85% of female laborers, followed by government services, which recorded an average increase of 7.4% per annum in the number of women employed over the past period, and then the manufacturing sector, where females were able to attain an average increase amounting to 4.1% per annum.

3. The Economic, Financial and Administrative Reform Program (EFARP)

It was clearly evident, ever since the proclamation of the unification of Yemen in 1990, that the economic structure of the newly unified state required attention towards solving the problems associated with a partitioned economy. This attention took into consideration the similarity of the economic conditions prevailing in both parts in terms of the trend in economic growth which was characterized as being unsustainable, and in terms of the narrow base for national income and the appearance of economic imbalances. It was imperative that the GoY had to review the basis and foundations for building the economy and to revise the priorities for economic and social development, given the often unfavorable local, regional and international conditions. As it sought to deal with the basic problems with which the Yemeni economy was beset the GoY, in cooperation with the IMF, the World Bank and a number of other donors, drew up a comprehensive program for stabilization and economic reforms (EFARP). This program aimed to improve the standard of living of the people by halting deterioration at the macroeconomic level, and hence, move to a phase of continuous economic growth. Accordingly, EFARP focused on two major axes, the first one representing stabilization policies, which sought to restore the overall economic balance and to control inflation, whereas the second axis dealt with structural reforms to set the economy on a course to achieve medium and long-term growth.

When drawing up the EFARP, the GoY took into account a number of issues, of which the most important were: (i) the fiscal dimension and the effects resulting from reforms, for which some emergency measures were taken in order to alleviate the adverse effects on the groups that were most vulnerable to such effects; (ii) expansion of the role of the private sector in the areas of investment, production and employment; (iii) raising productivity; and, (iv) administrative capabilities for implementing the measures and policies of the program.

The GoY started implementation of the EFARP in 1995 by adopting a new budget for that year and by the implementation of some of the measures for economic stabilization and restructuring, as it proceeded to announce the first set of reform measures for the achievement of economic stability and the removal of structural imbalances in the economy. These measures, in general, aimed at the improvement of public revenues and the reduction of expenditures by price corrections. Through such measures, the GoY also worked towards controlling inflation and succeeded in lowering the rate in the same year to 45%. Unemployment, the estimates of which varied, was to be tackled later. Other numerous measures were also adopted and taken along this direction, which included trade liberalization, privatization, reform of the public sector enterprises, and the improvement of the regulatory framework.

Although the EFARP worked towards laying down the foundations of an economy characterized by a low inflation rate, while at the same time enjoying the ability to bring about steady growth, nevertheless it still temporarily left adverse effects on the operations side and on the income of some of the groups that are more susceptible to such effects. Therefore, the GoY sought to limit and curtail such effects on the low-income groups, as it included, for example, the gradual removal of subsidies, especially on wheat and wheat flour. Similarly, the program included the establishment of a Social Safety Net covering all the groups that are incapable of acquiring assistance through the Social Welfare Fund (SWF) that provides cash assistance to the poor. At the same time, the GoY took numerous, albeit limited, measures to improve the lives of the affected and low-income groups such as increasing expenditures for education and health services, and the establishment of the Social Fund for Development (SFD) for financing primary service projects and the Public Works Project (PWP), which is concerned with small, labor intensive projects, with a view towards providing temporary job opportunities, as well as setting up other funds and projects.

3.1. The Outcomes of the EFARP

The evaluation of the EFARP rests on two major criteria. The economic criterion focuses on the ability of the economic policies to achieve economic stability that is essential for achieving sustainable economic growth. The social criterion is concerned with the effects of the stabilization policies on (social) human development. The assessment should also include reference to the policies, measures and instruments that have been implemented and to the setbacks and their causes that the EFARP encountered.

3.1.1. The Favorable Outcomes

As a start, it should be made clear that the high GDP growth rates which were realized during the period from 1995-1997 are attributed primarily to the increase in the proceeds of oil exports due to the use of a free exchange rate for the riyal. Similarly, the stabilization and reform policies implemented since 1995 aimed for the reduction of the imbalance between domestic expenditures (total demand) and output (income), primarily by reducing local expenditures, particularly consumption expenditures. Indicators have shown the success of this policy seen in the decline of final overall consumption to reach 77.3% of GDP in 1997, resulted in shrinking both final private consumption and final public consumption. Investment expenditures, as a percentage of GDP, also witnessed a slight increase during the same period where it grew from 22.1% in 1995 to 23.4% in 1999, and then declined to 19.2% in 2000.

The primary success for the implementation of the economic reform program is exemplified by the reduction of the major macroeconomic imbalances where the budget deficit, the growth in money supply and the inflation rate all came down, and by the same token, the foreign currency reserves grew, the now floating exchange rate of the Yemeni Riyal became stable, and the balance of payments relatively improved. The first group of EFARP measures, which aimed at the improvement of public revenues and the reduction of expenditures, through numerous pricing corrections (adjustments), yielded a reduction of the fiscal deficit to 5.2% of GDP in 1995, compared to 14.9% in the previous year and the achievement of a surplus of 7.1% in 2000. This improvement in the public budget is attributed to the increase of oil revenue proceeds and the reduction of subsidies. Oil revenues rose rapidly as a percentage of total public revenues from 19.4% in 1995 to 74.9% in 2000 as a result of the increase in world oil prices. In contrast, the restraint on public expenditures focused on cutting subsidies on food, petroleum derivative products and basic services, whereby the subsidy bill declined from 10.2% of GDP in 1995 to 5.8% in 1997 and then to 0.6% in 2000.

The EFARP aimed to give monetary policy a role in reducing inflation and to achieve the relative stability of the exchange rate by controlling the growth of money supply. This was realized by the reduction of government local credit on one hand, and raising the interest rates on deposits and credits and issuance of the treasury bills on the other. The result of this was the reduction of money supply (domestic liquidity) from 31.6% in 1994 to 8.6% in 1996, before returning to a high increase, estimated to be 25.1% in 2000. The rate of change of the consumer price index (CPI) was also reduced from 49.2% in 1994 to 30.6% in 1996 to 2.2% in 1997 and then rose again to about 4% in 2000. Note that the inflation rate was reduced to a greater extent during the period from 1995-1997, which coincided with lower excess demand, since the pressure that was put to curtail overall demand had the strong effect of curbing inflation pressures and reducing the percentage of absorption of domestic expenditures (demand) to GDP from 120.3% in 1995 to 102.4% in 1997, then down to 91% in 2000.

Indicators also point to improvements in the foreign sector, due to the reduction in the balance of payments deficit, as a percentage of GDP, from 13% in 1994 to 2.4% in 1997 and to a surplus of about 18.9% in 2000. The surplus in the overall current account, however, was reduced from US\$ 249.6 million in 1994 to US\$ 22.3 million in 1997, and then rose again to US\$ 2.06 billion in 2000.

A considerable improvement was also achieved in the reduction of the debt burden, especially with respect to the foreign debt, as the GoY was able, through the Paris Club Agreement in 1997, to restructure its foreign debts according to the Naples Terms (67% of debts waived). In

the following year, GoY was able to obtain a full exemption of 80% of the Russian debt, which amounted to 60% of Yemen's external debt and to have the remaining 20% thereof become subject to the Naples Terms. The outstanding balance of Yemen's foreign debt was reduced significantly from US\$ 8.32 billion in 1995 to US\$ 4.93 billion in 2000 with a consequent reduction in the debt service (loan principal installments and interest due) from US\$ 1.096 billion in 1992 to US\$ 193 million in 2000, which comes to 4.5% of total exports. This amount is still a heavy burden on the capabilities of the national economy, considering the increase of the external debt as a percentage of GNP from 61% in 1997 to 66.8% in 2000. It is also expected that the next few years will witness a rise in debt service as the repayments payable on the new loans become due accordingly.

3.2.2. The Adverse Effects of EFARP

Despite the favorable aspects of the program cited above, it is imperative that some of the expected adverse effects of the reform program should also be shown, such as the rise in prices, which at times exceeds the increments in income, and the poor growth in employment opportunities. People’s standard of living deteriorated because of the decline in the purchasing power of the riyal, and the disparity in the wage structure led to lack of any significant increase in real income for most of the civil service employees. Similarly, while admitting that trade liberalization has led to a relative revitalization of foreign and domestic trade, the implementation of foreign trade liberalization measures so quickly and comprehensively led to the impairment of some of the productive capacity, given the poor competitiveness of domestic products. The poor economic growth also affected the ability to provide new job opportunities whether in the private or public sectors, as the government has abandoned its role as an employer of last resort.

Box 3.5: The Decline in the Standard of Living of Government Employees

The growth of public expenditures on salaries and wages and other associated benefits at an average rate of 24.3% a year over the period from 1995-2000 led to a rise in the average employee's wage by an annual average of 18.6%, given that inflation was estimated to be about 11.1%, which supposedly would lead to a real improvement in the wage by about 6.7%. However, the disparity in the wage structures between the civil service and the mixed sector and between the various employment rankings blocked the assurance of a real increase, worthy of mention, for most of the civil service employees.

Undoubtedly, the measures for the gradual reduction of government subsidies for primary commodities and services were bound to have an obvious impact in aggravating the effects of the inequitable distribution and the deterioration of the conditions of the limited income groups and the poor. The subsidies have, for more than a decade, served as a form of safeguard for maintaining real standards of living of these groups, notwithstanding the penetration and abuse by those who are not entitled to benefit from them and the negative effects that come with the inefficient allocation of resources that usually characterize subsidies. Furthermore, what made matters worse is that the withdrawal of the government from undertaking this role comes in light of the retraction of real wages and consumption, the rise in unemployment and the deterioration of the quality of public services – all of which serve, in essence, to fundamentally increase the severity of the effects of the EFARP on the limited income groups and the poor.

3.2. The Impediments of the Reform Program

After reviewing the results of the reform program, we may then ask: Did the improvement in the macro-economic balances leave a positive impact on the requirements for economic growth? Is the overall economic environment more conducive and encouraging for a greater role for the private sector in stimulating economic growth? The EFARP does call for the achievement of economic growth under the leadership of the private sector, and realizes that to achieve this requires setting the overall economic framework and freeing resources, so that the private sector can undertake this role. However, the achievement of this is beset by many structural difficulties and hindrances. The economic reforms were not successful to the extent required, with respect to the achievement of economic

growth, which remained astray in recent years. A significant share of this failure is attributed to the fact that the other administrative, judicial and institutional reforms were not accorded the same extent of implementation, and accordingly, reduced the significance of the economic achievements of the reforms. The administrative and also the judicial reforms were beset with certain hazards and challenges. The most important of these are widespread corruption, the need to reduce the size of the civil service and the retrenchment of excess employment. The reforms also created a strong resistance against change, due to personal interests coming into conflict with the adoption of greater transparency. In this context, the EFARP was unable to eliminate all the ghost workers and double dippers in the civil service and public sector. Similarly, the implementation of the Civil Service Fund (surplus employees) was delayed for a number of years, although the allocations for it were appropriated in the public budget for 2000. This led to a delay in freeing the government organs and institutions from the surplus employees, on one hand, and maintained several workers in the payrolls of failing public industrial enterprises, who were not really working, but were still getting their pay from the government, thus burdening the government, while depriving the economy of their productive capacities on the other.

Box 3.6: Decentralization and Local Authority

While the administrative reforms were a major part of the EFARP, the orientation towards decentralization and the adoption of local authorities is considered a reinforcing element of democratization as an approach to and a pillar of good governance. This orientation is based on involving all groups at the local community level in shouldering some of the responsibility, considering they are more familiar with their needs and more capable of solving the problems and difficulties they face accordingly. The Local Authority Law No. (4) for the Year 2000 was enacted to set out the duties and authorities delegated to the local authorities at governorate and district levels. The first local elections were held in February 2001, as a practical and serious step towards delegation of authority and passing on some of the responsibilities. This orientation is an initiative and a major mechanism adopted by the government, which has put its stakes on its success in achieving sustainable development and poverty reduction.

The judicial reforms have been successful in putting in the basic requirements, such as improving the employment terms and conditions of the staff in the judicial system, the assessment of the performance of judges, relocating many of them in keeping with the aim of upgrading efficiency and improving performance, not to mention putting some of them to retirement and referring some of those who abused the profession to the prosecution. Nevertheless, the modernization of the judiciary requires introducing and assimilating updated judicial methods, the creation and development of information systems, in addition to the establishment and reinforcement of the role of the Judiciary Enforcement Officers, all of which are matters which are actually still delayed until now. Therefore, the causes and factors for the deficiency of the administrative apparatus of the government, corruption and the efficiency in the role of the courts in Yemen remain basic challenges that stand in the way of achieving the developments required along the course of economic and social development.

The privatization program faced some difficulties, such as the delay in the enactment of the law that regulates the process of privatization until 1999, which led to a delay in carrying out privatization and in reviewing the approaches which the government has previously approved in some areas. The GoY also adopted the instrument for government funding for implementing the privatization of some of the recommended enterprises, while it also confirmed that it will proceed forward with the implementation of the program to achieve the objectives stipulated in the law in accordance with the mechanisms and methods set forth.

Similarly, the structure of public revenues still depends on short-term revenues, such as oil revenues which are affected by world prices prone to fluctuations, production levels, GoY share of the exported oil, and the level of local consumption of oil products. Therefore, with the reliance on temporary sources of revenues looms the threat of the return of the disequilibrium in the public budget, unless there are structural reforms that focus on strengthening the other sources of government revenues. The policies on public expenditures, since the start of the EFARP also focused on limiting the increases in salaries and wages and rationalizing investment expenditures by limiting them to social priorities and infrastructure

projects, in addition to reducing the current and capital transfers to public sector enterprises, which helped to reduce current expenditures from 81.3% to 76% of total public expenditures during 1995-2000.

Some of the changes in setting the priorities for some public expenditure items can be seen over the period of the FFYP, despite some fluctuations, in a slight decline in the importance of government services, as compared to the growth of the relative importance of social services and a reduction of the shares taken by defense and security from 39% in 1995 to 22.5% of total public expenditures in 2000. This was contrasted with the sectors associated with the development of the basic structures for human development, such as education and social services, the share of which reached an aggregate of 28.6% in 2000, although short of its share of 31.9% in 1995. Also, the relative importance of economic services declined to 23.8% in 2000 after achieving a big increase in 1997 compared to 1995 resulting from the growth in investments in electricity and water by an average real increase of about 8.8% per annum.

Table 3.1: Budget Priority (%)

Item	1995	1997	2000
Government Services	47.5	38.3	39.1
including: Defense, Security and Order	39.0	23.8	22.5
Social and Communal Services	31.9	24.0	28.6
Including: Education	19.2	15.0	17.7
Health	3.8	3.0	4.0
Social Security & Welfare	0.9	0.6	0.4
Economic Services	6.4	29.4	23.8
Public Debt Service	12.8	6.7	6.9
Total Functional Spending	98.6	98.4	98.3
Debt Repayment	1.4	1.6	1.7
Total Public Expenditure	100.0	100.0	100.0

While the public expenditures for education reached an acceptable percentage share of public expenditures, health expenditures are far from the level desired. During 1995-1997, the average public expenditures for education constituted about 18% of total public expenditures and about 6% of GDP. Despite the retraction of both of these percentages over the following two years to 16% and 5% respectively, it went on to rise again to 17.7% of public expenditures in 2000. These percentages were close to their correspondent percentages in some of the more advanced countries. However the public health sector was accorded the lowest share of the public budget, compared with the other sectors, where the average government expenditures on the sector ranged from 4.4% during 1990-1995 and 4.1% during 1996-2000, which is equivalent to 1.1% and 1.5% of GDP respectively. This percentage is much lower than what is allocated by several developing countries for this sector. The low expenditures for electricity, water and sewerage is also noticeable, as the aggregate share for these sectors remained less than 1% of GDP during 1992-1995, and thus the reduction in the share for public health, electricity, water and sanitary drainage explains the continuation of the poor coverage rate of these services.

Furthermore, although there was a significant nominal growth in public expenditures, resulting from the rise in the inflation rates and the slight relative increase in social expenditures, it still, however, shows a clear deficiency, in addition to the reduction of real per capita share thereof. The modest growth of real expenditures especially for the health sectors, in light of the rapid population growth, led to the retraction of the average

BOX 3.7: GROWTH OF PUBLIC EXPENDITURES AT CURRENT PRICES

Despite the manifold growth in public expenditures at current prices, in all the sectors, these rates of growth do not reveal the true picture of the extent of adequacy of spending. In general, the real expenditures for these sectors fluctuated between being constant and modest rates of growth that were lower than the increases in current prices. Moreover, the use of the consumer price index (CPI) shows that the real value of spending on education and health indeed declined during 1990-1996.

per capita share especially when considering the deterioration of the value of the riyal in the first half of the 1990s and the continuation of this deterioration over the next half of the decade. The reduction in the real value of social expenditures for education, health and social welfare had a negative effect on the productivity of these sectors as a result of the deterioration of the real value of wages and the reduction of the ability to operate, maintain and replace machinery, equipment and instruments, and accordingly adversely affects the quality of education and health services in general. Therefore, the allocation of public expenditures still shows a bias against expenditures for basic social services, and does not meet the needs of investment expenditures and expenditures for operation and maintenance requirements.

4. The Private Sector

The EFARP aimed at redefining the role of the government and the establishment of a partnership between the public and private sectors, by having the government take charge of instilling the foundations for security and law and order, as well as securing institutional set-up, ensuring economic stability, completing the basic infrastructure, and provision of public services. At the same time, the program sought to encourage and stimulate the private sector through incentives to lead the economic and social development process and to enter into the sectors that were monopolized by the government, in addition to investment in education and health services.

Since enabling the Yemeni private sector to lead economic and social development will require a period of rehabilitation and development of the sector's capacities and capabilities, the FFYP confirmed this by not exaggerating the size of investments of this sector, which were estimated at 12.2% of planned overall investment only and 23.3% of all projected investments excluding oil and gas investments. Nevertheless, the role of the private sector in the economy cannot be ignored, as its importance lies in the role it plays, in terms of size and variety of its activities and the labor force that it absorbs. The contribution of the private sector ranges from 75% to 80% of non-oil GDP absorbing 89% of the total labor force which was estimated at 3.8 million workers in 2000, compared to 428,000 in the civil service and the public and mixed sectors. The importance of the economic activity of the private sector can also be seen in other numerous aspects, including: (i) its dominance in the agriculture sector, which still employs 53% of the labor force and on which 75% of the rural population depend, and on its associated activities, for their livelihood; (ii) the private sector ownership of 97% of the manufacturing facilities (more than 33,000) of which small enterprises (1-4 workers) comprise the lion's share, with a percentage of 96%; (iii) the absolute control of the private sector in the trade, hotel and restaurant sector, in which about 455,000 workers are employed being 12% of the total labor force, and; (iv) the ownership of over 81% of the total capital equity of the banks operating in Yemen by the local and foreign private sector.

Although agricultural activity in Yemen belongs, in its totality, to the private sector, the reason that the extensive investment opportunities in agriculture were not taken advantage of goes back to the many difficulties faced by the sector,

BOX 3.8: THE ROLE OF THE PRIVATE SECTOR IN THE FFYP

The FFYP was a suitable base for the transmutation towards a larger role for the private sector, as it consisted of the fundamentals and policies for this change and the takeoff to new horizons and visions on the partnership between the private sector and the government in achieving development goals. The bases for the private sector from the general economic goals of the FFYP may be summarized as follows:

- Promotion of the approach of relying on the leadership of the private sector in economic life;
- Improvement of the general climate for investment and provision of the requirements of a favorable investment climate;
- Greater attention and more support to the private sector to direct investment in export related industries and activities;
- Reform of the financial sector; improvement and expansion of the banking system and support to the conversion of commercial banks to banks that provide comprehensive services;
- Reform of the tax and customs system to facilitate procedures;
- Implementation of the privatization program, revitalization of investment and the creation of a financial market;
- Attraction of foreign investment and transfer of modern technology and expertise;
- Encouraging the integration and merger of small and individual firms.
- Involvement of representatives of the private sector in supreme committees, boards of directors of government authorities and funds and in official negotiations with fraternal (Arab) and friendly states.

BOX 3.9: LICENSED INVESTMENT PROJECTS

The number of investment projects licensed by the General Investment Authority (GIA), since its creation, reached 3,956 projects, at a total investment cost of over YR 702 billion. These projects provide about 128,000 job opportunities directly, which implies that the cost of one job opportunity amounts to YR 5 million. Manufacturing projects rank first, with 2,003 projects, followed by projects in services (957 projects), tourism (521 projects), agriculture (373 projects) and fisheries (102 projects). The projects in agriculture and fisheries together constitute 12% of all the projects, although these two sectors are characterized by sustainability and the availability of foreign as well as domestic markets and by their bias towards the poor.

including the poor and retarded infrastructure, the poor financing services and scarce water resources. In the area of infrastructure, the private sector focused during the past period on implementation of infrastructure projects which were financed by the public budget or by foreign assistance. Permitting the private sector to invest in communications is considered the first step that reflects a real contribution to infrastructure projects. However, notwithstanding the importance of this investment, there are only a limited number of job opportunities.

The private sector began to operate in social services such as health and education since the early 1990s. The number of private hospitals now reaches 70, compared to 116 public hospitals, in addition to a large number of private clinics. The number of private universities grew to eight universities in the last decade. The private sector also runs 162 schools throughout the country. Despite the significance of the role of the private sector in providing such services and their contribution in the creation of job opportunities, their services are directed towards people of high income and these services are lacking a mechanism to provide some of these services systematically to the poor, who are incapable of affording their costs.

The loans and credits of the commercial banks focus on financing and promoting domestic and foreign commerce, which cause such credits to be characterized by short term and high interest bearing. Therefore, craftsmen, industrialists and agriculturists resort to banks only when absolutely necessary, such as covering current production expenditures or upgrading production quality or facilities and then only to a limited extent. Obtaining such facilities requires different securities, especially collateral mortgages, which make the possibility of obtaining such facilities quite difficult for those with small enterprises. The situation is not much different for the Islamic banks, although they can be expanded and reinforced, within the existing financial resources available. The importance of the Islamic banks rests on their financing of small and micro enterprises, finding Islamic formulas for dealing with such projects and on the availability of resources that can be taken advantage of such as the returns from compulsory reserves.

BOX 3.10: THE ROLE OF ISLAMIC BANKS

Islamic banks are characterized as being financial, economic and social corporations, which not only seek to increase their profits, but also consider themselves to be social projects, which make support to investment subject to the existence of some social contribution of sorts. They also require work as an essential partner of capital and a source of sanctified gains, since money should not be allowed to acquire gains, unless it is intermingled with real work. The social role of Islamic banks in Yemen focuses on goodwill and charity, with some benefit from goodwill lending funds and the possibility of contributing to the collection of Zakat religious duty and its distribution to its statutory outlets.

Among the reasons that prevent typical commercial banks and the Islamic banks from enhancing their roles in this respect are the absence of legal and regulatory procedures, which will enable them to regulate granting credit financing for small and micro enterprises, in addition to the large size of bad loans and the unfavorable way they are dealt with legally.

Women take up a large percentage share of the work force in the private sector and NGOs (28.3%), when compared with the government sector and the public sector (9.3%). This is attributed to the large number of female workers in the agriculture sector, fisheries and grazing – the majority of whom are in the informal sector and account for about 94.7% of the total number of female workers in the private sector and the NGOs. The percentage share of the female workers is lower in the rest of the activities, which are dominated by the private sector, such as manufacturing (17%), financial brokerage (16%) real estate and commercial projects (5%), wholesale and retail trade (3%) and hotels and restaurants (2%). The low participation of women in these activities is attributed to a number of factors, including the nature of work involved with the private sector, which requires specific skills and long hours, not to mention the privileges granted for such work, which makes the private sector prefer to employ males only. Some entities also do not comply with the laws and legislation that grant women workers privileges and benefits, which thus results in limiting their participation in the labor market.

Women, more so than men, are lacking in the capacities and skills required, due to the low levels of education among females and the poor training and qualification of women. Women workers also bear the double burden of reproduction and production, given the lack of institutions that support working women such as day care and nursery schools, which is one of the main reasons for the lack of women participation in the labor market. Some of them are compelled to leave their jobs and take on the task of rearing their children, whether temporarily, pending the growth of their children to school age, or permanently. Therefore, Yemeni families prefer women to engage in professions like teaching, which is regarded as the most preferred vocation acceptable in the Yemeni society, which is followed by employment in community organizations and NGOs, which engage in activities that are related to serving women, children and the family.

CHAPTER 4: THE POVERTY SITUATION IN YEMEN

1. Introduction

While human development indicators clearly achieved noticeable progress during the 1970s and 1980s due to significant rise in income especially in the 1980s, the 1990s -as a consequence of a number of domestic and external shocks- witnessed the dilation of poverty, where today it has become an economic and social problem that has troubled the government, the society and donors. Poverty is no longer confined to income level only or the ability to secure the minimum requirements of food, clothing, or shelter, but it rather extends to include education, health, and the other basic social services, which is what led to the emergence of the different dimensions of poverty.

2. Poverty in Yemen

Three poverty surveys were conducted in Yemen in 1992, 1998 and 1999. However, it is impossible to trace the development of the poverty phenomena in Yemen by comparing the results of the three surveys because of their non-comparability for methodological and technical reasons such as the lack of measurement standards in the 1992 HBS and the incomprehensiveness of the 1999 Poverty Survey because of its implementation in a one-month period leaving out seasonal variations. The 1998 HBS is, therefore, considered the base to be used in estimation of income poverty and to carry out comparisons based on it in the future. Nevertheless, the 1999 Poverty Survey provides a large quantity of data and non-income indicators at the district level which are helpful in analyzing and determining the dimensions of poverty, and in showing the quantitative and geographical differences and disparities.

Box 4.1: What is Poverty and Who is Poor?

Food poverty is insufficient income to meet the basic essential food requirements. Usually this need is determined by the cost of obtaining the minimum daily caloric requirements for an individual. Absolute (upper) poverty is insufficiency of income to meet the requirements of food and non-food needs, such as clothing, housing, educational, health and transport services. According to the 1998 HBS, the food poverty line is YR 2,101 per month per individual at the national level to meet the daily need of 2,200 calories, compared to YR 3,210 for the upper poverty line. Both poverty lines vary among governorates and between rural and urban areas.

The 1998 HBS showed that 17.6% of the Yemeni population live under the food poverty line, whereas the percentage of the population who are incapable of obtaining all their food and non-food requirements (represented in food, clothing, shelter, health, education and transport) is 41.8%. These percentages reflect the gravity of the situation and living conditions of approximately 6.9 million people, who are suffering from the different dimensions of poverty, not to mention the other large numbers that are living close to the poverty line and are vulnerable to being dragged in to below the poverty line, besides the high poverty gap, which is estimated at about 13.2% and the severity of poverty, which amounts to 5.8%.

Poverty and its development are not just seen through poverty lines alone, but they could also be assessed through the use of several social and economic indicators. While economic growth and decline in population growth have helped in increasing real GNP per capita from YR 31,775 in 1995 to YR 46,159 in 2000, by an average growth rate of 7.7%, which could suggest improvement in the standards of living assuming equity in the distribution of development benefits, nevertheless, real final personal consumption per capita did not achieve any significant growth. In fact, average growth did not exceed 0.7%, rising from YR 27,709 to only YR 28,644 during the same period. The difference in the growth of GNP and the consumption indicator reflects the imbalance in the distribution of the fruits of economic growth during that period in favor of high-income groups.

Box 4.2: Voices of the Poor

"75% of the poor pointed out that their living conditions are increasingly getting worse from year to year, and that the income that they are getting from their productive assets and the proceeds of such assets are very low".

The Voice of the Poor, October 2000

This is supported by the data from the 1998 HBS which point to disparity in income distribution, whereby 10% of the population with the highest incomes take up 25% of total consumption expenditures, while at the same time, the 50% of the population with high incomes spend 73% of total consumption expenditures. Similarly, the 6% of the population with the highest incomes take up 20% of total consumption spending. Accordingly, the purchasing power of the higher income groups is almost 2.7 times that of the lower income groups, which reveals the disparity and the gaps in purchasing power between the rich and the poor. The Ginni coefficient, which is used to measure income distribution, reflects this disparity by a value of 34.4 in 1998.

Tax indicators, which reflect the policies being followed, show that there is an imbalance in the distribution of the tax burden among the different groups of society. At the same time businessmen in the industrial sector soak up 87.8% of the value added of the sector, in contrast to 12.2% for labor, the taxes paid up by wage earners might reach 43% of the taxes on corporate profits. The revenue collected from taxes of the civil service employees is 71% higher than the taxes collected from the profits of the business sector while the profits of the business sector are higher by many times than the wages paid to the civil service employees.

2.1. Poverty and Economic Growth

The problem of poverty became very closely tied to poor economic performance and the domestic and external shocks, to which the Yemeni economy was subjected, especially during the first half of the 1990s. This was generally reflected in a set of economic difficulties, such as the fiscal deficit, the Balance of Payments deficit, inflationary pressures, the deterioration of foreign currency reserves and of the exchange rate of the national currency, besides the administrative and organizational deficiencies. With respect to the period 1995-2000, which coincided with an average annual real GDP growth rate of 5.1%, and a population growth rate, ranging from 3.5% to 3.7% per annum, which implied an increase in the GDP per capita, the major part of that growth was realized in economic sectors and activities with limited forward and backward linkages, with the returns from such growth only in favor of capital intensive economic sectors, hotels, financial and insurance business, etc. During the same period, the agriculture sector was also confronted with changes that left their marks on poverty, with the production of cereals declining by an annual average rate of 3.5%, compared to an increase in cash crop production, which rose by an annual average of 9.7%, including Qat (5%). This indicates deterioration in the conditions of sustenance farmers and an improvement in the profitability of commercial agriculture.

The disappointing economic growth in the 1990s, as a result of a number of factors, of which the most important were the absence of a clear development strategy, implementation of conflicting policies and the reduction in investments, notwithstanding the ambitious expectations of the FFYP, with regards to investments that were projected to amount to US\$ 8.2 billion, of which 73% was to come from external sources, while it is worth noting that the investment climate in Yemen during that period was not conducive for attracting local and foreign investments. The assessment of the FFYP shows that the share of foreign financing was only 36% of total investments, including investments in the oil sector, which is less than the 50% projected in the FFYP.

Box 4.3: Economic Policies

The economic policies pursued by the two parts of Yemen prior to unification conflicted with each other, and both witnessed structural changes due to the unification process in the first half of the 1990s. This gave rise to duplication and lack of clarity in economic policies, especially since the unified GoY adopted free economic policies and free market mechanisms, by which the government was to abandon some of its functions, leaving the reigns of economic leadership with the private sector. These transformations led to features that left their prints on economic performance and impacted the effectiveness of policies, especially with respect to economic growth, the labor market and the strategic sectors such as agriculture and manufacturing.

The agriculture sector, which still represents the leading activity in the economy considering its output estimated at 15.3% of GDP in 2000, the job opportunities that it provides to 53% of the total labor force, and that three quarters of the rural population depend on the sector, besides the sector provision of a considerable part of their food requirements, is clearly and

primarily subject to a set of natural and human determinants. Nonetheless, the sector managed to grow at an average 4.5% during 1990-2000, although productivity of the agricultural worker remains less than that of his counterpart in Saudi Arabia by fifteen folds and in Korea by seventeen folds and in Singapore by 62 times.

Box 4.4: Natural and Human Determinants of Agriculture

Limited Cultivable Land: Cultivated land does not exceed 1.6 million hectares, which is 2.9% of the land area of the RoY, in addition to 2 million hectares of marginal land, which equals 3.7% of total land area.

Scarce Water Resources: The rarity and scarcity of water is considered to be a major challenge contributing to the debility of the agriculture sector and to the spread of poverty in Yemen. Agriculture depends on rainwater, which irrigates 47% of the agricultural land, while 38% is irrigated from wells, 11% from spate-irrigation and 5% from springs. Yemen is exposed to drought and flood seasons.

Fragmented Land Holdings: The cultivated area in Yemen is distributed between 1.2 million landholders, of which 60% are confined to the Central, Southern and Northern Highlands. These landholdings are distributed as follows: 20% have areas that are less than 2 hectares; 24% have areas that range from 2-5 hectares; and 5% have areas of 5-20 hectares. The fragmented and dispersed nature of landholdings is considered one of the impediments to the development of the agriculture sector, with landholdings that consist of one plot being only 16.3% of all landholdings, as compared to 58.4% consisting of 2-5 plots, 17.1% consist of 6-9 plots and 8.2% being landholdings of 10 or more plots.

Population Growth and the Distribution and the Strain on Natural Resources: The rapid population growth over the last quarter of the 20th Century started to put pressure on the natural environment and to threaten the ecological systems. The density of the population in the agricultural land has increased from 7 persons per hectare to around 11 persons during the period 1990-2000, which is reflected in the shrinkage of landholdings to smaller areas, that do not exceed 1.03 hectares per person, thus making agriculture unable to absorb the continuing population growth. Furthermore, notwithstanding the increase in water consumption, which jumped from 2.9 million m³ in 2000, the per capita share of water is continuously decreasing, as it came down from 240 m³ to 137 m³ over the same period.

Rugged Topography and Limited Infrastructure: With the topography of Yemen having rugged features, this leads to difficulties for engaging in agricultural activities in many parts of the country, and to higher costs of agricultural production and marketing in the other parts. The area of rocky terrain and deserts amounts to about 30 million hectares. Tied to the amplitude of the country, the nature of its topography and the dispersion of the population is the poor and limited existing basic infrastructure, such as roads, electricity, water and sanitary drainage. Only a small segment of the population is served by the road network, and then only 10% of this network is paved. The public electricity grid is only accessible to 30% of the population, whereas only 57.4% of the population has access to potable water.

Decline in productivity in the agricultural sector is attributed to numerous factors, of which the most significant are the use of antiquated techniques, the forms of ownership and fragmentation of landholdings, scarcity of water, fluctuating prices, pricing policy, and the inadequacy of the inputs and support services such as agricultural extension and research. Such factors have formed impediments to the dynamism of the sector with a direct impact on poverty. The low productivity in the sector was reflected in the wages of farm workers, where the monthly wages of laborers are 41% less than their counterparts in the manufacturing sector, 58% less than those in construction, and 67% less than hotel or restaurant workers. This disparity in the average wages, high population growth, and the characteristics of agricultural landholdings in Yemen have encouraged many people to migrate from rural areas to seek work and to upgrade their standard of living. However, many of them were unable to fulfill their hopes in the cities and thus joined the ranks of the poor.

The industrial sector, notwithstanding that both its mining and manufacturing sub-sectors contribute 41% of the GDP, only employs 4.5% of the total laborers in the national economy. The extractive industries –more expressly oil and gas– come up with the lion's share of the output generated by all the industrial sector, with an estimated share of 88% of the value-added of the industrial sector. Manufacturing (excluding refining) witnessed fluctuation in growth due to the lack of a conducive investment climate. Nonetheless, it achieved an average growth of 5.2% in value added during 1990-2000. This led to a stable contribution to GDP between 7.4% in 1995 and 7.2% in 2000. Such performance led to the inability to push for the achievement of sustainable growth and for the creation of job opportunities, aside from having a modest role in providing foreign exchange as a result of low manufactured exports.

2.2. Features and Characteristics of Poverty

Poverty in Yemen takes on a rural attribute, especially as the Yemeni people are, to a large extent, mostly rural dwellers, despite the rapid growth of urbanization. The rural areas of Yemen embrace about 83% of the poor and 87% of those who suffer from food poverty, whereas 3/4 of the population in 1998 were rural dwellers. The percentage of the rural population who are poor amounts to 45%, as compared to 30.8% for the urban population, in addition to the wide gap and severity of poverty among the rural population, compared to that of the urban population. This attribute also shows that, according to the 1998 HBS, spending on food comes to about 54% of income in the urban areas, whereas it climbed to 67% in the rural areas, which reflects low incomes in the rural areas on one hand, and an even lower degree of spending on non-food requirements there on the other.

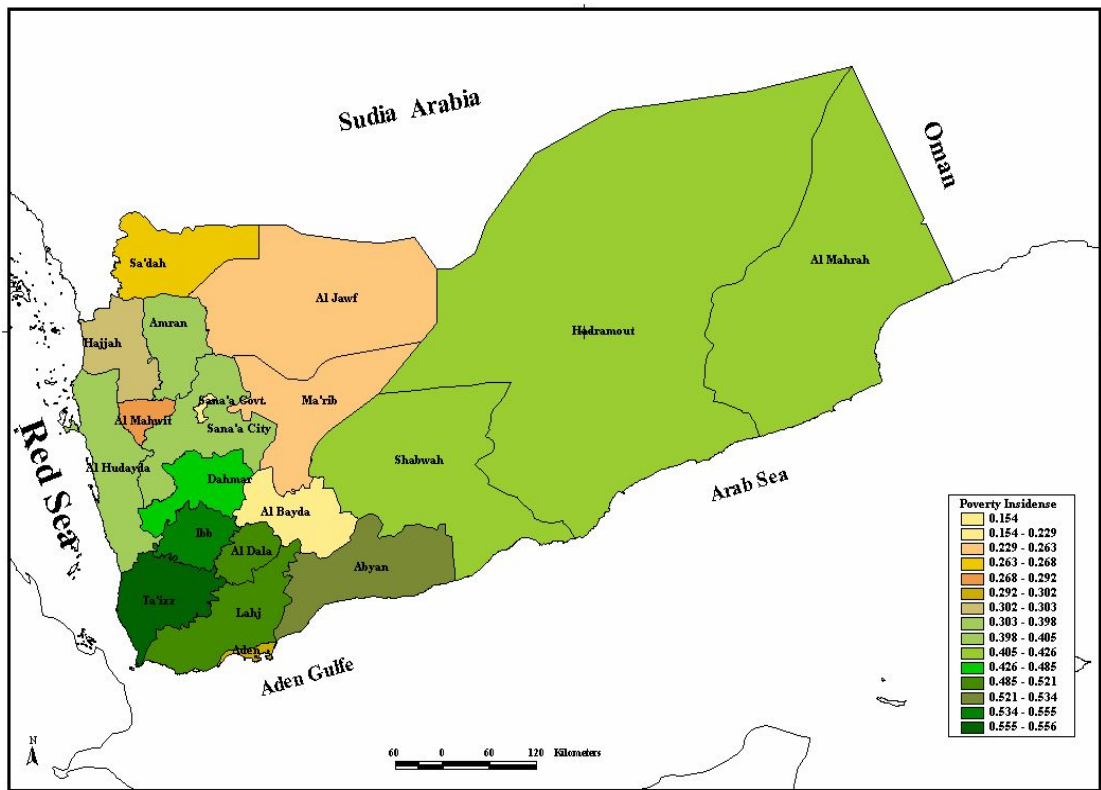
TABLE 4.1: POVERTY INDICATORS IN YEMEN

	Total	Rural	Urban
Food Poverty Line (YR/per capita/ per month)	2,101	2,103	2,093
Percentage of the Poor	17.6	19.9	10.0
Number of Poor People (millions)	2.9	2.5	0.4
Poverty Gap	4.5	5.2	2.1
Severity of Poverty	1.7	2.0	0.7
Upper Poverty Line (YR/per capita/ per month)	3,210	3,215	3,195
Percentage of the Poor	41.8	45.0	30.8
Number of Poor People (millions)	6.9	5.8	1.2
Poverty Gap	31.2	14.7	8.2
Severity of Poverty	5.8	6.7	3.2

Source: Estimates based on the 1998 HBS.

In the same way that poverty is inequitably distributed between rural and urban areas, there is also an obvious disparity among the different governorates of the RoY, whereby half of the poor are concentrated in four governorates: Taiz, which has 18.7% of the total poor population; Ibb (with 16.2%); Sana'a governorate (with 11.9%); and Hodeidah (with 10.2%). The highest poverty incidence rates are found in Taiz governorate, where 56% of the population of the governorate is poor, followed by Ibb (with 55%), Abyan (with 53%) and then Lahj (with 52%). Poverty incidence is also high in Dhamar governorate (49%), as well as Hadhramout, Al-Mahra and Shabwah (all with 43% of their respective populations who are poor), whereas the incidence is low in Aden (30%), Sa'ada (27%) and the Capitol Secretariat (23%). The incidence is lowest in Al-Baidha (15% of the population of the governorate).

FIGURE 4.1: POVERTY MAP IN YEMEN



2.3. Demographic, Social and Economic Characteristics of the Poor

The findings of the 1998 HBS show many of the properties of the poor, which are similar to a large extent with the patterns that are observed in many other developing countries. The survey highlighted the following demographic characteristics:

- A relationship between the family size and poverty, which is evidenced by the sharp rise in the incidence of poverty among large families, with the incidence of poverty declining to less than 1% in families composed of 1-2 persons compared to 50% in families of 10 or more persons. The data also show an increase in the average family size in poor families to 8.2 persons compared to 7.1 persons for the national average, as well as an increase to 9.2 persons in poor families in the urban areas compared to 8 persons in the rural areas.
- The dependency rate is high in poor families reaching 158, compared to 111 for better-off families. The incidence and depth of poverty are also higher in families that have a higher ratio of children to adults, where the incidence of poverty reaches 35% in families with more adults than children, compared to 50% of the families that have a ratio of children to adults between 2:1 to 3:1, and 66% of the families who have ratio of 4:1 or more respectively.
- Families that have a head of household who is still of working age (26-64 years old) have a higher rate of poverty, which comes to 43%, compared to 38% among the families that are headed by a provider who is less than 25 years old, and 39% among families that have a head of household, who is more senior in age.
- There is a higher rate of poverty among families that have a widower as the provider, which is 43%, followed by the households that depend on a married provider (40%), and is lowest among families headed by a divorcee.
- Results have shown the insignificance of the head of household being a male or female, on the incidence of poverty, as the percentage of the poor, who are living in families with female heads of household, does not exceed 5.4%, which reflects the division of the families, according to gender, for the population as a whole.

BOX 4.5: HOW THE POOR SEE THE IMPACT OF POVERTY ON THEMSELVES

The poor suffer from the severity of poverty in various forms, with a disparity in the effect according to their living conditions and the factors that surround them. The views of the groups of poor people differed on the severest impacts of poverty, despite the unanimity of both males and females, on the serious repercussions of illness and the inability to meet the cost of treatment, and the education expenses that deprive their children from education. Hunger and malnutrition come in second place, in addition to the poor social solidarity among community members and the emergence of family problems and break-ups. In different ways, the poor expressed the impact of poverty on themselves, with most men of the view that sickness is the most obvious and important effect, exemplified by psychological ailments that indicate the severity of their suffering from being unable to provide the needs of their families. Among such effects are being in debt, as they are compelled to resort to borrowing to fulfill their food requirements, medicine and any other essential needs, in addition to turning towards crime and deprivation, which is one of the most severe social consequences of poverty. *The perceptions of women differed* a lot as to the impacts of poverty on them, where they focused on the lack of money to meet their needs that include processing of government transactions, such as for employment, and to afford the cost of transport. Women also believe that poverty leads to early marriages for girls as a desire to reduce family size and to benefit from the dowries, while at the same time, it delays marriages due to the inability to meet the cost of weddings. Women also pointed out that poverty affects families severely, as they are compelled to sell or mortgage their assets *"If there is an illness a loan collateral might be in the form of land"*, which in turn increases the risk of vulnerability to worse forms of poverty. Poverty also leads to changes in the customs of the society, such as women having to go out to work and engaging in work in the marketplace, which is viewed as shameful in some societies.

BOX 4.6: LOW EDUCATION ATTAINMENT AMONG THE POOR

The poor are well aware of the importance and the necessity of education to improve their standard of living, considering that education provides them with qualifications and skills that allows them to obtain better job opportunities. Certain groups of the poor, which were visited in poverty pockets, confirmed the lack of schools in their areas, or that the available schools were far away making it difficult for their children to enroll in them. The majority of the poor people, however, stressed that despite the existence of schools for basic education they were unable to enroll their children in them because of their distant locations, because they were coeducational hindering the enrollment of girls, or could not absorb all the children. They also believe that the absence or the lack of teachers is a reason for their children being deprived from continuing their education. The costs of education is also considered an obstacle, especially for families with many children *"If someone has ten children he has a hard enough time feeding them, let alone getting them in school"*. In addition there are other reasons, such as the need for child labor which primarily affects girls.

The 1998 HBS results confirm existence of a strong link between poverty and the level of education. About 87% of the poor are among the groups that suffer from illiteracy or incomplete primary education, with a high poverty rate among families that have an illiterate head of household of 47.3%, followed by families with a head of household who reads and writes or has completed primary education (38.6%), then the rate drops to 22% among the families with a provider who has obtained post secondary school education. In all, the rate of poverty among families headed by an individual with the highest educational attainment is 2.2%, compared to the poverty witnessed at about 95% among the families who are headed by a woman. Similarly, 86% of the poor families are rural dwellers that are headed by an illiterate individual.

Poverty is further exacerbated and made more inclusive by the extent of inequity and disparity, which is aptly illustrated by low income levels, low productivity and seasonal unemployment, although most of the poor, in both rural and urban areas, do work. The 1998 HBS shows that the employment position of the head of households and the sector where they are employed, each has an effect on the occurrence of poverty. At the national level, 84% of the poor are in families with an employed head of household, as compared with 2.5% of the poor families with unemployed head of household and 13.5% of the poor families have non-productive head of household (housewife, students, handicapped, etc.).² About 84% of the poor work in the private sector, of which 47.3% are engaged in agriculture, followed by services (35.9%) and then industry (16.8%). Foreign remittances are a major source of income, with 8% of the population living within families that are recipients of such remittances, according to the 1998 HBS. The effects of these remittances are apparent through their role in reducing poverty, as the percentage of individuals who are recipients of remittances and who are living within poor families does not exceed 26%. In addition, such remittances represent 41% of the income for a million people in the rural areas and 39% of the income for 300,000 people in the urban areas. The findings also show that the most economically well off groups also benefit more from foreign remittances.

In Yemen, the number of income earners in each family is low, with the average number of employees in medium-sized families of 7.09 individuals not exceeding 1.84. Thus, vulnerability increases in those families that depend on a single income earner, due to the risk of illness or the loss of job by this single provider. Similarly, while there are one million sole income earners in their families, who have to provide for six million dependents, there are 200,000 families that do not have members engaged in productive employment, which means that there are a million individuals who suffer from chronic poverty.

Similarly, a large portion of the population falls within groups that are vulnerable to poverty, due to the occurrence of natural, economic, and social shocks, such as loss of jobs, illness, old age, the occurrence of a drought, heavy floods, or any similar traumas. A simulation model for the different probabilities of the occurrence of any of these factors based on the 1998 HBS, shows that if one of these factors occurs and leads to a reduction of expenditures for each individual by 10%, the rate of poverty rises from 42% to 48.8% of the population (from 6.9 million people to 8.1 million people). The model also shows that in the event of a higher probability of occurrence of these factors causing a reduction of expenditure of each individual by 30%, this will then increase in poverty by a greater rate reaching about 65.8% at the national level, and even higher in rural areas, whereby two-thirds of the population would be living under the poverty line.

2.4. Causes of Poverty and the Factors Affecting the Probability of its Occurrence

Poverty is considered the result of a set of natural and human factors, domestic policies and external factors that come together to create an environment conducive to the occurrence and spread of poverty and the increase in its severity. However, while many of the features of poverty resemble causes for its occurrence and expansion, it is still important to isolate the

² There are no differences in this type between rural and urban areas.

major direct causes which enhanced this phenomenon, and accordingly deal with the factors associated with them as keys to remedying the problem and reducing its severity. Although the features and characteristics of poverty reviewed in this chapter may not show the direct causal relationship of poverty, the analysis of the linear regression equation undertaken using the 1998 HBS data (included in the World Bank Poverty Update), has shown that most of these attributes are related to poverty at different levels, despite the disparities thereof between rural and urban areas. The equation derived the following results:

- Large family size raises the probability of falling under poverty.
- Families with a large number of infants and children have a higher probability of being poor whether it is located in rural or urban areas.
- The probability of falling into poverty is reduced, with the head of the household being of an older age, which is even more apparent in the urban areas, whereas the probability increases in families headed by a widower or a widow.
- Returns of education are high, whereby an assumed scenario shows that the elimination of illiteracy from the heads of households leads to the reduction in the poverty incidence by about 5.8% at the national level, by 6.4% in rural areas and by 3.7% in urban areas. Completion of secondary school education leads to gains reaching 25% in rural areas and 42% in urban areas. The differences in such gains are attributed to the availability of greater opportunities in urban areas for skilled labor. There are also advantages that arise from a husband/wife that can read and write, compared to one who is illiterate, which can go up to 12% in the rural areas and 6% in the urban areas.
- The employment situation highly affects the probability of falling into poverty, as the linear regression equation shows that the incidence of poverty is lower in families that are headed by a businessman or self-employed person. Similarly, there are really no systematic advantages for employment with the private sector in urban areas. The probability of being poor increases in families that are headed by a worker in the private sector compared with those headed by a worker in the public sector. Current transfers, especially from Yemeni expatriates, help in avoiding poverty.
- The equation shows that manifest unemployment is not considered an important factor affecting the probability of being poor in Yemen in both rural and urban areas. People in the rural areas cannot stay without work, although many of them face underemployment. Underemployment is considered more important, as the 1999 Labor Force Survey shows a rise in manifest unemployment to 11.5%, compared to underemployment of about 25.1% of the labor force. Underemployment is noticeable in the rural areas at 27.5% compared to 19.7% in the urban areas, and among males who represent 78% of those who are facing underemployment. Analysis also shows that underemployment in the agricultural sector turns into manifest unemployment in urban areas, through migration out of the rural areas and over a number of years.
- Geographical location is an influential factor in raising the probability of being poor, where there are large variances in the per capita share of expenditures among governorates, although numerous attributes of the household were isolated. For example, and according to the 1998 HBS data, a family in the Capitol Secretariat is expected to spend 16.2% more than its counterpart in the urban areas of Ibb governorate. This relationship highlights the importance of dealing with the regional properties rather than dealing with the attributes of the households, when setting

BOX 4.7: CAUSES OF POVERTY AS SEEN BY THE POOR

All the male and female poor in the areas that were visited agree on four leading causes of poverty, including the lack of job opportunities that enable them to earn livelihoods, the lack of ownership of resources and assets, such as agricultural land. It was also apparent that the majority of these poor communities depend on seasonal activities, which reflect reduced job opportunities and the reduced material returns, which keeps these communities in a state of continuous need and destitution. The increase in prices and the scarcity of water resources and drought come in second in rank, with respect to both males and females. Most men also gave similar importance to the poor productivity of imited assets and resources possessed by the poor, such as their ownership of small landholdings, their vulnerability to catastrophes or to break up, as well as the ownership of the means of production as a result of their permanent struggle with the limited resources they possess that are inadequate to meet their sustenance needs. The majority of women, however, stated that the size of the family is a major factor leading to poverty, in addition to illiteracy and the resulting inability to have access to job opportunities.

polices for poverty reduction, which will help in enhancing pro-poor policies, such as investing in infrastructure.

BOX 4.8: THE IMPACT OF GEOGRAPHICAL LOCATION ON POVERTY

The analysis of the results of the 1998 HBS showed the importance of the geographical location in determining poverty. The “Voice of the Poor” study also showed differences in the ranking and importance of the causes of poverty at governorate and even district levels. Despite the existence of general and major causes of poverty, they clearly differ according to the geographical features of communities. In the border areas and some of the coastal areas the return of the Yemeni workers as a consequence of the Gulf War, without or with scanty resources, led them to the pitfalls of poverty. In the agricultural areas, such as Sa’ada, Hajjah, Shabwah, Taiz and Al-Baidha, drought was noticed to be the influential factor in the poverty of these communities with the decline in job opportunities and productivity. In the urban and semi-urban areas, the major causes of poverty were exemplified by unemployment, lack of job opportunities and the lack of resources, with differences in the ranking of these causes, even within a single district.

3. Human Poverty

While the overall poverty line and its indicators take into consideration the basic needs of the individual and his family, human poverty indicators provide a detailed picture of poverty using population indicators such as fertility, infant and maternal mortality, and other social indicators such as illiteracy rates, enrollment in basic and secondary education, access of people to primary health care and potable water, in addition to the percentage of the population who have access to electricity. All these indicators reflect a low level of human development in Yemen with a Human Development Index (HDI) of 0.468, which ranks Yemen the 133rd among the 162 countries that were classified in the World Human Development Report for 2001, in accordance with the HDI for 1999, thus placing Yemen among the least human-developed countries. Yemen was also ranked 70 among 90 countries, with respect to the Human Poverty Index (HPI) with a rating of 42.5 being a composite index of human deprivation.

TABLE 4.2: COMPARISON OF SELECTED INDICATORS FOR YEMEN AND THE GROUPS OF DEVELOPING AND LEAST-DEVELOPED COUNTRIES

Indicator	Yemen			Developing Countries	Least Developed Countries
	Total	Males	Females		
Life Expectancy at birth (no. of years)	61.1	58.9	62.9	64.5	51.7
Infant Mortality (per 1,000)	67.8	85.0	65.0	61.0	100.0
Child mortality (< 5 years old; per 1,000)	94.1	112.0	97.0	89.0	159.0
Maternal Mortality (per 100,000)	351	-	351		
Fertility	5.9		5.9	3.1	5.4
Illiteracy (15 years and older)	55.7	31.2	73.5	27.1	48.4
Enrolment in Basic Education (%)	62.0	77.2	43.9		
Health Coverage (% of total population)	50.0	..	..
Electricity Coverage (% of total population)	30.0	..	..
Access to Safe Water (% of total population)	40.0	..	..

Yemen for 2000 and latest date for comparator country groupings.

It is noted that social indicators in Yemen, in addition to being low, also reflect a consistent pattern of gender differences. Numerous measures towards achieving equitable distribution of the fruits of development and greater fairness between males and females have helped in

narrowing the gender gaps in many areas. The gap in life expectancy has risen in favor of females by 106.6%, and the educational gap, represented by enrollment in basic education has narrowed to 52.8%, and in secondary education to 35.3%, in addition to the increased participation of women to 22.7%, the percentage of women employees to total employees to 25.7%, which has helped in reducing the gender gap in the labor force to 31.1%.

The diminution of the gender differences leads to improvement of the Gender Development Index (GDI) reaching 0.410 in 1999, according to the World Human Development Report for 2001, ranking Yemen 131st country among 146 states classified accordingly. The GDI for 2000 is estimated to be 0.428, in contrast to 0.129 for the Gender Empowerment Measure (GEM). This last index showed a slight increase in two of its three composite indicators, with the percentage of positions occupied by women in the administrative apparatus of the State rising from 8.4% in 1994 to 15.8% in 2000. The indicator for employed women in professional and technical positions showed a paltry improvement, despite continuing to stay at an exiguous percentage of 1.2%, when compared to about 1.1% in 1994. The share of the parliamentary seats, numbering 301 in total, occupied by women during 1997-2003 were 2 seats, with a percentage of representation that is very low and not reaching even 1%.

In general, most of the indicators still reflect a pressing need to escape the limitations of access to basic services, in rural and urban areas, for both males and females, and for poor and non-poor alike, with priority to be given to reducing the these three gaps. For example, education, which is a basic requirement for economic and social development and an instrument for social mobilization and for poverty alleviation, is still limited with illiteracy rates reaching 31.2% among males and 73.5% among females. Furthermore, basic education is still unable to absorb all children of schooling age (6-14). Despite being compulsory the enrollment rate has not exceeded 62% and 43.9% among females. The percentage enrollment in rural areas is less than 28%. In secondary education the percentage of females enrolled is about 25% of all enrolled students, and even less in the rural areas reaching only 14%.

With regard to equity in access to enrollment in basic education, there is a bias against the poor, as the 1999 Poverty Survey results show that the enrollment rate for poor families amounts to 62.9%, compared to about 70.2% for non-poor families. The bias in favor of males is more apparent, at 73.45% for poor families and 80% for non-poor families, in contrast to a lesser percentage for females of about 51.7% for poor families and 59.8% for non-poor families. If we add to this the difference in the increase of the rate for dropouts amongst poor families and between females due to the inability to shoulder the costs of schooling or to help the family in meeting the cost of living or for other reasons, the gap then is bound to be even greater.³

Deprivation from education and low income pushes the poor families to direct their children to the labor market, which gives rise to child labor, or to engage in begging. This is a clear transgression on the rights of the poor and of children, whether it was their right to live dignified lives, or their political and legal rights. Child labor is estimated to have reached 158,834 males and 167,774 females, or a percentage of 5.1% and 17.2% respectively.

The health situation is not any better, although the available data show an improvement in the health indicators and a rise in the coverage of health services to 50% of the population in 2000, of which only 25% is in the rural areas, due to the partial presence of primary health care there. The modest growth in health facilities and cadres with the ongoing campaigns for awareness and immunization during the past three years contributed to improvements in most of the health and demographic indicators.

The low coverage and poor quality of health services also reflect the lack of equity in its distribution between the different governorates and between the poor and the rich as well. In terms of differences between the governorates, the 1999 Poverty Survey shows that one

³ Group observation studies indicate that an average of 8% dropout from basic education every year, which implies that around 270,000 students in the school year 2000/2001 have left to join the ranks of the illiterates and non-enrolled children outside the educational system.

doctor in Al-Jawf governorate has to treat 82,453 people, whereas this ratio in Aden governorate does not exceed 1,643 persons and 1,500 persons in the city of Sana'a. In terms of the availability of health services for the poor and non-poor, the Survey shows that the percentage of families that have access to hospital service reaches 22.5% of the non-poor families, whereas this percentage does not exceed 14.2% for the poor families. The same bias in favor of the non-poor also emerges in the rest of the indicators, such as clinical services (72.2% for non-poor families and 34.85% for poor families), the health unit services (36.2% for the non-poor families and 29.3% for the poor families), the maternity and childhood centers (21.7% for non-poor families and 15.6% for poor families).

Poor quality of the service and the lack of confidence in health facilities at the village and district levels compel the inhabitants in those areas to bypass the primary health facilities and resort to government health facilities at governorate or central levels, which adds to the strain on the central services and the beneficiaries have to bear the high cost brought on by the cost of transportation and waiting. In many cases the majority of the patients have to bear their illnesses, if it does not get worse and more serious, especially for women that are unable to move from one area to another to have access to health services without having a male relative as accompaniment (*mahram*).

Box 4.9: Health and Poverty

Spread of illiteracy and rise in the poverty incidence lead to the spread of diseases and illnesses and the deterioration of environmental conditions. Poverty, malnutrition, and poor health awareness all work to raise infant mortality rates (67.8 per 1,000), mortality rates for children under five (94.1 per 1,000), and the suffering of most children due to underweight and stunted growth. The 1998 HBS showed that 10.7% of average expenditures are allocated for the purchase of tobacco and Qat, in contrast to only 2.3% of total spending allocated to health care and services. Despite this, however, some studies and reports indicate that the citizen bears 75% of the overall health care costs compared to 25% being borne by the government. Confronted with the increase of poverty, reduced purchasing power of people, and absence of health insurance or health security, the reduced ability of the people to bear health care costs leads to a spread of sickness and afflictions and increases the gravity of their repercussions.

A large percentage of the Yemeni population also suffer from poor potable water supply services and limited sanitary drainage networks in urban areas and complete absence in rural areas, which leads to the spread of diseases and illnesses, which are natural outcomes of poverty. Studies have shown an increase in the number of beneficiaries in the cities from about 2.0 million in 1995 to 2.9 million in 2000, which is an average growth of 6.7%, which is what led to the rise in water consumption from 57 million m³ to 70 million m³, with an average growth rate of 4.2%. In the rural areas, the number of beneficiaries of water supply projects has grown from 6.8 million people in 1995 to 7.7 million in 2000, with an average growth rate of 2.5%. This led to an increase in the amount of consumed water from 270 million m³ to 306 million m³, with an annual average growth of 2.5%.

As a result, the coverage from public water supply networks in the cities rose from 53% in 1995 to 64% in 2000, and the coverage from water sources (pipes, wells and surface waters) throughout the RoY rose from 55% to 59%. Notwithstanding this improvement, disparity between the rural and urban areas, or among the governorates still exists. The 1999 Poverty Survey shows that families that have access to safe potable water (pipe network) reaches 98.2% in the Capitol Secretariat, 81.4% in Aden governorate, while it does not exceed 11.6% in Sa'ada governorate and 3.1% in Al-Jawf governorate. Among the poor and non-poor families the data shows a very slight difference, as at the same time the coverage rate for the non-poor families reaches 81.6% in the cities and 22.3% in the rural areas, we find that it amounts to 79.2% for poor families in urban areas and 20.2% in rural areas.

There was a large expansion of the public networks for sanitary drainage in the cities with the number of connections increasing at an annual rate of 19% during 1995-2000, thus raising the number of beneficiaries from 448,000 to 1.1 million people over the same period, a total increase of 152% and an annual average growth of 20.3%. As a result the coverage increased from 56% to 66% in the major cities, although this did not reach 6.2% of the population of the country. However, rural areas remained deprived of sanitary drainage services, except the noticeable increase in the number of houses that use a closed pit as a form of sanitary drainage. This is what led to the rise in the number of houses that have some kind of sanitary drainage from 17.1% in 1994 to 19.1% in 1999. At the governorate level the large disparity

can be seen from the percentage of the families that have some form of sanitary drainage which reached 98.5% in 1999 in the Capitol Secretariat and 97% in Aden, while the percentage did not exceed 12.5% in Hajjah and 9.1% in Al-Jawf.

It is clear that the disparity is in favor of urban areas, major governorates and major cities in the provision of this service, however the bias in favor of the non-poor families is less severe, as the percentage of the non-poor families that have some method of sanitary drainage comes to 88.3% in the cities and 21% in the rural areas, as contrasted with 77.3% for the poor families in the cities and 14% in the rural areas.

The electricity sector also witnessed an improvement of services, and the installed capacity for electric power rose from 693 megawatts in 1995 to 886 megawatts in 2000, with an annual average growth of 5%. This led to an increase in the amount of dispatched electricity by an annual average growth of 5.6% and an increase in the number of beneficiaries connected to the national grid from 524,000 consumers to 800,000 during the same period, or an increase of 8.1% per annum. This is reflected in the coverage rate of the national public grid rising to 30%, and accordingly an increase in the coverage rates from the different sources of electric power of about 45%.

Box: 4.10 The Importance of Electricity in Realizing Economic Growth and Service Improvement.

Due to the insufficient and weak reliance on infrastructure services especially electricity; the cost of production in the manufacturing industry compared to neighboring countries is high thus weakening of its competitiveness and hampering expansion and job creation. The 1996 Industrial Survey showed that the cost of electricity and the continuous power cuts constitute 50% of the concerns of large and medium industries and 25% of small industries. The inavailability of electricity services and the weak reliance on these services have constituted a constraint on the provision of health services for the population especially the rural poor. Absence of electricity hinders the operation of many health units, especially when faced with childbirth deliveries or emergencies at nighttime, let alone the necessity to have electricity for maintaining perishable drugs in cold storage.

Nevertheless, this improvement does not take into consideration narrowing the disparity gap and the need for equitable distribution of electricity service among the different regions of the RoY. The 1999 Poverty Survey shows a clear disparity in the provision of this service among the governorates on one hand, and between the poor and the non-poor families on the other. While coverage reaches 98% in the capitol city and 96% in Aden, it does not exceed 25% in each of Sa'ada and Al-Mahweet and 14% in the governorate of Al-Jawf and 16% in the governorate of Hajjah. The bias in favor of the non-poor families is also apparent, where the availability of electric power for such families in both urban and rural areas reaches 92.7% and 27.5% respectively, as compared to about 82.3% and 21% respectively for the poor families.

Since roads are considered the lifeline of economic activity and for improving the standard of living, the length of roads has increased from 5,052 km of asphalt roads in 1995 to 6,586 km in 2000 and from 2,360 km of paved roads to 3,915 km, with annual average growth rates of 5.5% and 10.7% respectively, aside from the 60,000 km of dirt roads. This increase, given the high population growth of 3.5%, economic growth of 5.5%, and commodity imports of 6.3%, is considered limited, or, in fact, extremely low, when considering the high demand for road service, the dispersion of the population and the distances separating production from consumption areas. The density of the roads, estimated at about 11 km for every 1,000 km² of land area, clearly shows the low coverage rates which is also reflected in the low percentage of families that have access to paved roads not exceeding 25.4% throughout the country. This situation is a primary obstacle for the economic growth and improving the living conditions in the regions and governorates, especially the remote and distant areas.

This limitation is not confined to the availability of roads in their various types, but also extends to show a clear disparity in their distribution between rural and urban areas and among the governorates. The 1999 Poverty Survey shows that the families that live near to paved roads reaches 81.4% in the urban areas, whereas this percentage does not exceed 7.5% in the rural areas. The percentage of families that are linked to paved roads comes to, at its highest of 95% in the Capitol Secretariat, and 70% in the governorate of Aden, whereas it

does not exceed 6.2% in the governorate of Sana'a, and 4.4% in the governorate of Hajjah and 1.7% in the governorate of Al-Jawf. As a result, areas of agricultural production, where the majority of the population dwells, are lacking this service despite its importance.

4. Poverty and the Environment

The increase in population and the spread of poverty lead to a strain on the natural resources, in general, and on soil, vegetative cover, and water resources in particular. This is paralleled by water denudation of land that accompanies floods and the increasing neglect of rainfed agricultural land because of its poor returns. The expansion of urban and industrial centers at the expense of the natural environment, the trend towards irrigated agriculture and the costs associated with the use of organic and chemical fertilizers and pesticides increase the problems of water pollution, which in turn leads to the deterioration of the local ecological systems and the expansion of desertification, in addition to the negative impact on the climate changes and the increase of acid rains.

The 1995 Environment Action Plan identified four major sectors of critical environmental problems that warrant remedies in the short and medium term. These four sectors are water, land resources, natural sanctuaries and waste management. Neither this Plan, nor the measures that came with it, linked the environmental problems in these sectors and the effect of environmental degradation on poverty in both rural and urban areas.

In the *water sector*, the most obvious environmental problems are represented in the depletion and pollution of the water sources for different reasons, of which the most important are the excessive pumping of underground water, insufficient recharge of water aquifers and pollution of underground water because of the permeation of wastes from garbage dumps or polluted wastewater that are returned to underground basins in some of the oil extraction operations.

BOX 4.11: THE EFFECTS OF POVERTY ON THE ENVIRONMENT AND NATURAL RESOURCES

The relationship between poverty and the environment is complicated, due to fact that the poor are essentially reliant on the environment for their livelihood. At the same time, they are affected by the methods by which environmental resources are exploited. Since natural resources, even if they are renewable, are usually limited and susceptible to deterioration, the improvement of environmental management and regulation of the management of natural resources leads to benefits for the population and to the poor in particular. It must be emphasized that poverty does not necessarily lead to environmental deterioration, since the linkage between both of them is complex and requires an accurate assessment. Population growth also does not necessarily lead to environmental deterioration. Although this might be so in the beginning, what happens after that is more subject to policies.

Scarcity of water adversely affects the poor, as they are compelled in rural areas to use water sparingly, especially the elderly, children and women. Water scarcity also leads to the gradual loss of agricultural land and the extinction of livestock when severe droughts occur. Since women are the gatherers of water for domestic use, they are compelled to cross long distances on foot for this purpose, in addition to their responsibility of grazing livestock which might compel women to go to distant areas during droughts. This, in turn, leads to overgrazing of rangeland. All of that could also raise the rate of miscarriages among women. The depletion of groundwater, especially in the coastal areas where seawater seeps into wells, makes surface water semi-saline and the poor are compelled to use such water for drinking. In the urban areas where the poor live in communities that do not have potable water and do not have access to proper basic services, they resort to paying large sums of money for water, which increases their financial burdens. Poor women, in both urban and rural areas are also compelled to use non-potable water for washing dishes and clothing or even for cooking, which affects the health conditions of their families, and thus decreases their productivity and exposes them to more severe poverty situations.

BOX 4.12: ENVIRONMENTAL HEALTH

The number of illnesses increased due to the diseases that are communicated by polluted, swampy, or stagnant waters, and also as a result of the accumulation of garbage from houses. The number of reported typhoid cases have increased throughout Yemen, except in Taiz, Hajjah and Amran governorates, from 7,811 cases in 1998 to 8,287 cases in 2000, with the continuation of the spread of schistosomiasis, with 17,000 reported cases in 2000.

With regard to *land resources*, the environmental problems are evident in soil erosion, loss of vegetative cover, deterioration of agricultural land and rangeland and loss of such areas due to the expansion of construction. Agricultural land in different areas of Yemen is subjected to deterioration due to numerous factors, of which the most important are the rapid runoff of water in the valleys (*Wadis*), sandstorms, and the excessive pumping of underground water, in addition to the long successive periods of drought. Desertification of agricultural land ranges from 3-5% per annum, whereas the area of deteriorated land due to soil erosion is estimated to be 12 million hectares and another 3.8 million hectares due to salinity. The situation is further worsened as a result of the sand dune encroachment, which only exacerbates the desertification problem. The adverse effects of the deterioration of land resources and desertification in the rural areas are more apparent than in the cities because of the dependence of the poor on the land for their livelihoods. Women who are engaged in gathering wood and grazing are especially affected as such.

Land area allocated for cultivation of cereals has dwindled from 787,000 hectares in 1995 to 671,000 hectares in 2000. Productivity of the hectare has also declined during the same period from 1.68 tons to 1.62 tons for wheat, from 0.96 tons to 0.95 tons for sorghum and millet, from 1.29 tons to 1.14 tons for barley and finally from 1.3 tons to 1.14 tons for legumes.

With respect to the natural sanctuaries and ecological bio-diversity, the varied topography of the country has helped Yemen to find a rich bio-diversity in the mountain and coastal areas and in its islands spread throughout the Red Sea and the Gulf of Aden. The Socotra Archipelago is matched, in terms of its importance and the diversified vegetation and animal life, by the Galapagos Islands, where an integrated plan has been drawn up for identifying regions and land belts for a number of land and marine sanctuaries. In 2000, the Utama Region was proclaimed a protected natural sanctuary. There are two additional projects for declaring Jabal (Mount) Bara'a and the Hawf Forest as protected natural zones, in view of their representation of what remains from ancient tropical rainforests. Similarly, preparations are underway for a project of two protected marine natural zones at the Island of Sakha and the crater lake of the Khourshouran volcano in the Bir Ali region of Shabwah governorate, in addition to making the Sharmat-Jathmoun Coastline a protected zone for sea turtles.

The two major environmental problems in this field are exemplified by deterioration of natural sanctuaries and loss of biodiversity, especially due to poor environmental awareness and control. Natural sanctuaries witness overgrazing, especially camel grazing for the *Al-Shoura* trees, in addition to firewood gathering. Coral reefs and marine life are in general also threatened by the use of ground dragnets in fishing or the use of explosives, or even by land fills of coastal areas, expanded construction, pollution from chemicals that enter the sea with floodwaters and from the wastes of electric power generating stations. The first problem adversely affects the poor in the rural areas more than it does in the urban areas, where the effects are confined to the loss of the aesthetic beauty of the natural sanctuaries, such as the distortion or pollution of the coasts, which, in turn, affects the income of beneficiaries of the environmental resources attractive to tourists. The second problem, despite that it is still limited, could however expand and thus make the country lose the benefits of bio-diversity and create significant adverse effects on the environment.

BOX 4.13: BIODIVERSITY IN YEMEN

There are 3,000 species of plants in Yemen on land, of which 10% are exclusive to Yemen, whereas there are 850 species in the Island of Socotra alone, of which 254 species are exclusive to the island. There are also 28 land animal species that are affiliated with 24 families, as compared to 365 species of birds of which 13 are exclusive to Yemen in addition to 118 species of reptiles and amphibians, compared to 3,700 species of terrestrial invertebrates and more than 3,400 insects. With regards to the coastal animals, the roving animals constitute 139 species and the sea sponges 8 species, of which five are in Socotra and three are in the Red Sea. The coral reefs in total constitute 200 species. There have been 62 species of marine birds recorded of which 14 are exclusive to Yemen and 70 species in Socotra of which six are exclusive to the island. There are 416 species of fish in the Red Sea, 169 species in Socotra and 62 species in the Gulf of Aden, in addition to 40 species of cartilaginous fish.

Table 4.3:Types of Cooking Fuel Used by the Poor

Cooking Fuel	Urban		Rural		Total	
	Total Poverty	Food Poverty	Total Poverty	Food Poverty	Total Poverty	Food Poverty

Wood or coal	49	43	39	33	40	33
LPG (Propane)	26	17	28	22	27	20
Kerosene	50	44	30	25	37	31
Electricity	35	30	33	26	33	26
Others	13	10	37	33	27	24

For *waste management*, there are five environmental problems of high priority:

- Disposal or treatment of sanitary wastewaters and their adverse effects on rural and urban areas alike.
- Disposal or recycle of solid waste, which is a more serious problem in the cities and adversely affects poverty in the rural and urban areas alike.
- Lack of any management for dangerous waste/toxic waste and the absence of any monitoring at the inlets into the country, through which substances that, in the long run could lead to the deterioration of natural resources and increase the severity of poverty in rural and urban areas, besides the harm they could bring to the population in general.
- Mismanagement of hospital wastes, mainly in cities, that could affect the total population.
- General abuse of pesticides and chemicals in agriculture. This is an environmental problem, with its adverse effects mainly in the rural areas, although the agricultural products, especially Qat, are consumed in larger proportions in the urban areas, and thus they affect the population as a whole.

The marine and coastal environment are accorded second priority since they are subjected to deterioration and pollution from land or marine sources, although most of the components of this environment are still clean and have not yet been damaged significantly by human activities along the whole coastline and throughout the islands. Fish production has risen from 86,000 tons in 1995 to about 135,000 tons in 2000, which is an average growth of 9.4 % over the same period. The major problem, which increasingly exacerbates the poverty problem among fishing communities, is exemplified by excessive fishing using sea ground dragnet boats, which have increased in number over the past few years and have harmed the reserves of marine life of high commercial value such as shrimps and cuttlefish. These boats have also harmed the undersea natural refuges and coral reefs. The entry of large numbers of fishermen into certain coastal fishing areas such as those for rock lobsters has led to the depletion of this resource and the fall of the productivity unit of fishing work/day to less than 20%, and for cuttlefish productivity to about 12%. The absence of monitoring and control systems exposes the fishing areas to pilferage by fishing boats that are not licensed or the abuse of fishing licenses, especially in the Gulf of Aden, Socotra Island and within the territorial waters and especially the economic waters. The lack of control that led to the abuse of licenses issued for fishing decorative household species of fish has also contributed to the destruction of coral reefs. This is also the case for diving. The filling of the coastal areas and construction of tourism villages is undertaken without considering environmental assessments leading to heavy environmental damage and to depriving fishing communities from income sources and thus exacerbating their poverty.

In the last few years, attention was accorded to environmental changes due to the increase of toxic gaseous emissions with the increasing use of different fuels, especially diesel, and the rise in the number of transport vehicles, whereby the consumption of fuels in 1999 reached 3.3 million tons, of which 29% was gasoline, 36% was diesel, and 29% heavy fuel. The emissions from cement plants exceed 90% of all the industrial emissions as local production of cement increased from 1,089 thousand tons in 1995 to 1,494 thousands in 2001, while carbon dioxide constitutes 33.6% of the gaseous heat occlusion arising from agriculture.

The gradually increasing temperatures leave their various impacts on agricultural production and bring about plant and livestock diseases that raise the risks in agriculture, especially since Yemeni farmers do not have the appropriate ways of protecting their crops from such changes. This also changes the climate, which, in turn, works to gradually change the characters of the climatic zones, in keeping with changes stemming from global warming and the degree of displacement to current climatic zones and also causes changes in the types of

plants and the vital ecological systems. In Yemen, climatic changes can lead to the displacement of the dry tropical climate prevalent in the coasts tens of kilometers into the interior, and thus have an effect on the climatic features of the western and southern slopes, which will bring about rainfall and push this climate towards the arid desert climate; or the humid tropical region could extend northward, which will increase the amount of torrential rain that falls on these slopes and the other areas, and thus increase the probability of flooding towards the west, while improving the climate in the plateaus and highlands and the eastern regions, due to the increase of rainfall. Consumption of water is expected to increase, due to the increased evaporation and the increased human, plant and livestock needs for water, in view of the rising temperatures. The productivity of current agricultural crops will go down because of the rise in temperatures, besides the fact that the present irrigation systems cannot control flooding and thus increase the risk of land erosion by water, which Yemen now faces, due to the increased sloping of the surface.

5. The Social Safety Net

The social security system has been applied in Yemen for a long time. In spite of this, the idea of establishing a social safety net (SSN) emerged in order to reduce the deflationary and negative effects on income and employment and the standards of living that coincided with the implementation of the EFARP and the reduction in government expenditures on programs directed towards the social protection in general, especially government subsidies for basic commodities and services (wheat, wheat flour, electricity, petroleum derivative products, transport, communications, etc.). These subsidies were replaced by a set of less costly social programs, which were directly aimed towards protection of the poor groups. Accordingly, the SSN in Yemen consisted of two major components:

- ❖ The first component represents programs and mechanisms that were set up as part of the requirements for the social infrastructure that aims to enhance social solidarity and to secure social equilibrium. This group includes, primarily, the civil and military service pension schemes.
- ❖ The second component represents temporary programs and mechanisms that aim to confront the adverse social and economic effects of the EFARP on the poor and limited income groups. This group includes the funds, programs and projects, which work to provide ownership of productive assets and basic services and to create temporary job opportunities. The most significant of these programs include the Social Welfare Fund (SWF, 1996), Social Fund for Development (SFD, 1997), Public Works Project (PWP, 1998), Agricultural and Fisheries Production Promotion Fund (1993) and finally Social and Family Development Programs, Handicapped Programs and Rural Development Programs.

It is worth mentioning that there are no clear criteria of the components of the SSN and the instruments for including or excluding some of the activities within the SSN. Each of the SSN units carries out its duties and seeks to achieve its objectives through any of the following orientations:

- Provision of social protection to the civilian and military subscribers in the social security schemes, and their protection in their senior years, or upon illness or injury during work.
- Provision of cash grants and assistance to people who are unable to earn a living.
- Implementation of programs and projects that aim to give access to ownership of assets (know-how or material assets), creation of job opportunities or provision of basic social services.
- Support productive activities in agriculture, fisheries and livestock grazing.

5.1. Social Security Schemes

Social security schemes are one of the elements making up the social security system, whether in terms of risk coverage and its targeted groups, or in terms of their long duration. However, they partially differ from other elements of the SSN that are of a temporary nature,

due to their independent institutional existence with their own financial resources and their own laws and regulations. The situation and performance of the pension schemes are subject to shortfalls and inefficiencies, which were adversely reflected in the social and financial viability in both the medium and long term. A large number of the workers in the formal private sector – not to mention those in the informal sector – are not covered by the pension schemes, as the coverage rate in the private sector is only 30%.

The insufficiency of the retirement pensions to maintain a standard of living that is proximate to the poverty line on one hand and the lack of coverage for unemployment or illness on the other are two basic shortfalls which these schemes suffer from. The schemes also reflect a number of deficiencies in their financial structures due to the continuous decline in their current revenues against a continuous increase in expenditures,⁴ which threatens their ability to continue even in the medium term. The investment programs of the pension schemes focus on investment in treasury notes and are not directed towards real production areas, which have a positive effect on increasing economic growth and reducing poverty.

5.2. Programs Coinciding with the Economic Reform Program

5.2.1. The Social Welfare Fund (SWF)

Through the provision of cash assistance to the needy – as identified by the Law- the SWF aims to effectively contribute to reduce the burdens of poverty and lift suffering of the poor, especially with the lifting of the subsidies to prevent them from feeling lost and dependent on begging or deprivation.

Despite the increase in the number of beneficiaries to about 450,000 families in 2000, compared to 50,000 families, at the time the SWF was set up in 1996, this number is still far from the desired coverage of all the eligible poor, who were estimated at 835,000 households in 1999, thus the SWF covers only 54% of the needed coverage. The shortfall in the coverage reflects the various difficulties faced by the SWF and the modest level of its current institutional capacity.

The SWF is also confronted by difficulties in applying the income criteria for determining and targeting the poor. This is due to the existence of a large segment of the population that is close to the poverty line and the difficulty of determining the extent of non-sustenance below the poverty line, in addition to the dispersion of most of the poor in extremely remote areas that are difficult to reach. The SWF also excludes broad groups of poor, whose income is less than the minimum level of the poverty line, because it is more than the maximum level of YR 2,000 set by the Fund for eligibility of assistance which covers a large group of employees and people in retirement, or due to the requirement of not having any other income, such as small farmers, wage earners (especially those working on daily wages).

BOX 4.14: CONTRIBUTION OF GRANTS TO PROTECT THE LIVELIHOOD OF THE POOR

The assessment of the contribution of the assistance of grants in protecting the livelihood of the poor could be undertaken by measuring the indicator for the sufficiency of funds paid out, which shows that the amount actually paid only represents 5.1% of the minimum level of the absolute poverty line, for the cases that receive YR 1,000 per month, about 6.1% for the cases receiving YR 1,200, about 7.2%, 8.2%, 9.2% and 10.2% for the cases receiving YR 1,400, YR 1,600, YR 1,800 and YR 2,000 respectively. This indicator reflects the insufficiency of the assistance provided to poor families, as well as the wide span between these amounts and the average household expenditures.

The distribution of the assistance of the SWF to the governorates is not consistent with the level of poverty in each of the governorates because of the lack of adherence to the distribution criteria for poverty targeting in some of the governorates due to the influence of some of the social dignitaries or due to other considerations. Field studies show problems in registration of beneficiaries that are entitled to assistance and in the mechanism for handing out the amounts set for the beneficiaries, which in many cases, are subject to deductions for intermediaries and others.

⁴ This is despite the huge jump in revenues that resulted from the new social security law.

5.2.2. Basic Services, Creation of Job Opportunities and Ownership of Assets Program

This inclination is basically manifested by two primary programs, which are the SFD and the PWP. Both programs provide a form of indirect income support that focuses on the productive employment of unemployed capacities, through the establishment of small public projects for basic physical and social infrastructure, which are labor intensive and provide public social services (education and health), especially in the poor urban neighborhoods and rural areas.

Since both of these programs direct a significant share of their activities towards setting up and providing basic social service projects, which benefit all the population, they are not included within the support that is pointed directly to the poor, and as such, they do not form an area of targeted protection of the poor, except within the limits that are related to the basic infrastructure projects and public services that arise from them, from which the poor also benefit, or with respect to the temporary job opportunities generated by such activities that help to absorb unemployment and generate income for the unemployed in the targeted areas.

The components of the SFD include supporting small productive and professional enterprises that generate job opportunities and sustainable incomes. This is the major area for direct protection aimed at the poor and unemployed. The institutional building sector of the SFD is the final item of the SFD's components, which is related indirectly to the creation of training opportunities for labor to carry out the objectives and the generation of income through the establishment of NGOs and to develop the pivotal role that such NGOs currently play in the implementation of the objectives and activities undertaken by the SFD and to follow up this role in the future.

It is clear that the financing appropriated for these two programs are inadequate for leaving any significant and tangible effects on the poor, whether in terms of improving the average share of the individuals of these projects, or in terms of their contribution to remedying temporary unemployment. Accordingly, both programs need additional support, which will fulfill the effective protection requirements for the livelihoods of the poor and rests on many factors including present and future levels of poverty and unemployment and the extent of opportunities which economic growth will provide, and the capabilities available to effectively contribute to the other completed social programs, especially in the rehabilitation of targeted cases for the formation of their own autonomous sources of income. The SSN programs also proved the importance of the role that the efficiency factor plays in the mechanisms for implementation and management in enhancing effectiveness.

5.2.3. The Agricultural Production and Fisheries Promotion Fund (APFPF)

The APFPF is one of the institutions and instruments for lifting the economy and for supporting development efforts in areas of agriculture, fisheries and animal wealth. The APFPF, in general, seeks to provide support, directly or indirectly, through agricultural and fisheries cooperatives and the Agricultural Credit Bank (ACB), whether these targeted activities are owned by the poor or in which they are employed, or by the non-poor.

The fisheries sector absorbed 59% of the total number of projects, which the APFPF financed during 1995-2000, and by an 18.5% share of the total costs, contrasted with 23% for the agriculture sector (both livestock rearing and crop agriculture), and 36% of total financing. Irrigation projects and water facilities took 18% of the total projects by a share of 43.7% of their total financing, which shows the priority which is accorded to this activity.

The nature of this fund, in general, is directed towards supporting the productive efforts in these sectors, and accordingly, is considered an important instrument for stimulating economic activity and for raising rates of economic growth, which is considered essential for combating poverty. The dispute over the nature of the work of the APFPF and its main function will necessitate follow-up and could exclude the APFPF from the components of the SSN. Nevertheless, the APFPF does not completely ignore targeting the poor, as one of its

main programs is pointed directly towards the poor by supporting domestic rearing of sheep and goats. Priority is given to the poor rural families to enable them to increase their incomes and improve their livelihoods, and accordingly contribute to the stability of the rural communities in economic and productive activity and to curtail the migration to the cities.

During the period 1995-2000, the APFPF implemented around 2,837 projects at a cost of YR 11.863 billion, with the number of beneficiaries reaching 6.1 million. Around 35% of the projects were allocated to multi governorate projects. The resources were allocated to finance projects in all the governorates and the percentage of allocations was proportional to the distribution of the population accordingly.

Finally, in providing its funding, the APFPF relies on providing interest free loans, in addition to providing grants, yet this approach encompasses the risks of non-repayment, which could lead to increased insistence on collaterals that enable only the rich to benefit. This will create an unfavorable climate for the farmers, fishermen and the associations of poor group.

5.3. Assessment of the Social Safety Net

The assessment of the existing SSN rests on the extent of its ability to provide the protective social umbrella for the limited income and poor groups, on one hand and to work towards safeguarding the people in the society from the spread of poverty, which could extend to larger areas and groups over the coming period on the other, especially given the adverse effects of some of the reform policies before they realize their development results and have their positive outcomes by improving the standard of living of the poor, which may require many years to realize.

Despite the importance of the direct and indirect role of the SSN in alleviating poverty over the last recent period, it encompasses only modest capabilities for combating poverty and for reaching effectively to the poor. The SSN faces many difficulties, of which the most important obstacles and constraints are as follows:

- Shortage of resources and the lack of an integrated database on poverty and the properties of the poor to be able to accurately determine the deserving beneficiaries and regions, to ensure the prevention of any finagling or redundancy and duplicity, with respect to those who benefit from the SSN programs.
- Duplicity of objectives and activities, due to the similarity of the nature of the activities of some of the programs and projects within the SSN, such as the PWP and the Family Development Programs and the SFD in light of the lack of one institutional umbrella under which these programs work.
- Poor qualifications and preparation of the staff of some of the units of the SSN and the shortage of training and rehabilitation programs, in addition to the shortage of the efficiency and performance enhancement programs for the projects undertaken by the relevant funds.

BOX 4.15: ASSESSMENT OF THE SERVICES OF THE SOCIAL SAFETY NET BY THE POOR

All of the poor that were interviewed in the areas surveyed for the “Voice of the Poor” study affirmed that they did not hear at all about the services of the SFD or PWP, except in four areas where a few poor men heard about the implementation of the two funds for some projects and two areas in which people did not know how to reach these funds. Nonetheless, most of the poor know about the SWF and confirmed that its assistance has reached their areas and in two areas people stressed that the targeting of the SWF was satisfactory in their area. In other areas, most of the poor men and women expressed their dissatisfaction with the activities of the SWF for a number of reasons including corruption, non-coverage of genuinely poor people and the need of the poor to pay bribes to register their names or to re-register their names in case of lost files; *“one of us sold his goats to register with the SWF”*. The majority of poor men and women also expressed their dissatisfaction with the criteria used for selection of beneficiaries, and the direction of such assistance only to influential people and their relatives; *“The committee which came was in the hands of the Sheikhs”*. They suggested the establishment of a committee from the areas who are knowledgeable about the conditions of all the people. The majority of the poor agreed that the suffering of women who do not have sponsors is complicated because of the lengthy procedures to receive the assistance of the SWF and some people take advantage their ignorance to benefit from their approved benefits as most of them do not have a sponsor who can handle these procedures.

5.4. Contributions of the Civil Society Towards Poverty Reduction

Since the early 1990s, and with the proclamation of the unified state of Yemen and the adoption of democracy as an approach for governance and political pluralism as a form of expressing opinions and to rise to authority, Yemen witnessed a large growth in the emergence and development of a modern civil society. The number of civil society organizations has risen from 270 in 1990 to 2,786 organizations in 2000. Community organizations and institutions also became numerous and diversified and their economic and social activities increased, in addition to the increase of the number of beneficiaries targeted by them.

As a reflection of the conditions and situations, most of these organizations and foundations operate in traditional realms, such as local community development (1,242 associations), illiteracy eradication, maternal and infant care (96 associations), and cooperatives (661 associations). Most of these organizations carry out their activities within a limited geographical expanse such as the local community, with a weak presence and dissemination of their services in the rural areas, where most of the population and the poor dwell. Many of the activities undertaken by these organizations repeat each other and sometimes target the very same beneficiaries.

The associations engaged in local development are found throughout all the governorates, while the organizations that carry out certain functions, such as advocating for human rights or cultural enhancement are confined to certain governorates only. The capitol city of Sana'a takes in the lion's share of these organizations, in view of the density of the population there and the political position, the economic and commercial activities of the city, and the cultural and scholarly role of the city. The rest of the organizations are centered in the governorate capitols or in the next largest cities, and they are found less in the secondary towns and are scarcely found in rural areas, although some of their activities are directed towards serving the population of rural areas.

The areas in which civil society organizations engage have, over the past few years, evolved to focus on alleviating poverty, combating unemployment and providing job opportunities, as well as providing educational and health services and working in environmental protection. Nevertheless, the impact of their activities on reducing poverty is still limited and of weak impact, as a result of the traditional methods followed by these organizations in carrying out their functions and their inability to innovate mechanisms and programs to enhance the voluntary spirit within the wealthy groups to increase the financing sources. However, the advantages of their roles is attributed to their services being directed towards the most poor groups, aside from their interventions being characterized as quick and based on participation and seeking to empower and provide options and alternatives. In the areas of poverty reduction, the activities of such organizations are as follows:

- Facilitation of access of the poor individuals and households to small loans from banks and from quasi-governmental organizations such as the SFD, with the NGOs acting as intermediary and guarantor.
- Provision of monthly cash grants to some of the poor households and financial assistance on religious occasions, which is one of the activities undertaken by most of the social charity organizations representing 46% of the total organizations that make up civil society.
- Provision of in-kind assistance to poor individuals and households on some occasions, such as school uniforms and school bags at the start of each school year, clothing on holidays and food commodities on some occasions and distribution of meat of sacrificed livestock during the Eid Al-Adha (Feast of Sacrifice).
- Provision of clothing and refuge for poor families that are confronted with difficult circumstances such as natural disasters.

The percentage of beneficiaries of charitable assistance and welfare care provided by the civil society organizations could reach more than 90% of the beneficiaries in Yemen. The high percentage is justified by the economic difficulties faced by the Yemeni people, the deeply rooted religious values and relationships of social solidarity, and the recent creation and experience of the civil society organizations which resort to traditional solutions for confronting poverty, besides these organizations meeting the wishes of the wealthy and well-

off in directing their donations towards particular areas. A study showed that the contributions of charitable associations and foundations constitute 17.4% of the income of poor families.

Despite the increasing growth of the organizations of civil society in Yemen, only 30% of them operate throughout the year, whereas some others are confined to seasonal operations, as on occasions or during religious holidays or within a very tight framework. There are also 20% of such organizations that lack any semblance of institutional structuring, whereby they are considered as frozen or suspended organizations, or they have yet to engage in any activity whatsoever since the moment they were set up. Similarly, the inadequate cooperation amongst these organizations causes duplicity and typically patterned interventions. For example, most of the organizations that are active in the development of women carry out training in sewing, embroidery and needlework, although such programs have for a long time proven not to significantly improve the conditions of poor women. Similarly, all organizations that work to encourage enrollment in schools amongst the poor families confine their activities to distributing school bags, although studies have shown the low enrollment rates of children in education goes back to more important reasons than not having school bags.

Yemeni women have a growing presence in the organizations of civil society due to political and economic and social developments, which paved the way for women to have access to more opportunities to participate in public life. Women are mostly found in associations and organizations as active members, despite the continuing low participation as members of Boards of Directors of such organizations. A number of active organizations in enhancing the role of women also appeared with all their management and employees consisting of women only (closed organizations). The number of such organizations has risen to 52 associations by 2000. Although their number is low, compared to the overall size of the population of women in the society, this situation still has its implications in a conservative society that maintains a strict division of roles between men and women in public life.

Most women organizations engage in traditional activities that revolve around maternal and infant care, social care, and education and training of women in sewing and embroidery, with a limited number engaged in cultural enhancement areas. All women's organizations are concentrated in the cities, especially in the capitol city of Sana'a, which implies their absence from the rural areas entirely, where the lives of women require many services for social care and development. Furthermore, these organizations are characterized by their poor institutional build up and lack of coordination among them, except for some seasonal or limited bilateral cooperation or collaboration.

CHAPTER 5: THE POVERTY REDUCTION STRATEGY

1. Introduction

There is now, more than any other time, a national consensus in Yemen on the need to address the problem of poverty and the imbalance between the demographic trends, the natural resource base and the economic structure, which created a process that generates poverty and deprivation, instead of providing job opportunities and means of livelihood. The modest achievements in growth over the past years have raised many questions on the implementation of the EFARP: Were the set of policies that were adopted appropriate or do they need to be reconsidered? What additional policies and/or institutional reforms need to be implemented in order to achieve the required growth?

Based on the causes and the factors that determine the probability of falling into poverty that were cited in the previous chapter, given the fact that it is often difficult to differentiate between the causal links among these factors and the causes of poverty, and based on the results of the different surveys and studies undertaken in this respect over the past years, three major sets of factors lead to poverty in Yemen, which are as follows:

- Decline in income and its association with the nature and extent of economic growth.
- High population growth and the poor development of human resources and infrastructure.
- Weak levels of social protection.

**BOX 5.1: THE SYNERGY OF THE FACTORS
LEADING TO POVERTY**

The three sets of factors that lead to poverty and the causes behind them combine together and intertwine to reproduce themselves and form a strong trap for poverty, which works to engulf more people into its grip. Therefore it is impossible to segregate these causes from each other and ignore their causal positive and adverse effects. The best example to prove this is population growth and education, with their effects and interaction extending into most, if not all, the other major and secondary causes and factors. The important causal relationships among these causes and factors and economic, social, and political decisions should, thus, be recognized.

To address the above-cited factors and to remedy the causes and factors that stand behind them requires the preparation of a comprehensive framework (*strategy*) and the adoption of mechanisms and means (*policies and measures*) that achieve economic growth, increase job opportunities, provide better basic services, and secure an effective social safety net for the poor under a responsible management characterized by efficiency and honesty and a mechanism that encourages participation and collaboration. The PRS represents that framework and includes a clear set of policies, measures and interconnected activities designed to provide an environment that makes the reduction of poverty and the achievement of specific time-bound objectives possible. In this strategy, the private sector is essentially charged with the task of achieving economic growth, with the government providing the physical and institutional structure, besides its continuous expansion, and improvement, of social services. Furthermore, the policies and measures to be pursued should take into consideration the need to have the implementation of EFARP coincide with the necessary social reforms, such as the form of social development and the initiatives for poverty reduction that require a longer period in order to ensure the sustainability of the results that were achieved in the previous period.

Therefore, the PRS sets out the objectives and measures for intervention and the action plans that are based on three overall basic goals:

- One. Achievement of economic growth, creation of job opportunities and expansion of the economic opportunities for the poor by remedying the structural causes of poverty, focusing on the prevention of poverty and providing sustainable means of livelihood.
- Two. Enhancement of the capacities of the poor, increasing their assets and the returns derived from such assets, towards more equity by improving the social, productive and economic conditions of the poor and those who are close to the poverty line.
- Three. Reduction of the suffering and vulnerability of the poor by supporting the SSN.

BOX 5.2: SOLUTIONS TO THE POVERTY PROBLEM AS SEEN BY THE POOR

Some of the studies diagnosing poverty ignore searching for solutions for the problems of the poor as seen by the poor themselves, who suffer from poverty in different ways and levels. In the "Voice of the Poor" study, the poor set out various solutions which they believe will help them come out of the poverty quandary, with the consensus of all the male and female groups that were interviewed, that the provision of job opportunities, capital and soft loans for investment in small enterprises – with respect to both the rural and urban communities – is the way that will enable them to achieve a source of dignified livelihood. The poor direct all the responsibility on the government to provide job opportunities, and men also gave more specific solutions like helping them to reclaim land, build dams, water harvesting projects, to enable investment in agricultural land, especially since they see drought as being one of the most important causes of poverty: *"Where there are dams there is work."* Most women pointed out that it is necessary to have water projects, schools, health services, laying roads and social security payments, which could lift their communities and families out of poverty: *"Sister, if there are schools for our kids, doctors and teachers and the government gives us grants; if the government doesn't help us, then we will just die"; "We want an easy way out. If you have someone who is ill you cannot rescue him unless you pay YR 500!"*. Although a few men indicated the importance of the provision of basic services, this however was not given the same level of priority amongst women, due to the fact that they are the ones who suffer from the weakness/absence of these services, especially since women need health care services more often than men, due to reproduction, as well as their infants, not to mention women being the ones to have to fetch water etc. Differences also included women indicating a need for eliminating illiteracy and adult education, whereas men did not mention this, which could explain the widespread illiteracy among women more than the men who normally rely on their bodily strength to obtain a source for their livelihoods.

2. The Goals of the Poverty Reduction Strategy (PRS)

The PRS includes the development of specific goals that can be monitored and followed-up, as well as general policies and programs to achieve growth and provide services for the reduction of poverty. The GoY has set for itself, as part of its commitments with the international community and partners in development, a number of goals as reflected in the SFYP and the Strategic Vision 2025. Therefore, it is imperative that the general goals of the PRS in Yemen are consistent with these general objectives, which reflect a position between reality and ambition.

2.1. The General Goals

- Reduction of poverty by about 13.1% during the period 2003-2005, to decline to 35.9% in 2005. This may be achievable through appropriate economic growth that will lead to increasing real GDP by about 4.7%, depending on the growth of the non-oil sectors by an annual average rate of 6.3% to ensure increases in GDP per capita and improvement in the living standards. This growth is expected to keep pace with effects of the population policies that seek to reduce the annual population growth rate to 3% by 2005. This growth also seeks to create job opportunities to reduce the current unemployment and underemployment rates.

BOX 5.3: POVERTY REDUCTION AND POPULATION GROWTH

The different scenarios for growth and poverty reduction show the role of a high population growth rate in weakening the effects of economic growth on poverty reduction efforts, whereby this growth alone is unable to achieve the economic and social goals. This outcome shows the importance that must be given to population policies and programs that aim to have an impact on fertility and to control population growth.

2.2. Sectoral Goals

2.2.1. Social Service Coverage

- Raising the rate of health care coverage to about 65% of the population by 2005 and provision of good health services accessible to the people by provision of basic health services in government health facilities especially in rural areas, whereby 80-90% of the needs for health care in these areas will be provided through the application of the Regional Health System.
- Raising the enrollment rate in basic education to 69.3% by 2005, along with the reduction of the gender and regional gaps and disparities. The PRS also aims to raise the rate of those enrolled in the vocational training programs and technical

education colleges and institutes. In higher education, the goal is to develop and modernize university education to keep pace with scientific and academic developments, to be able to absorb 282,000 students in public universities, and to increase the percentage of female students up to 27% of the total and the graduates of the scientific and practical specializations up to 16%.

2.2.2. Improvement of Infrastructure

- Increase production of water for domestic use, and increase the coverage rate of the public water networks to 69% in urban areas and to 65% of the rural population; expand the scope of sanitation drainage services, in addition to construction of sewage treatment plants, whereby the number of beneficiaries in urban areas will reach about 1.7 million people representing a 44% coverage rate.
- Raising electricity coverage from the national grid to 40.3% of total population by 2005, in addition to reduction of electricity losses to 25%. The rural electrification goals are exemplified by increasing the coverage to 22.2% of all rural population by expanding electricity supply and selecting the most suitable alternative power sources including new and renewable energy, such as solar and wind energy.
- Adding 3,300 km of asphalt roads and 2,950 km of gravel roads, besides the reinforcement and maintenance of about 3,194 km of asphalt roads, so as to achieve interconnection and to reinforce the transport traffic and facilitate the flow of commodities and services and movement of people, aside from maintaining the existing roads to ensure the safety of their use and their sustainability.

2.2.3. Ensuring Social Protection

- Enhancing social welfare and increasing the number of beneficiaries from the SWF to about 600,000 by 2005, in addition to expanding the umbrella of the social pension schemes to cover 529,000 workers, of which 70,000 workers are from the private sector.
- Training of 5,430 handicapped persons in the vocational training centers for the handicapped, and absorption of 5,430 handicapped persons in the formal educational system, in addition to provision of 4,190 job opportunities for the handicapped.
- Absorption of 6,750 orphans in the orphanage homes, and accommodating about 2,500 of the displaced street children and beggars.

3. Relationship between National and Millennium Development Goals (MDGs)

The above general objectives were set also by referring to the MDGs, which were adopted by the United Nations and other international organizations, which aim at reducing poverty and its different symptoms by 2015, and for the international community to strive, side by side, with national governments to achieve these goals within a partnership and cooperation framework. Yemen has adopted, in principle, as is the case with most of the developing countries, these goals and has expressed its commitment in the numerous summits, and expressed its intention to pursue the achievement of these goals diligently, given the availability of domestic financial resource and the amount of assistance provided by donor organizations and states.

COMPARISON OF THE PRS GOALS WITH THE MDG		
Developing Countries	Yemen	
2015	2000	2005
Reduce percentage of population suffering from food poverty by half.	41.6 *	35.9*
Reduce percentage of starving people to half	-	-
Stop and start to change the trend of the spread of AIDS	-	-
Reduce Infant Mortality by two thirds	94.1	81.6
Reduce maternal mortality by ¾	351	305
Provision of safe methods to give protection to all (cumulative)	-	-
Provision of the chance for all to enroll in basic education	62.0	69.3
Empower women and remove the social gender gaps in basic education by 2005	43.9	55.0
Enable women and remove the social gender gap in secondary education by 2005	41.0	52.0
Reduce the percentage of the population that is not getting safe water by half.	60.0	35.0
Apply national strategies for sustainable development by 2005, and reverse the trend of the deterioration of the environment by 2015	-	-

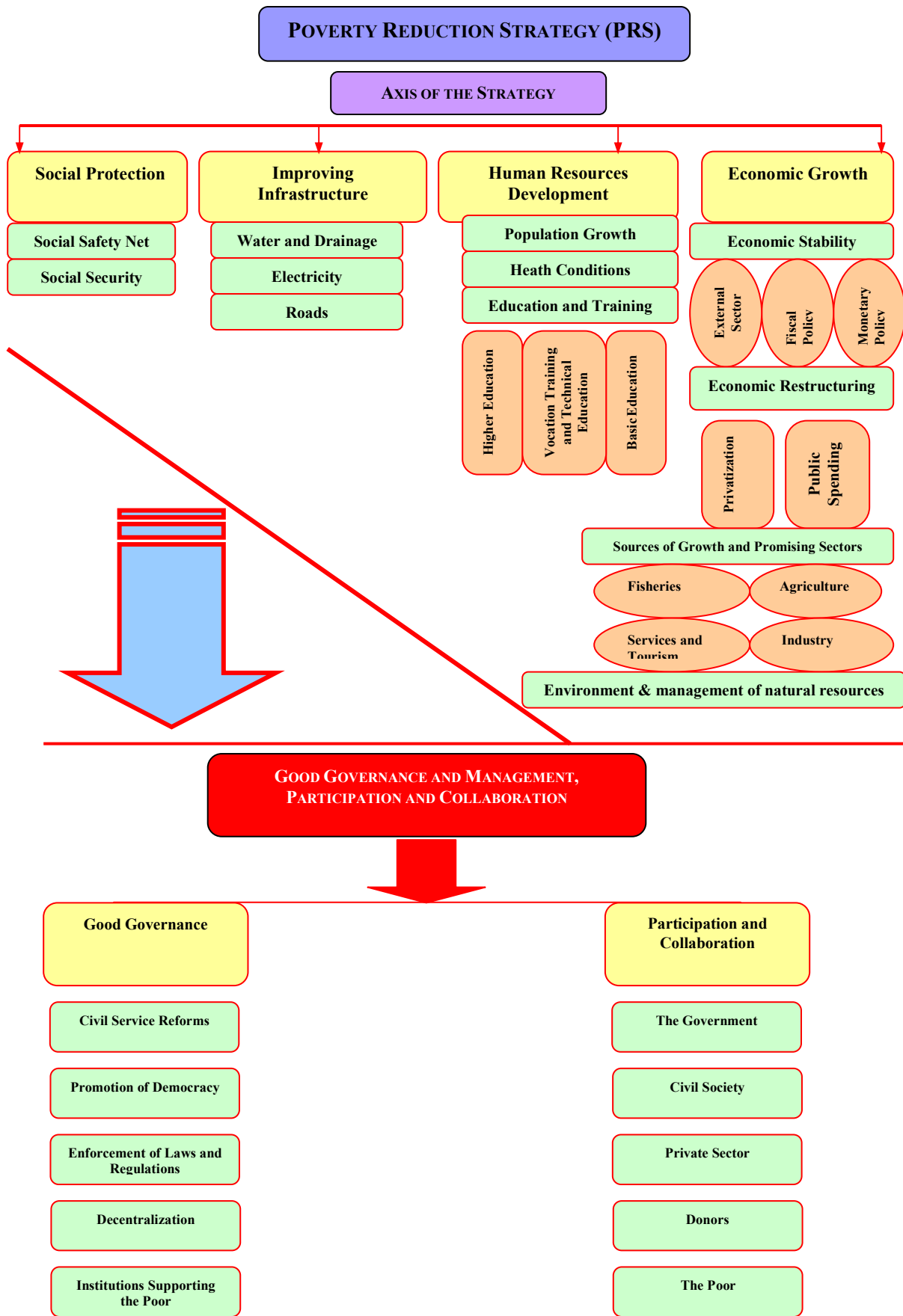
* Refers to lower poverty line and not food poverty.

The PRS goals shall be achieved only if all the different efforts and interventions are able to arrive to the establishment of prudent management and governance, effective local authorities, equitable and appropriate economic growth, creation of economic growth poles, improving social indicators, developing mechanisms for targeting the poor through reforming and upgrading the institutional framework of the SSN, education and spreading awareness among the people on the preservation of the environment and involving the poor and women and empowering them economically, socially and culturally. The achievement of those general goals also rests on the extent of success in attaining the targeted indicators in all the social and economic sectors which are shown in Table 5.1 as well as in Annex 1 which sets out priority actions and performance indicators for all areas of activities targeted for each year of the PRS up to 2005 being the last year of the PRS program.

Table 5.1: Goals and Indicators of the PRSP

Goal	Indicator	Base Year 2000	2001	2002	2003	2004	2005
Increase Real GDP	Real GDP Growth Rate	5.1	3.3	4.1	3.7	5.3	5.4
Increase Non-Oil GDP	Non-Oil GDP Growth Rate	4.7	4.0	5.0	5.7	6.5	7.0
Increase Per Capita GDP	Growth Rate of Per Capita GDP	1.6	-0.1	0.8	0.5	2.2	2.5
	Total Population (millions)	18.3	18.9	19.5	20.1	20.8	21.4
	Fertility	5.9	5.7	5.6	5.5	5.3	5.2
	Maternal Mortality (per 100,000 births)	351	342	333	323	314	305
	Infant Mortality (per 1,000)	67.8	66.2	64.6	63.1	61.6	59.9
	Child Mortality (per 1,000)	94.1	91.6	89.1	86.6	84.1	81.6
Control of Population Growth	Population Growth Rate	3.5	3.4	3.3	3.2	3.1	3.0
Poverty Reduction	Poverty Incidence (1998) Total (%)	41.6	41.5	40.6	39.7	38.0	35.9
	Urban (%)	29.9	29.6	28.6	27.7	26.1	24.4
	Rural (%)	45.1	45.0	44.2	43.3	41.6	39.3
Raising Coverage of Health Services	Coverage rate – Total (%)	50	52.8	56.0	58.3	63.8	65.0
	Urban (%)	80	80.0	80.0	80.0	80.0	80.0
	Rural (%)	25	29.5	32.9	34.8	39.6	42.0
Raising Education Enrolment Rates	Basic Education Enrolment Rate, Total (%)	62	62.9	64.5	66.0	67.6	69.3
	Males (%)	77.2	78.4	79.4	80.3	81.2	82.4
	Females (%)	43.9	45.9	48.1	50.4	52.7	55.0
	Graduates of Technical Faculties (%)	12.2	..	..	..	..	16.0
Raising Coverage of Water and Sanitation Services	% of population with access to the public water network, total	45	..	..	..	..	-
	Urban (%)	64	64	65.5	66	68	69
	Rural (%)	55	..	..	..	..	65
	% of Population with access to Drainage services, total	6.2	..	..	..	..	8
	Urban (%)	33	33	34	36	40	44
Raising Electricity Coverage	% of population with access to Electricity Network, Total	30.0	32.0	34.7	37.0	38.5	40.3
	Urban (%)	65.7	85.2	81.3	90.2	96.9	98.2
	Rural (%)	17.0	19.0	20.0	21.0	22.0	22.2
	Electricity Losses (%)	38.0	..	..	..	..	33.0
Connecting Rural Areas to Markets, easing Access to Services through the Expansion of the Roads Network	Asphalt roads (km)	5,955	890	1,200	950	1,100	1,250
	Rock Roads (Km)	4,009	700	650	800	950	1,200
	Rehabilitated Asphalt Roads (Km)	..	258	229	112	121	101
	Enforcements of Roads (Km)	..	50	80	110	210	127
	Road Maintenance (Km)	..	794	794	1,032	1,111	1,270
Enhancing the Role of Social Welfare & Assistance	Number of beneficiaries	450160	476899	510160	540160	570160	600610
Increasing the Coverage of the Pension System	Number of beneficiaries, public sector	415000	425727	433257	442605	450949	459635
	Private Sector	45000	50000	57000	62000	66000	70000
	Coverage of pensions, public Sector (beneficiaries)	40473	43913	47645	51695	56089	60857
	Private Sector	1,120	2,125	3,282	4,455	5,728	7,199
Reducing the Gender Gap	GDI (HDR 2000/2001)	0.428					..

Figure 5.1: Yemen’s PRS



4. The Axes of the PRS

The GoY and its partners in development recognize that poverty reflects more than just the insufficiency of income or of provision of the basic needs of the population. Rather it also shows suffering and lack of capacity to express opinions as well as lack of representation, capacity build-up and empowerment. Everyone also recognizes the need for cooperation and partnership between the government, the private sector, civil society and the international community in order to achieve the general goals of the PRS without competition and racing. In this context, and based on the causes and determinants of poverty in Yemen which were dealt with previously in Chapter IV, the PRS sets out four main axes for intervention, with a view towards alleviating poverty and achieving the specified goals. These axes are as follows:

- Achieving Economic Growth*
- Human Resources Development*
- Improving Infrastructure*
- Granting Social Protection*

To ensure achieving the objectives through the policies, measures, and actions plans, the proper execution, supervision and monitoring require an approach that supports the four axes, which is a precondition and a proper environment for achieving the success desired and to sustain its results. This approach is the reinforcement of governance and prudent management, in addition to broadening the scope of participation and collaboration. The policies followed for the reduction of poverty are distinguished by the fact that they proceed coincidentally within a broad consistent and harmonious front and takes in the order of priorities for intervention and the urgent measures in the middle period (2003-2005) and also takes into consideration the long term period of the Strategic Vision 2025.

4.1. Achieving Economic Growth

4.1.1. Macro- and Microeconomic Policies Suitable for the Reduction of Poverty

The stability of the overall economic balances is considered a necessary requirement for achieving sustainable economic growth, without which eliminating poverty, or even reducing it is impossible. To ensure the sustainability of growth, the structural adjustment measures must continue, considering that this is also a required condition. In this case, economic policies will shoulder the responsibility of achieving growth and development within the structural adjustment in both the long and medium terms, its

Box: 5-4 The Strategy Underlying Rules

The strategy has focused on the identification, policy design, measures, and program and project implementation that cater to the poor first and foremost. Despite the inavailability of precise and detailed maps of services, the information in the 1998 HBS and the 1999 Poverty Survey enabled the adoption of a partial targeting system identifying priorities that depend on the needs especially basic needs. The strategy has adopted the human rights approach and targeted the enhancement of women’s access to their rights, economic opportunities, resources, capacity building, and economic empowerment and protection under the social safety programs.

The strategy has also sought to enhance the efficiency of government administration and decentralization which could be done through deep rooted and comprehensive reform, revision of the state’s function and directing its role and fields making its public administration and work mechanisms transparent, effective and rational. Attention has also been given to well-studied and more systematic transformation into a decentralized system of administration that is capable of providing services efficiently and effectively.

Participation and cooperation has also constituted the 4th focal area. The strategy has not ignored the importance of involving several effective agencies including government institutions, civil society organizations, local communities, the private sector and the donor community in its preparation process. They have all contributed in the formulation of the PRS and shall later on take part in the implementation and monitoring. Participation will most certainly bring about great benefits.

BOX 5.5: STABILIZATION AND ECONOMIC REFORMS POLICIES

The framework for overall policies, shown in the annexes, is derived from the general orientation of the economic policies of the GoY and highlights the aim of stimulating growth by quickly implementing the restructuring policies, while preserving the gains achieved in the Stabilization Program, which calls for continuing the implementation of the fiscal, monetary and commercial policies that succeeded in reducing the public budget deficit and control the level of inflation. The fruits of the favorable results of the policies of both the stabilization and restructuring programs are expected to be forthcoming in the near future, due to the long delays that usually accompany such policies. Therefore, the modest improvement of some of the indicators, or even their retraction, should not lead to interruption or suspension of the program, but rather it should be viewed as a first phase of the continuing reforms, which should be of a wider dimension and depth, once the initial reforms are completed, with the adoption of new policies for the reduction of poverty.

significance as such being the same as during the economic stabilization period. However the reduction of poverty cannot be undertaken by merely achieving economic growth alone. Rather, the pursuit for economic growth should take into consideration equitable criteria for distribution, with a view towards decreasing the variances in income and the distribution of resources. This path requires a number of overall policies and measures to be taken which will ensure this in the areas of taxes, wages and the priorities of public expenditures. Therefore, the PRS works along two parallel paths, which are increasing economic growth and ensuring the equitable distribution of its fruit.

The GoY works towards continuing the consistent implementation of the remaining policies for reform, which is found in the Matrix of Structural Policies (see Appendix), until the Yemeni economy is able to achieve favorable results in the near future. The national economy is expected to grow during the period from 2003-2005 by an annual projected average growth rate of about 4.7% compared to 6.3% for the non-oil GDP, which is close to the same growth rates achieved over the past years. This growth maintains a margin that is above the population growth rate by about 1.2-1.7% to be able to create job opportunities and improve living standards, especially for the poor. Although this rate declined in some years, this should not however affect the pursuit of increased growth above the projected rates, especially when the opportunity avails itself. Similarly, and due to the need for achieving higher rates of growth, this may be achieved only after the removal of constraints which confront economic growth by carrying on with the reforms and providing the suitable environment for the private sector to take charge of leading economic activity.

Attention is also focused on remedying the fragility of the economy with regard to the fluctuations in world oil prices by diversifying the base of the economy and its revenue sources, with emphasis on growth in the promising sectors and those associated with the livelihood and activities of the poor. This requires the maintenance of a low inflation rate and the stability of the exchange rate of the national currency, in addition to the creation of a suitable environment for encouraging investment, especially so because investment is the driving force for economic growth, accelerated human resources development, and improved efficiency of the economy. Therefore, the GoY will continue implementation of the EFARP policies and the adoption of the required policies for launching economic growth and reducing poverty (refer to the policy measures matrix in Annex 1) to achieve the following:

Main Goal: Raising rates of economic growth and consequently real per capita GDP from YR 51,558 in 2002 to YR 53,973 by 2005. The attainment of an average 6.3% non-oil GDP growth rate would lead to reduction of poverty to 35.9% in 2005.

4.1.2. Maintenance of Economic Stability

Specific Goal: The GoY seeks to achieve economic stability and to control the inflation rate at below 10%. Control over inflation will provide the suitable environment for increasing domestic investments and attracting foreign investments, in addition to preserving the level of real income of individuals, especially those who are of limited income (public sector) and the poorest groups (in the agricultural sector). Economic stability will be sustained by pursuing a set of policies as follows:

A. Fiscal Policy:

- Continue the implementation of the current fiscal disciplinary policy, which implies not allowing the budget deficit to exceed 4% of GDP, especially in light of the projected fall of oil proceeds (resulting from the decline in world oil prices or in the event of reduced oil production)
- Review and revision of the expenditures structure, and work towards increasing the share of allocations to social services, in particular for education and health, in addition to increasing public investments in infrastructure, such as roads,

electricity, water and sanitary drainage for the rural areas, where the majority of the poor are found.

- Curtail current expenditures, especially the allocations for salaries and wages, by the implementation of the civil service reform program, to reduce the growth of the numbers of employees and deletion of the double dippers and ghost workers from the service to enable increases in the real wages of the civil service employees.
- Improve expenditure efficiency by simplifying procedures and reinforcement of controls, which work to rationalize spending and improve public services.
- Continue the reforms for the tax and customs systems and their administration, with a view towards improving revenue collection, suspension of exemptions outside the Investment Law, and application of the GST from the last quarter of 2002.
- Improve and enhance the performance of the revenue authorities to ensure securing the collection of all due revenue entitlements, subject to the need to consider the limited income and poor groups, whether in terms of the taxes imposed on them or upon collection.
- Maintain the tariff exemptions for the public service of electricity, water and sanitation drainage to the limited income and poor groups, in addition to considering raising the deductions for amounts that are expended in areas of poverty reduction, which will reinforce the role of the NGOs in this respect and promote community participation in combating poverty.
- Review the laws that regulate the levying and collection of taxes, and consider the progressive tax system to reduce the tax burden on the limited income and poor groups, while increasing the minimum amount of taxable income, in keeping with the goal of poverty reduction.
- Grant exemptions and additional benefits to promote investment in some of the sectors, especially those that are directed towards the areas and activities that help to create broad opportunities and/or which employ the poor.

Box 5.6: The Impact of Improving Revenue Collection on the Poor

Improving collection and curtailing tax evasion is considered an important method for ensuring equity, in all its different criteria. In addition to increasing government revenues, this provides additional resources that can be directed to social priorities, led by poverty reduction. This will also ensure the application of fair standards on all the people and fight corruption, which prevents influential power brokers from being subject to the force of law and regulations, while leaving the poor and helpless alone subject to enforcement and punishment accordingly.

B. Monetary Policy

- Continue with the policy of a floating exchange rate, which will ensure a real competitive exchange rate to promote exports.
- Take measures towards complete liberalization of interest rates to encourage local savings and increase foreign capital inflows.
- Control the growth in monetary supply, prevent deficit financing, and use treasury bills only when necessary to finance the budget, while being careful not to have them compete with financing of private sector investments.
- Accelerate the reform of the banking system to improve financial intermediation subsequently raising savings and investments and reducing risks that face savers and investors. Mobilization of savings and investments will directly contribute to improving the conditions of the limited income and some of the poor groups by encouraging them to save and thus to participate in investment.
- Create a capital market to contribute to the mobilization of domestic and foreign savings and to encourage investment, especially the establishment of joint venture companies that will help in narrowing disparities in income and wealth distribution.
- Redefine the role of the specialized banks, such as the ACB and the Housing Credit Bank (HCB) and their restructuring to focus on investment portfolios that are directed towards small and micro enterprises and to serve the limited income and poor groups.
- Set up the "Hope Bank" for granting loans to the poor, which will work towards providing financing for small and micro enterprises for the poor.

C. External Sector Policies

- Continue with trade liberalization policies and floating of the exchange rate to support economic stabilization, to encourage exports and to increase foreign investments so as to help in increasing job opportunities, in general, and for the poor in particular, considering that the growth of exports initially rests on commodities that are labor intensive and require minor skills, which can be found with the poor. The foreign investment inflow also helps to set up projects, create job opportunities and lead to technology transfer, absorption of skills and improvement of real wages.
- Seek to set up the Greater Arab Free Trade Area and economic integration with the Arab Gulf Cooperation Council (GCC) and complete the procedures for joining the World Trade Organization (WTO).
- Improve debt and reserve management and continue with rescheduling of foreign debts and undertake bilateral negotiations with other lenders, to arrive to similar arrangements reached with the Paris Club.

Priority Programs and Projects

- **Financial System Reform:** Modernization of the financial system and public accounting systems; increasing transparency in government procedures, improving and upgrading financial management and budgeting, setting information databases and network for public administration, and rehabilitation and training of government employees in all the government agencies and affiliated organs by preparation of an accurate financial and accounting system and a modern information system and by enabling government employees to undertake their duties in the best manner.
- **Supporting Yemen's Accession to the WTO:** The project intends to help Yemen in accession to the WTO by providing technical and institutional support to the government and the relevant authorities to prepare for the negotiations for membership, especially the Contact and Coordination Unit, as well as preparation of the Foreign Trade Memorandum, preparation of a medium-term strategy on the trade policy for Yemen, preparation of a study on the basis and analytical criteria for the bilateral negotiations for the agriculture agreement and the assessment of the customs procedures and reforms, support institutional capacity of the General Authority for Standards and Measures (GASM), creation of a follow-up unit on commercial technical barriers and a follow-up unit for the implementation of the commitments related to health and botanical health, within the framework of the Agriculture Agreement, reinforcing the institutional capacities of the authorities and institutions concerned with copyright and patent rights and support the legislative reform programs to make them consistent with the requirements of the WTO.
- **Establishing a Stock Exchange:** This project aims to set up a stock exchange, within the orientations that accord the private sector an increasing role in economic and social development and in order for the market to undertake a dynamic role in mobilizing resources and savings, including from small savers; attract foreign capital and the surpluses of the Yemeni expatriates overseas; and stimulate investments in the different economic sectors. The project focuses on the completion of the legal and legislative requirements and the needed institutional frameworks for setting up the market and provision of the appropriate environment, in addition to adjustment of the conditions of the private sector firms and the adoption of transparency in their operations.

4.1.2. Restructuring the Economy

The GoY is continuing with the restructuring of the national economy through removal of all the constraints that curtail the freedom of markets and the participation of the private sector in investment and output generation. The laws and procedures regulating economic activity are being subjected to a comprehensive review to ensure their consistency with the orientation towards giving the private sector the leading role in economic activity. The GoY will continue the implementation of the Privatization Program by focusing more on the productive sectors

that are expected to provide new job opportunities. The privatization program will provide financial revenues to the State Treasury on one hand, and will reduce the burden of the transfers and expenditures that the government shoulders on behalf of the public and mixed sector enterprises on the other, which would then be used to help in financing the development programs in the governorates and the poverty reduction programs.

The development plans are turning towards undertaking a change in the structure of the national economy by carrying out the appropriate adjustments in the GDP in favor of Total Fixed Capital Formation (Investment). The table below shows the overall economic framework, which shows the course of the GDP and the components of revenues and uses, in terms of their size, structural arrangement and projected growth rates during the period from 2002-2005.

BOX 5.7: THE ROLE OF THE GOY AND THE PRIVATE SECTOR IN ACHIEVEMENT OF ECONOMIC GROWTH					
<p>The problem of economic growth in Yemen is found in the achievement of sustainable economic growth, given the poor capacities of both the State and the private sector, and therefore the essence of the problem is not so much who should lead the growth, but rather how to enhance the poor capacities of the State and the private sector to achieve sustainable growth. The appropriate option for the Yemeni economy is to strengthen the role of the State and the private sector on the basis of a competent partnership. Thus, it cannot be said that, now, the time has come for the reduction of the role of the State, because its role in economic activity has become excessive, while it also cannot be considered that the Yemeni private sector is able to take on the responsibility of achieving economic growth.</p> <p>The Yemeni Constitution has decisively ruled on the issue of the liberalized orientation of the Yemeni economy, whereby Article (8) emphasized a competent partnership between the publicly owned, privately owned, mixed and cooperative sectors. It is a partnership that is based on equal opportunities and competition and considerations of economic and social efficiency in achieving economic development.</p>					

Table 5.2: The Overall Macroeconomic Framework

	Estimate	Projections			
	2001	2002	2003	2004	2005
	Growth Rates (%)				
GDP (Market Prices)	3.3	4.1	3.7	5.3	5.5
Real Non-oil GDP	4.0	5.0	5.7	6.5	7.0
Inflation (Consumer Price Index)	11.9	15.8	9.0	5.0	5.0
Real Per Capita GDP	-0.1	0.7	0.5	2.1	2.5
Crude Oil Production (1,000 Barrels/Day)	434	433	401	390	370
Price of Yemeni Oil (US\$ Per Barrel)	23.0	21.8	20.9	19.9	19.9
	Percentage of GDP				
National Consumption	78.8	81.4	84.9	86.3	86.9
Government Consumption	17.1	17.2	17.7	17.7	17.9
Non-govt. consumption including PEs	61.7	64.3	67.2	68.6	68.9
Total Investment	22.7	23.6	24.6	25.8	26.0
Change in Stock	0.0	0.0	0.0	0.0	0.0
Fixed Capital Formation	22.7	23.6	24.6	25.8	26.0
Government	8.2	8.3	8.3	8.6	8.0
Non-Govt. including PEs	14.5	15.3	16.3	17.2	18.0
Domestic Absorption	101.5	105.0	109.5	112.1	112.9
Net Exports of Goods and NF services	-1.5	-5.0	-9.5	-12.1	-12.9
Exports of Goods and NF Services	39.9	36.9	32.1	28.6	25.5
Imports of Goods and NF Services	-41.5	-41.9	-41.6	-40.6	-38.4
GDP	100.0	100.0	100.0	100.0	100.0
Net Factor Income	-6.3	-6.7	-5.4	-3.8	-3.4
Net Current Transfers	14.6	14.5	14.6	14.2	13.6
Total National Savings	29.5	26.4	24.3	24.0	23.3
Government	11.0	7.8	5.3	4.6	4.3
Government, excl. Oil	-16.5	-16.3	-15.0	-13.4	-11.9
Non-GoY, incl. public corporations	18.5	18.6	19.1	19.5	19.0
Trade Balance	5.9	1.5	-3.6	-6.7	-8.1
Exports (FOB)	37.6	34.5	29.6	26.0	22.9
Oil and Gas	35.7	32.6	27.5	23.9	20.7
Non-oil Exports	1.9	2.0	2.0	2.1	2.1
Imports	-31.7	-33.0	-33.1	-32.7	-31.0
Balance of Current Account (Including grants)	6.8	2.7	-0.3	-1.7	-2.7

Continuing with the movement and trend of the national economy over the past years, overall final consumption expenditures are expected to continue increasing until their share reaches 81.4% of GDP in 2002, and 86.9% in 2005, which will essentially depend on the growth of non-government consumption, at current prices by 4.6 percentage points, over the same period, based on expected increase in available resources to both domestic and foreign investment, besides reflecting government policies for meeting the immediate consumption needs of the people to improve their standard of living and to reduce poverty. Government consumption is also due to increase slightly until it reaches 17.9% of GDP to meet the requirements of implementing local authority system and to improve the performance of the civil services and its employees. In contrast, the total national savings are expected to retract sharply, especially in 2005, which is attributed to the reduction of both its government and non-government components.

The PRS also seeks to achieve a gradual increase in total investments from 23.6% of GDP in 2002 to 26% in the last year of the PRS. This increase depends on the rise in non-government investments to 18% of GDP in 2005, with smaller rates of growth for government investments, its share being maintained between 8% and 8.61% of GDP during the same period. These rates will ensure the stability of present individual incomes and their future increase by increasing real per capita GDP by an annual average of 1.5% during 2003-2005.

As for exports, the projections indicate a decline in international oil prices, which will reduce oil revenues by an annual average of 3.2%. In contrast, the PRS expects that the non-oil exports and exports of services will rise to achieve annual average growth rates of 17.1% and 10% respectively over the period by rejuvenating tourism and activating the Free Zone in Aden, and this will lead to a decline in exports of goods and services from 34.5% of GDP in 2003 to 22.9% in 2005. Nevertheless, the imports will continue to rise by lower rates not exceeding 1.5% per annum, which will turn the surplus in the Trade Balance projected for 2002 to a growing deficit, reaching a maximum of 8.1% of GDP in 2005. The position of the trade balance over the same period will lead to an increase in the deficit of the Current Account until it amounts to 2.7% of GDP by 2005.

4.1.3. The Sources of Growth and the Promising Sectors

Yemen possesses resources that give hope and lend support to the development process in the country. The geographical position of Yemen –being on the major navigational route between Asia and Europe – can once again, and by use of the appropriate policies, make Aden one of the busiest ports in addition to attracting foreign investments to Yemen. Similarly, oil revenues, despite the limited proven reserves, can also help to support the build-up of a good health and educational system, a modern infrastructure that is capable of setting up a diversified economy, aside from the good growth potentials that natural gas provides, including the use of gas domestically. Furthermore, and due to the preoccupation of the Yemeni people over the ages with trade, this has acquired for them a commercial culture, which has enabled them to establish trade and investment contacts, especially with Yemeni emigrants throughout the world. Yemen also presents distinctive and ancient architectural styles, fascinating mountains, antiquities of ancient kingdoms such as Saba (Sheba), in addition to other attractive elements, which could generate significant tourism activities and proceeds.

Therefore, when inquiring about the sectors that could achieve the targeted growth, the agriculture and fisheries sectors and manufacturing, including the small manufacturing operations, besides tourism, construction, trade and re-export, are among the most important promising sectors in the Yemeni economy, the focus on which is expected to lead to achieving the desired economic

**BOX 5.8: RAISING PRODUCTIVITY AS A
SOURCE OF ACHIEVING GROWTH**

A primary source of growth is increasing productivity, which declined in all the sectors over most of the 1990s, except for a modest improvement in some of the sectors after the implementation of the EFARP. This situation reflects the importance of raising productivity, which, in many cases saves on the amount of investments needed for projects and activities, and even reduces the capital/output ratio for the achievement of higher growth rates. Thus, the orientation of the PRS is directed towards the development of human resources, the restructuring of the economy, improving the management and role of public administration which are considered essential and complementary means for raising productivity and accelerating growth.

development. These sectors currently employ the highest percentage share of the work force, and potentially can employ more in the event that they are developed. The GoY shall work towards developing these sectors through systematic interventions to remove constraints in a manner that will not conflict with the basic orientation of the national economy towards adoption of market mechanisms and the leadership of the private sector.

Main Goal: Achievement of sustainable economic growth and diversification of the national economy.

Policies:

- Creation of a conducive environment for private sector investment, correction of the distorted markets and taking advantage of the savings in these sectors.
- Allocation of investments in infrastructure to improve the services provided to the population in a manner that serves the development of these sectors, especially improvement of the roads, electricity, water supply and sanitation, communications, etc.
- Preparation and adoption of sectoral policies to bring about positive changes in the promising sectors, while preparing credit policies to ensure the required investments in these sectors in addition to attracting the private sector to set up industrial zones.
- Review all the different laws and procedures related to sectoral activities and removal of any constraints.
- Support scientific research, research and development (R&D) and services.

Priority Programs and Projects

- **The Privatization Program:** Reinforce the role of the GoY in the management of the market-based economy; reduction of government expenditures on the public economic enterprises and enhancement of their efficiency on a competitive basis, in addition to encouraging private sector investment and the realization of broader participation in ownership through public subscriptions. The program seeks to accelerate privatization, starting with the preparation of 61 economic units specified in the SFYP after their evaluation and assessment by specialized and neutral offices. The program includes units from the various economic sectors, which include a number of large units, which is expected to be an important step for vitalizing the private sector.
- **The Free Zone:** Support the role of the Free Zone in Aden and improvement of the competitive capacity of the Zone regionally and internationally by developing its management and qualifying employees that are able to deal with the conditions and properties of the zone, in addition to completion of the infrastructure projects and the utility services for the Zone.
- **Port Cities Development:** Enhancing the competitive edge of port cities, starting with Aden, Hodeidah and Al-Mukalla by rehabilitating and improving their basic services, supporting the administrative and technical capabilities of the local authorities, to keep them at least in parallel with the systems that are found in the ports of neighboring states, besides supporting partnership between the local authority and the private sector and facilitating the procedures and processing.
- **Improving the Investment Climate:** Undertaking regulatory and institutional reforms for investment and promotion of exports by improving the performance of the General Investment Authority (GIA), the Higher Council for Exports and its technical organs, in addition to the stimulation of the extractive industry and encouraging the private sector to set up industrial zones.
- **Gas Pipelines and Power Generation:** Constructing pipelines to transport gas extracted from the Marib-Shabwah fields to local use in the regions of Aden, Al-Hodeidah and Hadhramout to be inductive to build gas-powered stations and to link to the establishment of industrial estates in those three regions.

4.1.4. Agriculture

The agricultural sector seeks to achieve an average annual growth rate of 5.4% during the PRS period by achieving integration between the components of the agriculture sector and between agriculture and industry. Despite the difficulties that confront the sector, such as scarcity of water resources, dependence of a large segment of agriculture on rainfed irrigation that is subject to fluctuations from one year to another, drought and flood periods and the expansion of erosion and desertification, spread of Qat cultivation and the consequences that arise from it, low crop productivity, and post-harvest losses, there are however significant potentials for increasing productivity, expansion of crop cultivated land area, improvement of irrigation methods and techniques and agriculture extension, in addition to curtailment of Qat cultivation. Agriculture represents the major activity of the rural areas of Yemen and absorbs the majority of the population and more than half of the labor force in the national economy. The economic activity of the rural areas is linked to the informal sector, with most of its workers being poor. The GoY seeks to expand the exchange process between the different economic activities in the sector and to integrate them with the formal economic sector through numerous rural development projects.

Specific Goal: Contribute to increasing economic growth; diversification of the economic base; provision of basic services in order to reduce poverty which is more widespread in the rural areas; as well as improving efficiency within the sector.

Policies

- Raising irrigation efficiency and introduction of modern irrigation methods and systems to improve the efficiency of using one water unit and making use of wastewater.
- Improving the efficiency of rainwater harvesting by expanding the construction of small and diversionary dams, water dikes and distribution canals, in addition to maintenance and rehabilitation of mountain farm terraces.
- Supporting less water-intensive crops and improving rainfed sustainable crops, such as date palms, cotton and cereals, given the depletion of the strategic reserves of underground water.
- Promoting bio-protection and resistance to plant diseases and aphids and supporting agriculture research and have them linked with extension programs that are practicable to the farmers.
- Improving livestock grazing to meet the needs of domestic consumption and direct attention to higher milk yield and faster growing livestock to increase subsidiary products, such as wool and dairy products.
- Improving the capacities for honey production, considering that it enjoys high domestic and external demand by encouraging the breeding of honeybees and eliminating the diseases that afflict them, while also giving special importance to the Nabk (Christ's-Thorn) tree.
- Giving incentives to the private sector to investing in agriculture production

Box 5.9: The Qat Problem

During the last few decades, the cultivation of Qat expanded considerably. This expansion continues through the spread of Qat farms to new areas and additional land, some of which was not fit for farming to start with, whereby the farmers reclaim areas of such land by expending large sums of money. The expansion in the cultivation of Qat remains tied to the size of the increase in demand for the crop and the income of Qat consumers. Similarly, since Qat leads to the conservation of soil and the protection of the terraces from erosion and despoliation, Qat may be viewed as the only crop that encourages farmers to make such an investment. Qat enjoys an ability to absorb labor in the rural areas and to create lucrative job opportunities, thus helping to reduce the migration to the urban areas and reduce the strain on the cities. Despite the above, since the spread and the expansion of Qat cultivation emanated from the increase of the number of people using it and dealing with it, including farmers, traders, salesmen and laborer, Qat is also becoming a social phenomenon that is characterized by the complexity of some of the crop's aspects and affects. Therefore, it is inevitable that any interventions or remedies will have to touch upon all the various angles of the problems, while making use of the positive advantages and remedying the negative aspects of such a phenomenon, which include expanding the base of its users to increasingly include young people and women, and the expansion of its cultivation, thus swallowing up more farming areas

and marketing and to adopt projects outside the densely populated areas, with a view towards creating extensive and diversified job opportunities, in addition to those projects that promote integration between agriculture and industry.

Priority Programs and Projects:

- **Rural Development:** Raising the capacities of the rural areas and generally improving the living conditions of the people; providing agricultural services; supporting agriculture, veterinarian and fisheries extension; developing irrigation methods to increase agricultural production; and supporting the institutional build-up to improve the efficiency of the existing institutions while directing attention to the development of the capacities of rural women.
- **Irrigation Improvement (Phase I):** Improvement and rehabilitation of the Major Spate Irrigation System Projects; participation of beneficiaries in the maintenance and operation of irrigation facilities and irrigation management; and increase of agricultural productivity by an intensive extension program, in addition to supporting and strengthening institutional build-up.
- **Surface Water Irrigation Improvement:** Achieving the optimal exploitation of irrigating water and raising the efficiency of use of surface water irrigation at the farm level by introducing leveling techniques for land irrigated by surface water and using of survey instruments and laser leveling devices, with the participation of the farmers in operation and maintenance.
- **Water Harvesting Improvement:** Optimal use of harvested water and the development of water harvesting projects such as water dams and dikes as nuclei for a national water harvesting program, while ensuring involvement of the farmers and their sharing of the costs of operation and maintenance.
- **Improvement of Irrigation from Dammed and Diked Waters:** Raising the efficiency of using irrigating water at the farm level by setting up pilot farms, training technicians and extension guides in modern irrigation methods and arrangement of extension workshops and awareness workshops through the public information media.
- **Monitoring and Assessment of the Water Saved by the Different Irrigation Systems:** Measurement of the quantities of water, which is used by the agricultural sector and the amounts of water saved as a result of the use of modern irrigation systems.
- **Agricultural Research:** Improvement of rainfed agriculture and better management of irrigated agriculture, which includes management of natural resources, improved breeds of basic crops; and crop, livestock, feed, grazing land and post harvest processing management.
- **Agricultural and Fisheries Production Promotion Fund:** Reducing burdens arising from higher prices on agricultural and livestock production inputs and requirements, so as to enable the beneficiaries to continue in their activities, improve efficiency and conserve agricultural land by financing a number of projects and activities related to irrigation and water structures and in the areas of agricultural productivity and marketing, with community participation.

4.1.5. Fisheries

Fisheries production may be expanded to achieve an annual average growth rate of 7.8% over the PRS period, especially as the sector was able to achieve an average growth of 12.3% over the years of the FFYP, while emphasizing that the exploitation of fish wealth should not jeopardize the fish stock reserves. The GoY will exploit the fish resources by every means possible to increase output, provide food and export the surplus, especially as the majority of the laborers in the sector are poor.

Specific Goal: Optimal exploitation of the fish wealth, so as to help raise output without affecting the fish stock reserves.

Policies

- Review and revise laws and regulations governing fish catch to encourage traditional fishing and to regulate and control commercial fishing and increasing the value added while preserving the fish supply.
- Set up cooperative fisheries projects to provide financing to poor fishermen and to market their produce.
- Increase incentives for attracting local and foreign investments in this sector, especially with respect to setting up fish and marine life farms, for which there are 120 natural sites along the length of the Yemeni coastline.
- Regulate the marketing and exports to foreign markets in accordance with the approved specifications.

Priority Programs and Projects:

- **Support to Research Activities:** This project consists of a research vessel fully equipped with measurement instruments, sample collection and analysis systems, water salinity and temperature measurement instruments; nets for plankton, with a view towards providing research data and studying environmental factors and changes that are related to the reproduction of fish and marine life in the territorial waters of RoY.
- **Assessment of Fish Stock Reserves:** To achieve optimal exploitation of the fish wealth and to conserve the marine environment by carrying out a biological study of fish and marine life, for the purpose of regulating the fishing areas and setting the appropriate fishing times and the allowable quantities and the appropriate fishing methods.
- **Creation of an Integrated Marine Control and Inspection System:** Set up an integrated marine and inspection system, enhance the capacity of the General Directorate for Control and Inspection of the Ministry of Fish Wealth to enable it to perform its duties, to prevent the violations of the territorial waters of the RoY, to conserve the marine environment and to ensure the optimal exploitation of the fisheries resources.
- **Creation of Quality Control Laboratories:** Set up quality control laboratories, determine the basis for a monitoring system with specifications that conform to international standards, so as to help improve fisheries products and promote exports.
- **Improvement of Traditional Fishing in the Red Sea:** Improvement of the quality of the fish; reduction of losses before and after landing and during distribution; and providing the different services for fishermen to enter new markets.
- **Fish Mari-culture Project:** Reduce the pressure on the fish and mineral life stock reserves by mari-culture (artificial incubation) of fish, especially shrimp and protect the natural fish stock reserves from over fishing and pollution.
- **Agricultural and Fisheries Production Promotion Fund:** Reduce burdens arising from higher prices on fish production inputs and requirements to enable the beneficiaries to continue their activities and improve efficiency by financing a number of projects and activities related to fish production and marketing with community efforts.

4.1.6. Industry

The industrial sector will be a major source of economic growth over the forthcoming years, whereby it is expected that manufacturing will grow by an annual average of 6.2% over the period 2003-2005 and the construction and building industry will grow by an annual average of about 5.7%. Overall, manufacturing, including oil refining, which is the major part of the industry, is characterized by the industrial and geographical concentration and low value added. Although the industrial sector seeks to occupy a suitable place among the different economic sectors, its contribution will increase to only 10.3% of GDP in 2005. The Yemeni economy could benefit from the excess labor in many manufacturing activities such as textiles, clothing, handicrafts and other medium and small industries. The sector is also considered a source and vehicle for increasing non-oil exports.

Extractive activities are expected to see a retraction in oil production at a rate of 5.3%, and similarly for the price of oil, which will decline from US\$21.8 to US\$19.9 per barrel in 2005, unless explorations yield the discovery of commercial reserves that will increase the present proven reserves and increase the production levels in the final years of the PRS period. Yemen also enjoys huge reserves of natural gas, which is estimated to amount to 12-15 trillion cubic feet, with liquefied gas now being exploited primarily for local use and limited amounts exported overseas. With the increase of the gas output for the new electric power stations, the potential for large scale exports of gas to overseas markets in the forthcoming few years is considered weak due to the saturation of such markets. Similarly, the mining sector abounds in ample resources and means, in terms of different types of minerals and rocks, such as gold, platinum, titanium, gypsum, marble, granite, etc., which can be exploited, especially due to the connection that some of these have with the construction and building industry.

Specific Goal: Give incentives to the private sector for investing in industrial activities to enable it to raise its contribution to GDP and to lead the economy towards achieving appropriate growth rates by exploiting its links with other sectors.

Policies:

- Expansion of training and provision of incentives for the development of the industrial sector, such as the reduction of customs for investment commodities and raw materials.
- Removal of the remaining regulatory constraints; continuation of trade liberalization; completion of the infrastructure; establishment of the industrial zones and completion of the reforms in the banking and judicial systems.
- Support the expansion of food manufacturing, textiles, and clothing, so as to enable them to enter foreign markets.
- Attention to specifications and quality and also to marketing issues.
- Provision of the suitable infrastructure to the extractive industries and provision of protection and security for their projects, which could contribute substantially to increasing economic growth and the foreign currency revenues and to creation of job opportunities in the areas where the mineral ores are found.
- Provide the proper climate and incentives to encourage the private sector to enter housing projects.

Priority Programs and Projects

- **Development and Promotion of Small Enterprises:** Improve the economic capacity of small enterprises and handicrafts; enhance the efficiency and technical support to small industries and handicrafts and increase their contribution in rural development. The project also includes setting up a consultancy services center and small industrial zones for small industries and handicraft trades.
- **Improvement of the General Authority for Specifications, Standards and Quality Control:** Raise the efficiency of the authority in monitoring quality in industrial, economic and commercial activities by erecting buildings and equipping the Authority with the laboratory equipment and instruments.
- **Support to the Establishment of Industrial Zones:** Study and promote the establishment of industrial zones by the private sector in a number of governorates, so as to contribute to the reduction of production costs for industrial investors by taking advantage of the economies of scale and by the creation of linkage and integration between the large, medium and small industrial operations, and also between industry and the rest of the economic activities, especially agriculture.
- **Study of Industrial and Construction Materials:** Study and assess the industrial ores and construction stones and determine their suitability for promotion of investment in their production and exportation.
- **The Geological Survey:** Collection and preparation of the different kinds of geological and technical data derived from field work, and also all the different

associated studies, and to have them presented in scientific and technical reports that document the geological situation in Yemen.

4.1.7. Services and Tourism

The services sector dominates total GDP with a share estimated at 47.3% in 2000. Government services dominate the sector by a 13% share of the overall sector, followed by transport and communications, wholesale and retail trade, and real estate respectively. The sector is expected to achieve growth that varies from sub-sector to sub-sector with its overall share coming to 49.8% of GDP. Tourism is one of the potential resources for the Yemen economy, based on the natural components, topographical and climatic diversity and cultural and historical heritage. Despite this, however, tourism and the associated activities were only able to contribute about 2% of GDP, which reflects the potential untapped capacity of the sector. However, and despite the recent events and the ensuing weakening of tourism in the area as a whole, the sector is projected to grow over the next three years, and the number of tourists will grow due to increased visits by businessmen in response to an improvement in economic conditions, the development of the Free Zone, the attraction of foreign investments, in addition to the growth of internal tourism and an increase of its share in GDP.

The transport and communications sector possesses broad capacities for growth, with its improvement considered an essential requirement for overcoming a major part of the constraints facing the national economy, in order to support the growth of the different economic sectors due to its relations and strong ties with these sectors. As a result of the partial liberalization of some of the activities of the sector, it is expected to grow by an annual average of 9.9% during 2002-2005, taking advantage of the expansion projects in major roads, ports and communications services, which have now been completed or are under implementation. Fixed telephone lines are expected to increase from 460,000 lines in 2000, to one million lines in 2005, in addition to 400,000 mobile phone lines. Finally, the strategic geographical location of Yemen and the development of the Free Zone, to increase trade, especially re-exports, reflects an important source of growth and for providing an environment conducive to attracting investments.

Specific Goal: Develop the coastal regions and increase the efficiency of services and infrastructure.

Policies

- Develop tourism-related infrastructure and encourage setting up tourism projects.
- Broaden education and specialized training to cover tourism and hotel accommodations.
- Reinforce security, which is considered a major requirement in this respect.
- Enhance tourism culture among the population through use of the public media channels and school curricula.
- Develop ports and complete the Free Zone in Aden and study the establishment of other duty free zones.

Priority Programs and Projects

- **Promotion of Tourism:** Upgrade and raise the efficiency of workers in the tourism sector through high level training and rehabilitation; promote tourism to Yemen overseas and for internal tourism; involve local communities in taking advantage of tourism activities and set up the regulatory frameworks for tourism in the coasts and islands of Yemen.
- **Preservation of Historical Cities:** Renovate the historical homes, caravansaries, public drinking fountains, mosques and all the other important historical buildings and landmarks; complete the infrastructure for the historical cities; establish museums, research and technical centers and improve handicraft trades and traditional industries.
- **Telephone Network:** Expand existing telephone exchanges, set up new ones and modernize the network by replacing the old main telephone exchanges, complete interconnections among governorates by fiber optic cables, and introduce wireless telecommunication systems and comprehensive mobile systems to provide remote population centers with access to telephone services.

- **Free Zone:** Support the role of Aden Free Zone and improve its competitive capacity regionally and internationally, by means of developing its management and rehabilitating its employees to deal with the conditions and aspects particular to the Zone, in addition to completion of the infrastructure and facilities.

4.1.8. The Environment and Natural Resources

The noticeable deterioration of the various aspects of the environment requires attention to rehabilitate, maintain and preserve the environment. There should be focus on the ways in which the PRS can help in addressing major environmental issues and the improvement of natural resource management, particularly water resources, as the PRS seeks to enhance sustainability of natural resources and the reduction of the adverse effects on the environment, in addition to making the poor conserve their environment and make the environment better serve their livelihoods. This requires orientations to improve the management of natural resources and to integrate the aims of economic growth, poverty reduction and protection and reinforcement of the environment.

General Goal: Reinforce environmental management of natural resources; mobilize beneficiaries, involve the poor, and support the role of women and youth in environmental conservation.

Policies

(i) Environmental Policies:

- Enhance technical capacities of the institutions concerned with the environment and combating poverty and build their technical capacities and capabilities in undertaking studies and setting forth the remedies that lead to finding comprehensive environmental and development projects and programs that rely on community participation.
- Develop legal and procedural frameworks that regulate the processes for ownership of, and access to, natural resources, their proper use, maintenance and environmental conservation.
- Institutional empowerment of local community organizations that are engaged in environmental conservation and assisting them in preparing their procedures and in registering them.
- Carry out field studies to assess the environmental conditions and natural resources of Yemen at the local administrative units and at the overall national environmental system to undertake the necessary measures for protecting the environment from pollution.
- Enable the local poor and limited income groups to participate in the design, implementation, and assessment of all the efforts to conserve the environment and manage resources.

BOX 5.10: MUTUAL COMPONENTS OF ENVIRONMENTAL CONSERVATION AND POVERTY REDUCTION

Both environmental conservation and poverty reduction require equal distribution of development and sustainable livelihoods in all regions of Yemen through a set of institutional, legislative and economic measures, mechanisms and instruments, financial investments and collection and updating of data, and also through enhancing community participation. At present there are also numerous fields and common activities between the two orientations which compliment each other, including:

- Existing poverty reduction programs and projects through provision of essential services to the deprived regions (health, education and road projects), improvement of the environmental situation (water harvesting projects, construction and repair of irrigation canals, construction and improvement of water supply and sanitary drainage in rural areas and cities), creation of job opportunities for the poor (finance fishing, date palm cultivation, domestic breeding of cattle and sheep), improvement of the local communities through institutional, technical and economic empowerment, which is presently being implemented by the Local Community Development Program, IDAS program, etc.
- Small pilot projects identified by the National Environmental Action Plan (NEAP) to address the environmental problems and increase economic productivity at the local level with community participation. The Ministry of Agriculture and Irrigation is presently implementing one of the projects in the management of land resources by improving grazing and traditional grazing and the use of modern methods.

- Improve economic and social conditions of women through a set of initiatives including better access to land, credit and social services like health and education, food and water.
- Find the appropriate incentives and accompanying awareness programs that convince individuals to use commonly-owned natural resources properly such as soil and water and to safeguard the general environment from pollution and deterioration.
- Provide job opportunities through development and environmental projects and programs such as water harvesting, construction and improvement of irrigation canals, conservation of soil and maintenance of mountain agricultural terraces, recycling wastes and their use as inputs for production and other agricultural and industrial projects, which take into consideration sustainable environmental conservation, as well as encouraging small enterprises and personal initiatives.
- Undertake environmental and economic assessments of the development projects and set up local and national databases related to poverty and the environment.
- Finance projects that provide soft loans for the poor, with high priority to low cost effective projects that meet their needs while depending on their own capabilities and local resources.

**BOX 5.11: SPREADING THE SUSTAINABLE USE OF
RESOURCE AND THE RECOVERY OF DEGRADED AREAS**

The cases in which the poor themselves were able to develop and maintain natural resources by depending on self-help and the available public resources are considered successful examples, which should be disseminated on a wide scale. The Agricultural and Fisheries Production Promotion Fund, the Social Fund for Development, the Community Involvement in the Management of Land Resources Project and the Local Community Development Program adopt such policies. These programs support sustainable development by financing projects that concern deprived groups and focus their activities on the provision of health and education services, water, irrigation and sanitary drainage, expansion of agriculture and fisheries production, livestock, and other activities that generate temporary and permanent job opportunities on one hand and maintain natural resources and protect the environment on the other. The local communities are organized to develop their basic structures and to increase the income of their constituents while providing them with technical expertise and requiring their contribution in these projects.

(ii) Water Resource Policies:

- Reinforce institutions in the water resource sector and clarify their responsibilities in both rural and urban areas while expanding decentralization and community participation.
- Enact laws and regulations related to water rights; regulate the exploitation of the water resources especially groundwater; and develop water resources protecting them from pollution.
- Support projects that seek to raise the efficiency of water resource uses in both agriculture and domestic use and in both the rural and urban areas.
- Protect water resources from qualitative deterioration and pollution by expanding sanitation drainage and the treatment of waste from industrial and health facilities.
- Use of treated wastewater in suitable activities to reduce pressure on underground water.

Priority Programs and Projects

(i) Environmental:

- **Sustainable Environmental Management:** Coordinate support to environmental management and community participation in the management and planning of land resources and in the implementation of the National Plan for Environmental Protection, the Plan for Combating Desertification and the creation of the Land Resource Research and Extension Center.
- **Activation of the Environmental Protection Law:** Activate the Environmental Protection Law; review the executive procedures for the Law; adopt suitable mechanisms for the implementation of the Law; and prepare plans according to such mechanisms.

- ***Monitoring the Environmental Impact on the Agricultural:*** Introduce the concept of environmental impact into agricultural projects, by means of measuring and monitoring such impacts accordingly.
- ***Comprehensive Plan for the Development of the Socotra Archipelago:*** Prepare a plan for the use of land for the achievement of economic, social and environmental development of the islands and ensure that the development activities are keeping with the policies on the conservation of bio-diversity of the islands.

(ii) Water Resources

- ***Development of Water and Agriculture Surveillance Network:*** Development of surveillance stations to provide a climatic and water information database, to help in the proper planning and implementation of water, irrigation, dam and dike construction projects, with a view towards achieving sustainable development of water resources.
- ***Integrated Water Management of Water and Underground Basins:*** The optimal use of water and curtailment of underground water depletion, by means of setting up and developing projects for integrated management of underground water, with a view towards maintaining the rural economy and ensuring adequate water supply, which would include studying, assessing and monitoring the conditions of the basins and the watersheds; support suitable traditional systems and customs for the protection of water basins and water sheds; involvement of the farmers and users in the integrated management; and the formation of Water Users Groups.
- ***Improvement of the Use of Wastewater in Agriculture:*** Improvement of the use of treated wastewater to reduce the strain on pumped underground water and to curtail the random depletion of such water; conservation of the environment; expansion of irrigated agriculture.

4.2. Development of Human Resources

The investment in human capital, especially for the poor, is the basic fulcrum by which it is possible to reduce the suffering from poverty and to achieve the highest returns on investment in people. This can only come by development of knowledge and skills, improvement of health services and creation of job opportunities, in addition to the adoption of favorable social orientations. The impact generated by investment in human resources is not just limited to generating higher incomes for families through work and the establishment of projects but also, first and foremost, it generates a heritage of better education and health to succeeding generations.

General Goal:

Development of human capacities, considering that human beings are the object and means of development, and the creation of a right environment for human beings to produce and participate towards the realization of the aims and objectives of the whole population and the local communities.

4.2.1. Population

Four considerations are apparent within the population problems that have strategic implications on population, production and development, which are: (i) an imbalance between the geographical distribution of the population with the map of the natural and economic resources; (ii) high rate of population growth and the growth in the labor force at even higher rates, both of which lead to difficulty in providing enough job opportunities, in addition to increasing the pressures on, and the demand for, basic services and the growth of the food gap; (iii) while most of the population lives in the rural areas where most of, and the most important, economic resources are found, rapid urbanization exceeds the absorption capacities of the major cities due to the migration from rural to urban areas; and (iv) emphasis on the interlinkages among population issues and poverty, the environment, education and health. Accordingly it becomes impossible to solve population problems without dealing continuously and intensively with all these dimensions. Similarly, the control over population properties, in terms of development, structure and distribution, or the achievement of

noticeable progress in the demographic properties, in terms of the number of births, mortality and total fertility, etc, require a long time and immense efforts to change their environmental, cultural, health, educational and behavioral determinants.

Specific Goal:

Control population growth in keeping with the available resources and with the needs of development, and thus reduce the population growth rate to 3% by 2005 and the curtailment of internal migration to the cities.

Policies:

- Raise awareness on the different population issues among the different population groups and come up with a consensus on a positive position vis-à-vis these issues.
- Promote the effective participation of the people in population activities, especially through the voluntary and professional associations, NGOs, religious leaders and sermonizers at all the popular levels.
- Intensify population programs in all the various media channels, on the importance of reducing the high rate of population growth.
- Expand reproductive health and family planning services in rural areas; educate men on the methods of family planning and develop their practice of such methods; support the voluntary efforts in providing family planning services.
- Transition to local authority and the application of decentralization in the preparation and implementation of economic, social and service projects at the level of each governorate and district, in order to reduce internal migration.
- Promote the investment in both crop and livestock agriculture and in fisheries; support local industry, especially light industry which is linked to agriculture and the regulation of the agriculture market, so as to insure the provision of job opportunities for people in their regions and the reduction of their migration to the major cities and secondary towns.

Priority Programs and Projects

- **Public Media Population Awareness:** Enhance the role of the information media and development of programs and efforts to disseminate population awareness on family planning and encourage addressing all the population issues through the media channels.
- **Religious Awareness:** Spread awareness among religious scholars, sermonizers, and guides on population issues; create positive awareness among them on such issues and prepare guidelines for sermonizers and guides.
- **Population Awareness Among Youth, Boy and Girl Scouts:** Development of awareness among young people; enhance the role of boy and girl scouts in spreading awareness on family planning, by including population issues within the activities of boy and girl scouts.
- **Population Awareness Among Armed Forces and Security Personnel:** Include population issues in the awareness plans for the armed forces and in training of the morale guidance personnel to undertake spreading population awareness among the armed forces personnel.

4.2.2 Health

The GoY realized the need to reorganize the health sector to improve its ability in identifying priorities and meeting the needs of the people. In order for the health sector to fulfill the needs of the people –especially the poor– it will have to adopt lower costs and more effective methods for providing services at affordable costs, while at the same time its need for increased

Box 5.12: Problems Facing the Health Sector

The health situation and its developments over the past decade led to two problems: The first one lies in the fact that, with the expansion of the government health system, the facilities thereof and the increase in its staff, the public expenditures for the sector are no longer adequate for either operating the infrastructure of the system or for supporting the employees, especially considering the conditions of the health facilities which have become badly in need for repairs and maintenance, in addition to the updating of equipment and machinery, not to mention the severe shortages in medicinal supply. The second problem is evident by the competition posed by the private sector, which is also intertwined with the government health sector, but not supplementary to it in terms of achieving the policies of the health sector, as well as the duplicity of the employment of the doctors, nurses and technicians between the two sectors in a manner that will adversely affect the performance of both the government and private health services.

resources requires that the public contribute to a share in the cost of these services. Therefore, and despite the continuation of the provision of basic health services by the public health system, the strategy of the health sector, however, aims to direct the resources of the private sector and the NGOs towards these services, and to gradually turn the public health sector away from direct service provision in hospitals and to focus its role in the following directions:

- ▶ Providing limited basic health services, especially to the poor, on a cost-sharing basis.
- ▶ Providing basic preventive health service such as the Expanded Program on Immunization (EPI), nutrition and health education for all the population.
- ▶ Enhancing the programs for combating endemic diseases, such as diarrhea, malaria, schistosomiasis, tuberculosis, hepatic diseases, AIDS, and venereal diseases.

Specific Goals: Raise the coverage rate to about 65% of the population by 2005, so as to improve the health indicators by providing basic health services in the government health facilities, especially in rural areas which should be proximate to the people, through the Health Region System, while also providing essential medicines at prices affordable to limited income groups.

Policies

- Upgrade the efficiency of using the government resources through advanced administrative and financial systems and the adoption of cost sharing in order to save additional financial resources for maintenance of the facilities, medicinal supply, and incentives to the staff to improve their performance.
- Regulate and supervise health services provided by the private sector, to ensure safe and responsible service provision, which is supplementary to the health care provided by the public health sector.
- Transfer of administrative authorities to the regions and strengthen the participation of the population in the management of the health regions in view of its importance in the reform of the health system.
- Adopt a prudent approach to select the midwives and female health workers who are providing primary health care by using a geographical base and through the nomination of each region of its respective candidates.
- Redistribute staff from overstaffed hospitals and health centers in the cities to the health facilities in the rural areas, which have shortages of doctors and health workers, while providing a lucrative incentive system to motivate them to serve in remote areas.
- Increase resources of the health care from the government budget and participation of the public in financing the expansion of the scope of health services and coverage of the rest of the rural population, which has yet to be covered by health services.
- Import low cost good quality medicines with non-registered ownership (generic), on the basis of fully recovering their costs by way of patient payments to the revolving medicine fund, while ensuring free medicines to poor families within the area in which the relevant health facility operates.
- Encourage NGOs to provide health services to the population, especially to the poor, and especially as the number of such NGOs is still negligible.

Priority Programs and Projects

- **Health Programs:** Includes 31 programs that aim to combat the spread of endemic diseases; improve nutrition; reduce risks which threaten maternal and infant health; upgrade the quality of health services; implant the principle of participation in the management, planning, financing, supervision and assessment, along with development of human resources and making the medicinal policy effective.
- **Constructing and Equipping Facilities for the Health Sector:** Upgrade and improve the health services by equipping and rehabilitating health institutions with modern health equipment; reinforce support services; and support community participation in the management and monitoring of the performance of health institutions.

- ***Improvement of Basic Health Services and Family Health:*** Improve maternal and infant services by rehabilitation of some of the health centers.
- ***The Improvement of Health Services in Marib Governorate:*** Raise the coverage of health services in the governorate, considering that it is a remote and less fortunate governorate, and improve these services, so as to reduce the afflictions of diseases and curtail endemic diseases.
- ***SFD projects and PWP:*** Facilitate community development through the improvement of health services and contributing to the creation of permanent job opportunities, and vitalize community involvement in the preparation and implementation of public works projects while focusing on support to institutional building of community organizations and NGOs in this respect.

4.2.3. Education and Training

The progress of the country and the realization of economic and social development depend on increasing production and productivity, proper exploitation of resources, facing the challenges of globalization and competition and keeping pace with the developments and qualitative transformations in science, research and technology. Education and training is linked to all national economic sectors and the conditions of the population. Therefore, it is the key and driver for economic development and social progress, besides representing the sinew of sustainable human development. Basic education is considered essential for rural development and for the enhancement of the agricultural sector, in addition to being one of the fundamental inputs for increasing industrial productivity. Education for girls is an important factor in the improvement of the maternal and infant health and nutritional conditions and in the reduction of the fertility rate, aside from its role in bringing about social change in the position of women in the society. Thus, the educational strategy in Yemen focuses on the priority of four basic approaches as follows: (i) improvement of the educational environment; (ii) improvement of the management of the sector and the orientation towards decentralization; (iii) priority to basic education; and (iv) focus on the education of girls, which in turn will raise the overall enrollment rate.

Specific Goal: Raise the enrollment rate in basic education to 69.3% in 2005, while reducing the gaps between girls and boys in the regions; also, raise the percentage of those enrolled in vocational training and technical education. For higher education, the orientation of the GoY is to focus on restructuring higher education to develop university education to keep pace with the advances in science and technology, with the increase of the percentage of female students to about 27% of the total enrollment and to increase the specialized science and practical field graduates to 16%.

Policies

(i) Basic Education

- Pave the way for all to enroll in schools to improve human resources and performance efficiency.
- Promote the enrollment of girls in education, especially in rural areas, to reduce the gender gap between males and females.
- Select the locations of schools according to the schooling map and with the participation of the local community, fencing the school buildings and provision of water closets, especially in girls' schools.
- Expand basic coeducational schools for the early grades and establishment of separate classrooms for girls in the later grades of basic education.
- Provide competent female teachers for the later years of basic education.
- Waive schooling fees for girls and provide them with financial or in-kind assistance in some of the areas, in order to lessen the costs of education on their families.
- Distribute education allocations among the governorates and between the sub-sectors in favor of basic education, while working to upgrade efficiency of public expenditures.

(ii) Vocational Training and Technical Education

- Expand the number of vocational and technical institutes and centers, and set up the major institutes and centers proximate to the industrial areas, whereby they should include centers for serving and meeting the needs of the nearby areas.
- Develop and modernize the existing institutes and centers and increase their absorption capacities to meet the current and future needs of the labor market quantitatively and qualitatively.
- Set up incentives to motivate male and female students to enroll in vocational and technical fields, especially the children of poor families, from the poverty pockets and the remote governorates; and to address some of the social causes which hinder the enthusiasm for vocational training and technical education and for dropouts from them.
- Prepare flexible financial regulations to enable the vocational and technical training institutes and centers to take advantage of any income they can generate towards self-advancement.

(iii) Higher Education

- Activate the role of the Higher University Council in controlling, supervising, monitoring, and guiding the different aspects of public and private education, in accordance with the criteria for performance evaluation. Similarly, prepare admissions policies in accordance with development needs, the labor market, and the absorption capacities of every university and college.
- Achieve balance between the different specialized fields and their expanding absorption capacities for which there is a high demand of graduates and which are associated with natural environments and meet the needs of development and the labor market, while securing their requirements of faculty, laboratories, workshops and teaching aids, etc.
- Review and improve educational programs and curricula in higher education to keep pace with accelerating developments and to prepare graduates that are able to join the labor force.
- Impose tuitions that allow for freeing more resources for basic education and creating incentives for students to choose the specialized fields that are required by the labor market and which work towards the improvement of the quality of education, while accompanying this with a program for scholarships.
- Fix the number of scholarships for overseas studies and limit them to specialized rare scientific and technical fields and set a specific percentage for excellent and outstanding students who hail from limited income and poor families.

Priority Programs and Projects

(i) Basic Education

- **Expansion of Basic Education:** Construction of new schools; expansion, rehabilitation and maintenance of existing schools, while providing furniture for and equipping schools; also work towards reform of the basic educational sector and improvement of the quality of education.
- **Investment in the Education Sector:** Reform of the educational sector and improvement of its output; improve the curricula and teaching techniques and train teachers; work towards reducing overcrowding in classrooms and encourage female enrollment by completing the construction of 750 classrooms.
- **Construction of Additional Classrooms for Basic and Secondary Education:** Confront the expansion of basic and secondary education and reduce overcrowded classrooms and improve the quality of education.

- ***Building Schools:*** Increase the rate of enrollment of girls in basic education, especially in the rural areas, by building, furnishing, equipping and renovating 723 classrooms, in addition to improving the quality of education.
- ***Constructing 200 Girls' Schools:*** Promote the enrollment of girls in education to reduce the gender gaps and improve of their living conditions.
- ***Project for the Completion of Constructing and Equipping 3,500 Classrooms:*** Confront the increased enthusiasm for education and reduce the crowded classrooms and rehabilitation of some of the educational facilities.
- ***School Mapping and Support to Planning and Statistics:*** Complete the preparation of the Schooling Maps for the remaining eight governorates; reorganize and redistribute services; set up the statistical system and update the database of the sector and regularly collect information and data on education.
- ***SFD and PWP Projects:*** Develop community by improvement of educational services and contributing to the creation of permanent job opportunities. Vitalize community involvement in the preparation and implementation of civil works projects while focusing on support to institutional building of community organizations and NGOs in this respect.

(ii) Vocational Training and Technical Education:

- ***Completion of the Vocational Training:*** Rehabilitate 15 centers with the required equipment and improve 60 sections in different centers of the country; set up new specialized fields with special consideration for specializations that are appropriate for women; improve curricula and upgrade quality of staff, with a view towards providing the qualified technical staff to meet the needs of the labor market and the requirements of development and for the replacement of expatriates by Yemeni employees.
- ***Setting up Vocational and Technical Training Center and Institutes:*** Construct and equip 35 centers and institutes for vocational training in a number of governorates in order to meet the needs of the market for qualified technical staff.
- ***Constructing a Higher Polytechnic Institute:*** Construct and equip the institute; prepare its curricula and train its staff with a view towards providing qualify personnel to meet the needs of the labor market and the requirements for development and to "Yemenize" the technical positions.
- ***Improvement of Vocational and Technical Training Institutes and Centers:*** The rehabilitation of a number of old institutes and centers and replacement of their machinery and equipment to keep pace with needs of the new training programs; set-up of new sections; and development of curricula and rehabilitation of staff.
- ***Establishment of Handicraft Institutes and Centers:*** Establish five institutes and centers for the traditional handicraft trades in the Capitol Secretariat, Hodeidah, Taiz and Sa'ada with a view towards preserving the traditional skills and contributing to the development of some of the productive and service sectors.
- ***Training Institutes and Centers for Girls:*** Set up four institutes and centers for training of girls in the areas of specialization that are more suitable for their work and to meet the needs of the labor markets, with a view towards enhancing the contribution of women in development

(iii) Higher Education

- ***Higher Education:*** Prepare and implement a national strategy for the reform of higher education; the improvement of the institutional set-up of the Ministry of Higher Education; and scientific research in reinforcing higher education by means of improving its management and providing the essential funding for higher education, while focusing on improvement of its quality.
- ***Link Government Universities With Information Networks:*** Provide government universities with the essential equipment and interconnected networks; qualify the staff in computers and information and facilitate access to research centers though the Network.
- ***Constructing University Colleges/Faculties:*** Set up the Faculty of Engineering and Technology in Hadhramout University and the Faculty of Water Structures in Dhamar

- University in order to prepare and qualify staff in the engineering and technological fields to meet the needs of the labor markets and the requirements of development.
- **Constructing the Community College Buildings:** Construct the buildings and equipment required for operating the Community Colleges in Sana'a, in the required form, with a view towards preparing the intermediary personnel that meet the requirements for development of human resources in the fields of engineering, technology, business management and in the different production and service fields, in addition to the arrangement of job-qualification and training for the government and private institutions.
 - **Information and Communication Technology (ICT) for Human Development Purposes:** Enhance the use of ICT through adopting policies to encourage and support its uses in the areas of the PRS including health and education, to serve the public in general and the poor in particular. Such innovation schemes should also be result-oriented.

4.3.Improving Infrastructure

Despite improvements realized over the past years in infrastructure, however, it is still below the desired standard and is characterized by the geographical variances and bias towards the urban areas and the more fortunate groups. The infrastructure services also suffer from numerous difficulties, due to the population growth and the high migration rate to the urban areas, which lead to increased pressures on the infrastructure, and to the random expansion and dispersion of project efforts, in view of the huge needs that arise thereof, besides the fact that these pressures are beyond the capacities of the relevant concerned organs, and even proceed without a long term strategy or plan and the shortfall in the legislation that regulate the activities of the sector.

The completion of infrastructure services requires many projects and large financing, especially in the rural areas, where services only provide coverage to limited areas. The improvement of the infrastructure represents a method for the realization of rural development and to reduce the typical migration to the cities. At the same time, the limited natural resources, topped off by the narrow area of cultivable land and the scarce water resources in the areas of population clusters and the continuous population growth –especially in the central highlands– represents one of the fundamental limitations on economic and social development.

Box 5.13: Development of the Rural Economy

The establishment of infrastructure and provision of institutional and financial structure for the informal sector represents the best method for integrating and improving the informal sector to enable it to upgrade its efficiency, to generate new and productive job opportunities and to contribute to the realization of economic growth and improvement of the standard of living of the people that operate in the sector, thus curtailing migration to the cities. The importance of the rural areas is evident in linking the centers for agricultural and fisheries production with the internal markets and the export outlets, so as to work towards reducing the cost of transporting the commodities and individuals, stimulating the transportation and transfer movements and the creation of a

The cities and areas extending along the Yemeni coastline embody a strategic component and a basic vehicle for coming out of this problem and for the achievement of Yemen's economic and social goals. To achieve this requires the development of the coastal areas, by first providing the infrastructure and promoting the establishment of economic activities in these areas. The establishment of the required infrastructure in these areas is deemed to be less costly if we take into consideration the extent of water problems in the highlands compared to the potentials for desalination of seawater.

General Goal: Contribution to the achievement of economic growth and diversification of the economic base and provision of basic services to reduce poverty, which is more widespread in rural areas while giving priority to the less fortunate groups, such as women, children and the population of remote areas.

Priority Programs and Projects

- **Conflict Prevention:** Intensify development projects and services in remote regions most vulnerable to conflict and unrest, in particular Mareb, Shabwah, Al-Jawf, Amran, Al-Dhala' and east of Sana'a Governorate. This would ensure social stability in those regions and reduce the possibility of potential violence and extremism.

4.3.1. Water and Wastewater Sanitation

Wastewater sanitation acquires significant importance due to the health risks it can cause and the pollution that result due to scarce resources. The data shows the low standard of the wastewater sanitation services and their concentration in the major cities, despite the efforts which were exerted over the past period. The Water and Wastewater Sanitation sector is currently witnessing a pilot experiment in the establishment of local corporations for production and distribution of water as one of the mechanisms for the reform and restructuring of the sector.

Specific Goal: Increase water production for domestic consumption to 162.5 million m³ by 2005, and thus raise coverage of the public networks to 69% in the urban areas; expand scope of wastewater sanitation services to raise coverage to about 44%. In the rural areas, the aim is to increase consumption to 423 million m³ and increase coverage to about 65% of the rural population.

Policies

- Set up and operate quality control and standard systems and the required scientific laboratories.
- Promote and regulate the participation of the private sector in operation and management of water supply systems, and in protecting them from waste or pollution, in collaboration and coordination with the National Water and Sanitation Authority (NWSA), cooperative associations, and local councils; expand the application of decentralization and set up financially and administratively autonomous branches responsible for production and distribution, in the same manner as was accomplished in the Capitol Secretariat and some of the governorates.
- Provision of service on cost recovery basis, subject to the criteria of social equity.
- Completion of the program for restructuring the water sector and increasing the efficiency of its management, the elimination of institutional conflict and interventions, with a view towards rationalizing the use of water resources and setting up an agency to provide wastewater sanitation in rural areas.
- Implementation of a comprehensive modernization and maintenance program for the public water supply network with a view towards reducing losses.
- Enhance the skills and expertise of the employees of the facilities and utilities of the water supply and wastewater sanitation sector and upgrade their planning, technical and administrative capacities to help improve the performance and services of the sector.

Priority Programs and Projects

- **Capitol Secretariat Water Supply and Wastewater Sanitation:** Provision of water supply service to the City of Sana'a and expansion of wastewater sanitation in order to preserve the environment.
- **Water and Sewage Services for a Number of Cities in Some of the Governorates:** Provision of water supply and wastewater services, to improve services, infrastructure and health conditions, reduce the pollution of the environment and internal migration by drilling and equipping wells; set up water supply and wastewater sanitation networks and treatment plants.

- ***Renewed Program for Wastewater Sanitation in the Major Cities:*** Provision of water supply and wastewater sanitation to improve services for the secondary towns and reduction of environmental pollution.
- ***Water and Sanitation in Secondary Cities:*** Provide water and sanitation to improve services and infrastructure and to reduce pollution in the cities of Bajel, Zabid, Bayt Al-Faqih, Al-Luhayyah, Al-Shihr, Jiblah, Zinjibar and Jaar.
- ***Yarim, 'Amran, and Sa'ada Water and Sewerage Services:*** Improvement of water supply and wastewater sanitation in these cities and reduction of environmental pollution.
- ***Water Supply and Wastewater Sanitation in Rural Areas:*** Supply rural areas with potable water and set up suitable wastewater sanitation systems to preserve the environment.
- ***SFD Projects and PWP Project:*** Community development through improvement of water supply and wastewater sanitation services and contribution to the generation of job opportunities and upgrading community participation in the preparation and implementation of civil works, while focusing on the institutional build-up of community associations and NGOs.

4.3.2. Electricity Sector

Indicators show the failure of electric power in Yemen in keeping pace with demand due to the aging of the power stations and the distribution networks, which is reflected in the high losses that are currently estimated at about 38%, well above the internationally prevailing levels. This situation prevents the full utilization of machinery and equipment in the different productive and service units, and burdens the private sector facilities with the cost of setting up their own generating plants, not to mention the inability to systematically fulfill domestic lighting requirements. This situation is expected to continue over the medium term due to the increase of demand at high rates, and thus increases the adverse aspects on investment opportunities and the growth of output, income and employment, clearly showing the importance of strategic investment by the private sector in this field.

Specific Goal: Increase the installed capacity to 1,266 MW, increase the coverage rate of electricity supply to 40.3 % of total population by 2005, and reduce electricity losses to 25%. The objectives for rural electrification are exemplified by increasing coverage rate to 22.2 % of the total rural population by expanding supply and choosing the most suitable energy source alternatives including new and renewable energy sources such as solar and wind energy.

Policies

- Rehabilitation of existing power stations, and attention to upgrading the maintenance level and the efficiency of operations.
- Attract private sector capital to invest in generation, transmission and distribution of electricity and transfer responsibility for operations and maintenance of some power stations, transmission grid and distribution networks to the private sector, in preparation for making the experiment universal.
- Support the orientation towards financial and administrative decentralization to improve operations efficiency in the branches and improve the quality of service to consumers.
- Expand on the concept of local participation in the execution and management of electricity generation projects; and secure operations and maintenance of these projects, so as to guarantee that they are well utilized and developed.
- Set the tariff structures on a commercial basis, while keeping to the minimal limits of social justice; and improve the level of collections of due payments.
- Prepare and execute intensified programs to build personal capacities and upgrade the skills and efficiency of staff; give special care to operations and maintenance

programs in the power generating stations, substations and the transmission and distribution networks.

- Concentrate on the projects for densely populated areas. Give priority to undertaking electrification projects in deprived areas and the completion of ongoing projects.
- Develop and advance the sources of new and renewable energy and prepare programs to gain the maximum benefit from such energy, especially in rural and remote areas and in the Yemeni islands.

Priority Programs and Projects

- **Power Generating Station by Gas:** Construct a 300 MW gas power station in Marib Governorate, with high voltage transmission line, major substations to Sana'a, for the purpose of addressing the existing shortage.
- **Renewable Sources Power Generating Station:** The use of renewable sources of energy that conserves the environment and contributes to the provision of electric power, especially in the areas where the required sources are available.
- **Modernization of the Transmission Lines in the Coastal Areas:** Secure transmission of power from power stations and reduce interrupted supply due to humidity and climatic conditions in the coastal areas.
- **Reinforcement of Some of the Power Generating Plants:** Reinforce generation in Al-Hali Power Station (Hodeidah), Khourmaksar Power Station (Aden), 'Usaifarah Power Station (Taiz) and South Sana'a Power Station to meet the increasing demand in these cities.
- **Enhancing Power Generation in Some Districts:** Enhance the existing power generation capacities and completion of linking the electricity grid and distribution in some districts.
- **Electrification of al-Qafr, Al-Saddah and Al-Nadirah:** Provision of electricity from the national grid to secondary towns and reinforcement of infrastructure in the project area to create economic and social activity that contributes to overall rural development.
- **Al-Habilayn-Dhamar Transmission Line:** Construction of a 132 kV line from Al-Habilayn to Dhamar across the Governorates of Al-Dhala', Ibb and Dhamar, for the purpose of reinforcing the national grid and reducing losses and provide service to new areas to improve the elements of the infrastructure and rural development in these areas.
- **Construction of Two New Power Stations in Both Sana'a and Aden:** Undertake the studies, prepare designs and tender documents and construct a 120 MW power station in Sana'a and an 80 MW power station in Aden, to support generation in the Capitol Secretariat and the City of Aden to face the existing shortage and to absorb the disconnected industrial loads.
- **Fourth Power:** Connection of secondary towns with the national electricity grid and feed several villages and do away with the costly isolated diesel plants.

4.3.3. Roads

Passenger movement and merchandise transport in Yemen relies primarily on overland transport. Despite its improvement, the availability of a modern road network to link most parts of the country is, nevertheless, still inadequate to meet current and future development needs since the paved roads do not exceed 9% of the total roads and their proportion to land area does not exceed 11 km for every 1,000 square km, which is a very low rate when compared with the regional and international ratios. The roads sector also needs support and institutional, organizational and technical strengthening to change efficiency of performance and soundness and adequacy of the services of the sector, which suffers from obstacles that may be highlighted as follows: (i) institutional and regulatory weakness of the sector; (ii) differences in the technical and engineering specifications of the road network which impede and increase the cost of maintenance; (iii) non-compliance with the load limits which the roads were designed for, which subjects the roads to rapid deterioration; and, (iv) deterioration of large sections of the paved and dirt roads due to the absence of regular maintenance work.

Specific Goal: Completion and modernization of the domestic and international road network to link all the Yemeni regions with each other, including the secondary towns and the rural areas on one hand, and Yemen with its regional and international surroundings on the other, so as to achieve greater interrelations, strengthen transport traffic and ease the flow of goods and services and transportation of individuals, in addition to maintenance of the existing road network to ensure the safety of their use and their sustainability.

Policies

- Completion of overland connection of the coastal strip, given its increasing importance in light of growing domestic economic and social activity and the orientation of the government towards regional economic integration and global economic cohesion.
- Construction of a road network to link industrial and agricultural production centers, fishing, and mining areas with the domestic markets and the export outlets.
- Complete the uncompleted sections of the domestic and international road networks; organize road construction, whereby to first complete the projects currently under implementation and within their financial allocations and to only start any project if adequate allocations are appropriated for them.
- Give priority to the roads that link population clusters with the road network and rationalize the rural road development program, by means of preparing a program for arranging the priorities of the rural roads.
- Support and involve the local communities and individual contributions in the construction and maintenance of feeder and dirt roads and activate the role of the organs of the local authorities in laying, maintaining and sustaining rural roads and reinforce the role of the development and social funds in this area.
- Reinforce and upgrade the asphalt roads and rehabilitate some of them. Implement a regularly scheduled maintenance and emergency repair program for the asphalt, gravel and dirt road network to ensure its safety and sustainability.
- Set forth the technical and engineering specifications and standards for the road network in accordance with requirements, and to work towards making them compatible with the technical specifications set forth in the international road agreements in the Arab Orient; comply with the Laws of Vehicle Axial Weight Load and Dimensions and operate the existing Axial Weight Load Stations; and set up new stations as needed, in addition to placing traffic and alert signs.

Priority Programs Projects

- **Rural Roads:** Facilitate the connection and movement from centers of the governorates to the districts; serve the largest scope of rural population clusters; improve access to basic social services and facilitate access to production inputs and consumer commodities and promoting economic growth by encouraging agricultural production and activities associated with it and the creation of job opportunities. The program seeks to set up a mechanism for planning and determining priorities at the governorate level, while involving local communities and individual contributions in the construction and maintenance of feeder and dirt roads and activating the role of the agencies of the local authorities in laying, maintaining and sustaining rural roads and reinforce the role of the development and social funds in this area.
- **Seyhout-Nashtoun Road (172 km) and Tarim–Thamoud-Al-Shahn Road (400 km):** Complete the linkage with the Arab Road Network, facilitate interconnection between the regions benefiting from the project and the remaining regions of Yemen and with the Sultanate of Oman, so as to encourage agricultural and livestock production, marketing of products and stimulating internal and external tourism.
- **Aden–Bab Al-Mandab–Al-Mocha Road (255 km):** Complete the linkage of the main road network and the coastal road, so as to help stimulate domestic and foreign economic and commercial activities.

- ***Ahwar–Rudhoum–Al-Nushaymah Road (150 km)***: Complete the linkage of the coastal roads between Aden and Al-Mukalla including a road connection to the oil port while providing protection for the oil pipeline and connecting the fishing communities in the area to encourage fisheries production and marketing.
- ***Haradh–Sa'ada Road (205 km)***: Interconnect the northwestern regions along the border with each other and with the internal regions to facilitate the intercommunication of the people of the area, increase agricultural production and encourage commercial trade.
- ***Arhab–Hazm-al-Jawf–Al-Buq'a (283 km)***: Achieve linkage with Saudi Arabia; secure transport traffic in accordance with the needs of the economic activity; stimulate production and marketing of agricultural and livestock products and commodity trade.
- ***Thamoud–Jabal Safouh–Jabal Saghir–Al-Yutmah–Al-Buq'a (720 km) Road***: Achieve linkage between Sa'ada and Al-Jawf governorates reaching up to the border with Saudi Arabia and secure transport traffic in accordance with the needs of the economic activity; stimulate production and marketing of agricultural and livestock products and commodity trade.
- ***Reinforcement of Parts of Aden–Al-Mukalla Road***: Construct asphalt roads and widen the present network to cut travel time, reduce the cost of operating vehicles and reduce accidents.
- ***Amran–Sana'a–Dhamar–Ibb–Taiz–Lahj–Aden (459 km twin directional) Road***: Reduce the pressure on the present road extending from 'Amran to Aden, reduce accidents, shorten the time span of trip, facilitate the movement of merchandise and agricultural products between the areas of production and marketing that the road passes through, besides reinforcing the link between capitol Sana'a and a number of governorates which the road crosses reaching to Aden governorate.
- ***SFD Projects and PWP***: Community development, by means of construction and improvement of roads and contributing to the generation of permanent job opportunities and to upgrade the level of community participation in the preparation and implementation of civil works.
- ***Program of the Major roads that link governorates or within a governorate***: (refer to annex 3 for details).

4.4. Ensuring Social Protection

The change of poverty in Yemen from a mere incidental to a more structural case has increased the difficulties facing the social safety net and reduced its effectiveness and efficiency under its present condition and resources. The long-term success of the package of policies under the EFARP depends on the state's ability to protect the socio-economic conditions of the most vulnerable and fragile segments of society. This requires the formulation of a new concept addressing the role and infrastructure of the Social Safety Net (SSN) and the transformation of its tools from interim and compensatory mechanisms to more permanent mechanisms for sustainable social development. Social insurance programs occupy an important place in the concept of social protection. This compulsory system of insurance works on spreading the umbrella of insurance protection against risks like aging, disability and death in the broad sectors which mostly represent segments of limited income. Strengthening the role of the social safety net and its programs depends on the adoption of a set of advanced and flexible policies and measures, which address the existing shortcomings.

General Goal: Development and support of the social safety net through the increase in funding for the different programs along with the necessity to strengthen the linkages among the different components of the net and commitment of poverty indicators as criteria for distribution. Special attention is to be given to reforming retirement funds with the aim of first saving appropriate and long-lasting retirement income and secondly enhancing national saving and investment.

Policies

(i) Social Safety Net (SSN):

- The expansion of protection objectives to exceed protection boundaries covering the poorest and most exposed segments to the negative impact of the economic reforms to include the most vulnerable segments threatened by sliding below the poverty line. This would demand an increase in the funds of the Social Welfare Fund;
- The direction of projects and services towards the poorest regions using the poverty criteria as the primary means of targeting and distribution of resources and the allotment of specific percentages for some regions on the basis of local and geographic considerations and circumstance;
- Resource distribution for activities which support job creation and income generation fields;
- The revision of the role of endowment and zakat (alms tax) in poverty reduction and the direction of their resources towards the poor;
- The expansion of the SSN programs become a more organized and diverse network of general services and projects in the material and social infrastructure;
- The development of financial resources for these programs through zakat, taxation on Qat, and foreign assistance; delegate some of the activities to local authorities so as to strengthen their role in the protection of the poor and the realization of their expanded and diverse objectives;
- The expansion of the role of NGOs through training, funding, and institutional support to enable them to contribute to making services, activities and assistance accessible to poor regions, keeping in mind the necessity for supervision;
- The revision and evaluation of the role of the various programs within the SSN so as to avert any overlapping, duplication or incompatibility through the merger of some of the programs and/or support for integration and coordination by activating the role of the National Committee for the SSN and by conducting regular assessment of targeting and outreach to the poor regions under all programs.

(ii) Social Security:

- Reforming the security coverage including the methods of defining subscriptions and its foundation and collection, retirement pension sum and grounds for its calculation in a way that ensures that retirement pensions correlate with living expenses;
- Vertical expansion in the security system to include health insurance and horizontal expansion to cover a larger percentage of employees in private enterprises and self employed staff and the establishment of optional funds complementing the improvement of privileges for the retired;
- The establishment of an integrated data base and the introduction of computers to ensure the registration of the job, financial, and social data for subscribers and retirees in a way that helps establish an inventory and follow-up of the collection of due legal installments;
- The implementation of a new strategy on the investment of social insurance funds based on the diversification of the investment portfolio while ensuring higher efficiency of investment portfolio management and continuous performance evaluation.

Priority Programs and Projects

- **Social Welfare Fund (SWF):** The provision of cash assistance to the poorest in society, the elderly, orphans and women with no caretaker in addition to segments unable to work and make money, within the bounds of the Social Welfare Law;
- **Social Fund for Development (SFD):** The development of society through the improvement of education, health services, water supply and sanitation and the contribution to the creation of permanent job opportunities with focus on the development of small and micro enterprises, institutional support for national associations and NGOs;
- **Public Works Project (PWP):** The improvement and provision of social services, environmental situation, the basic infrastructure for alleviating the adverse effects of the reform program through job creation, raising the level of community participation in the preparation and implementation of civil works projects;
- **The Agriculture Production and Fisheries Promotion Fund: (APFPF):** The alleviation of burdens resulting from the rise in the prices of accessories and inputs for agriculture production, livestock and fisheries to enable beneficiaries to maintain their activities, raise efficiency and agriculture land conservation through financing a number of projects and activities related to irrigation, water installations and productive and marketable agricultural fields in participation with popular efforts;
- **The National Program for the Development of Productive Families:** The establishment of centers for productive families in the governorates, the operation of existing ones and the establishment and equipping of productive units in addition to the creation of mobile units to cover rural areas. Training is linked with production through the creation of 14 fields for income generation with a focus on the qualification of poor families that receive social welfare cash subsistence.
- **Rehabilitation of the Disabled:** The establishment of training centers for the disabled, young and old, and making available the necessary equipment to enable them to integrate in society and economic activity.
- **Poverty Alleviation and Employment Generation:** The implementation of the national poverty survey and labor market survey and the implementation of the local community development program in some of the poorest regions through the contribution in the establishment of local communities and financing income generation projects in addition to support for the National Program for the Development of Productive Families and operation of a micro lending program.
- **Poverty Information and Monitoring System:** The establishment of a comprehensive data base on poverty indicators and poverty monitoring through surveys and in a way that helps in the preparation of poverty profiles of certain target groups and regions nationwide and making available sufficient data for the preparation of policies and facilitating the evaluation of the impact of policies and effectiveness of programs.
- **Civil Service Fund:** Addressing inflation in the civil service through the identifications of needs of administrative units of staff in line with organizational and employees structures, the referral of excess labor force to the fund for the purpose of either re-training and re-distribution according to market need or the procurement of outstanding service before referral for retirement or paying compensation for those wishing to leave public office.

4.5. Administration, Good Governance, Participation and Cooperation

Administration, good governance and participation gain their significance for being interconnected with the four axes of the strategy and for their impact on achieving the main and secondary objectives in addition to being a basic prerequisite for realizing sustainable development and poverty reduction.

4.5.1. Administration and Good Governance

Administration and good governance possess the means for impact on directing economic resources and growth through the public budget and investment program, etc., in a way that ensures poverty reduction. Good governance and administration and their institutions play a primary role in giving priority to human resources development and the expansion of the

social protection umbrella leaving behind a positive return in favor of the poor and low income groups and reflect a conducive climate for the needs of the poor.

Accountability primarily takes a form that is political in nature, but the cooperation between the poor and the middle class and other segments in society would require making government administration and legal institutions and service provision more efficient and accountable. The poor segments in society are the weakest and most vulnerable to state decisions and directions due to their inability to make their voice on their hardship heard. These segments therefore fail in most cases to obtain their rights, to lift their suffering and sometimes to merely voice such rights before corrupt administrations. The prevalence of good governance, efficient administration and responsive institutions is a basis and a prerequisite for the success of poverty reduction efforts and joint cooperation aimed at realizing growth in general. The ongoing institutional reforms in Yemen are addressing fields that are considered critical in furthering the investment environment especially in the modernization of the civil service, reforming the judiciary and strengthening local authority.

**BOX 5.14: THE RELATIONSHIP BETWEEN
ADMINISTRATION, GOVERNANCE AND POVERTY**

Bad administration and governance form a suitable environment for the outbreak and spread of poverty. Poverty is not linked only with potential and resources of individuals but also with surrounding conditions topped by government structure and administration. Good governance helps the poor and assists in alleviating and getting them out of their burden. Meanwhile, weak administration fails to identify their priorities in the first place and fails in many of its duties, in particular poverty reduction.

General Goal: Making available good governance and administration possible by enabling the optimization of the country’s resources, realization of the objectives of society and allowing for the participation of all segments in society including the poor in the decision making process.

4.5.2. Civil Service Modernization

Civil service modernization, which is an integral part of the reform program, occupies top priority due to the fact that no economic development can be achieved with a modern government administration. In 1998, the Civil Service Modernization Strategy was put for debate and later developed in a national conference. The Strategy aspires to develop a modern administration apparatus complementing economic reforms and assisting in accelerating growth and economic development in addition to the promotion and support for the private sector and civil society organizations (CSOs).

Specific Goal: The provision of efficient, effective and transparent government services under which performance and incentive are criteria that are applied in actual practice.

Policies

- The completion of the process of job description in the civil service and getting rid of imaginary and excess labor force as soon as possible;
- The restructuring of government agencies starting with the main selected agencies;
- Focus on measures that enhance the efficiency of government agencies and the improvement of procedures for control and transparency;
- Preparation of a general policy on wages to ensure satisfactory levels of living, ensure incremental increase in wages according to mechanisms that correlate with the movement of the national economy and world economic changes and taking into consideration the outcome and its impact on economic stability and the civil service system.

Priority Programs and Projects

- **Civil Service Modernization:** Provision of high quality and cost effective government services through the restructuring of government agencies, termination of duplication,

enhancement of transparent procedures, guarantee of practical application, improvement in budget preparation and financial administration systems, the establishment of effective control on hiring and redistribution, the termination of the services of the excess labor force fairly and the improvement of the wages system.

4.5.3. Enhancing and Strengthening of Democracy

Democracy is considered the guarantee that would make the poor and rich and the governor and the governed alike a voice that is heard in all issues and conditions including those of the poor themselves. The poor, like any other segment of society, are partners in decision-making. This would require the support for and strengthening of democracy in Yemen and the continuation of democratic policies that have become an integral part of the life of society.

Specific Goal: Maintaining democratic practices until they become part of each citizen's life.

Policies:

- Work and commitment to transparency in all affairs of governance and administration which would keep society away from ill use and personal interest and would also make work free from oppression, deprivation and the control of the powerful;
- The promotion of participation away from conflict, tension, and hesitation which in most cases gets mixed up with and hampers participation;
- Public education and awareness on individual rights and duties so as to ensure public response based on knowledge which will promote and allow political parties and CSOs to carry out their role in society;
- Safeguarding the freedom of the press and freedom of expression and making the clear distinction among the three authorities;
- Conducting regular general elections.

Priority Programs and Projects:

- ***Supporting Elections:*** The provision of expertise and technical support for the Supreme Electoral Commission especially in areas like voter registration, professional development and decentralization within the Commission, the expansion of the democratic participation by less fortunate segments including women, raising public awareness on the importance of elections and participation.

4.5.4. Implementation and Enforcement of Laws and Regulations

The precise and accurate application of the law away from favoritism and partisanism serves all citizens particularly the poor who would be able to obtain their rights and safeguard their dignity. It would also ensure the application of the laws and regulations and fight against corruption and further strengthen the solidarity and unity in society.

Specific Goal: The creation of a state of law and order in which everybody is equal before the law and bears his or her responsibility and obtains his or her rights.

Policies:

- Consolidate respect for the law, commitment to observing it fully and the appearance of role models in state leaders;
- Identification of fields and sectors that face legislative weakness or deficiency, addressing these flaws, the removal of contradiction in legislation and laws especially those related to the poor and poverty reduction programs;
- Improve performance of the judiciary system, general prosecutors and courts and enhancement of the role of inspection and financial control units in government agencies;
- Swift implementation of court rulings.

Priority Programs and Projects:

- **Basic Infrastructure for the Judiciary:** Creation of suitable working conditions for the organs of the judicial authority mainly by construction and equipping of courts;
- **Training for Members of the Judicial Authority:** Enhancement of capacity of performance for members of the judicial authority through regular training programs and workshops so as to assist in speedy actions and rulings on matters of conflict.

4.5.5. Strengthening Local Authority and Decentralization

The local authority contributes better and more precisely than the central government in the identification of needs of local communities. It also works in addressing and answering to such needs swifter. The local authorities in many countries have proved their effectiveness due to closeness to the people especially the poor. Therefore, the state will work on maintaining support for local councils as the main local vehicle for democracy, which play a substantial role in feeling the needs of the poor and support for poverty reduction programs at the local level.

Specific Goal: The authorities mandate administrative units to take charge of tasks that enable them to improve the livelihood of the people in their local communities and addressing their problems and encouraging their participation in accountability and decision-making.

Policies:

- Strengthening the capacities of local authorities and their role in decision-making especially in issues related to the basic needs of local communities;
- Spreading awareness among the public and conducting general referendums on all important issues;
- Improving monitoring and follow-up to ensure a local authority that is strongly in favor of the poor and their programs.

Priority Programs and Projects:

- **Basic Infrastructure and Human Capacity for Local Authorities:** Strengthening the role of local authorities, making available the necessary financial and human requirements in line with the Local Authority Law most importantly the construction and equipping of local council headquarters and training for the local authority cadre.

4.5.6. Support for Pro-Poor Government and National Institutions

The poor cannot in most cases, even through the institutions they establish, defend their causes and obtain sufficient protection. Therefore, the presence of pro-poor government and national institutions is a step in the right direction to sustain demand and impact on other partners to pay attention to the poor and aid the poor to alleviate their poverty.

Specific Goal: Giving priority to the poor in development and in poverty alleviation. These cannot be secured except through making government institutions closer to the issues and problems of the poor in addition to the expansion of the role of national organizations (NGOs) as government partners in development. Such organizations are closer to the poor and their communities.

Policies

- Support for local community institutions and NGOs that support the poor;
- The promotion of the involvement of the poor and their organizations in community affairs through different mechanisms and activities;
- The promotion of the establishment of these institutions as a supporting factor for granting top priority to the needs of the poor.

Priority Programs and Projects

- **Regional Development:** Institutional capacity building for local communities through a partnership work program and the embodiment of bottom to top development approach, participation in planning, implementation, follow-up and evaluation in addition to the support of members of local communities in rural areas especially women to realize sustainable development. The program also adopts the idea of establishing revolving funds for these communities to finance local development activities;
- **Self Help Development in Rural Areas:** Capacity building for self help for rural communities to improve their living standard through the implementation of sustainable development activities, the establishment of small projects like water storage and water supply ponds, land conservation, bee keeping and livestock farms, etc. Available public services through training and information should be used;
- **Social Fund for Development:** Community development through institutional support for national associations and NGOs;
- **Disaster Mitigation:** Being ready to withstand disasters; disaster management, risk assessment and post disaster evaluation; planning and implementation of measures to mitigate and remedy disasters.

4.6. Participation and Cooperation

The pro-poor development process lies in the adoption of a participatory approach including the participation of the poor themselves in the identification of development prospects and bringing about sustainable development. Participation starts in the early stages of preparation through the last stages related to implementation, follow-up and evaluation. This approach would lead to the expansion of the participation of the poor and raising their stake in development.

Actual implementation of the principle of partnership among the state, civil society organizations, private sector and donors in addition to the poor themselves demands serious and responsible cooperation. The state takes up the bulk of this responsibility within society as a whole with the aim of making an impact on the social benefits in favor of the poor. The state must also lay down the legal and political frame that regulates these relationships making state institutions more open and responsible before all. This would entail the necessity of having institutions that are democratic, transparent and participatory in decision making and monitoring of implementation.

BOX 5.15: PARTICIPATION OF THE POOR THROUGH LISTENING TO THEIR VOICE

The understanding of poverty and its causes remains insufficient unless it includes analysis of poor visions. Therefore, social approximation and participatory research have approached analysis to understand poverty, its causes and remedies from the perspective of the poor themselves. With this methodology in mind, a study on the voices of the poor was conducted and core group discussions were used as a main tool to generate and brainstorm ideas on programs and strategies. Field visits were made to 21 districts spread in nine governorates where severe poverty exceeds 50%. Identification of core discussion groups was left to the local communities themselves and the poor themselves defining who is poor.

Decentralization must be linked to effective mechanisms for popular participation and public practice in monitoring government agencies. This can be done through the involvement of local communities, local families and the poor in the different activities like the involvement of parents in education affairs, the involvement of all beneficiaries in water supply, irrigation and healthcare activities, etc. Giving bigger room for CSOs is crucial to the creation of a proper environment for more active partnership. CSOs should also have the opportunity to communicate with the state and have access to various resources to enable these organizations to contribute to poverty alleviation. These organizations are also considered tools for mobilization and provision of social services especially that these organizations are more efficient and responsive to the needs of the poor and less costly than governments.⁵

⁵ The existing problem is represented in the effects and conditions that followed the events of September 11th which will have a substantial impact and constraint on the financial resources and assistance provided by

Yemenis have, for a long time and up until recent years, worked collectively on developing their communities. Thus, community participation is not considered new to Yemen. It has reflected over the years the increasing attention to community participation by State agencies, NGOs and donors and their wish in building on local traditions and available potential, in addition to making use of the increasing awareness that top to bottom approaches lack sustainability and ownership. They also exclude women and the poor from development. A study entitled “*Community Participation Projects: Do They Reach the Poor?*” which was commissioned by the Ministry of Public Health and Population, OXFAM and UNDP covering 49 relevant projects has concluded the following:

- There is an increasing trend by the government, international financing institutions and partly local NGOs to adopt the approach of community participation scattered in most regions of the country and covering mostly services.
- The majority of these projects in their assessment of their experiences described them as a success. Also, activities that are carried out through participation are more efficient and of higher quality and sustainability and with less complications and disputes.
- Despite the fact that most projects sought to assist the less fortunate in society like women, the poor and marginalized, there are no sufficient mechanisms ensuring the participation of these groups during the different project cycle either as participants or as beneficiaries.
- Cost sharing constitutes an important matter in all community participation projects which either encourage or discourage ownership and participation based on the implementation method.

The study has focused on a number of recommendations most importantly making use of the best present practices especially in view of the accumulated experience of what is or what is not appropriate to be done and also the need for inter-coordination among the different projects either through linkages or through the establishment of a community participation unit

The role of the private sector is primarily limited to providing financial support for CSOs. Such cooperation could be enhanced through the creation of fields of interventions where there would be more than one objective to achieve such as poverty reduction, curbing unemployment, expansion of the private sector activity and the increase in sources for national associations.

General Goal: Enhancing cooperation in planning, financing, implementation and follow-up to make partnership a success and to ensure the sustainability of the development process and combating poverty.

Policies

- Identification of basic needs through participation and exchange of information, assessment of conditions and listening to the voices of the poor and the population of local communities;
- Involvement of all those of relevance and interest in the identification of policies, programs and projects on poverty reduction especially CSOs and the poor themselves being the targeted group. This could be done through regular meetings and exchange of information at the local community levels;
- Activation of the role of pro-poor CSOs especially those that are present among the poor and already have the capacity to identify needs more precisely through empowerment of the poor to achieve their objectives and fulfill their desires;
- Creation of awareness among the poor and the promotion of the establishment of organizations for the poor to assist them in proving their presence and encourage them to work and participate with the local authority;
- Promotion of the establishment of unions for CSOs at the regional level and a general union for the country as a whole;
- Ensure coordination between the state, donor organizations and projects that are implemented in Yemen and the involvement of donors in policy design, priority identification, proper implementation, follow-up and evaluation, the creation of mutual trust among all parties and the creation of a favorable and encouraging environment for further support and empowerment;
- The coordination, activation and direction of poverty reduction programs through the National Committee for the Social Safety Net, identification of work priorities and regions in consultation and agreement with donor countries and agencies;
- The enhancement of the role of the private sector and businessmen in supporting charity organizations and social activities.

CSOs. Accordingly, these organizations will increasingly have to depend on their own resources to finance different activities and programs.

Priority Programs and Projects:

- **United Nations Development Assistance Framework (UNDAF):** Focus on the fields that have been selected related to gender issues with special emphasis on rural regions, local rule, capacity building in policy analysis and preparation of human development programs. These areas represent basic and priority challenges for Yemen and would require the attraction of other donor partners, CSOs and the private sector to cooperate and coordinate and to build on the existing momentum so as to further the capacity and integration of these interventions and come up with new and innovative ways for the efficient utilization of resources;
- **The Social Safety Net Project:** Activation of the role of the National Committee for the Social Safety Net enabling it to take charge of supervision of all net programs and projects that have been identified according to specific criteria in addition to enhancing its role in the identification of objectives, policy design, inter-coordination within the net to avert any duplication or overlapping and ensure integration and cooperation with national organizations and donor countries and agencies.

CHAPTER 6: IMPLEMENTATION OF THE PRS

1. INTRODUCTION

Implementation of the PRS will start in 2003 and last for three years, which means an overlap with the last three years of the SFYP (2001-2005). The PRS was based on the priority directions of the SFYP with a special focus on poverty reduction efforts. Yemen, as well as other developing countries, seeks the assistance of the international community to fill the gap between national savings and the necessary investments for the realization of the economic growth targets. The need for external sources increases or decreases according to the sufficiency of domestic resources particularly in the light of volatile oil prices, which greatly affect the main source of government revenues in Yemen.

2. COSTS AND FINANCING

2.1. Public Finances

Public expenditures during the three years of the PRS were prepared under the macroeconomic framework of the strategy that strives to achieve high and increasing economic growth rates within a sustainable fiscal policy in the medium and long-terms. Furthermore, increasing fiscal allocations to social sectors and infrastructure was taken into consideration to ensure the contribution of this spending for poverty reduction while giving special attention to the general trend of increased allocations to this sector in the final years of the strategy.

The forecasts of the PRS are built on an expected decline in oil revenues, increased non-oil revenues and rationalization of public expenditures to minimum growth levels to ensure containment of the fiscal deficit. Total current government revenues (including grants) are expected to decline in the coming three years to reach 29.5% of GDP by the end of the PRS period as a result of an expected decline in oil and gas revenues from more than 20.3% of GDP in 2003 to 16.2% by 2005. The projected shortfall in oil and gas proceeds is expected to be partially offset by the growth in non-oil revenues such as direct and indirect taxes which are projected to reach 12.5% of GDP in 2005.

GoY's policy for revenue mobilization and development, particularly for non-oil revenues, is based on the most efficient utilization of available economic resources and adjustment of the tariffs for public services on an economic basis by taking into consideration the cost of production, maintenance, and cost recovery. The government is currently working on the development of the tax system through the application of the Generalized Sales Tax (GST), amendment of the income tax, raising the efficiency of tax administration and collection. GoY also plans to expand the role and participation of the private sector in the existing, new, and to-be privatized development projects, which will all lead to an increase in public revenues in the medium and long-terms.

In the public expenditure side, the medium-term expenditure framework reflects the adoption of the policy of expenditure restraints in the light of the expected decline in government revenues. In particular, current expenditures are projected to decline from 28.2% of GDP in 2003 to 25.4% in 2005 despite the expected increases in wages and salaries, goods and services, maintenance and operations, and debt services, while transfers and subsidy allocations are expected to decline sharply. These indicators reflect the government's effort to raise the efficiency of the civil service, retrenchment of excess public sector employees, reducing masked unemployment while raising salaries and wages for employees in the administrative apparatus of the State in addition to rationalization of spending on non-developmental activities and taking urgent and effective measures to enable the private sector to make purposeful contributions and effective investments in development projects and the provision of services. At the same time, the government will work towards reducing costs of services that it continues to provide by raising production levels and quality and making them

available in quantities that reflect demand while being economically feasible. Care should also be given to maintenance procedures and services to protect capital assets, their efficient use, and productive lifespan. The medium expenditure framework clarifies the projected general budget showing both expenditures and revenues for the period of 2003-2005.

Table 6.1: Medium Expenditure Framework, 2003-2005
(As percentage of GDP)

	Projected		
	2003	2004	2005
Total current revenues and grants	32.2	30.5	29.5
<i>Total Revenues</i>	<i>31.4</i>	<i>29.7</i>	<i>28.7</i>
Oil and Gas	20.3	17.9	16.2
Oil Exports	11.3	9.2	7.3
Domestic Oil and Gas	9.0	8.8	8.9
Non-Oil Revenues	11.1	11.8	12.5
Taxes	8.8	9.5	10.3
Direct Taxes	3.6	3.8	3.9
Indirect Taxes	5.2	5.8	6.4
O/w Customs	2.5	2.8	3.1
Non-tax Revenues	2.3	2.3	2.3
Grants (cash)	0.8	0.8	0.8
Total Expenditure	35.2	34.5	33.2
<i>Current Expenditure</i>	<i>28.2</i>	<i>27.1</i>	<i>25.4</i>
Civilian Salaries and Wages	9.0	9.2	9.3
Goods and Services	2.8	2.9	2.9
Maintenance & Operations	0.4	0.4	0.4
Debt Service	2.2	2.4	2.6
Transfers and Subsidies	6.0	4.9	3.6
Current Transfers	3.9	3.8	3.5
Subsidies	2.2	1.2	0.1
Other Current Spending *	8.0	7.6	6.2
<i>Development Expenditures</i>	<i>7.0</i>	<i>7.4</i>	<i>7.8</i>
Fiscal Balance (including grants)	-3.0	-4.0	-3.7
Net Domestic Financing	1.7	2.7	2.6
Net External Financing	1.3	1.3	1.1

*: Include Civil Service, Roads, Defense, Agriculture and Fisheries Funds and other current expenditures.

The above-projected expenditures and revenues imply realization of a fiscal deficit throughout the three years of the PRS with the intention of not allowing the deficit to reach unsafe limits, at most 4% of GDP in 2004. The budget was also based on the fact the deficit will be financed from real sources to avoid any inflationary pressures caused by deficit financing, with the resort to external borrowing on concessionary terms to meet the needs of the budget as well as the balance of payments.

2.2. Development Requirements and Priorities of the PRS

The fiscal framework, despite revenue constraints, includes a continuous increase in development expenditure reaching 7.8% of GDP in 2005, with an average annual growth of 13.3% during the span of the strategy. This would lead to an increase in the share of development expenditure from the budget to total expenditures from around 18.8% in 2002 to around 23.5% in 2005. Development expenditure targets sectors relevant to poverty reduction and improving the livelihood of the population especially in the rural areas and providing them with basic social services. Table 6.2, on priority budget spending, shows an increase in social spending which includes education, health and social welfare to around 13.2% of GDP in 2005.

The PRS seeks to develop human resources as an important pillar of development and of combating poverty through increasing spending on education at an annual average of 12.9% reaching YR 193.6 billion in the last year of the strategy at 9.6% of GDP, 28.9% and 72.7%

of total expenditure and social expenditure respectively. Basic education takes up the bulk of spending on education, which is shown in its share in investment expenditure on the sector at a percentage starting with around 64% in 2003 to reach approximately 69% in 2005.⁶ In the same line, requirements for improving health services are estimated at allocation of 2.2% of GDP and 6.6% of total expenditure in 2005 as opposed to 1.7% and 4.7% respectively in 2002. The increase shows an improvement in government health services based on its expected impact on the quality of life and poverty reduction. The growth in investment expenditure on health in primary health care (PHC), albeit humble, reflects its priority status and coincides with an increase in spending on the government health sector and an expanded private sector role in providing curative health services. The financial requirements for the social safety net, which includes the SWF, have increased to 1.4% of GDP and 4.2% of total expenditure in 2005 to cover a larger percentage of the poor who are incapable of productivity and entry into the labor market. The share of defense in public spending is expected to decrease to 6% of GDP in 2005. This reflects the direction towards re-allocation of resources to social sectors and infrastructure services.

TABLE 6.2: Priority Spending in the General Budget

Item	2003	2004	2005
Total Public Expenditures (YR million)	600,160	637,215	669,644
Defense (% of GDP)	6.5	6.3	6.0
Social Expenditures * (% of GDP)	12.1	12.8	13.2
Social Expenditures (YR million)	206,305	236,416	266,244
Health (% of GDP)	1.9	2.1	2.2
Investment Expenditure in Health (YR million)	9,561	8,255	12,847
Primary Health Care (YR million)	5,207	5,580	6,987
Education (% of GDP)	9.1	9.4	9.6
Investment Expenditure in Education (million YR)	25,214	27,182	30,759
Basic education (YR million)	16,110	17,644	21,325
Social Welfare Fund (% of GDP)	1.1	1.3	1.4
Social Welfare Fund (YR billion)	18.8	24.0	28.2
Civil Service Fund (YR billion)	3.5	3.5	3.5
Agriculture and Fisheries Promotion Fund and Road Maintenance Fund (YR billion)	4.5	4.8	5.1
Others (% of GDP)	16.5	15.2	14.6
In millions of YR	281,455	282,399	293,900

* This includes wages, commodities, services and investment expenditure on education, health and primary healthcare including projects of the SFD and the PWP. NOTE: Spending on education and health includes projects of the SFD and the PWP.

The government, while staying away from activities that could be undertaken by the private sector, works on providing socio-economic services through direct and non-direct activities given the present conditions. It is expected that the total share of the Agriculture and Fisheries Promotion Fund and Road Maintenance Fund would increase to 0.3% of GDP in the three-year span of the strategy. Funds for the Civil Service Fund would increase to 0.2% of GDP.

2.2.1. Total Investment and its Sources of Finance

The PRS expects that total investment would substantially increase in current prices at an average of around 11.5%, which in turn increases its percentage to GDP from 23.6% in 2002 to 26% in 2005 in a bid to realize the objectives of increasing and improving the infrastructure of the economy and basic services for society and create an increase in the productive capacities for new job opportunities. The expected growth in non-government investment (including public enterprises) reflects the role of the private sector in taking the lead in investment. It is expected that private sector investment would reach 68-69% of the total investment and 15.3% and 18% of GDP during 2002-2005.

⁶ There is no detailed breakdown of total allocations for education by basic, secondary, technical and high education separately. The same is the case with allocations for health such as PHC, etc. Only investment expenditure has a sector breakdown. The Ministry of Finance in collaboration with line ministries will work on providing detailed breakdowns starting with the 2003 Budget.

Table 6.3: Total Investment and its Sources of Finance

Item	2002	2003	2004	2005
	% of GDP			
Formation of fixed capital	23.6	24.6	25.8	26.0
Change in Stock	0.0	0.0	0.0	0.0
Total Investment	23.6	24.6	25.8	26.0
Government Investment	8.3	8.3	8.6	8.0
Non-government Investment *	15.3	16.3	17.2	18.0
Sources of Finance for Total Investment				
National Saving	26.4	24.3	24.0	23.3
Government Sector	7.8	5.3	4.6	4.3
Non-government Sector *	18.6	19.1	19.5	19.0

* Inclusive of public enterprises. NOTE: Decimal points might not coincide with roundedup figures.

The contribution of government resources in financing investment is expected to decline from 7.8% in 2002 to 4.3% in 2005 compared to a slight and fluctuating increase in financing the non-government sector including public enterprises from 18.6% to 19.0% during the same period. These indicators primarily reflect the public expenditure registry due to a retreat in oil revenues.

2.2.2. Priority Programs and Projects

The PRS includes the preparation of lists of investment programs and projects that are necessary to realize the objectives outlined in the strategy. These programs and projects have been identified at the sectoral level as either ongoing or new projects with investment costs taking into consideration the impact of these programs and projects on job creation, the increase in the number of beneficiaries and relevant measurement as percentage of the basic objective. Implementation duration for each project or program and the breakdown of the expected investment for the period has been estimated during the period before the implementation of the strategy (pre-2003) and broken down by the three years of the implementation of the strategy i.e., 2003, 2004, 2005 consecutively. In case project implementation exceeds the period of the strategy implementation, the remaining total sum is also calculated.

Such estimations have led to some technical problems related to the criteria on cost estimation and impact assessment especially in the sectors whose qualitative objectives are represented in non-measurable quantities. These include some social services like culture. Despite this, quantitative indicators have been estimated to complete the overall costing exercise. Table 6.4 presents the total number of projects and programs which are necessary for the realization of the objectives of the PRS and the cost of their implementation. ⁷

Table 6.4: PRS Programs & Projects
(YR millions)

Strategy	Total Cost	Pre 2003	Cost by year				Post 2005
			2003	2004	2005	Aggregate	
Grand total			119,548	136,678	157,326	413,354	
Economic growth	119,190	27,014	17,774	21,890	17,660	57,324	34,852
Human Resources	210,923	36,209	34,883	35,544	43,606	114,033	60,681
Infrastructure	349,754	92,691	42,701	47,699	41,915	132,315	124,748

⁷ The Annexes contain a detailed list of all programs and projects and their cost on an annual basis.

Social Protection*	199,485	40,542	38,838	45,489	51,162	135,489	23,454
Governance, Participation & cooperation	14,776	2,574	3,026	2,930	1,267	7,223	4,979
Others	-	-	14,425	21,211	44,755	80,391	-

*Allocations from the SFD & PWP have been distributed according to their respective sector.

Most of these projects and programs represent ongoing activities that will continue during some years of the implementation of the PRS. Some of these projects and program might even go on beyond the span of the strategy. Regarding new programs and projects, estimates have not only been reflected with the purpose of identifying their cost estimates for their own sake and for the sake of enabling the identification of the specific total cost for the PRS but also with the aim of clarifying priorities and preliminary costs, and then undertaking regular revision of such estimations in light of any changes or requirements. The Ministry of Planning and Development (MoPD) will prepare detailed profiles of each program and/or project to facilitate effective implementation follow-up.

The total cost of projects under the PRS amount to YR 413.4 billion during the next three years of which YR 18,891 million will cover the cost of new projects representing 4.6% compared to YR 394.7 billion for ongoing programs and projects. Local financing is estimated at 73% of the total. The remaining cost will be covered from foreign financing sources, of which most has been secured. In case financial resources provided by the state retreat sharply for reasons related to expected economic growth or absence of external financing for some projects under fund mobilization, some objectives of the strategy would have to be revised according to such restrictions. Furthermore, since the GoY is seeking to realize the MDGs without which Yemen would lag behind in development, it is necessary to secure financing from donors for new projects that still lack funding in addition to the assistance in additional programs and projects that would help reduce the gap between the current situation and the MDGs.

3. INTERNATIONAL COOPERATION

The GoY has long expressed its desire to strengthen international cooperation with the aim of realizing the ambitions of the Yemeni people for sustainable development that match the international objectives of development and the MDGs for which donor countries and organizations have committed themselves to work with countries of the developing world on answering to their development needs. The GoY has taken several measures to strengthen its democratization process and improve its relations with other countries and with regional and international organizations. Yemen has also been able to resolve its border disputes and signed border treaties with its neighbors on the principle of mutual interest and non-harm with the aim of ensuring good and stable relationships with these countries. These treaties have opened the way for a better environment for comprehensive development and international cooperation and the re-direction of government resources dedicated to promoting investments serving human development in the country. Yemen's commitment to human rights has encouraged efforts by donor agencies to assist in the stabilization and modernization of the Yemeni economy and proper investment of resources in planning development.

Yemen has focused in its policy with bilateral donor countries and regional and international multilateral donor agencies on the basic human services that have direct impact on the daily life and activity of the people. Such priorities match up to a large extent with those of the donor countries and financing institutions, which target the contribution in the improvement of the livelihood and strengthening the capacities of individuals in all fields especially those that are basic to poverty reduction.

The main component of loans provided to Yemen during 1999-2001, which is mainly represented by the IDA (52% of the total loans), is directed to support the reform program in addition to financing social development projects, infrastructure and economic sectors especially agriculture. The other funds, which include IFAD, OPEC, Arab Fund and Saudi Fund, have contributed around 39% of the loans (around US\$353.7 million) compared to 11%

provided by the Islamic Bank for Development. Development assistance (grants) which reached around 0.9% of GDP in 1999 and 0.3% in 2001, comes mainly from bilateral donors (43% of total grants) topped by the Netherlands, Germany, Japan and the United States of America and the European Union through the Food Aid, while the United Nations organizations contributed around 10% of total grants.

Financing has been mainly directed to social sectors, i.e., education, training, water and sanitation, PHC including immunization campaigns, reproductive health, family planning, nutrition, poverty reduction projects, and environmental protection. Donor countries regard these sectors and fields of intervention as priorities outlined in the MDGs for developing countries including Yemen. Therefore, the GoY anticipates a continuation of focus of development assistance on these sectors in view of what socio-economic indicators show to be the need to maintain development in the following:

- Education, especially basic education and vocational and technical education;
- Public health and more specifically PHC;
- Water supply and sanitation;
- Improvement in agricultural capacities, irrigation schemes and the realization of food security.

The directions of international and regional financing institutions match those of the state policy towards the creation of an infrastructure capable of contributing to the improvement of the livelihood of the people especially in rural areas and in addressing investment requirements and promotion of economic activity so as to reduce unemployment and increase per capita income. Accordingly, international financial institutions work on supporting investment in electricity, transport, roads and water installations. Due to insufficient domestic resources the GoY will remain incapable of financing of strategic projects related to basic infrastructure and social services let alone the implementation of poverty reduction programs, which should eventually realize the objectives for prospective human development. Dependency on grants and loans from donor and secondary agencies, in addition to the need for technical assistance, will largely remain. According to the 2000 Human Development Report, official development assistance (ODA) for Yemen was put at US\$18 per capita, which is considered one of the lowest ODA among LDCs. Only six countries ranked below Yemen; four of them just came out of wars.

Yemen continues to seek a common understanding with its development partners on the development needs, inputs and programs in the country. The aim is to raise the level of development assistance among the present donor partners and to attract new donors into supporting Yemen. In addition, the GoY in collaboration with the donor community seeks to optimize the financial resources and its distribution effectively to ensure maximum benefits for human development programs and poverty reduction. The government is currently assessing the creation of a “***Financing Fund for the PRS***” that would include a clear and transparent mechanism for the utilization of resources.

4. RISK FACTORS

The set of economic, financial and administrative reform measures adopted by Yemen since 1995 has led to positive results. These were clearly reflected in the improvement in macro-economic indicators and the stabilization of the national economy making it more open to the world economy although the economic base remains weak and prone to risk. Therefore, it becomes rather difficult to control all circumstances and factors that could accompany the implementation of the PRS especially that Yemen is prone to internal shocks, more specifically drought and flooding, in addition to external factors especially fluctuation of oil prices and holdup of foreign assistance.

4.1. Drought and Flooding

Yemen's geographic location in a semi-arid region dictates the prevailing climate. Rainfall averages 50 mms along the coastline, between 400-1200 mms in the western highlands declining to around 50 mms in the desert lowlands. There are no rivers or lakes in Yemen although there are flood passageways (washes) and some springs in addition to limited, mostly non-renewable underground water.

There are two rainfall seasons, March-May and July-September, with significant irregularity in addition to successive periods of severe drought and destructive flooding. Agriculture is the most prone to poverty, being one of the main economic sectors contributing 15.3% to GDP in 2000; agriculture remains the main employer of the labor force reaching 53% in addition to providing for the livelihood of three fourths of the population and an even higher percentage of the poor. The occurrence of drought or flooding undoubtedly leads to a reduction in agriculture production and hinders poverty reduction efforts, as was the case in 1996 and 1999 during which rain dependent cereal production retreated by around 20% and 17% respectively.

4.2. Fluctuation of Oil Prices

The performance of the national economy during 1995-2000 reflects to a large extent its dependency on external factors especially fluctuations in the prices of crude oil in the world markets. Oil contributes about 36% to GDP and is an important source of foreign exchange and fiscal revenues. Oil revenues account for around 60-70% of public revenues.

Economic growth slowed down during some years in the last decade due to declines in oil revenues, which were affected by the decline in the price of crude oil. While oil production increased slightly in 1994 to 300,000 bpd from an earlier production of 200,000 bpd during 1992-1994, the decline in the price of a barrel of oil to US\$15.8 during that year negatively affected economic growth. Negative growth was registered at 2.4% of non-oil GDP. This led to further structural imbalances in the form of a rise in the gap of macro demand to reach 19.3% of GDP. Inflation rose to around 50% affected by the growth in money supply of 31.6% and a huge public budget deficit of about 14.9% of GDP. Such imbalances reflected the extent of dependency of the national economy on the outside world on one hand and the vulnerability of the economy to external factors on the other.

The FFYP Plan had expected an economic growth of 5.6% in 1998. Actual GDP growth did not exceed 4.5% because of the sharp decline in crude oil prices to below US\$10 per barrel during the year. The price of oil was anticipated to remain at US\$18 a barrel during that year. This led to an increase in the budget deficit to 9.3% of GDP after it declined to around 2.3% in 1997. Public revenues had also decreased to 28.8% of GDP compared to 33.7% in 1997. Public expenditure increased to 35.5% of GDP compared to 33.4% in 1997 despite the government's move to reduce current expenditures once and development expenditures twice in 1998. The increase in the budget deficit triggered the government to seek loans from the banking sector after it had financed its deficit from non-inflationary sources. Money supply grew by 11.7% while the purchasing power of the riyal weakened by around 17.8% due to inflation and a retreat in the riyal's exchange price with other foreign currencies.

Under the 2002 budget, the first scenario for oil revenues was based on US\$18 a barrel which would lead to revenues totaling YR 480 billion compared to YR 583 billion for expenditures. Due to projections that oil prices may decline, the budget put the price of a barrel at US\$17. This has led to the reduction of total expenditure in the budget by around 11% and investment expenditure by around 31%. The budget scenario shows the substantial impact of a slight change in the prices of oil on government spending including allocations for poverty reduction, which would in turn be most prone to reduction. On the other hand, the drop in oil prices leads to a retreat in foreign currency reserves and the exchange rate of the local

currency and thus triggers an increase in the prices of local and imported commodities and services leading to a more severe and expanded circle of poverty.

4.3. Foreign Assistance Holdup

Yemen has substantially depended on the assistance of donor countries, organizations, and funds in supporting its development efforts during the last decades. Development has in general been affected and to a large extent by the total cutoff of development assistance in the wake of the Second Gulf War. This disrupted development programs, projects were delayed, and assets and installations were devalued. After the gradual resumption of foreign assistance in the wake of Yemen’s adoption of economic reforms, Yemen has been facing two problems: The first is the insufficiency of foreign assistance to meet development needs. The second relates to the delay in financing for reasons sometimes born by the government and sometimes by donors themselves. This has led to slow project and program implementation, price increases, and shaken confidence over development efforts. The investment appropriations in the public budget and foreign sources earmarked during the FFYP amounted to 75.6% of planned figures. Actual implementation reached 81% out of those funds and 60.5% of the planned allocations. The differences are attributed to low implementation of projects financed from foreign sources under the plan. Implementation declined to 41.2% of what was planned as opposed to 91% from government sources and 74% from self-financing sources. The government is working within the framework of the PRS on the enhancement of absorption effectiveness and project implementation of programs and projects according to clear and specific criteria and on more effective and flexible joint cooperation mechanisms.

5. MONITORING AND FOLLOW-UP

The program for the preparation of the PRS included a review and evaluation of the Poverty Information and Monitoring System (PIMS) established in 1998 in collaboration with UNDP aimed at strengthening the poverty information infrastructure, provision of a comprehensive, precise and modern information system on poverty through data collection and analysis to help in defining policies and remedies. The PIMS unit has tasks outlined in the project document as follows:

BOX 6-1: ADVANTAGES OF AVAILABILITY OF STATISTICS AND DATA

Published statistics and data assist in providing a source for general discussion and analysis of all issues at all levels, in addition to help in broadening civil society and donor participation, establishment of the necessary transparency in the government, strengthening of monitoring and evaluation, the removal or reduction in the lack of trust and risks in decision-making, hence leading to greater investments.

- The establishment of a comprehensive data base including poverty indicators;
 - Monitoring poverty status in Yemen through conducting surveys which help profile target groups and regions and also poverty on a nationwide scale;
 - Provision of sufficient data for the preparation of necessary policies and facilitating the evaluation of the impact of policies and effectiveness of programs.
- The project document has also outlined the following phases:
- **Phase I** covering the first year of the project: This phase is an exploratory period for the preparation of a national poverty map through the use of approximated indicators on poverty based on available data;
 - **Phase II** covers the second and third year of the project which includes the compilation and analysis of data nationwide;
 - **Phase III** covers the fourth and fifth years of the project during which attention will shift towards monitoring poverty and evaluation of the impact of poverty reduction policies. This phase will also cover the innovation of methodologies and ways to measure and predict poverty.

The project has completed phase I and phase II in addition to the completion of the 1999 Poverty Survey, building up sufficient capacities on the design of forms and systems and data collection and remedies. The following problems surfaced:

- Deficient and contradictory information, indicators and survey results;
- The absence of the application of information to the needs of users especially the necessary information for the SFYP and the National Human Development Report;
- A weak mechanism and monitoring system, delay of correction of contradictory information, and failure to observe the best possible technical measures;
- Delay in the implementation of the project work plan including the implementation of phase III on poverty monitoring.

This proposal seeks to identify the tasks and responsibilities of the different agencies within a comprehensive information and monitoring system and utilize potential support and assistance that could be provided by donors. It would also remedy the existing weak coordination among the sectors in the MoPD on one hand and between the Ministry and its regional branch offices on the other. It would also link several activities with the PRS as the need arises.

The proposal centers on the following four elements:

1. **The formation of a steering committee** for the PIMS with the MoPD as the supervising agency with the membership including the PRS committee, CSO and UNDP. This body will identify and endorse the necessary activities and studies as well as contract the CSO to conduct poverty surveys and update data according to a specific work plan;
2. The PIMS unit will be divided into two components:
 - (i) **Poverty information** will be handled by the CSO which will collect data from different sources including surveys, data outputs, and establishment and updating of comprehensive poverty database at the governorate level. CSO undertaking of such tasks will enhance its capacity and commitment to include poverty statistics in the Annual Statistics Book. Practical and swift steps are required to establish a department for poverty information as part of the CSO structure and to initiate a work plan for this department to be reviewed by the project steering committee to determine financing; and
 - (ii) **Analysis and design of poverty reduction policies** and carrying out coordinated monitoring by the steering committee and the Macroeconomic Planning sector of the MoPD. This undertaking requires the availability of data to MoPD for policy design, monitoring, data analysis and studies.
3. In order to address the coordination problems within the sectors of MoPD and between MoPD headquarters and its branch regional offices the following will be undertaken:

(i) **An information and monitoring committee** is to be formed chaired by the Vice-Minister for Planning and Development comprising as its members the deputy ministers of MoPD, the PRS preparation committee, the Technical Office in MoPD and others. This body will work on the completion of an information system in the Ministry, which will also absorb the poverty information and monitoring system. It will also strengthen the linkages of the different tasks and activities of the Ministry through better coordination among the different sectors and branch regional offices. The tasks will be divided among the sectors as follows:

- The Macro Planning and Studies Sector will undertake the identification of objectives, policy design and evaluation and monitoring;
- The International Cooperation Sector will undertake the mobilization of foreign financing and follow-up;
- The Projects Planning and Programming Sector will undertake the preparation of programs, projects and follow-up; and

(ii) **Strengthening the role of the MoPD regional offices** enabling them to identify objectives, policies and projects at the governorate level along the lines of objectives and policies at the central level and in accordance with regional needs and circumstances and in close coordination with headquarters and other branch regional offices. After being studied the programs and projects are referred to the Ministry to be incorporated into the programs and projects lists and for evaluation of their contribution to the implementation of objectives and their synergy with the specified policies. Therefore, this reflects the importance of linking governorates with the information system at headquarters in addition to the identification of systems and criteria for the projects, and their feasibility, impact, etc.

4. **Strengthening the role of the PRS committee** and the re-identification of its tasks to accommodate the requirements for the implementation of the PRS, monitoring, follow-up and evaluation. In addition, director generals of planning in the different ministries and government agencies will be assigned as liaisons for the strategy committee. Direct working mechanisms will be created with the planning and investment committees at the governorate/district level being involved in the implementation of the strategy and monitoring, follow-up and evaluation at the local level. The strategy committee will prepare an action plan for the next three years which will include the set of activities to be undertaken, the conducting of an annual evaluation of the strategy, and contracting the CSO to conduct the 2003 household survey encompassing all governorates. The survey would provide an analysis of the evolution of poverty based on a coordinated database for the period 1998-2003. A quick annual survey will be conducted later on concerning the important poverty indicators based on a sample and the data available from the household survey. This would enable a consistent follow-up of the evolution of the poverty phenomenon.

6. A Mechanism for the PRS Committee and Social Safety Net (SSN)

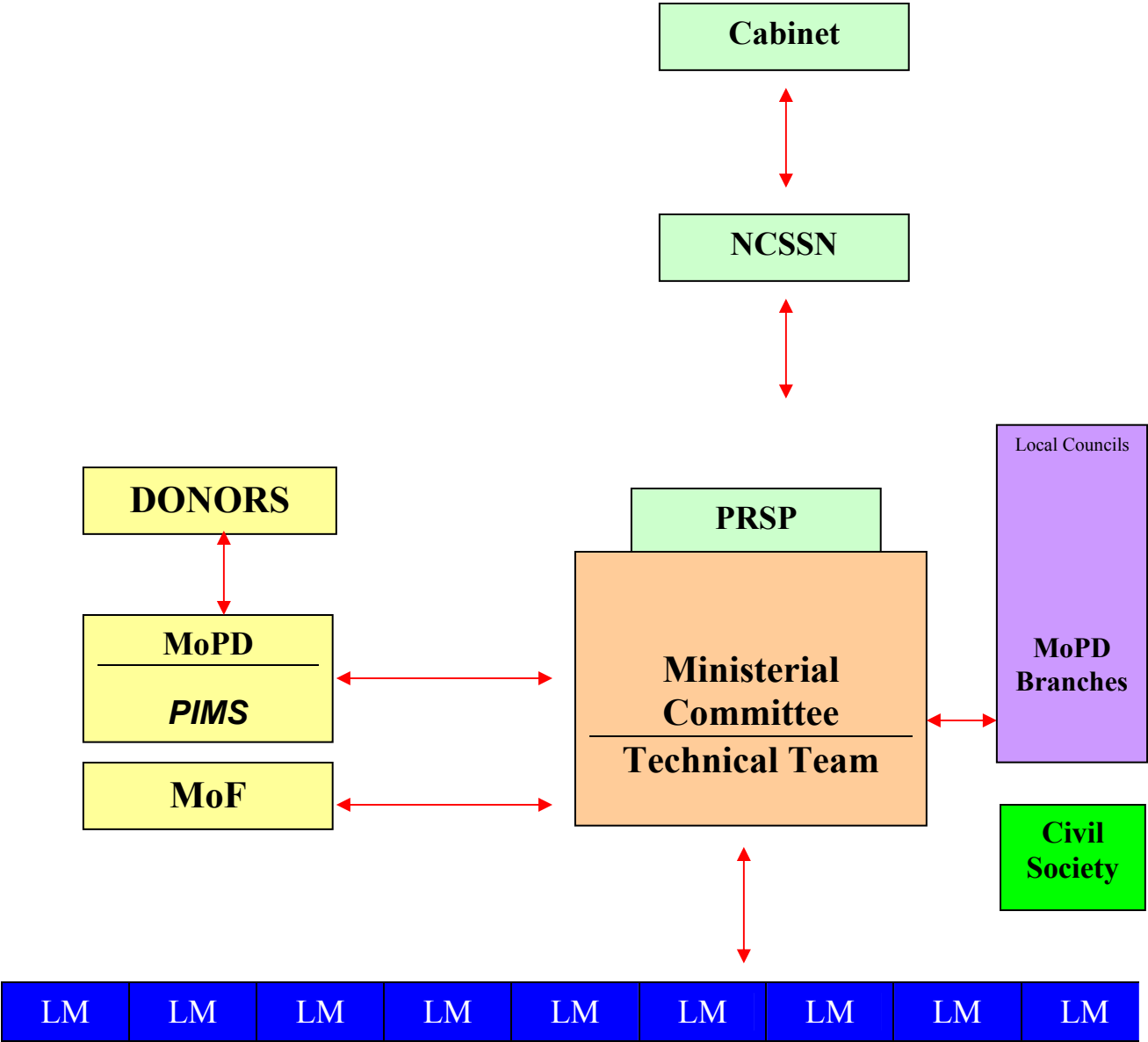
The programs and funds that are established to reduce the negative effects of the EFARP maintain financial and administrative autonomy and are run by different agencies, boards of directors and steering committees which allows these funds and programs to be dynamic and flexible. This has triggered the placement of these funds and programs under one umbrella to ensure coordination and integration among the different activities which all have the primary objective of reducing poverty. The government has issued decree No. 15 for 1998 stipulating

the establishment of the National Committee for the Social Safety Net (SSN) chaired by the Prime Minister and membership of 13 cabinet ministers and representatives from civil society and the private sector. The decree spelled out the mandate of this committee, which is primarily in charge of coordination and ensuring the integration of all net components including all tasks and responsibilities designated by the decree. The Secretariat at the Prime Minister's Office, which was temporarily the interim secretariat for the National Committee, has not been able to ensure coordination of the different components within the social safety net despite the fact that some components have been able to create bilateral coordination mechanisms.

One main part of the preparation and implementation of the PRS requires the coordination of strategy policies, objectives, programs and projects related to the strategy through an appropriate and effective mechanism. While the National Committee for the SSN represents a high coordination body with a permanent secretariat at the Prime Minister's Office or at the Ministry of Social Affairs and Labor, there remains a pressing need for technical coordination for the Net in order to realize its objectives and ensure its effectiveness. This requires coordination, follow-up, supervision and evaluation, which are taken up by the PRS committee. The committee drafts reports and comments and forwards them through the Minister of Planning and Development to the National Committee for the SSN in addition to the preparation of bi-annual progress reports. This will ensure proper liaison between the strategy committee with different mechanisms and the SSN within the framework of the preparation, implementation and supervision of the PRS.

Despite the CSO making positive steps in conducting three main surveys during the last few years with the help of several donors, its capacity to maintain data collection and analysis remains insufficient thus making planning, follow-up, monitoring, evaluation, and the ability to identify future direction and comparative analysis rather difficult. Therefore, administrative capacity building has to be enhanced in order to optimize the limited economic resources in addition to enhancing investment in the information infrastructure needed to bring about change in macro development and realize the objectives of the PRS in Yemen. During the second quarter of 2002 the Ministry of Planning and Development began the recruitment of new, more qualified, staff that will be trained and empowered with skills to assist in the implementation of the above information system and the activities related to the monitoring and follow-up required as part of the activities of the PRS.

Structure of the PRSP Mechanism



LM: Line Ministry
NCSSN: National Committee for the Social Safety Net.

ANNEX 1:

POLICY MEASURES MATRIX

Objectives	Policy Measures	Indicators	Concerned	Date
1. General Objectives				
Reducing poverty through adequate economic growth that increases real GDP based on non-oil sectors, accompanied by population policies targeting reducing population growth and thus leading to increasing per capita GDP and improving living conditions.	<ul style="list-style-type: none">- Improve the business environment for private sector participation.- Allocate infrastructure investments towards activating growth and improving services.- Adopting appropriate policies for the promising sectors (fisheries, tourism).- Adopt a credit policy to provide the necessary financial resources.- Implement media awareness programs on population issues.	Reducing poverty incidence by almost 13.1%. Increasing actual GDP at an annual average of 4.7% and 6.3% for non-oil sectors. Increasing per capita GDP at an annual average of between 1.2-1.7%. Lowering unemployment rate.	GIA, MoPD, others. MoPHP, NPC, MoI.	2005 2003-2005 2003-2005
2. Pillars of the PRS				
2-1 Economic Growth				
Improving non-oil sectors growth, diversify sources of income, and increase per capita GDP.	<ul style="list-style-type: none">- Adopt policies leading to favorable changes in the promising sectors.- Adopt credit policies to provide necessary credit to those sectors.- Program to encourage private sector to invest in industrial zones & extraction.	Achieve a 4.7% average growth of GDP, a 6.3% for non-oil GDP.	Various government agencies. MoF, CBY MoIT, MoPD, GIA	2003-2005 2004 2003
2-1-1 Fiscal Policy Achieving economic stability, controlling inflation, mobilizing local and foreign investments as a continuation of the reform program.	<ul style="list-style-type: none">- Revise expenditure structure to increase the share of basic social services, and indicate details for individual items.- Apply a transitional system to plan and direct poverty related spending, and explore possibility of creating a PR Fund.- Link databases of MoF & MoCSS.- Set out a clear wage policy and increase real wages of civil servants.- Gradual lifting of subsidy for petroleum products.- Implement application of GST.- Undertake an assessment study on the efficiency of the tax and customs system.- Evaluate the impact of taxes on the poor while considering ability of low income and the poor when imposing and collecting taxes.- Implement tax and customs reforms including the ASYCUDA system in several outlets, and upgrade performance of revenue institutions.- Enhance capacities of local councils in drawing and implementing investment programs according to their needs.	Increase share of social expenditure to 13.2% of GDP. Increase external resources by 5%. Issue a civil service payroll. Reduce the share of subsidy in public expenditure. Continue implementation of GST and its development as a continuous process.	MoF and all related ministries. MoPD, MoF. MoCSS, MoF. MoCSS, MoF. MoF. MoF, TA. TA, CA. MoF, TA. TA, CA. MoF, MoPD, MoLA.	2005 2003 2003 2003 2003-2005 2003-2005 2003 2003 2003-2004 2003-2004

Objectives	Policy Measures	Indicators	Concerned	Date
Development Expenditures Operation and Maintenance Service Cost Recovery Improve Efficiency of PEs	<ul style="list-style-type: none"> - Line ministries to prioritize in their 2003 budgets. - Increase O & M allocations in line with recommendations from undertaken analytical studies and those to be carried out in future. - Revise service fees, along with taking effective measures to undergo institutional reform within the sector. - Decrease transfers to Public Enterprises. - Impose on enterprises that receive transfers to submit their budgets and operation lists to MoF on a quarterly basis. 	<p>Share of O&M from public spending</p> <p>Share of transfers from public spending</p> <p>Limit transfers under YR---billion.</p>	<p>Line ministries.</p> <p>MoF and others.</p> <p>MoEW, MoT.</p> <p>MoF and others.</p> <p>MoF and concerned PEs.</p>	<p>2003</p> <p>2003-2005</p> <p>2003-2005</p> <p>2003</p> <p>2003</p>
2-1-2 Monetary Policy Adoption of a monetary policy that copes with the free market economy based on rationality.	<ul style="list-style-type: none"> - Issue a regulatory law for the Banking system. - Establish a financial market. - Complete restructuring of specialized banks. - Establish Al-Amal Bank for the poor. - Liberalize interest rates. - Control money supply & stop deficit financing. 	<p>Cancel minimum and maximum ceilings.</p> <p>An inflation rate not exceeding 10%.</p>	<p>CBY</p> <p>MoF, CBY.</p> <p>MoF, CBY.</p> <p>MoSAL, CBY.</p> <p>CBY.</p> <p>MoF, CBY.</p>	<p>2003</p> <p>2003</p> <p>2003</p> <p>2003</p> <p>2003-2005</p> <p>2003-2005</p>
2-1-3 Reforming the Financial Sector	<ul style="list-style-type: none"> - Draft a strategy to increase savings and expand in lending. - Expand dealing with bonds and ensure appropriate issuing of +9treasury bills. - Adopt and implement a monetary policy built around objectives of Foreign reserves. - Enhance banks' capital and financial reserves especially for those owned by the state, and continue ranking of banks according to risk factor as well as adopting a monitoring mechanism for each bank. - Privatize the Yemeni National Bank; resolve the quasi-government collateral; enforce Bank's Law for 1998; solve major disputes with private sector debtors. 	<p>Sell at least 51% of the Yemeni National Bank's shares.</p>	<p>MoF, MoPD, CBY.</p> <p>MoF, CBY.</p> <p>CBY.</p> <p>CBY.</p> <p>CBY and Commercial Banks.</p>	<p>2003</p> <p>continuous</p> <p>continuous</p> <p>2003-2004</p> <p>2003-2005</p>
2-1-4 Foreign Sector Enhancing trade liberalization policy and promoting exports, particularly those that help job creation for the poor and the adoption of technology, and completion of accession to	<ul style="list-style-type: none"> - Remove remaining trade barriers. - Encourage labor-intensive export activities. - Continue integration with GCC countries and accession to WTO. - Simplify the duty drawback system. - Support the private sector to establish an 	<p>Specify phases and steps towards accession.</p>	<p>MoIT, MoF, CA.</p> <p>EC, MoF, MoIT.</p> <p>MoIT.</p> <p>CA.</p> <p>EC, CBY.</p>	<p>2005</p> <p>Continuous</p> <p>Continuous</p> <p>2003</p> <p>2004</p>

Objectives	Policy Measures	Indicators	Concerned	Date
WTO.	EXM bank. - Implement a debt management system at the CBY and MoF with an appropriate link with MoPD.		CBY, MoF, MoPD.	2003-2004
2-1-5 Restructuring the Economy Removal of all obstacles facing the free market and private sector investments through focus on productive sectors which are expected to create jobs.	- Implementation of the privatization program. - Achieve a gradual increase in investment.	- Complete the privatizing of 61 PEs stated in the SFYP. - Increase investments to 26% of GDP.	PC with other government agencies. MoF, Private sector.	2005 2005
2-1-6 Sources of Growth and Promising Sectors Realizing economic growth, diversifying the economy and reducing poverty.	- Amend the investment law. - Allocate infrastructure investments to enhance prospects of the promising sectors. - Set out credit policies to ensure provision of necessary financing. - Revise laws and regulations relating to the promising sectors. - Complete the 2 nd phase of Aden free zone. - Implement Port Cities project to raise competitiveness of Aden, Mukalla & Hodeidah.	- Issuing the amended investment law. Assess investors' interest of the AFZ.	GIA, MoPD MoF and others. CBY. Various agencies. FZA. MoPD and others.	2003 continuons continuous continuous 2003-2005 2003-2005
2-1-7 Agriculture Increase productivity, achieve economic growth, diversify the economy and create job opportunities to reduce poverty.	- Apply modernized irrigation schemes. - Construct small dams and distribution canals. - Support agriculture research and link with extension services. - Establish pilot and model farms. - Organize guidance and awareness programs via the media. - Develop private sector's contribution in providing production services and encourage producer's self-help.	- Achieve an average growth of 5.4% in the sector.	MoAI and its various authorities. MoAI and its various authorities. MoAI and its various authorities. MoAI and its various authorities. MoAI, MoInfo. GIA, Private sector, MoAI.	2003-2005 2003-2005 2003-2005 2003-2005 2003-2005 2003-2005
2-1-8 Fisheries Optimal utilization of fish wealth to increase production without affecting the stock.	- Improve fish resource management. - Review laws and regulations on fishing. - Establish a union for fishing cooperatives. - Establish quality control labs. - Carry out a stock assessment study. - An integrated monitoring and inspection system	- Achieve an average growth of 7.8% in the sector.	MoFW. MoFW & its Pes. Fishing cooperatives. MoFW. MoFW. MoFW, MoI.	2003-2005 2003 2003 2003-2005 2003-2004 2003-2004
2-1-9 Industry Motivating the private sector to invest in industrial activity in order to raise sector's contribution to GDP, and lead economic growth: develop linkages with the other sectors.	- Assess exempting industrial activities from customs on imported inputs. - Continue trade liberalization to improve product quality. - Liberalize traffic and prices in transportation and cargo.	- Achieve an average growth of 6.2% in manufacturing and 5.7% in construction.	MoIT, CA, GIA. MoIT. MoTMA	2003 continuous 2003-2004

Objectives	Policy Measures	Indicators	Concerned	Date
	<ul style="list-style-type: none"> - Evaluate industrial activities in extraction and undertake geological surveys. - Establish a business advisory center. - Provide QCMA with necessary equipment and tools. 		MoOM. MoIT, MoPD. MoF, QCMA.	2003-2004 2004 2003-2005
2-1-10 Tourism and Services Develop coastal regions and improve provision of services and infrastructure.	<ul style="list-style-type: none"> - Complete telecom links among all governorates. - Enhance national security in all regions. - Enhance Training in the area of tourism. - Implement old cities preservation projects. - Involve local communities in these activities. - Prepare legal frameworks for coastal and island tourism. 	<ul style="list-style-type: none"> - Achievement of an annual growth as percentage of GDP. 	MoT. MoI and others. MoTE, MoVTTE MoC. MoTE.	2005 continuous 2003-2005 2003-2005 2004
2-1-11 Environment and Natural Resources Management Enhance natural resources management and preserve the environment through involving beneficiaries and employing the poor in environmental projects, and expand women and youth's role in development.	<ul style="list-style-type: none"> - Develop legal frameworks relevant to natural resources possession. - Expand decentralization and independence in water resources management. - Issue and enhance water legislation starting with issuing water and irrigation code. - Establish a water database. - Implement the comprehensive plan for Socotra development. - Activate the environment protection law. 		MoOM, MoAI. MoEW & water authorities. MoAI & water authorities. MoAI & water authorities. MoPD & local authorities. MoTE.	2003-2004 continuous 2003 2003-2004 2003-2005 2003-2005
2-2 Human Resources Development				
Developing human capabilities and providing a favorable environment for production, participation and enhancing the role of local communities.				
2-2-1 Population Status Controlling and reducing the high population growth rate and limiting internal migration.	<ul style="list-style-type: none"> - Intensifying family planning programs in the media. - Involve communities through civil society organizations and others. - Incorporate population issues in the military moral guidance programs and in the activities of boy scouts and girls' guides. - Draft a guidebook for religious preachers that take into consideration population issues. 	<ul style="list-style-type: none"> - Reducing population growth to 3% per annum. 	MoHP, PC, MoInfo. PC, Moral Guidance Dept., MoYS MoEG.	2005 continuous continuous 2003
2-2-2 Health Status Provide close and acceptable health services via government health facilities, particularly in rural areas, and apply the health	<ul style="list-style-type: none"> - Deliver basic health service based on cost sharing. - Raise health allocations particularly those relevant to primary health care and increase their efficiency. 	<ul style="list-style-type: none"> - Raise coverage rate to 65% of total population. - Increase share of the health sector of total expenditure to 2.2% of GDP. 	MoHP. MoF, MoPD, MoHP.	2005 2005

Objectives	Policy Measures	Indicators	Concerned	Date
regions system as well as make sure to provide basic drugs at prices affordable to low income groups.	<ul style="list-style-type: none"> - Re-locate health sector's staff. - Organize and supervise health services provided by the private sector. - Implement an incentives system to encourage working in remote areas. - Import generic medicine at low prices. - Establish a mechanism to ensure free medicine to poor families. 	<ul style="list-style-type: none"> - Issue a Private Health Establishments Law. - Establish a drug revolving fund. 	<p>MoCSS, MoHP. MoHP.</p> <p>MoHP.</p> <p>MoHP, NCSS.</p>	<p>2003 2003</p> <p>2003</p> <p>2003</p>
2-2-3 Education and Training Raise basic education enrollment while reducing gender and regional disparities; increase the number of those enrolled in vocational training and technical education; and restructure higher education to cope with the developments and progress in the various fields and also to accommodate the growing number of students with the objective of encouraging more female enrollment.	<ul style="list-style-type: none"> - Expand the construction of schools. - Re-allocate public financial resources among governorates and within education favoring basic education. - Rehabilitate vocational training centers and build the new ones close to industrial areas. - Draft a higher education strategy. - Adopt admission policies that cope with development requirement and labor market needs. - Specify a share of university scholarships to the exemplary and the poor. 	<ul style="list-style-type: none"> - Raise basic education enrollment to 69.3% and to 55% for girls. - Increase basic education share of education spending by 10%. - Raise the share of female students in universities to 27%, and to 16% of graduates from sciences and applied studies. 	<p>MoE. MoF, MoE.</p> <p>MoVTTE.</p> <p>MoHESR. MoHESR.</p> <p>MoHESR.</p>	<p>2005 2005</p> <p>2003-2005</p> <p>2003 2003</p> <p>2003</p>
2-3 Upgrade the Infrastructure Contribute to achieving economic growth and providing basic services to alleviate poverty especially in rural areas.				
2-3-1 Water Supply and Sanitation Increase water production and raise coverage in urban and rural areas as well as expand sanitation services.	<ul style="list-style-type: none"> - Expand application of decentralization and the establishment of independent local branches. - Provide services based on cost recovery, taking into consideration social justice criteria. - Organize the participation of the private sector and local communities in management, operation and maintenance. - Complete the sector's restructuring program. - Establish and operate quality control systems. 	<ul style="list-style-type: none"> - Increase water production to 162.5 million cubic meters in urban areas and to 423 million in rural areas raising network coverage to 69% and 65% respectively, while increasing sanitation coverage to 7.4% of the population. 	<p>MoEW & its authorities.</p> <p>MoEW & its authorities.</p> <p>MoEW & its authorities.</p> <p>MoEW & its authorities.</p> <p>MoEW & its authorities.</p>	<p>2005</p> <p>2003-2005</p> <p>2003</p> <p>2003</p> <p>2003-2005</p>
2-3-2 Electricity Sector Provide electricity to the population and to economic activities, and explore other options to generate electricity including renewable resources.	<ul style="list-style-type: none"> - Build a gas-powered station of 300 MW, and enhance power generation in other plants. - Develop all energy resources including renewable resources, particularly in rural, remote areas and in the islands. - Link secondary cities to the national electricity grid. 	<ul style="list-style-type: none"> - Increase installed capacity to 1,266 MW thus raising coverage to 40%, while reducing wastage to 25%. 	<p>MoEW, MoPD.</p> <p>MoEW, MoPD.</p> <p>MoEW, MoPD.</p> <p>MoEW, MoPD.</p>	<p>2005</p> <p>continuous</p> <p>2003-2005</p> <p>2003-2005</p>

Objectives	Policy Measures	Indicators	Concerned	Date
	<ul style="list-style-type: none"> - Rehabilitate existing power stations while dispensing of diesel generators.. 			
2-3-3 Road Sector Establish the coastal link with roads starting from the northern borders leading to the Omani border in the east, connecting Yemen to the Arab road network, in addition to linking secondary cities with each other and with rural areas in order to expand traffic of passengers and goods.	<ul style="list-style-type: none"> - Complete coastal roads and regional connection. - Rationalize rural roads program through specifying priorities. - Activate the role of local authorities to construct roads and maintain them. - Identify road specifications, technical and engineering standards. - Operate existing weight stations and enforce the relevant legislation. - Executing a periodical and emergency maintenance programs. 	<ul style="list-style-type: none"> - Increase asphalted roads by 3,300 Km, paved roads by 2,950 Km, and maintain 3,194 Km of asphalted roads. 	MoPWUD MoPWUD & its agencies, MoPD. Local Authorities. MoPWUD. MoPWUD & its agencies. MoPWUD & its agencies.	2005 2003 2003-2004 2003 continuous 2003-2005
2-3-4 Social Protection Promote the social safety network enforcing linkages among its components to provide social protection for the poor and vulnerable to poverty, through expanding coverage of the social welfare fund and social securities, while improving service delivery and providing rehabilitation to the handicapped, homeless, and beggars.	<ul style="list-style-type: none"> - Expand the social safety programs as an integrated scheme of services and projects, in addition to increasing the allocations of its various components. - Stick to poverty indicators while allocating resources to projects and programs. - Include more employees within the social securities schemes, and reform the pension funds to increase retirement pensions and improve return on investment. - Rehabilitate and integrate the handicapped into society. - Activate the role of the NCSSN and undertake a periodic performance assessment as well as improve monitoring costs and benefits of its components. - Establish a comprehensive database and apply computer operations. - Review the role of Endowment and Alms within the context of poverty reduction. - Build and organize shelters and care homes. 	<ul style="list-style-type: none"> - Increase the number of beneficiaries from the Social Welfare Fund to 600,000 cases. - Expand the umbrella of social securities to cover 529,000 employees of which 70,000 are from the private sector. - Train 5,430 handicaps and accommodate 4,190 in formal education. - Accommodate 6,750 in care centers and house 2,500 homeless children. 	NCSSN and other pertinent ministries. NCSSN, funds and programs MoCSS. MoSAL. NCSSN and agencies. NCSSN, MoF. MoEG. MoSAL.	2005 2003 2003 2003 2003-2005 2003-2005 2003-2005 2003-2005
2-3-5 Implementing the PRS Implement the strategy and assess the impact of sectoral policies on poverty and growth, and reflect it in future plans and annual programs.	<ul style="list-style-type: none"> - Undertake an annual PRS evaluation. - Establish an effective monitoring system including the undertaking of the 2003 HBS. 	Produce an annual report.	PRSP committee or unit. PRSP committee, MoPD.	Continuous 2003
2-4 Governance, Participation and Cooperation Achieve good governance and				

Objectives	Policy Measures	Indicators	Concerned	Date
administration to reach optimal resource utilization and to ensure participation of all sections of society as well as donor support.				
2-4-1 Modernization of Civil Service Provide government services with efficiency, and ensure fairness, transparency, and the application of performance criterion.	<ul style="list-style-type: none"> - Curtail personal interest and exploitation, and commit to achieve transparency. - Restructure government administrative units. - Complete job descriptions. - Move towards electronic government. - Identify and delete doubled dippers, implement retirement law, and activate the Civil Service Fund. - Concentrate on measures that ensure efficiency, supervision and transparency. - Apply a wage policy to ensure an acceptable standard of living , and gradually increase wage while considering all changes and variables. - Prepare a biometric identification system for the civil service. 	<ul style="list-style-type: none"> - Start with the designated units. 	MoF, MoCSS, COCA. MoCSS, MoPD, PMO and others. MoCSS. MoT & others. MoCSS & others. MoCSS, MoF. MoCSS, MoF. MoCSS.	continuous 2003-2005 2003-2004 2002-2010 2003-2005 2003-2005 2003 2003
2-4-2 Support and Enhance Democracy Adhere to democratic practice until it becomes part of the daily behavior of the Yemeni citizen.	<ul style="list-style-type: none"> - Spread awareness relevant to citizen rights and responsibilities. - Involve political parties and civil society organizations to bear its responsibilities and take its role. - Ensure periodicity of elections and freedom of press. 	<ul style="list-style-type: none"> - Holding parliamentary elections 	All government units. Political Parties committee and others. Election committee, MoInfo.	Continuous. Continuous. 2003
2-4-3 Laws and Regulations Exemplify the state of Law and order, and that citizens are all equals before the law in their rights and duties.	<ul style="list-style-type: none"> - Identify shortcomings in legislation and amend to ensure consistency especially areas where the poor are most effected. - Complete construction of court buildings and provide courts with qualified judges. - Introduce information system and database within the Judiciary. - Strengthen the role of the judicial police. - Enhance training with special focus on refresher courses in Trade and Business Law, arbitration and modernizing syllabus. - Activate the role of Commercial courts through many procedures such as written rulings with commenting and justification, enforcing them through courts, and 	Start train the judicial police to implement court ruling. Publish selected commercial ruling from the Supreme Court.	MoLA, MoSAL. MoJ. MoJ. MoJ, MoI. MoJ. MoJ.	2003 2003-2005 2003-2005 2003-2005 continuous 2003-2005

Objectives	Policy Measures	Indicators	Concerned	Date
	strengthening court monitoring			
2-4-4 Enhancing Local Authority Delegate responsibilities to local authorities and strengthen participation of local communities in decision-making.	<ul style="list-style-type: none"> - Construct quarters for local councils and furnish them. - Continue delegating and transferring responsibilities relating to budget implementation to the local authorities. - Continue training local authority cadres. - Involve the society in the decision-making process relating to their needs. - Implementing awareness programs for citizens to encourage their participation. 		MoLA. MoLA, MoF, Local Councils. MoLA. Local Councils. MoLA.	2003-2005 2003 2003-2005 continuous 2003-2005
2-4-5 Supporting Pro-Poor Institutions Accord priority to the poor in the context of development and expand the role of civil society as long as it is considered a partner.	<ul style="list-style-type: none"> -Execute programs that would result in government institutions becoming pro-poor. -Give priority to establish societal institutions that support the poor. -Set out mechanisms that enable the participation of the poor. 		NCSSN. MoSAL. MoSAL.	2003-2005 continuous 2003
2-4-6 Participation and Cooperation Enhance participation and cooperation in planning, financing, implementation, and follow-up in order to ensure success of partnership and secure sustainability of development and alleviation of poverty.	<ul style="list-style-type: none"> -Adopt and Implement Legislation supportive to activities of NGOs. -Activate the role of the NCSSN. -Set out a clear mechanism to coordinate between donor activities. -Open channels and prospects for civil society organizations in order to communicate with the government and to mobilize various resources. 		MoSAL. NCSSN. MoPD & Donors. MoSAL & others.	2003 2003 2003 2003-2005

ANNEX 2

PRIORITY PROGRAMS AND PROJECTS

PILLARS (AXES) OF THE PRS

(Million YR)

Pillars	Source	Pre	Period				Post 2005	Total
		2003	2003	2004	2005	Total		
Achieving Economic Growth	Gov.	2907	3092	3245	3460	9797	6373	19077
	Ext.	10368	10870	14747	10288	35905	18470	64743
	Total	27014	17774	21890	17660	57324	34852	119190
Development of Human Resources	Gov.	21891	20082	21435	27497	69014	42342	133247
	Ext.	14292	13665	12645	14981	41291	17891	73474
	Self	26	1136	1464	1128	3728	448	4202
	Total	36209	34883	35544	43606	114033	60681	210923
Improving Infrastructure	Gov.	45663	22035	29256	27704	78995	100946	225604
	Ext.	47028	20666	18443	14211	53320	23802	124150
	Total	92691	42701	47699	41915	132315	124748	349754
Ensuring Social Protection *	Gov.	3752	22978	28510	33024	84512	5350	93614
	Ext.	25604	15860	16979	18138	50977	18104	94685
	Total	29356	38838	45489	51162	135489	23454	188299
Good Governance, Participation and Cooperation	Gov.	406	988	1019	576	2583	1157	4146
	Ext.	2168	2038	1911	691	4640	3822	10630
	Total	2574	3026	2930	1267	7223	4979	14776
Total	Gov.	74,619	69,175	83,465	92,261	244,901	156,168	475,688
	Ext.	99,460	63,099	64,725	58,309	186,133	82,089	367,682
	Self	26	1,136	1,464	1,128	3,728	448	4,202
	Total	187,844	137,222	153,552	155,610	446,384	248,714	882,942
Less allocation from SSN to various pillars			32099	38085	43039	113223		
Other Programs & Projects			14425	21211	44755	80391		
Grand Total		187844	119548	136678	157326	413552	248714	882942

* Includes current revenues of the SWF plus YR 316 million investment payments to the Fund. Allocations of the SFD have been distributed in the relevant activity (education, roads, health, water & sanitation, training, institutional support), while the remaining amount has been accorded to the SSN. As for the PWP, all Funds were distributed to the activities.

-Important note: disbursements for some projects were not available before 2003 due to overlapping, which caused us to insert a "0" value in the pertinent cell. Also, some projects' amounts were not designated for the period of the PRS.

ACHIEVING ECONOMIC GROWTH

(Million YR)

Description	Source	Pre	Period				Post 2005	Total
		2003	2003	2004	2005	Total		
Maintaining Economic Stability	Gov.	147	195	194	79	468	137	752
	Ext.	904	271	270	0	541	514	1,959
	Self	0	0	0	0	0	0	0
	Total	1,051	466	464	79	1,009	514	2,574
Sources of Growth and the Promising Sectors	Gov.	776	354	355	364	1,073	639	2,488
	Ext.	0	1,614	1,614	1,615	4,843	0	4,843
	Self	265	1,870	1,871	1,880	5,621	264	6,150
	Total	2,593	1,234	1,236	1,256	3,726	1,526	7,845
Agriculture	Gov.	1,107	642	905	908	2,455	1,015	4,577
	Ext.	6,762	2,323	2,305	2,315	6,943	2,200	15,905
	Self	0	0	0	0	0	0	0
	Total	7,869	2,965	3,210	3,223	9,398	3,195	20,462
Fisheries	Gov.	4	9	36	26	71	0	75
	Ext.	88	193	4,006	673	4,872	0	4,960
	Self	0	0	85	85	170	0	170
	Total	92	202	4,127	784	5,113	0	5,205
Industry	Gov.	227	346	193	128	667	443	1,337
	Ext.	267	120	22	0	142	106	515
	Self	0	0	0	0	0	0	0
	Total	494	466	215	128	809	549	1,852
Services & Tourism	Gov.	592	1,445	1,497	1,732	4,674	3,676	8,942
	Ext.	1,844	5,110	5,111	5,113	15,334	6,610	23,788
	Self	0	0	0	0	0	0	0
	Total	14,358	11,101	11,154	11,395	33,650	19,608	67,616
Environment and Natural Resources Management	Gov.	54	101	65	223	389	463	906
	Ext.	503	1,239	1,419	572	3,230	9,040	12,773
	Self	0	0	0	0	0	0	0
	Total	557	1,340	1,484	795	3,619	9,460	13,636
Total	Gov.	2,907	3,092	3,245	3,460	9,797	6,373	19,077
	Ext.	10,368	10,870	14,747	10,288	35,905	18,470	64,743
	Self	265	1,870	1,956	1,965	5,791	264	6,320
	Total	27,014	17,774	21,890	17,660	57,324	34,852	119,190

MAINTAINING ECONOMIC STABILITY (MILLION YR)

Program / Project	Description	Source	Pre	Period				Post 2005	Total
			2003	2003	2004	2005	total		
Reform of the Financial System	<ul style="list-style-type: none">Modernize the financial and public accounting systems.Increase transparency and congruity in government procedures.Improve and upgrade financial management and budgeting.Connect information network.Rehabilitate and train government employees in all the government organs and facilities.	Gov.	147	112	113	0	225	137	509
		Ext.	720	114	114	0	228	330	1278
		Total	867	226	227	0	453	467	1787
Supporting Yemen's Application to Join the WTO	<ul style="list-style-type: none">Assist Yemen in accession to the WTO by providing technical and institutional support to the government and the relevant GoY authorities to prepare for the negotiations, especially the Contact and Coordination Unit.Support institutional capacity build-up of the QCMA.Preparation of the Foreign Trade Memo.Study the effects and dimensions of membership.Prepare a medium-term strategy on the trade policy of Yemen.Prepare a study on the basis and analytical criteria for the bilateral negotiations for the Agriculture Agreement and the Assessment of the Customs Procedures and Reforms.Support legislative reforms to make them consistent with the requirements of the WTO.	Gov.	0	0	0	0	0	0	0
		Ext.	184	157	156	0	313	184	681
		Total	184	157	156	0	313	184	681
Establishing a Stock Exchange	<ul style="list-style-type: none">The project focuses on the completion of the legal and legislative requirements and the institutional frameworks for setting up the market, in addition to adjusting the conditions of private sector firms and adopting transparency in their operations to take a growing role in economic and social development.Take a dynamic role in mobilizing resources and savings, including from those small savers.Attract foreign capital and the surpluses of the Yemenis overseas.Stimulate investments in the different economic sectors.	Gov.	0	83	81	79	243	0	243
		Ext.	0	0	0	0	0	0	0
		Total	0	83	81	79	243	0	243
Total for Maintaining Economic Stability		Gov.	147	195	194	79	468	137	752
		Ext.	904	271	270	0	541	514	1959
		Total	1051	466	464	79	1009	514	2574

SOURCES OF GROWTH AND THE PROMISING SECTORS

(Million YR)

Program / Project	Description	Source	Pre	Period				Post 2005	Total
			2003	2003	2004	2005	total		
Privatization	<ul style="list-style-type: none">▪ Ascertain the role of the GoY in the management of the economy based on a market economy.▪ Reduce public spending on PEs and enhance their efficiency on competitive basis.▪ Encourage private sector investment and the realization of broader participation in ownership through public offering.▪ Accelerate privatization, starting with the preparation of a number of economic units, by means of having them assessed by specialized and neutral offices.	Gov.	0	6	6	7	19	8	27
		Ext.	0	0	0	0	0	0	0
		Total	0	6	6	7	19	8	27
Aden Free Zone	<ul style="list-style-type: none">▪ Support the role of the Aden Free Zone Authority.▪ Improve the zone’s competitive capacity regionally and internationally by means of developing its management and rehabilitating employees to deal with the conditions and aspects particular to the Zone.▪ Completion of the infrastructure.	Gov.	776	315	315	317	947	631	2354
		Ext.	0	0	0	0	0	0	0
		Self	265	217	217	218	652	256	1173
		Total	1041	532	532	535	1599	256	2896
Port Cities Development	<ul style="list-style-type: none">▪ Enhancement of the competitive capability of the port cities, starting with Aden, Hodeidah and Al-Mukalla.▪ Rehabilitating and/or improving their basic services.▪ Preparing the administrative system and support the administrative and technical capabilities of local authorities, to keep them at least in parallel with systems in the ports of neighboring states.▪ Supporting partnership between the local authority and the private sector and facilitating procedures and measures.	Gov.	0	0	0	0	0	0	0
		Ext.	0	1614	1614	1615	4843	0	4843
		Total	0	1614	1614	1615	4843	0	4843
Reinforcement of the Investment Climate	<ul style="list-style-type: none">▪ Achieve the regulatory and institutional reforms for investment and promotion of exports by means of focusing on the improvement of the performance of the General Investment Authority, the Higher Export Council and its technical organ.▪ Stimulation of the mining industry and encouraging private sector to set up industrial zones.	Gov.	0	33	34	40	107	0	107
		Ext.	0	0	0	0	0	0	0
		Total	0	33	34	40	107	0	107
Gas Pipelines	<ul style="list-style-type: none">▪ Assess the construction of gas pipelines to transport gas extracted from the fields in Marib & Shabwah to local use in the regions of Aden, Al-Hodeidah, Hadramout as an inducement to construct gas-powered stations and link to establishing industrial estates in those three regions.	Gov.							
		Ext.							
		Total							
Total For The Sources of Growth and the Promising Sectors		Gov.	776	354	355	364	1073	639	2488
		Ext.	0	1614	1614	1615	4843	0	4843
		Self	265	1870	1871	1880	5621	264	6150
		Total	2593	1234	1236	1256	3726	1526	7845

AGRICULTURE

(Million YR)

Program / Project	Description	Source	Pre	Period				Post 2005	Total	
			2003	2003	2004	2005	total			
Rural Development	<ul style="list-style-type: none">Advance the capacities of rural areas.Improve the general living conditions of the population.Provide agricultural, veterinarian and fisheries extension services.Develop irrigation methods to increase production.Support institutional build-up to improve efficiency.Direct attention to the development of the capacities of rural women.	Gov.	269	264	261	261	786	345	1400	
		Ext.	5085	1558	1049	1059	3666	1410	10161	
		Total	5354	1822	1310	1320	4452	1755	11561	
Surface Water Irrigation Improvement	<ul style="list-style-type: none">Optimize exploitation of water irrigation raising efficiency of surface water use at the farm level by introducing leveling techniques and the use of survey instruments and laser leveling devices.Ensure involvement of the farmers and require them to bear operation and maintenance costs.	Gov.	31	0	13	14	27	10	68	
		Ext.	352	0	149	149	298	118	768	
		Total	383	0	162	163	325	128	836	
Water Harvesting Improvement	<ul style="list-style-type: none">Optimize use of harvested water.Develop water harvesting projects such as water dams and dikes as nuclei for a national water harvesting program.Ensure involvement of the farmers and require them to bear operation and maintenance costs.	Gov.	15	0	21	22	43	17	75	
		Ext.	463	0	196	196	392	155	1010	
		Total	478	0	217	218	435	172	1085	
Improvement of Irrigation from Dammed and Diked Waters	<ul style="list-style-type: none">Raise the irrigation efficiency at the farm level by setting up pilot farms, training technicians and extension guides on the modern irrigation methods and arrangement of extension and awareness workshops through the public information media.	Gov.	510	0	217	217	434	340	1284	
		Ext.	0	0	0	0	0	0	0	
		Total	510	0	217	217	434	340	1284	
Monitoring and Assessment of Water Saved by Different Irrigation Systems	<ul style="list-style-type: none">Measuring the quantities of water used by the agricultural sector and the amounts of water saved as a result of the use of modern irrigation systems.	Gov.	38	0	16	16	32	20	90	
		Ext.	344	0	146	146	292	115	751	
		Total	382	0	162	162	324	115	821	
Agricultural Research	<ul style="list-style-type: none">Improvement of rainfed agriculture and better management of irrigated agriculture.Management of natural resources and improving breeds of basic crops.Crop, livestock, feed, grazing land and post harvest processing management.	Gov.	215	242	242	243	727	142	1084	
		Ext.	0	0	0	0	0	0	0	
		Total	215	242	242	243	727	142	1084	
Irrigation Improvement	<ul style="list-style-type: none">Improve and rehabilitate Major Spate Irrigation Systems.Participation of beneficiaries in the maintenance and operation of irrigation facilities.Increase of agricultural productivity by an intensive extension program.	Gov.	29	136	135	135	406	141	576	
		Ext.	518	635	635	635	1905	402	2825	
		Total	547	771	770	770	2311	543	3401	
Public Works Project	<ul style="list-style-type: none">Improve provision of social services, environmental situation, basic infrastructure for alleviating the adverse effects of the reform program through job creation, raising level of community participation in the preparation and implementation of public projects.	Gov.	0	0	0	0	0	0	0	
		Ext.	0	130	130	130	390	0	390	
		Total	0	130	130	130	390	0	390	
Total for Agriculture			Gov.	1107	642	905	908	2455	1015	4577
			Ext.	6762	2323	2305	2315	6943	2200	15905

Program / Project	Description	Source	Pre	Period				Post 2005	Total
			2003	2003	2004	2005	total		
		total	7869	2965	3210	3223	9398	3195	20462

FISHERIES
(Million YR)

Program / Project	Description	Source	Pre	Period				Post 2005	Total
			2003	2003	2004	2005	total		
Support to Research	▪ This project consists of a research vessel fully equipped with measurement instruments, sample collection and analysis systems, water salinity and temperature measurement instruments; nets for plankton, with a view towards providing research data, and studying the environmental factors and changes that are related to the reproduction of fish and marine life in the territorial waters.	Gov.	0	0	0	0	0	0	0
		Ext.	0	0	3290	0	3290	0	3290
		Total	0	0	3290	0	3290	0	3290
Assessment of Fish Stock	▪ Achieve optimal exploitation of fish wealth and conserve the marine environment by means of carrying out a biological study of fish and marine life for the purpose of regulating fishing areas and setting the appropriate fishing times, the allowable quantities and the appropriate fishing methods.	Gov.	0	0	30	26	56	0	56
		Ext.	0	0	153	153	306	0	306
		Total	0	0	183	179	362	0	362
Creation of an Integrated Marine Control and Inspection System	▪ Set up an integrated marine monitoring and inspection system, enhance the capacity of the General Directorate for Control and Inspection in the Ministry of Fish Wealth to enable taking on its duties and prevent the violations to the territorial waters of RoY and to conserve the marine environment and to ensure the optimal exploitation of the fisheries resources.	Gov.	4	9	6	0	15	0	19
		Ext.	88	193	129	0	322	0	410
		Total	92	202	135	0	337	0	429
Creation of Quality Control Laboratories	▪ Set up laboratories for quality control. ▪ Determine the basis for a monitoring system with specifications that conform to international standards, so as to improve product and promote exports.	Gov.	0	0	0	0	0	0	0
		Ext.	0	0	94	94	188	0	188
		Total	0	0	94	94	188	0	188
Improvement of Traditional Fishing in the Red Sea	▪ Improvement of the quality of the fish. ▪ Reduction of losses, before and after landing and during distribution. ▪ Provide the different services for fishermen to enter new markets.	Gov.	0	0	0	0	0	0	0
		Ext.	0	0	255	341	596	0	596
		Total	0	0	255	341	596	0	596
Fish Farming Projects	▪ Reduce the pressure on fish and marine life supplies by mari-culture, especially for shrimp. ▪ Protect natural resources from over-fishing and pollution.								
Agricultural and Fisheries Production Promotion Fund	▪ Reduce burdens arising from higher prices for fish production inputs and requirements, so as to enable the beneficiaries to continue in their activities and improve efficiency, by means of financing a number of projects and activities related to fish production and marketing, in participation with community efforts.	Gov.	0	0	0	0	0	0	0
		Ext.	0	0	128	128	256	0	256
		Self	0	0	85	85	170	0	170
		Total	0	0	213	213	426	0	426
Total for Fisheries		Gov.	4	9	36	26	71	0	75
		Ext.	88	193	4006	673	4872	0	4960
		Self	0	0	85	85	170	0	170

Program / Project	Description	Source	Pre	Period			Post 2005	Total
			2003	2003	2004	2005			total
		Total	92	202	4127	784	5113	0	5205

INDUSTRY
(Million YR)

Program / Project	Description	Source	Pre	Period				Post 2005	Total
			2003	2003	2004	2005	total		
The Small Enterprise Development and Support	<ul style="list-style-type: none">Improve the economic capacity of small enterprises and handicrafts.Enhance the efficiency and technical support to small industries and handicrafts and increase their contribution in rural development.Set up a business advisory services center and small industrial zones for small industries and handicraft trades and implementation of training programs.	Gov.	5	6	6	0	12	6	23
		Ext.	150	21	22	0	43	67	260
		Total	155	27	28	0	55	73	283
Improvement of the General authority for Specifications, Measures (Standards) and Quality Control	<ul style="list-style-type: none">Raise the efficiency of the authority in monitoring quality in industrial, economic and commercial activities, by means of erecting the buildings and equipping the Authority with the laboratory equipment and instruments.	Gov.	46	45	45	45	135	68	249
		Ext.	0	0	0	0	0	0	0
		Total	46	45	45	45	135	68	249
Support to the Establishment of Industrial Zones	<ul style="list-style-type: none">Study and promotion of the establishment of industrial zones by the private sector in a number of governorates so as to contribute to the reduction of production costs for industrial investors by means of taking advantage of the economies of scale and by the creation of linkage and integration between the large, medium and small industrial operations, and also between industry and the rest of the economic activities especially agriculture.	Gov.	0	142	142	0	284	96	380
		Ext.	0	0	0	0	0	0	0
		Total	0	142	142	0	284	96	380
Study of Industrial and Construction Materials	<ul style="list-style-type: none">Study and assess the industrial ores and construction rocks and determine their suitability for promotion of investment in their production and exportation.	Gov.	43	40	0	83	123	47	213
		Ext.	0	0	0	0	0	0	0
		Total	43	40	0	83	123	47	213
The Geological Survey	<ul style="list-style-type: none">Collection and preparation of the different kinds of geological and technical data derived from fieldwork.Various related studies to be presented in scientific and technical reports that document the geological situation in Yemen.	Gov.	133	113	0	0	113	226	472
		Ext.	117	99	0	0	99	39	255
		Total	250	212	0	0	212	39	501
Total for Industry		Gov.	227	346	193	128	667	443	1337
		Ext.	267	120	22	0	142	106	515
		Total	494	466	215	128	809	549	1852

SERVICES & TOURISM
(Million YR)

Program / Project	Description	Source	Pre	Period				Forward	Total
			2003	2003	2004	2005	total		
Improvement of Tourism	<ul style="list-style-type: none">Improvement and enhancement of the efficiency of the cadre engaged in tourism by means of high level training and rehabilitation.Promotion of tourism to Yemen overseas and for internal tourism.Involvement of local communities in taking advantage of tourism activities and setting up the regulatory frameworks for tourism in the coasts and islands of Yemen.	Gov.	36	91	128	167	386	822	1244
		Ext.	51	0	0	0	0	0	51
		Total	87	91	128	167	386	822	1295
Preservation of Historical Cities	<ul style="list-style-type: none">Renovate the historical homes, caravansaries, public drinking fountains, mosques and all the other important historical buildings and landmarks.Completion of the infrastructure for the historical cities.Establishment of museums, research and technical centers and improvement of handicraft trades and traditional industries.	Gov.	556	79	94	290	463	1354	2373
		Ext.	0	0	0	0	0	0	0
		Total	556	79	94	290	463	1354	2373
Telephone Networks	<ul style="list-style-type: none">Expansion of existing telephone exchanges and setting up new ones and modernization of the network by means of replacing the old main telephone exchanges, completion of the main interconnecting points between the governorates, by fiber optic cables, introduction of wireless telecommunication systems and comprehensive mobile systems to provide remote population centers with access to telephone services.	Gov.	0	1275	1275	1275	3825	1500	5325
		Ext.	1793	5110	5111	5113	15334	6610	23737
		Self	11922	4546	4546	4550	13642	9322	34886
		Total	13715	10931	10932	10938	32801	17432	63948
Total of Services & Tourism		Gov.	592	1445	1497	1732	4674	3676	8942
		Ext.	1844	5110	5111	5113	15334	6610	23788
		Self	11922	4546	4546	4550	13642	9322	34886
		Total	14358	11101	11154	11395	33650	19608	67616

ENVIRONMENT AND NATURAL RESOURCES MANAGEMENT

(Million YR)

(million YR)

Program / Project	Description	Source	Pre	Period				Post 2005	Total
			2003	2003	2004	2005	total		
Sustainable Environmental Management	<ul style="list-style-type: none">Coordinate support to environmental management and community participation in the management and planning of land resources and in the implementation of the NEAP, Plan for Combating Desertification and creation of the Land Resource Research and Extension Center.	Gov.	18	6	0	158	164	418	600
		Ext.	169	76	0	62	138	228	535
		Total	187	82	0	220	302	646	1135
Activate the Environmental Protection Law	<ul style="list-style-type: none">Activate the Environmental Protection Law.Review the executive procedures for the Law and prepare plans accordingly.	Gov.	0	95	0	0	95	0	95
		Ext.	0	0	0	0	0	0	0
		Total	0	95	0	0	95	0	95
Monitoring the Environmental Impact on the Agricultural	<ul style="list-style-type: none">Introduce the concept of environmental impact into agricultural projects by means of measuring and monitoring such impact.	Gov.	6	0	2	2	4	2	12
		Ext.	58	0	24	24	48	16	122
		Total	64	0	26	26	52	18	134
Comprehensive Plan for the Development of the Socotra Archipelago	<ul style="list-style-type: none">Prepare a plan for the use of land for the achievement of economic, social and environmental development of the islands to ensure that development activities are in keeping with the policies on the conservation of bio-diversity of the islands.	Gov.	0	0	0	0	0	0	0
		Ext.	0	906	906	0	1812	8341	10153
		Total	0	906	906	0	1812	8341	10153
Development of Water and Agriculture Surveillance Network	<ul style="list-style-type: none">Development of surveillance stations to provide a climatic and water information database for proper planning and implementation of water, irrigation, dam and dike construction projects, with a view towards achieving sustainable development of water resources.	Gov.	0	0	32	32	64	23	87
		Ext.	0	0	292	292	584	195	779
		Total	0	0	324	324	648	195	843
Integrated Management of Underground Basins	<ul style="list-style-type: none">Optimal use of water and reduction of underground water depletion, by means of setting up and developing projects for integrated management of underground water, with a view towards maintaining the rural economy and ensuring adequate water supply by evaluating and monitoring the conditions of the water basins and channels and encouraging traditional systems and appropriate methods for their protection.Participation of farmers in management and formation of Water Users GroupsBuild 8 dams in the Sana’a basin and finance irrigation networks in the region	Gov.	0	0	31	31	62	20	82
		Ext.	0	0	197	194	391	260	651
		Total	0	0	228	225	453	260	713
Improvement of the Use of Wastewater in Agriculture	<ul style="list-style-type: none">Improvement of the use of treated wastewater to reduce the strain on pumped underground water and to curtail from the random depletion of such waterConservation of the environment.Expand irrigated farming.	Gov.	30	0	0	0	0	0	30
		Ext.	276	257	0	0	257	0	533
		Total	306	257	0	0	257	0	563
Total For Environment and Natural Resources Management		Gov.	54	101	65	223	389	463	906
		Ext.	503	1239	1419	572	3230	9040	12773
		Total	557	1340	1484	795	3619	9460	13636

DEVELOPMENT OF HUMAN RESOURCES
(Million YR)

Description	Source	Pre	Period				Forward	Total
		2003	2003	2004	2005	total		
Population	Gov.	0	5	6	0	11	5	16
	Ext.	0	64	62	0	126	62	188
	Self	0	39	39	0	78	39	117
	Total	0	108	107	0	215	106	321
Health	Gov.	12046	4814	3964	6241	15019	4247	31312
	Ext.	6786	3650	2866	5478	11994	5899	24679
	Self	26	1097	1425	1128	3650	409	4085
	Total	18858	9561	8255	12847	30663	10555	60076
Education and Training	Gov.	9845	15263	17465	21256	53984	38090	101919
	Ext.	7506	9951	9717	9503	29171	11930	48607
	Self							
	Total	17351	25214	27182	30759	83155	50020	150526
Total	Gov.	21891	20082	21435	27497	69014	42342	133247
	Ext.	14292	13665	12645	14981	41291	17891	73474
	Self	26	1136	1464	1128	3728	448	4202
	Total	36209	34883	35544	43606	114033	60681	210923

POPULATION
(Million YR)

Program / Project	Description	Source	Pre	Period				Forward	Total
			2003	2003	2004	2005	total		
Public Media Population Awareness	<ul style="list-style-type: none"> Enhance the role of the information media. Development of programs and efforts to disseminate population awareness on the importance of family planning. Encourage addressing all the population issues through the media channels. 	Gov.	0	1	1	0	2	1	3
		Ext.	0	14	13	0	27	13	40
		Self	0	6	6	0	12	6	18
		Total	0	21	20	0	41	20	61
Religious Awareness	<ul style="list-style-type: none"> Spread awareness among religious scholars, sermonizers, and guides on population issues, and create positive awareness among them on such issues, Prepare guidelines for sermonizers and guides. 	Gov.	0	2	3	0	5	2	7
		Ext.	0	21	20	0	41	20	61
		Self	0	0	0	0	0	0	0
		Total	0	23	23	0	46	22	68
Population Awareness Among Youth, Boy and Girl Scouts	<ul style="list-style-type: none"> Development of awareness among young people. Enhance the role of boy and girl scouts in spreading awareness on family planning by including population issues within the activities of boy and girl scouts. 	Gov.	0	0	0	0	0	0	0
		Ext.	0	13	13	0	26	13	39
		Self	0	26	26	0	52	25	77
		Total	0	39	39	0	78	38	116
Population Awareness Among Armed Forces and Security Personnel	<ul style="list-style-type: none"> Include population issues in the awareness plans of the armed forces and in training and rehabilitation of the morale guidance personnel to undertake spreading population awareness among the armed forces personnel. 	Gov.	0	2	2	0	4	2	6
		Ext.	0	16	16	0	32	16	48
		Self	0	7	7	0	14	8	22
		Total	0	25	25	0	50	26	76
Total of Population		Gov.	0	5	6	0	11	5	16
		Ext.	0	64	62	0	126	62	188
		Self	0	39	39	0	78	39	117
		Total	0	108	107	0	215	106	321

HEALTH
(Million YR)

Program / Project	Description	Source	Pre	Period				Forward	Total
			2003	2003	2004	2005	total		
Health Programs	<ul style="list-style-type: none"> Includes 31 programs that aim to combat the spread of epidemic and endemic diseases. Improve nutrition. Reduce risks that threaten maternal and infant health. Upgrade the quality of health services. Implant the principle of participation in the management, planning, financing, supervision and assessment. Development of human resources and making the medicinal policy effective. 	Gov.	5738	2927	2160	4291	9378	3626	18742
		Ext.	5762	2939	2160	4291	9390	3641	18793
		Self	26	13	13	26	52	16	94
		Total	11526	5879	4333	8608	18820	7283	37629
Constructing and Equipping Facilities for the Health Sector *	<ul style="list-style-type: none"> Upgrade and improve the health services by equipping and rehabilitating health institutions with modern health equipment. Reinforcement of support services. Support community participation in the management and monitoring of the performance of health institutions. 	Gov.	6308	1887	1804	1950	5641	621	12570
		Ext.	1024	711	706	1187	2604	2258	5886
		Self	0	1084	1412	1102	3598	393	3991
		Total	7332	3682	3922	4239	11843	3272	22447
Improvement of Basic Health Services and Family Health **	<ul style="list-style-type: none"> Improvement of maternal and infant services by means of rehabilitating some of the health centers. 	Gov.					0		0
		Ext.					0		0
		Self					0		0
		Total	0	0	0	0	0	0	0
Improvement of Health Services in Marib Governorate **	<ul style="list-style-type: none"> Raise the coverage of health services in the governorate, considering that it is a remote and less fortunate governorate, and improving these services, so as to reduce the afflictions of diseases and curtail endemic diseases. 	Gov.					0		0
		Ext.					0		0
		Self					0		0
		Total	0	0	0	0	0	0	0
Total of Health		Gov.	12046	4814	3964	6241	15019	4247	31312
		Ext.	6786	3650	2866	5478	11994	5899	24679
		Self	26	1097	1425	1128	3650	409	4085
		Total	18858	9561	8255	12847	30663	10555	60076

Of which primary health care	Total	0	5207	5580	6287	17074	0	17074
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* Allocations of the SFD and the PWP were included within these programs and projects.

** Allocations not yet specified.

EDUCATION AND TRAINING

(Million YR)

Program / Project	Description	Source	Pre	Period				Post 2005	Total
			2003	2003	2004	2005	total		
Expansion of Basic Education	<ul style="list-style-type: none"> Construction of new schools. Expansion, rehabilitation and maintenance of existing schools. Provide furniture and equipment for schools. Work towards reform of the basic educational sector. 	Gov.	105	108	129	162	399	365	869
		Ext.	1925	798	956	563	2317	2697	6939
		Total	2030	906	1085	725	2716	3062	7808
Investment in the Education Sector	<ul style="list-style-type: none"> Reform the educational sector and improve its output. Improve the curricula and teaching techniques and train teachers. Work towards reducing overcrowded classrooms. 	Gov.	151	117	0	0	117	172	440
		Ext.	3364	522	0	0	522	768	4654
		Total	3515	639	0	0	639	940	5094
Construction of Additional Classrooms for Basic and Secondary Education	<ul style="list-style-type: none"> Confront the expansion of basic and secondary education. Reduce overcrowded classrooms. Improve the quality of education. 	Gov.	2100	7129	8554	10693	26376	24112	52588
		Ext.	0	0	0	0	0	0	0
		Total	2100	7129	8554	10693	26376	24112	52588
Building Schools	<ul style="list-style-type: none"> Increase the rate of enrollment of girls in basic education especially in the rural areas, by building, furnishing, equipping and renovating 732 classrooms. 	Gov.	0	0	0	0	0	0	0
		Ext.	0	145	173	216	534	488	1022
		Total	0	145	173	216	534	488	1022
Construction of 200 Girls' Schools	<ul style="list-style-type: none"> Promote the enrollment of girls in education to reduce the gender gaps and improve their living conditions. 	Gov.	0	0	0	0	0	0	0
		Ext.	0	289	347	434	1070	978	2048
		Total	0	289	347	434	1070	978	2048
Construct and complete and equip 3,500 Classrooms	<ul style="list-style-type: none"> Confront the increased enthusiasm for education. Reduce the overcrowded classrooms. Rehabilitate some of the educational facilities. 	Gov.	4800	408	0	0	408	600	5808
		Ext.	0	0	0	0	0	0	0
		Total	4800	408	0	0	408	600	5808
School Mapping and Support to Planning and Statistics	<ul style="list-style-type: none"> Complete the preparation of the Schooling Maps for the remaining governorates. Reorganize and redistribute services. Set up the statistical system, update the sector's database and regularly collect information and data on education. 	Gov.	30	152	182	227	561	512	1103
		Ext.	0	0	0	0	0	0	0
		Total	30	152	182	227	561	512	1103
SFD Projects and	<ul style="list-style-type: none"> Development of the population by means of improvement of educational services and contributing to the creation of permanent job opportunities. Vitalize community involvement in the preparation and implementation of civil works projects. 	Gov.	0	0	0	0	0	0	0
		Ext.	0	3441	3632	3976	11049	0	11049
		Total	0	3441	3632	3976	11049	0	11049
PWP Project (Education)	<ul style="list-style-type: none"> Focus on support to institutional build-up of community organizations and NGOs in this respect. 	Gov.	0	0	0	0	0	0	0
		Ext.	0	1735	1735	1735	5205	0	5205
		Total	0	1735	1735	1735	5205	0	5205
Other Projects		Gov.	0	1266	1936	3319	6521	0	6521
		Ext.	0	0	0	0	0	0	0
		Total	0	1266	1936	3319	6521	0	6521
Total of Basic Education		Gov.	7186	9180	10801	14401	34382	25761	67329
		Ext.	5289	6930	6843	6924	20697	4931	30917
		Total	12475	16110	17644	21325	55079	30692	98246

Program / Project	Description	Source	Pre	Period				Post 2005	Total
			2003	2003	2004	2005	total		
Completion of the Vocational Training Projects	<ul style="list-style-type: none">Rehabilitation of 15 centers and improve 60 sections in different centers.Set up new specialized fields especially for women.Improve curricula and upgrade quality of staff to fit the needs of the labor market and development requirements and by replacing expatriates by Yemeni employees.	Gov.	298	12	0	0	12	215	525
		Ext.	1544	746	0	0	746	2128	4418
		Total	1842	758	0	0	758	2343	4943
Set Up Vocational and Technical Training Center and Institutes	<ul style="list-style-type: none">Construct and equip 35 centers and vocational training institutes in a number of governorates in order to meet the needs of the market for qualified technical staff.	Gov.	90	946	1419	1730	4095	2426	6611
		Ext.	120	946	1419	1694	4059	2431	6610
		Total	210	1892	2838	3424	8154	4857	13221
Construction of a Higher Polytechnic Institute	<ul style="list-style-type: none">Construct and equip the institute.Prepare curricula.Train staff with a view towards providing qualified personnel to meet the needs of the labor market and the requirements for development and to "Yemenize" the technical positions.	Gov.	13	14	20	0	34	38	85
		Ext.	65	254	380	0	634	603	1302
		Total	78	268	400	0	668	641	1387
PWP Technical Training	<ul style="list-style-type: none">The improvement and provision of educational services through job creation, raising the level of community participation in the preparation and implementation of civil works projects with a concentration on institutional capacity building for local communities and NGOs.	Gov.	0	0	0	0	0	0	0
		Ext.	0	118	118	118	354	0	354
		Total	0	118	118	118	354	0	354
Training Institutes and Centers for Girls	<ul style="list-style-type: none">Set up four institutes and centers for training girls in the areas of specialization that are more suitable for their work and to meet the needs of the labor markets, with a view towards enhancing the contribution of women in development.	Gov.	0	85	128	153	366	213	579
		Ext.	0	0	0	0	0	0	0
		Total	0	85	128	153	366	213	579
Establishment of Handicraft Institutes and Centers	<ul style="list-style-type: none">Establishment of five institutes and centers for the traditional handicraft trades in the Capital Secretariat, Hodeidah, Taiz and Sa'ada, with a view towards preserving the traditional skills and contributing to the development of some of the productive and service sectors.	Gov.	0	68	102	122	292	170	462
		Ext.	0	0	0	0	0	0	0
		Total	0	68	102	122	292	170	462
Improvement of Vocational and Technical Training Institutes and Centers	<ul style="list-style-type: none">Rehabilitate a number of old institutes and centers and replace their machinery and equipment to keep pace with needs of the new training programs.Set up new sections.Develop curricula and rehabilitate staff.	Gov.	477	227	341	409	977	886	2340
		Ext.	0	0	0	0	0	0	0
		Total	477	227	341	409	977	886	2340
Total of Vocational Training And Technical Education		Gov.	878	1352	2010	2414	5776	3948	10602
		Ext.	1729	2064	1917	1812	5793	5162	12684
		Total	2607	3416	3927	4226	11569	9110	23286
Link Government Universities With the Information Networks	<ul style="list-style-type: none">Provide government universities with the essential equipment for interconnected networks.Qualify staff and students in computers and information and facilitate access to research centers though the Network.	Gov.	0	0	0	0	0	0	0
		Ext.	0	99	99	99	297	145	442
		Total	0	99	99	99	297	145	442
University Faculties	<ul style="list-style-type: none">Set up the Faculty of Engineering and Technology in Hadhramout University and the Faculty of Engineering and Water Structures in Dhamar	Gov.	1766	4672	4595	4382	13649	8289	23704
		Ext.	488	858	858	668	2384	1692	4564

Program / Project	Description	Source	Pre	Period				Post	Total
			2003	2003	2004	2005	total		
	University. ▪ Prepare and rehabilitate cadre in engineering and technological fields to meet the needs of the labor markets and the requirements of development.	Total	2254	5530	5453	5050	16033	9981	28268
Construct the Community College Buildings	▪ Construct buildings and equipment required for operating the Community Colleges in Sana'a and Socotra. ▪ Prepare intermediary personnel to meet the requirements for human resource development in the fields of engineering and technology, business management and in different production fields. ▪ Organize training and qualification programs during service for government and private agencies.	Gov.	15	59	59	59	177	92	284
		Ext.	0	0	0	0	0	0	0
		Total	15	59	59	59	177	92	284
Information & Communication Technology	▪ Enhancing the use of ICT to serve development purposes through the adoption of policies that encourage innovation and support ICT in the areas of the PRS to serve the public in general and the poor in particular as well as to be result oriented.	Gov.							
		Ext.							
		Total							
Total of Higher Education		Gov.	1781	4731	4654	4441	13826	8381	23988
		Ext.	488	957	957	767	2681	1837	5006
		Total	2269	5688	5611	5208	16507	10218	28994
Total of Education & Training		Gov.	9845	15263	17465	21256	53984	38090	101919
		Ext.	7506	9951	9717	9503	29171	11930	48607
		Total	17351	25214	27182	30759	83155	50020	150526

IMPROVING INFRASTRUCTURE

(Million YR)

Program / Project	Source	Pre	Period				Post 2005	Total
		2003	2003	2004	2005	Total		
Water and Sanitation	Gov.	13689	7825	8821	8647	25293	18140	57122
	Ext.	30760	9903	10477	6850	27230	2050	60040
	Self	0	0	0	0	0	0	0
	Total	44449	17728	19298	15497	52523	20190	117162
Electricity	Gov.	7108	4639	4385	3057	12081	39295	58484
	Ext.	6488	4083	1028	422	5533	6303	18324
	Self	0	0	0	0	0	0	0
	Total	13596	8722	5413	3479	17614	45598	76808
Roads	Gov.	24866	9571	16050	16000	41621	43511	109998
	Ext.	9780	6680	6938	6939	20557	15449	45786
	Self	0	0	0	0	0	0	0
	Total	34646	16251	22988	22939	62178	58960	155784
Total	Gov.	<i>45663</i>	<i>22035</i>	<i>29256</i>	<i>27704</i>	<i>78995</i>	<i>100946</i>	<i>225604</i>
	Ext.	<i>47028</i>	<i>20666</i>	<i>18443</i>	<i>14211</i>	<i>53320</i>	<i>23802</i>	<i>124150</i>
	Self	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	Total	<i>92691</i>	<i>42701</i>	<i>47699</i>	<i>41915</i>	<i>132315</i>	<i>124748</i>	<i>349754</i>

WATER AND SANITATION
(Million YR)

Program / Project	Description	Source	Pre	Period				Forwa rd	Total	
			2003	2003	2004	2005	total			
Capitol Secretariat Water Supply and Sanitation	<ul style="list-style-type: none">Provision of water supply service to the City of Sana'a.Expand the wastewater sanitation to preserve the environment.	Gov.	2020	399	420	302	1121	0	3141	
		Ext.	11003	1453	1896	938	4287	0	15290	
		Total	13023	1852	2316	1240	5408	0	18431	
Water and Sewerage Services for Cities in Some of the Governorates	<ul style="list-style-type: none">Provision of water supply and wastewater services to improve services, infrastructure and health conditions, reduce environmental pollution and internal migration by drilling and equipping wells.Set up water supply and wastewater sanitation networks in Hodeidah, Taiz, Al-Qa'ida, Khamar, Ataq, Marib, Hazm-al-Jawf, Al-ghaidah, Al-Hawtah, al-Dhala', Dhamar-2nd phase, Capitol Secretariat-new phase, Sa'adah, and Al-Muakalla.	Gov.	1390	458	474	373	1305	0	2695	
		Ext.	8078	1877	1935	1338	5150	0	13228	
		Total	9468	2335	2409	1711	6455	0	15923	
Renewed Program for Wastewater Sanitation in Major Cities	<ul style="list-style-type: none">Provision of water supply and wastewater sanitation to improve services for the secondary towns and reduction of environmental pollution.	Gov.	0	408	372	190	970	0	970	
		Ext.	0	15	0	0	15	0	15	
		Total	0	423	372	190	985	0	985	
Water & Sanitation in Secondary cities	<ul style="list-style-type: none">Provide water & sanitation services to improve services and infrastructure and to reduce pollution in secondary cities (Bajil, Zabeed, Bayt Al-Faqeeh, Al-Luhayyah, Al-Shihr, Jiblah, Zinjibar, and Jaar).	Gov.	351	716	1871	2106	4693	0	5044	
		Ext.	1886	2135	2962	4252	9349	0	11235	
		Total	2237	2851	4833	6358	14042	0	16279	
Yarim, 'Amran, Sa'ada Water and Sewerage Services	<ul style="list-style-type: none">Improvement of water supply and wastewater sanitation in these cities and reduction of environmental pollution.	Gov.	525	82	65	30	177	612	1314	
		Ext.	2783	587	452	42	1081	0	3864	
		Total	3308	669	517	72	1258	612	5178	
Water Supply and Sanitation in Rural Areas	<ul style="list-style-type: none">Supply rural areas with potable water and set up suitable wastewater sanitation systems to preserve the environment.	Gov.	9403	5762	5619	5646	17027	17528	43958	
		Ext.	4208	981	274	280	1535	2050	7793	
		Total	13611	6743	5893	5926	18562	19578	51751	
PWP Project	<ul style="list-style-type: none">Community development through improvement of water supply and wastewater sanitation services and contribution to the generation of job opportunities and upgrading community participation in the preparation and implementation of civil works, while focusing on the institutional build-up of community associations and NGOs.	Gov.	0	0	0	0	0	0	0	
		Ext.	778	779	779	0	1558	0	2336	
		Total	778	779	779	0	1558	0	2336	
SFD Projects		Gov.	0	0	0	0	0	0	0	
		Ext.	2024	2076	2179	0	4255	0	6279	
		Total	2024	2076	2179	0	4255	0	6279	
Total of Water & Sanitation			Gov.	13689	7825	8821	8647	25293	18140	57122
			Ext.	30760	9903	10477	6850	27230	2050	60040
			Total	44449	17728	19298	15497	52523	20190	117162

ELECTRICITY
(Million YR)

Program / Project	Description	Source	Pre	Period			Forwa rd	Total	
			2003	2003	2004	2005			total
Power Generating Station by Gas	▪ Construct a 300 MW gas power station in Marib governorate with high voltage transmission line and major substations to Sana'a for the purpose of addressing the existing shortage of electricity.	Gov.	379	645	806	968	2419	26296	29094
		Ext.	0	2580	161	0	2741	2125	4866
		Total	379	3225	967	968	5160	28421	33960
Renewable Sources Power Generating Station	▪ The use of renewable sources of energy that conserves the environment and contributes to the provision of electric power especially in areas where the required sources are available.	Gov.	0	0	0	0	0	0	0
		Ext.	0	87	130	130	347	0	347
		Total	0	87	130	130	347	0	347
Modernization of the Transmission Lines in the Coastal Areas	▪ Secure transmission of power from power stations and reduce interrupted supply due to humidity and climatic conditions in the coastal areas.	Gov.	60	26	34	65	125	66	251
		Ext.	600	258	45	16	319	248	1167
		Total	660	284	79	81	444	314	1418
Reinforcement of Some of the Power Generating Plants	▪ Reinforce generation in Al-Hali Power Station (Hodeidah), Khourmaksar Power Station (Aden), Usaifarah Power Station (Taiz) and South Sana'a Power Station to meet the increasing demand.	Gov.	113	65	113	129	307	4343	4763
		Ext.	0	0	0	0	0	0	0
		Total	113	65	113	129	307	4343	4763
Enhancing Power generation in some districts	▪ Enhance the existing power generation capacities. ▪ Completion of linking the electricity grid and distribution in some districts.	Gov.	5483	2237	1852	1895	5984	5930	17397
		Ext.	0	0	0	0	0	0	0
		Total	5483	2237	1852	1895	5984	5930	17397
Electrification of al-Qafr, Al-Saddah and Al-Nadirah	▪ Provision of electricity from the national grid to secondary towns and reinforcement of infrastructure in the project area to create economic and social activity that contributes to overall rural development.	Gov.	713	26	9	0	35	50	798
		Ext.	1530	0	30	30	60	360	1950
		Total	2243	26	39	30	95	410	2748
Al-Habilayn-Dhamar Transmission Line	▪ Construction of a 132 kV line from Al-Habilayn to Dhamar across the governorates of Al-Dhala'a, Ibb and Dhamar, for the purpose of reinforcing the national grid and reducing losses and provide service to new areas to improve the elements of the infrastructure and rural development in these areas.	Gov.	0	0	0	0	0	0	0
		Ext.	0	44	588	246	878	680	1558
		Total	0	44	588	246	878	680	1558
Construction of Two New Power Stations in Both Sana'a and Aden	▪ Undertake the studies, prepare designs and tender documents and construct a 120 MW power station in Sana'a and an 80 MW power station in Aden, to support generation in the Capitol Secretariat and the City of Aden to face the existing shortage and to absorb the disconnected industrial loads.	Gov.	341	1571	1571	0	3142	2550	6033
		Ext.	2933	740	74	0	814	2125	5872
		Total	3274	2311	1645	0	3956	4675	11905
Fourth Power Project	▪ Connection of secondary towns to the national electricity grid and feed several villages and to do away with the costly isolated diesel plants.	Gov.	19	69	0	0	69	60	148
		Ext.	1425	374	0	0	374	765	2564
		Total	1444	443	0	0	443	825	2712
Total of Electricity		Gov.	7108	4639	4385	3057	12081	39295	58484
		Ext.	6488	4083	1028	422	5533	6303	18324
		Total	13596	8722	5413	3479	17614	45598	76808

ROADS (Million YR)

Program / Project	Description	Source	Pre	Period				Forwa rd	Total
			2003	2003	2004	2005	total		
Rural Roads	<ul style="list-style-type: none"> Facilitate the connection and movement from centers of governorates to the districts to serve the largest rural population clusters. Improve access to basic social services and facilitate access to production inputs and consumable commodities to enhance economic development, encourage agricultural production and activities and creation of job opportunities Set up a mechanism for planning and determining priorities, while involving local communities in the construction and maintenance of feeder and dirt roads. 	Gov.	11963	2325	7713	7713	17751	20613	50327
		Ext.	600	737	737	737	2211	2290	5101
		Total	12563	3062	8450	8450	19962	22903	55428
Seyhout-Nashtoun Road (172 km) and Tarim–Thamoud-Al-Shahn Road (400 km)	<ul style="list-style-type: none"> Achieve the linkage with the Arab Road Network. Facilitate interconnection between the regions benefiting from the project and the rest of the areas of Yemen and with the Sultanate of Oman, so as to encourage agricultural and livestock production, marketing of products and stimulating internal and external tourism. 	Gov.	38	567	1658	1658	3883	1840	5761
		Ext.	213	1473	1473	1473	4419	2700	7332
		Total	251	2040	3131	3131	8302	4540	13093
Aden–Bab Al-Mandab–Al-Mocha Road (255 km)	<ul style="list-style-type: none"> Realize the linkage of the main road network and the coastal road so as to help stimulate domestic and foreign economic and commercial activities. 	Gov.	1650	409	409	409	1227	1500	4377
		Ext.	0	0	0	0	0	0	0
		Total	1650	409	409	409	1227	1500	4377
Ahwar–Ruthoum–Al-Nusheimah Road (150 km)	<ul style="list-style-type: none"> Complete linkage of coastal roads between Aden and Al-Mukalla and lining the area with the oil port. Protect the oil pipeline. Connect the fishing communities in the area to encourage fisheries production and marketing. 	Gov.	23	30	30	30	90	776	889
		Ext.	0	0	0	0	0	0	0
		Total	23	30	30	30	90	776	889
Harrad–Sa'ada Road (205 km)	<ul style="list-style-type: none"> Interconnect the north-western regions along the border with each other and with the internal regions to facilitate the intercommunication of the people of the area, increase agricultural production and encourage commercial trade. 	Gov.	1010	88	88	88	264	517	1791
		Ext.	517	148	148	148	444	517	1478
		Total	1527	236	236	236	708	1034	3269
Arhab–Al-Hazm (Al-Jouf) – Al-Boq'a (283 km)	<ul style="list-style-type: none"> Achieve linkage with Saudi Arabia. Secure transport traffic in accordance with the needs of the economic activity. Stimulate production and marketing of agricultural and livestock products and commodity trade. 	Gov.	75	538	538	538	1614	1275	2964
		Ext.	150	526	525	526	1577	1275	3002
		Total	225	1064	1063	1064	3191	2550	5966
Thamoud–Jabal Safouh–Jabal Saghir–Al-Yutmah–Al-Boq'a (720 km) Road	<ul style="list-style-type: none"> Achieve linkage between Sa'ada and Al-Jawf governorates reaching up to the border with Saudi Arabia and secure transport traffic in accordance with the needs of the economic activity. Stimulate production and marketing of agricultural and livestock products and commodity trade. 	Gov.	8	8	8	8	24	20	52
		Ext.	0	0	0	0	0	0	0
		Total	8	8	8	8	24	20	52
Reinforcement of Parts of Aden – Al-Mukalla Road	<ul style="list-style-type: none"> Construct asphalt roads and widen the present network to cut travel time of trip, reduce the cost of operating vehicles and reduce accidents. 	Gov.	354	101	101	102	304	354	1012
		Ext.	709	203	203	203	609	709	2027

Program / Project	Description	Source	Pre	Period				Forwa rd	Total
			2003	2003	2004	2005	total		
		Total	1063	304	304	305	913	1063	3039
Amran–Sana'a–Dhamar–Ibb–Taiz –Lahj–Aden (459 km two directions) Road	<ul style="list-style-type: none">Reduce the pressure on the Amran to Aden roads, reduce accidents, shorten trip time, and facilitate the movement of merchandise and the agricultural products between the areas of production and marketing.Reinforcing the link between Sana'a, the Capitol City and a number of governorates which the road crosses reaching to Aden governorate.	Gov.	0	2193	2193	2193	6579	5100	11679
		Ext.	5100	1262	1262	1262	3786	5100	13986
		Total	5100	3455	3455	3455	10365	10200	25665
SFD Projects and PWP Project	<ul style="list-style-type: none">Community development by means of construction and improvement of roads and contributing to the generation of permanent job opportunities and to upgrade the level of community participation in the preparation and implementation of civil works.	Gov.	0	0	0	0	0	0	0
		Ext.	0	1384	1643	1643	4670	0	4670
		Total	0	1384	1643	1643	4670	0	4670
Major roads linking governorates or within a governorate	<ul style="list-style-type: none">Linking the various governorates or districts of the governorate with the centers (refer to annex 3).	Gov.	9745	5505	5505	5454	16464	16616	42825
		Ext.	7591	3593	3852	3852	11297	7958	26846
		Total	17336	9098	9357	9306	27761	24574	69671
Total for Roads		Gov.	24866	9571	16050	16000	41621	43511	109998
		Ext.	9780	6680	6938	6939	20557	15449	45786
		Total	34646	16251	22988	22939	62178	58960	155784

ENSURING SOCIAL PROTECTION

(Million YR)

Program / Project	Description	Source	Pre	Period				Forward	Total
			2003	2003	2004	2005	total		
Social Welfare Fund *	<ul style="list-style-type: none"> The provision of cash assistance for the poorest in society, the elderly, orphans and women with no caretaker in addition to segments unable to work and make money within the bounds of the Social Welfare Law. 	Gov.	0	18755	24011	28238	71004	0	71004
		Ext.	0	0	0	0	0	0	0
		Total	0	18755	24011	28238	71004	0	71004
Social Fund for Development **	<ul style="list-style-type: none"> Development of society through the improvement of education, health services, water supply and sanitation. Contribution to the creation of permanent job opportunities with focus on the development of small and micro enterprises, institutional support for national associations and NGOs. 	Gov.	0	0	0	0	0	0	0
		Ext.	18000	10869	12226	13502	36597	13502	68099
		Total	18000	10869	12226	13502	36597	13502	68099
Public Works Project ***	<ul style="list-style-type: none"> The improvement and provision of social services, environmental situation, the basic infrastructure for alleviating the adverse effects of the reform program through job creation, raising the level of community participation in the preparation and implementation of civil works projects. 	Gov.	0	0	0	0	0	0	0
		Ext.	7439	4325	4325	4325	12975	4325	24739
		Total	7439	4325	4325	4325	12975	4325	24739
Agriculture Production and Fisheries Promotion Fund	<ul style="list-style-type: none"> Alleviation of burdens resulting from the rise in the prices of accessories and inputs for agriculture production, livestock and fisheries to enable beneficiaries to maintain their activities, raising efficiency and agriculture land conservation through financing a number of projects and activities related to irrigation, water installations and productive and marketable agricultural fields with community participation. 	Gov.	3000	3000	3000	3000	9000	3000	15000
		Ext.	0	0	0	0	0	0	0
		Total	3000	3000	3000	3000	9000	3000	15000
National Program for the Development of Productive Families	<ul style="list-style-type: none"> The establishment of centers for productive families in the governorates, the operation of existing ones and the establishment and equipping of productive units in addition to the creation of mobile units to cover rural areas. Training is linked with production through the creation of 14 training courses on income generation with focus on the qualification of poor families, which receive social welfare cash subsistence. 	Gov.	178	157	220	378	755	2206	3139
		Ext.	69	61	24	0	85	253	407
		Total	247	218	244	378	840	2459	3546
Qualification of the Disabled	<ul style="list-style-type: none"> Establishment of training centers for the disabled, young and old. Make available the necessary equipment to enable them to integrate in society and economic activity. 	Gov.	574	66	79	108	253	144	971
		Ext.	96	5	6	0	11	24	131
		Total	670	71	85	108	264	168	1102
Poverty Alleviation and Employment Generation	<ul style="list-style-type: none"> Implementation of the local community development program in some of the poorest regions through the contribution in the establishment of local communities and financing income generation projects. Support for the National Program for the Development of Productive Families and operation of a micro lending program. 	Gov.	0	0	0	0	0	0	0
		Ext.	0	254	225	138	617	0	617
		Total	0	254	225	138	617	0	617
Poverty Information and Monitoring System	<ul style="list-style-type: none"> Establishment of a comprehensive data base on poverty indicators and poverty monitoring through surveys and in a way that helps in the preparation 	Gov.	0	0	0	0	0	0	0
		Ext.	0	346	173	173	692	0	692

Program / Project	Description	Source	Pre	Period			Forwa rd	Total	
			2003	2003	2004	2005			total
	of poverty profiles of certain target groups and regions nationwide. ▪ Make available sufficient data for the preparation of policies and facilitating the evaluation of the impact of policies and effectiveness of programs.	Total	0	346	173	173	692	0	692
Civil Service Fund	▪ Referral of excess labor to the fund so as to arrange either re-training and distribution according to market needs or the procurement of outstanding service before referral for retirement or paying compensation for those wishing to leave public office.	Gov.	0	1000	1200	1300	3500	0	3500
		Ext.	0	0	0	0	0	0	0
		Total	0	1000	1200	1300	3500	0	3500
Grand total of SSN before reallocating funds to the various activities		Gov.	3752	22978	28510	33024	84512	5350	93614
		Ext.	25604	15860	16979	18138	50977	18104	94685
		Total	29356	38838	45489	51162	135489	23454	188299
Social Welfare Fund *		Gov.	0	18439	23608	27764	69811	0	69811
		Ext.	0	0	0	0	0	0	0
		Total	0	18439	23608	27764	69811	0	69811
Social Development Fund **		Gov.	0	0	0	0	0	0	0
		Ext.	0	9295	10150	10950	30395		30395
		Total	0	9295	10150	10950	30395	0	30395
Public Works Project ***		Gov.	0	0	0	0	0	0	0
		Ext.	0	4325	4325	4325	12975	0	12975
		Total	0	4325	4325	4325	12975	0	12975
Total of Social Protection		Gov.	3752	4539	4902	5260	14701	5350	23803
		Ext.	25604	2240	2504	2863	7607	18104	51315
		Total	29356	6779	7406	8123	22308	23454	75118

* Includes current revenues of the SWF.

** Allocations of the SDF have been distributed in the relevant activity i.e. education, roads, health, water & sanitation, training, institutional support, while the remaining amount has been accorded to the SSN.

*** The PWP, all Funds were distributed to the activities.

GOOD GOVERNANCE, PARTICIPATION AND COOPERATION

(Million YR)

Program / Project	Description	Source	Pre	Period				Forward	Total
			2003	2003	2004	2005	total		
Civil Service Modernization	<ul style="list-style-type: none"> The provision of high quality and cost effective government services through the restructuring of government agencies, termination of duplication, enhancement of transparent procedures, fixture of implementation, improvement in budget preparation and financial administration systems, the establishment of effective control on hiring and redistribution, the termination of the services of the excess labor force fairly, and the improvement of the wages and salaries system. 	Gov.	159	169	169	0	338	284	781
		Ext.	1506	986	991	0	1977	2238	5721
		Total	1665	1155	1160	0	2315	2522	6502
Election Support Program	<ul style="list-style-type: none"> The provision of expertise and technical support for the Supreme Electoral Commission especially in areas like voter registration, professional development and decentralization within the Commission. Expansion of the democratic participation by less fortunate segments including women. Enhancement of public awareness on the importance of elections. 	Gov.	0	81	99	108	288	0	288
		Ext.	0	260	0	0	260	0	260
		Total	0	341	99	108	548	0	548
Basic Infrastructure of the Judiciary	<ul style="list-style-type: none"> Creation of suitable conditions for the work of the apparatus of the judicial authority most importantly the construction and equipping of courts. Increase effectiveness of performance of individuals in the judiciary through training programs to speed the solving of disputes. 	Gov.	0	540	540	468	1548	575	2123
		Ext.	376	141	141	0	282	94	752
		Total	376	681	681	468	1830	669	2875
Basic Infrastructure and Human Capacity for Local Authorities	<ul style="list-style-type: none"> Strengthening the role of local authorities. Make available the necessary financial and human requirements in line with the Local Authority Law, most importantly the construction and equipping of headquarters for local councils and training for the local authority cadre. 	Gov.	239	180	193	0	373	147	759
		Ext.	0	0	0	0	0	0	0
		Total	239	180	193	0	373	147	759
Regional Development	<ul style="list-style-type: none"> Institutional capacity building for local communities through a partnership work program and the embodiment of bottom up development approach, participation in planning, implementation, follow-up and evaluation. Support of members of local communities in rural areas especially women to realize sustainable development. Establishing revolving funds for these communities to finance local development activities. 	Gov.	8	18	18	0	36	151	195
		Ext.	96	166	166	0	332	1484	1912
		Total	104	184	184	0	368	1635	2107
Self Help Development in Rural Areas	Capacity building for self help for rural communities to improve their living standard through the implementation of sustainable development	Gov.	0	0	0	0	0	0	0
		Ext.	0	105	105	105	315	0	315

Program / Project	Description	Source	Pre	Period				Forwa rd	Total
			2003	2003	2004	2005	total		
	activities. ▪ Establishment of small projects like water storage tanks and cisterns, land conservation, bee keeping and livestock farms, etc. ▪ Available public services through training and information should be used.	Total	0	105	105	105	315	0	315
Social Fund for Development (SFD)	▪ Community development through institutional support for national associations and NGOs.	Gov.	0	0	0	0	0	0	0
		Ext.	190	216	311	389	916	6	1112
		Total	190	216	311	389	916	6	1112
Disaster Management	▪ Being ready to withstand disasters and disaster management, risk assessment and post disaster evaluation, planning and implementation of measures to mitigate and remedy disasters.	Gov.	0	0	0	0	0	0	0
		Ext.		130	163	163	456	0	456
		Total	0	130	163	163	456	0	456
United Nations Development Assistance Framework	▪ Focusing on the fields that have been selected related to gender issues with special emphasis on rural regions, local authority, capacity building in policy analysis and preparation of human development programs. These areas represent basic and priority challenges for Yemen. This would require the attraction of other donor partners, civil society organizations and private sector to cooperate and coordinate and to build up on the existing momentum so as to further the capacity and integration of these interventions and come up with new and innovative ways for the efficient utilization of resources.	Gov.					0	0	0
		Ext.					0	0	0
		Total	0	0	0	0	0	0	0
The Social Safety Net	▪ Activation of the role of the National Committee for the Social Safety Net enabling it to take charge of supervision of all programs and projects that have been identified according to specific criteria in addition to enhancing its role in the identification of objectives, policy design, inter-coordination within the net to avert any duplication or overlapping and ensure integration and cooperation with national organizations and donor countries and agencies.	Gov.	0	0	0	0	0	0	0
		Ext.	0	34	34	34	102	0	102
		Total	0	34	34	34	102	0	102
Total of Good Governance, Participation and Cooperation		Gov.	406	988	1019	576	2583	1157	4146
		Ext.	2168	2038	1911	691	4640	3822	10630
		Total	2574	3026	2930	1267	7223	4979	14776

ANNEX 3

TABLE 1: MAJOR ROADS LINKING GOVERNORATES OR WITHIN GOVERNORATES

Name	Description
Amran/ Al-Soodah / Al-Ahnum Road	Linking areas of Amran governorate
Dhamar/ Dhubbah / Al-Hussaynia Road	Linking between Dhamar & Al-Hodeidah governorate then with others through additional road for Maber / Bajel
Finishing Marib/ Al-Baidha' Road	Binding the center of the two governorate by direct road
Al-Mahweet / Al-Qanawas/ Hajjah Road	Linking Al-Mahweet & Hajjah governorates' area
Wassit / Markha / Al-Baidha' Road	Linking between Shabwah & Mareb governorates
Al-Mukalla / Daw'aan Road	Linking the coast & interior areas of Hadramout governorates
Al-Mansouria/ Al-Jubayn/ Al-Jaafaria Road	Linking areas of Sana'a & Al-Hodeidah governorates
Ibb / Baadan / Al-Sahr Road	Linking areas of Ibb governorate
Al-Askariya / Labaoos / Al-Baidha' Road	Linking Lahej & Al-Baidha' governorates
Al-Ghaidhah / Tarim Road	Linking Al-Mahrah & Hadramout governorates.
Al-Sharq city / Al-Dalil Road	Linking Dhamar & Ibb governorates
Harf Sufyan / Al-Batenia / Al-Matama Road	Linking Amran & Al-Jawf governorates
Al-Barah / Al-Wazeia Road	Linking areas of Taiz governorate to the coast
Al-Mawaset / Al-Samsarah / Qadas Road	Linking areas of Taiz governorate
Al-Ghurfah / Sah Road	Linking areas of Hadramout governorate
Al-Mash'had / Daw'aan Road	Linking areas of Hadramout governorate
Wadi Hagar / Al-Sufal / Al-Jawal Road	Linking areas of Hadramout governorate
Ibb/Al-Sabrah/Qataba Road	Linking Ibb and Al-Dhala' governorates
Al-'Udain/Al-Jarahi Road	Linking Ibb & Al-Hodeidah governorates
Huraib/Bayhan Road	Linking Marib & Shabwah governorates
Ablah/Al-Abdyaa Road	Linking areas Marib governorate
Radaa/Jubban/Damt Road	Linking Al-Baidha' & Al-Dhala' governorates
Sa'adah/ Kitaf/Al-Buqaa Road	Linking areas of Sa'adah governorate.

Name	Description
Mabar/Al-Sharq City/Al-Juma'a Road	Linking Dhamar & Al-Hodeidah governorates
Bayhan/Nuaman Road	Linking Shabwah & Al-Baidha' governorates
Reinforcement of Parts of Aden – Al-Mukalla Road	Reinforcement the road
Thula/ Amran Road	Linking districts of Amran governorate
Al-Turba / Tur Al-Baha Road	Linking Taiz & Lahej governorates
Al-Tufa / Awain Road	Linking districts of Al-Baidha' governorate
Kahlan / Al-Maghraba / Al-Jumimah Road	Linking districts of Hajjah governorate
Khamis Bani Saad /Al-Mahweet Road	Linking districts of Al-Mahweet governorate
Strengthen Al-Taqya / Al-Ahmer Road	Reinforcement of the road
Reinforcement of Aden / Shaqra Road	Reinforcement of the road
Haradh / Midi Road	Linking districts of Hajjah governorate
Al-Hutayb / Wisab Road	Linking districts of Shabwah governorate
Ayad/ Old Shabwah/ Asaker/ Al-Aber Road	Linking districts of Hadramout governorate
Al-Jubah/ Al-Mahilya/ Al-Sawadya Road	Linking Marib & Al-Baidha' governorates
Saffer/ Wadi Al-Janah / Bayhan Road	Linking districts of Marib & Shabwah governorates
Completion of Sarfit/ Huff Road	Linking districts of Al-Mahrah governorates
Al-Aber / Al-Wadiaa Road	Linking ROY & KSA
Abs-Aslam / Al-Mahabisha Road	Linking districts of Hajjah governorate
Al-Zahir/ Al-Humidat / Kharab-Almarashi/ Al-Anan/ Rajuza Road	Linking districts of Al-Jawf governorate
Taiz / Muthikhira Road	Linking districts of Taiz governorate
Najd-Qusim / Dumnat-Khader Road	Linking districts of Taiz governorate
Al-Saaira Maqbbanah Road	Linking districts of Taiz governorate
Sharab Al-Salam Center Road	Linking districts of Taiz governorate
Harass / Bayn Ali Al-Ghadeer Road	Linking districts of Taiz governorate
Al-Maqarima / Al-Za'zaa' Road	Linking districts of Taiz governorate
Al-Sawidah / Wadi Al-Zabirah Road	Linking districts of Taiz governorate
Al-Marabidah / Al-Ahkum Road	Linking districts of Taiz governorate
Radaa / Al-Qarishah Road	Linking districts of Al-Baidha' governorate
Al Abdullah Area Road	Linking districts of Al-Baidha' governorate

Name	Description
Manar / Anss Road	Linking districts of Dhamar governorate
Al-Kaab / Al-Du'aysah Road	Linking districts of Dhamar governorate
Dhifan / Kuhal Road	Linking districts of Amran governorate
Al-Ashmur / Miswar Road	Linking districts of Amran governorate
Al-Aood / Qataba Road	Linking districts of Al-Dhala' governorate
Al-Ribat / Amad Road	Linking districts of Hadramout governorate
Jabbal Buraa Road	Linking districts of Al-Hodeidah governorate
Al-Maghraba/ Sayeem – Al-Hima Al-Dhakilia Road	Linking districts of Sana'a governorate
Al-Khadraa / Bani-Shadad Road	Linking districts of Sana'a governorate
Al-Sahman / Bani-Shadad Road	Linking districts of Sana'a governorate
Al-Sooama / Jishan Road	Linking districts of Abyan governorate
Al-Qataa / Khamis Bani Saad Road	Linking districts of Al-Mahweet governorate
Barman/ Wadi-Wasr/ Shabwah Road	Linking districts of Shabwah governorate
Naqil Al-Ramah / Wadi-Baqlan Road	Linking districts of Sana'a governorate
Al-Sharaf/ Al-Baidha Road	Linking districts of Al-Baidha' governorate
Bani-Hushaysh Road	Linking districts of Sana'a governorate
Radaa / Bilad Al-Jouf Road	Linking districts of Al-Baidha' governorate
Radaa/ Hanka / Al-Mafraq – Al-Beida Road	Linking districts of Al-Baidha' governorate
Mafraq Al-Milaaya / Al-Sharm Road	Linking districts of Dhamar governorate
Rubayat Bani Bahr / Dhamar Road	Linking districts of Dhamar governorate
Al-Shaqr / Al-Qafar Road	Linking districts of Dhamar governorate
Bani Ayub Road	Linking districts of Dhamar governorate
Qarateel / Hamdan Road	Linking districts of Sana'a governorate
Bayhan / Kara'a/ Al-Harajah Road	Linking districts of Shabwah governorate
Yahar / Shab Bani Saad Road	Linking districts of Lahej governorate
Kahlan / Bit Al-Muhya'a Road	Linking districts of Al-Dhala' governorate
Miswarah/ Al-Shat/ Bayhan	Linking districts of Al-Baidha' governorate
Manakha/ Al-Hijrah Road	Linking districts of Sana'a governorate
Al-Tawillah / La'ah/ Miswar Bani Al-Awam	Linking districts of Hajjah governorate

TABLE 2: CONSULTATION WORKSHOPS DURING PHASE ONE OF THE PRSP PROCESS

Participants	Date	Venue
Ministry of Social Affairs & Labor	Sunday	Ministry of Social Affairs & Labor
	30/12/2001	
Women's National Committee	Sunday	Women's National Committee
	06/01/2002	
Ministry of Planning & Development, Ministry of Finance, Central Statistic Organization	Tuesday	Ministry of Planning & Development
	08/01/2002	
Ministry of Health & Population	Wednesday	Ministry of Health & Population
	09/01/2002	
Ministry of Education	Saturday	Ministry of Education
	12/01/2002	
Civil Society	Sunday	Ministry of Planning & Development
	13/01/2002	
Ministry of Agriculture & Irrigation	Wednesday	Dept. of Irrigation
	16/01/2002	
National Committee for Human Rights	Sunday	National Committee for Human Rights
	20/01/2002	
Universities	Monday	Faculty of Commerce & Economics - Sana'a University
	21/01/2002	

TABLE 3: CONFERENCES & WORKSHOPS HELD IN PHASE 2 OF THE PRSP PROCESS

Venue	Participants	Date	Working Groups	Organizer
Aden	Abyan and Lahej	Saturday 09/03/2002	*Determinates of Poverty *Private Sector * Human Rights	Aden University Local Authority
Taiz	Al-Dhala'	Sunday 10/03/2002	*Private Sector * Civil Society * Human Rights	Taiz University
				Local Authority
Al-Hodeidah	Al-Mahweet, Hajjah	Wednesday 13/03/2002	* Poverty disparities * Civil Society * Agriculture Development	Al-Hodeidah University
				Local Authority
Seyoun	Hadramout, Al-Mahrah, Shabwah	Thursday 04/04/2002	* Local Communities & Voices of the poor	Hadramout University
			* Gender & Poverty	Local Authority
			* Environment & poverty	
Sana'a City	Donors	Wednesday 29/05/2002	Consultation with donors	Ministry of Planning & Development
Ibb	-	June	Workshop	Ibb University
Dhamar	Al-Baidha	June	Workshop	Dhamar University
Sa'adah	Amran	June	Workshop	Faculty of Education - Sa'adah
Mareb	Al-Jawf	June	Workshop	Teachers' Institute – Mareb
Ministry of Planning & Development	General Directors in the ministry & in the branches in the governorates		* The Reform Program * PRSP	Ministry of Planning & Development
Sana'a City	Sana'a		Conference	PRSP Committee

TABLE 4: GDP AT PRODUCERS PRICES BY ECONOMIC ACTIVITY (CONSTANT PRICES) FOR 1998-2005

(Million Rial)

Item	1998	1999	2000	2001	2002	2003	2004	2005
A- Industries								
1- Agriculture, Forestry and Fishing	171983	171973.5	183603	189314	196983	206439	218282	232197
Agriculture & Forestry	157368	157861.9	168275.7	173231.8	179956.5	188285.4	198704.8	210833.7
Agriculture & Forestry (without Qat)	113180	113544	121034	124599	129435	135426	142920	151645
Fishing	14615	14112	15327	16082	17026	18154	19577	21363
2- Extraction Industries	139170	150050.5	160866.5	160771	160151	147974	144095	136931
Mining and Quarrying (non-oil)	1412	1424	1434	1467	1532	1610	1712	1843
Oil And Gas (crude oil)	137758	148627	159432	159304	158619	146364	142383	135088
3- Manufacturing	86697	87143.58	91357.95	94881	99252	106217	111739	119295
Manufacturing (non-oil refining)	60467	60609	64519	66419	68799	71504	74959	79157
Oil Refining	26230	26534	26839	28462	30453	34713	36780	40138
4- Electricity, Water and Gas	7912	8455	8973	9327	9781	10332	11038	11933
5- Construction	44571	44755	48271	49932	52117	54686	57876	61701
6- Wholesale and Retail Trade	104855	107405.8	112429.2	115834	120139	125306	131787	139737
Wholesale and Retail Trade	87890	89559	93533	96287	99738	103857	108979	115193
Restaurants and Hotels	8338	8938	9689	10022	10460	10997	11694	12584
Repair and Maintenance	8627	8909	9208	9525	9941	10452	11114	11960
7- Transport, Storage & Communications	112828	114735	115515	123074	132584	144659	160834	176630
8- Financial Institutions & Real Estate	84635	95149.37	99392.65	102920	107417	112783	119555	127825
Financial Institutions	30643	37915	38728	39868	41416	43333	45774	48799
Real Estate & Business Serv.	53992	57235	60665	63051	66001	69450	73780	79026
9- Community Social & Personal Serv.	9054	9461	9917	10442	11052	11587	12485	13422
Total Of Industries	761705	789129	830325	856495	889476	919983	967691	1019671
B- Producers of Government Services	93635	98848	104307	108306	114369	119891	125426	130928
C- Producers of Private Non-Profit Serv.	305	319	352	363	379	396	406	445
Import Duties	29653	28608	28395	27952	29224	29085	30119	32185
Less: Imputed Bank Services Charge	27865	27731	28522	27369	28065	27966	28055	28216
GDP AT Market Prices	857433	889173	934857	965747	1005383	1041390	1095587	1155013
Non-Oil GDP	719675	740546	775425	806442	846764	895026	953202	1019926

TABLE 5: GROWTH RATE OF GDP AT PRODUCERS PRICES BY ECONOMIC ACTIVITY (CONSTANT PRICES) FOR 1998-2005
(Million Rial)

Item	1998	1999	2000	2001	2002	2003	2004	2005
A- Industries								
1- Agriculture, Forestry and Fishing	0.00	-0.01	6.76	3.11	4.05	4.80	5.74	6.37
Agriculture & Forestry	0.00	0.31	6.60	2.95	3.88	4.63	5.53	6.10
Agriculture & Forestry (without Qat)	0.00	0.32	6.60	2.95	3.88	4.63	5.53	6.10
Fishing	0.00	-3.44	8.62	4.93	5.87	6.62	7.84	9.12
2- Extraction Industries	0.00	7.82	7.21	-0.06	-0.39	-7.60	-2.62	-4.97
Mining and Quarrying (non-oil)	0.00	0.82	0.77	2.28	4.41	5.12	6.33	7.63
Oil And Gas (crude oil)	0.00	7.89	7.27	-0.08	-0.43	-7.73	-2.72	-5.12
3- Manufacturing	0.00	0.52	4.84	3.86	4.61	7.02	5.20	6.76
Manufacturing (non-oil refining)	0.00	0.24	6.45	2.95	3.58	3.93	4.83	5.60
Oil Refining	0.00	1.16	1.15	6.05	7.00	13.99	5.95	9.13
4- Electricity, Water and Gas	0.00	6.87	6.13	3.94	4.87	5.63	6.83	8.11
5- Construction	0.00	0.41	7.86	3.44	4.38	4.93	5.83	6.61
6- Wholesale and Retail Trade	0.00	2.43	4.68	3.03	3.72	4.30	5.17	6.03
Wholesale and Retail Trade	0.00	1.90	4.44	2.94	3.58	4.13	4.93	5.70
Restaurants and Hotels	0.00	7.19	8.40	3.44	4.37	5.13	6.33	7.62
Repair and Maintenance	0.00	3.27	3.36	3.44	4.38	5.13	6.34	7.61
7- Transport, Storage & Communications	0.00	1.69	0.68	6.54	7.73	9.11	11.18	9.82
8- Financial Institutions & Real Estate	0.00	12.42	4.46	3.55	4.37	5.00	6.00	6.92
Financial Institutions	0.00	23.73	2.15	2.94	3.88	4.63	5.63	6.61
Real Estate & Business Serv.	0.00	6.01	5.99	3.93	4.68	5.23	6.23	7.11
9- Community Social & Personal Serv.	0.00	4.50	4.82	5.29	5.84	4.85	7.75	7.51
Total Of Industries	0.00	3.60	5.22	3.15	3.85	3.43	5.19	5.37
B- Producers of Government Services	0.00	5.57	5.52	3.83	5.60	4.83	4.62	4.39
C- Producers of Private Non-Profit Serv.	0.00	4.59	10.24	3.18	4.53	4.53	2.29	9.78
Import Duties	0.00	-3.52	-0.75	-1.56	4.55	-0.47	3.55	6.86
Less: Imputed Bank Services Charge	0.00	-0.48	2.85	-4.04	2.54	-0.35	0.32	0.57
GDP AT Market Prices	0.00	3.70	5.14	3.30	4.10	3.58	5.20	5.42
Non-Oil GDP	0.00	2.90	4.71	4.00	5.00	5.70	6.50	7.00

TABLE 6: THE STRUCTURE OF GDP AT PRODUCERS PRICES BY ECONOMIC ACTIVITY (CONSTANT PRICES) FOR 1998-2005
(Million Rial)

Item	1998	1999	2000	2001	2002	2003	2004	2005
A- Industries								
1- Agriculture, Forestry and Fishing	20.06	19.34	19.64	19.60	19.59	19.82	19.92	20.10
Agriculture & Forestry	18.35	17.75	18.00	17.94	17.90	18.08	18.14	18.25
Agriculture & Forestry (without Qat)	13.20	12.77	12.95	12.90	12.87	13.00	13.05	13.13
Fishing	1.70	1.59	1.64	1.67	1.69	1.74	1.79	1.85
2- Extraction Industries	16.23	16.88	17.21	16.65	15.93	14.21	13.15	11.86
Mining and Quarrying (non-oil)	0.16	0.16	0.15	0.15	0.15	0.15	0.16	0.16
Oil And Gas (crude oil)	16.07	16.72	17.05	16.50	15.78	14.05	13.00	11.70
3- Manufacturing	10.11	9.80	9.77	9.82	9.87	10.20	10.20	10.33
Manufacturing (non-oil refining)	7.05	6.82	6.90	6.88	6.84	6.87	6.84	6.85
Oil Refining	3.06	2.98	2.87	2.95	3.03	3.33	3.36	3.48
4- Electricity, Water and Gas	0.92	0.95	0.96	0.97	0.97	0.99	1.01	1.03
5- Construction	5.20	5.03	5.16	5.17	5.18	5.25	5.28	5.34
6- Wholesale and Retail Trade	12.23	12.08	12.03	11.99	11.95	12.03	12.03	12.10
Wholesale and Retail Trade	10.25	10.07	10.01	9.97	9.92	9.97	9.95	9.97
Restaurants and Hotels	0.97	1.01	1.04	1.04	1.04	1.06	1.07	1.09
Repair and Maintenance	1.01	1.00	0.98	0.99	0.99	1.00	1.01	1.04
7- Transport, Storage & Communications	13.16	12.90	12.36	12.74	13.19	13.89	14.68	15.29
8- Financial Institutions & Real Estate	9.87	10.70	10.63	10.66	10.68	10.83	10.91	11.07
Financial Institutions	3.57	4.26	4.14	4.13	4.12	4.16	4.18	4.22
Real Estate & Business Serv.	6.30	6.44	6.49	6.53	6.56	6.67	6.73	6.84
9- Community Social & Personal Serv.	1.06	1.06	1.06	1.08	1.10	1.11	1.14	1.16
Total Of Industries	88.84	88.75	88.82	88.69	88.47	88.34	88.33	88.28
B- Producers of Government Services	10.92	11.12	11.16	11.21	11.38	11.51	11.45	11.34
C- Producers of Private Non-Profit Serv.	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Import Duties	3.46	3.22	3.04	2.89	2.91	2.79	2.75	2.79
Less: Imputed Bank Services Charge	3.25	3.12	3.05	2.83	2.79	2.69	2.56	2.44
GDP AT Market Prices	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Non-Oil GDP	83.93	83.28	82.95	83.50	84.22	85.95	87.00	88.30