

ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA

**REVIEW AND APPRAISAL OF PROGRESS MADE BY YEMEN
IN THE IMPLEMENTATION OF THE NEW PROGRAMME
OF ACTION FOR THE LEAST DEVELOPED COUNTRIES
DURING THE PERIOD 2001-2005**

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Preface

In order to continue its efforts to follow up and appraise the efforts of member countries to achieve the broad goals defined by the new Programme of Action for the Least Developed Countries, the Economic and Social Commission for Western Asia (ESCWA) has carried out an appraisal of the policies, procedures and steps taken by Yemen towards realizing those goals and reaping the social and economic benefits. To that end, ESCWA has produced a study and analysis of the most significant macroeconomic and sector-specific indicators. This study aims to shed light on the extent to which those policies, procedures and steps have benefited the country in economic, social, organizational and political terms; take stock of the extent to which they serve the programmes' medium- and long-term goals; define the obstacles, difficulties and shortcomings that might hinder those policies and procedures; and suggest corrective action that might help remedy the difficulties. In so doing, it should help the Government of Yemen to review and assess its policies and overcome any obstacles and complications.

The fact that Yemen is one of the least developed countries led the Government to adopt the Programme of Action for the Least Developed Countries, taking into account the Programme's broad goals when putting in place and implementing its own economic and social programmes. Because Yemen is the only least developed country (LDC) in the ESCWA region, ESCWA feels that it is particularly important to monitor and draw up a detailed study of developments in that country. Such a study might help Yemen to ensure that sufficient funds are available for the process of development. Moreover, all member countries can benefit from Yemen's experience and competencies in that domain.

The study also aims to provide partners in development and, especially, donors with an account of the conditions that prevail in LDCs; those countries' efforts to overcome them; and their requirements. Partners in development should thus become fully aware of the needs and requirements of LDCs, and of the type of intervention that is called for if the goals of the Programme of Action are to be realized.

This study contains a presentation and analysis of the procedures undertaken by Yemen with a view to implementing the Programme of Action adopted by the Third United Nations Conference on the Least Developed Countries, that was held in Brussels from 14 to 20 May 2001, entitled Programme of Action for the Decade 2001-2010 for Least Developed Countries. The study was prepared by ESCWA and features a progress review of the first phase of the implementation by Yemen of the Programme of Action, and of the ways in which globalization and regional integration have been managed.

The study lays out its subject matter in six sections. Section I covers policies directed at reforming macroeconomic management, and ways to support policies fostering market efficiency and greater interconnection between economic sectors and activities. Section II deals with development activity geared towards developing and evolving such principal economic sectors as agriculture, industry, energy and technology. Section III explores social policies aimed at creating sustainable development in Yemen. Section IV considers efforts to develop the legal and legislative structure. Section V reviews action taken by Yemen with a view to implementing the Programme of Action for the Decade 2001-2010 for Least Developed Countries. Section VI sets out the most significant conclusions and recommendations.

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Executive summary

Yemen has taken numerous steps to implement the Programme of Action of the Third United Nations Conference on Least Developed Countries, which was held in Brussels from 14 to 20 May 2001. Over the first five years of the implementation period of the Programme of Action, the Government launched several macroeconomic policy procedures. Those include preparing a national strategy to develop small trades, in order to widen the base of economic activity and create work opportunities, especially in rural areas. It has also implemented most of the goals set by the Five-Year Development Plan for the period 2001-2005, which coincided with the adoption of the Programme of Action in 2001. The Government has also passed an Investment Law with a view to encouraging private investment and, especially, foreign direct investment. In addition, it has restructured a number of Government bodies in order to increase their efficiency and reduce duplication in Government activities.

The Government has continued the work it started five years ago in order to implement a programme of economic and financial reform. In that context, it has persisted in its efforts to join the World Trade Organization. In order to improve the situation with regard to taxes, it has completed a new tax law and prepared a draft programme to create a securities market in order to encourage domestic investment.

With a view to establishing more closely-knit relations between different sectors of the national economy, the Government has over the past few years offered incentives for investment in agriculture and fishing. The country has a relatively strong fishing sector: there are large quantities of fish along the Yemeni coastlines, and fish may become one of the country's most important products. The Government has also worked extensively towards rural development in order to prevent the move of young people from the country to the city, where opportunities for work are more plentiful.

With regard to the infrastructure, the Government has increased public investment, with a view to extending and improving roads, building dams and making more water available for agriculture. It has also extended and improved the infrastructure in free zones and, in particular, in Aden, with a view to attracting foreign direct investment.

With regard to technology, the Government has founded a National High Commission for Information Technology, determined the broad lines for a communication and information strategy and agreed to found a technological city and a technological university.

As concerns energy, the production of electrical energy has improved, nowhere more so than in rural areas. That has been made possible by increased Government investment in the sector. Investment in the agricultural sector has also increased over the past few years, leading to a more extensive area of land being cultivated. Despite a dip in productivity in the south, the output from fishing has risen significantly, reaching 22 per cent in the period 2000-2004.

The extraction of oil decreased by some 2 per cent in 2004. However, the shortfall was replaced by an increase in gas production of around 9 per cent over the past five years. On the other hand, alternative energy sources have seen no real development over the same period: the sector's share of GDP decreased from 12.7 per cent in 1995 to 5.2 per cent in 2004. The decrease can be traced to declining productivity in that important sector.

As regards the country's legislative framework and the structural reform of the economy, the Government continued to put into practice the programme that began in 1995. The Government has worked to strengthen its foundations and the procedures geared at ensuring that there is more transparency and less financial and administrative corruption. Local councils have over the past few years held a number of meetings in order to evaluate the activity of local State organizations and shed light on the difficulties they have faced in carrying out their duties.

Despite all the foregoing, Yemen has not achieved any tangible progress at the economic level. At around 7 per cent, average economic growth remains far below the level determined by the first and second five-year development plans. During the first four years in which the Programme of Action was

implemented, the growth rate was below 3 per cent. As a result, per capita income declined, whereas annual population growth was still some 3 per cent. Particularly in the case of the past two years, the decline in average economic growth can be traced to declining oil exports, which are the country's principal source of income.

Despite the improvement in macroeconomic policy during the 1990s, which resulted from the implementation of the programme for economic, administrative and financial reform, some problems have become apparent over the past two years. In particular, the rate of inflation is rising, and the budget deficit has once again started to increase, although it remains within the limit fixed by the programme for economic reform, namely 3 per cent of GDP. The rising level of inflation can, on a fundamental level, be traced to increasing or decreasing subsidies for such basic goods as fuels (derivatives of oil) and an increase in Government loans from the Central Bank. Resources allocated to social services remain below the amount that would be needed to give momentum to the development of those services, not least health and education. The implementation of those projects is still not monitored as it should be: there is a need for commitment on the part of the Government, and for trained personnel with the necessary skills to carry out their duties. One of the most important problems that still require a radical solution is that of administrative corruption.

Broadly speaking, it should be noted that Yemen has made noticeable progress in implementing the new Programme of Action for Least Developed Countries. Nevertheless, economic shortcomings that the Government must remedy continue to exist. Foremost among those are the growing poverty rate, which has reached 42 per cent, and unemployment, which remains at around 16 per cent.

I. MACROECONOMIC POLICY

A. ECONOMIC PERFORMANCE

Over the past three years, economic performance in Yemen has declined. The development of real GDP decreased from 4.6 per cent in 2001 to 3.9 per cent in 2002 and to 3.1 per cent in 2001 (table 1). Forecasts suggest that the decline will continue, to reach 2.7 per cent in 2004. Per capita GDP for 2004 will therefore be negative, whereas the annual population growth rate will remain at 3 per cent. The decline in the economic growth rate over the past two years has been caused by a decrease in the production of crude oil of 1.8 per cent and 6 per cent consecutively. The effect on the national economy would have been more severe had oil prices not risen. It should be noted that, while non-oil GDP sectors continued to develop, the decline of the oil sector had a stronger impact on overall economic performance.

There was also a rise in the rate of inflation: estimates point to an increase to 11.2 per cent in 2004, as compared with 10.8 per cent in 2003 and 8.6 per cent in 2000. Several factors can be adduced: (1) the withdrawal of subsidies from some previously subsidized goods, including fuel; (2) the rising price of agricultural produce; (3) the Government's pursuit of an expansive financial policy, whereby oil revenues have funded an increase in Government spending; and (4) the implementation of a 10 per cent tax on sales, the revenues of which are expected to account for between 3 and 4 per cent of GDP.

The budget deficit as a percentage of GDP fell from 3.3 per cent in 2003 to an estimated 2.3 per cent in 2004. That percentage remains within the limit of 3 per cent that was fixed by the programme for economic and fiscal reform, but nevertheless constitutes a decline as compared to the surplus estimated at 7 per cent of the GDP for the year 2000. The exchange rate remained relatively stable over the past two years, at between 183 and 184 riyals to the US dollar, as compared with 161.7 riyals to the US dollar in 2000, which represents a decrease of 14 per cent between 2000 and 2004.

TABLE 1. MACROECONOMIC INDICATORS, 2000-2004

	2000	2001	2002	2003	2004
Real economic growth	4.43	4.56	3.93	13.4	2.70
Population growth (percentage)	3	3	3	3	3
Per capita economic growth (percentage)	1.43	1.56	(0.92)	(0.14)	(0.30)
Exchange rate of riyal to US\$	161.72	168.67	175.63	183.45	..
Inflation	8.6	12	12	10.8	11.2
Unemployment*
Budget deficit as percentage of GDP	7.00 ⁽¹⁾	2.56 ⁽¹⁾	(0.97)	(3.3)	(2.3)
Foreign debt as percentage of GDP	53.77	53.81	52.77	48.88	..
Growth of oil sector (percentage)	2.4	1.3	(0.4)	1.1	5.9
Labourers' remittances as percentage of GDP	13.65	13.70	13.07	11.54	9.83
Official development aid as percentage of GDP	2.81	4.88	5.90	2.21	..
Exports as percentage of GDP	39.8	35.0	35.9	34.7	..
Imports as percentage of GDP	24.4	25.6	26.1	26.9	..
Trade as percentage of GDP	64.3	60.7	62.0	61.6	..
Foreign direct investment as percentage of GDP	0	2	1	3	..

Source: World Development Indicators database, <http://www.worldbank.org>.
International Monetary Fund, *Executive Board Concludes 2004*, <http://www.imf.org>.
Joint Arab Economic Report, September 2004.

Notes: * The Joint Arab Economic Report, September 2004, estimates the unemployment rate for 1995-2002 at 11.5 per cent.
(1) Monetary surplus as percentage of GDP.
Brackets () denote a negative figure.
Two dots (..) indicate that data are not available.

B. EFFECT OF MACROECONOMIC MANAGEMENT POLICIES

The Yemeni Government has striven to achieve fiscal and economic stability as a basic condition for realizing sustainable economic development. In the course of 2004, it therefore worked to continue putting into practice a number of macroeconomic policies and procedures. The most important of those can be summarized as follows:

(a) Preparing a national strategy and plan of action to develop small and very small industries as a practical means to enlarge the base of economic activity. That should raise the rate of economic growth by creating job opportunities for the low-revenue unemployed, hence also helping to limit unemployment and poverty;

(b) Assessing the extent of the implementation of the Second Five-Year Plan in the period 2001-2005, and of the Poverty Relief Strategy for the period 2003-2005, as an essential prerequisite to preparing the third five-year plan for 2006-2010;

(c) Enhancing and giving impetus to the work of local authorities by holding annual conferences of local councils. The aim of such conferences would be to set in place implementation programmes to define the local councils' goals; establish what policies and procedures are needed; adapt the way in which the councils work; and decide on mechanisms to monitor and assess the extent to which the programmes have been put into practice;

(d) Giving attention to developing the Yemeni islands. The Council of Ministers has called upon the relevant Government bodies to put forward suggestions in that regard;

(e) Adopting a programme to develop local societies. The Government has entrusted the Social Fund for Development with the task of implementing that programme and funding the projects that it includes;

(f) Drawing up executive regulations for the implementation of the Investment Law, and giving wider powers to the offices of the General Investment Authority in the provinces. The average time needed to register investment projects with the Authority or with its regional centres should also be lowered;

(g) Continuing to restructure several Government bodies, in order to eliminate duplication when tasks and special duties are shared out between them. Action must also be taken to limit the lack of activity that often prevails in Government bodies, in such a way as to improve their performance;

(h) Drawing up a strategy to reform fiscal administration. The aim here is to implement a number of policies and procedures ensuring improvements to various processes involving the preparation, execution and monitoring of the State budget. Decentralization should also be taken further, and numerous laws and regulations regarding taxation, customs and transactions should be modernized. There is a new interest in applying modern methods, for instance in information technology and in computerizing the fiscal system.

C. ATTRACTING FINANCIAL RESOURCES

Yemen depends principally on foreign resources to fund its economic and social development. Among the most important of those resources are workers remittances, especially from the Gulf, and official aid from donor states and, in particular, Kuwait, Saudi Arabia and the United Arab Emirates.

The worker remittances which are at the forefront of those resources bring in financial resources in foreign currency that were estimated in 2004 at \$1.26 billion, equivalent to 9.8 per cent of GDP. Those sums contribute directly to improving the balance of payments. They also raise the revenues of the workers' families, most of which come from the rural regions, something which has to some extent helped to alleviate the rising poverty rate. Without those remittances, the poverty rate in the rural regions would be far higher. The influx of labourers into the neighbouring oil States has also alleviated unemployment.

Official development aid (ODA) has also played a significant part, particularly before the discovery of petrol in the 1980s. After worker remittances, ODA has been the second source of foreign resources in terms of economic and financial significance. Aid can take the form either of direct contributions to the Treasury or of funding for projects provided for by five-year development plans, especially as regards health, education and the infrastructure. Such aid accounted for around 2.2 per cent of GDP in Yemen for 2003, while 1.3 per cent of GDP for that year was accounted for by inter-Arab aid alone.

Foreign direct investment (FDI) has not played a noticeable part in economic development in Yemen: that form of investment has slackened, and has centred on oil and gas.

There are still economic and administrative obstacles discouraging further investment outside the domain of oil and gas, including the sluggishness and limited nature of the privatization programme; the lack of clarity of company law; competition; and the protection of intellectual property.

Table 1 shows the evolution of the aforementioned sources of private funding in Yemen over the past few years. It is clear that such funding has not been sufficient to bring about sustainable economic development that could alleviate poverty.

D. SUPPORT FOR POLICIES TO IMPROVE MARKET PERFORMANCE

Over the past five years, Yemen continued to enact policies aimed at economic, financial and administrative reform, all of which aim to foster market efficiency. The most important of those policies are set forth below:

(a) Approving the outcome of the work of the committee responsible for negotiations with the World Trade Organization (WTO). Several technical committees have carried out studies and taken the appropriate measures to complete the process of joining WTO, the Greater Arab Free Trade Area (GAFTA), and the Gulf Cooperation Council (GCC);

(b) Giving impetus to studies and assessments of numerous institutions and public sector companies, while privatizing or restructuring many of them;

(c) Agreeing to introduce electronic systems for payments and financial and bank transactions;

(d) Introducing a reformed law on customs duties suited to the requirements of WTO and GCC membership;

(e) Ending the monopoly of the Yemen Telecom Company (UNITEL), by allowing a rival to enter the market and increase competition;

(f) Building modern markets in several towns, in order to gather farming produce, fish and other goods, while making local produce more marketable and better prepared for export. In addition, the Government will encourage the foundation of national marketing and export companies;

(g) Reaching agreements for economic and trade co-operation with friendly and kindred countries, and giving fresh impetus to such agreements as already exist, in order to increase exports;

(h) Continuing to enhance and modernize the mechanisms and systems that regulate foreign trade and, in particular, encouraging exports. That policy has caused bank loans for foreign trade to grow by some 25 per cent in 2004;

(i) Creating space for the private sector to invest in such public service sectors as electricity, communications and transport;

(j) Drawing up a regulation for projects to create free markets in the principal ports;

(k) Supporting and encouraging the activities of the Chambers of Commerce and Industry and their Federation. That can be achieved by supporting the formation of administrative bodies within the Federation and through the foundation of the Yemeni Council for Businessmen and Investors, the investment and development activities of which the Government aims to foster;

(l) Preparing a draft project to create free trade zones with a number of States, including Djibouti, the Syrian Arab Republic, the United Arab Emirates, as well as the countries of the Sana'a Group, namely, Ethiopia and the Sudan.

E. STRENGTHENING INTERCONNECTEDNESS BETWEEN ECONOMIC SECTORS

Relations between economic actors across the value chain are crucial in order to expand the base of economic activity and raise the real growth rate. The Government has therefore tried over the past few years to prompt the private sector to invest in profitable projects with strong input throughout the value chain. To that end, it is implementing a number of policies and procedures, including the following:

(a) Offering incentives to invest in commercially profitable agricultural projects, including the farming of cotton, vegetables and fruit. An important share of such production is destined to be a component of the food and clothing industries;

(b) Overhauling the mineral and mining industries in order to ensure that the industrial sector is supplied with the raw materials and goods that it needs;

(c) Upgrading tourist facilities and establishments, including by adopting a development plan for the Yemeni islands, protecting nature reserves, and carrying out a survey of historic and heritage sites;

(d) Developing the fisheries sector, including by means of projects to farm *shurukh* (rock lobster) and shrimp which are destined for export;

(e) Undertaking rural development projects and, in particular, roads, in order to provide greater opportunities for agricultural produce to be brought to market and lower the price of transport, hence increasing the revenue gained from selling such produce;

(f) Realizing a project for a gas and electricity station in order to produce more electrical energy at lower cost and with less environmental pollution;

(g) Raising the capital of commercial banks in order to strengthen their financial centres. At the same time, modern methods should be introduced to banking operations. The activities of commercial banks should be more closely supervised, and steps taken to set up a liquidity market. That should help to create a better climate not only for the growth of the sector, but also for other sectors and, in particular, industry;

(h) Fostering small and very small industries, which commonly depend on local revenues from farming and minerals.

II. DEVELOPMENT AND REFORM IN ECONOMIC SECTORS

Sectoral development in Yemen between 2000 and 2004 was limited. Table 2 shows that most of the basic sectors did not see any radical change. The share of agriculture in GDP decreased from 14.0 per cent in 2000 to 12.9 per cent in 2004, a change largely attributable to declining rainfall. The share of industry and mining likewise declined from 36.4 per cent in 2000 to 31.2 per cent in 2004, as a result of decreasing Yemeni oil reserves. Decreasing reserves also explain the rise in the manufacturing and services sectors, which rose from 4.5 and 30.2 per cent respectively in 2000 to 6.2 and 33.5 per cent respectively in 2004. Conversion industries continued to account for 5 per cent of GDP during the same period.

TABLE 2. DISTRIBUTION BY SECTOR OF YEMENI GDP FOR SOME BASIC SECTORS,
2000 AND 2004
(Percentages)

Sector	2000	2004
Agriculture	14.0	12.9
Mining	36.4	31.2
Conversion industries	5.2	5.2
Manufacturing	4.5	6.2
Services	30.2	33.5

Source: Central Bank of Yemen, <http://www.centralbank.gov.ye/>.

A. INFRASTRUCTURE

The Yemeni Government has accorded a special importance to construction projects. A significant share of public expenditure has been directed towards infrastructural projects. Foremost amongst those is the building of roads: expenditure allocated to roads in the State budget rose from 29.3 billion riyals in 2002 to 40.4 billion riyals in 2003 and 65.1 billion riyals in 2004.¹ As a result, the length of asphalt roads in Yemen has increased from 9,850 kilometres in 2003 to 10,555 kilometres in 2004, and that of unpaved roads from 13,073 kilometres to 13,506 kilometres, an increase of 7.21 and 11.9 per cent respectively.² The process of developing and enlarging airports has also been given priority in the allocation of investment expenditure, in particular as regards the airports of Sana'a, Aden and Socotra. The same is true of ports: substantial investments have been made in the infrastructure of the free zone of Aden and in the ports of Hodeidah, Salif and Mukalla, which has helped to facilitate foreign trade.

The Government has also adopted a comprehensive dam building plan for most of the country's governorates. The funds invested in agriculture have risen from around 4.5 billion riyals in 2002 to some 5.6 billion riyals in 2004.³ Funding directed towards rural development has noticeably contributed to improving the standard of the infrastructure in rural areas. However, notwithstanding the Yemeni Government's intensive efforts, none of that has been sufficient to boost production or productivity.

B. TECHNOLOGY

Technology is an economic sector that has established itself as a promising and significant area. It creates many opportunities for production, which are characterized by their high value-added. Economic decision makers in both the Government and the private sector have therefore been led to accord it the highest importance. Several procedures have been enacted in order to overhaul the sector, including the following:

- (a) Forming the National High Commission for Information Technology;
- (b) Adopting a nation-wide science and technology policy;

¹ Ministry of Finance, *Bulletin of Government Finance Statistics*, No. 18, Sana'a, 2004, p. 87.

² Central Statistical Organization, *Statistical Year Book 2004*, Chap. 9: Transportation.

³ Ministry of Finance, *Bulletin of Government Finance Statistics*, No. 18, Sana'a, 2004, p. 86.

- (c) Determining the broad orientation of a national information and communications strategy;
- (d) Agreeing to found the Communication and Information Technology City;
- (e) Agreeing to establish the Amran Technical University;
- (f) Structuring the Yemeni Scientific Research Foundation in order to enhance its role in developing scientific research activities across the range of centres, scientific research institutes and universities;
- (g) Founding several scientific faculties in Yemeni public and private universities, and in technical, professional and vocational institutes. That should raise the absorptive capacity of scientific and technical institutes to 15 per cent of total social demand for education;
- (h) Significantly expanding communications services, particularly in deprived rural areas. The share of fixed phone lines in rural areas went from 3 per cent in 2000 to 10 per cent in 2004. On a national level, the number of phone lines rose from 4,851 to 7,526; the number of mobile phone users from 675,000 to 844,000; the number of Internet subscribers from 32,000 to 76,000; and the number of Internet cafes from 4,851 to 7,526.⁴ Comparing those figures with the national average for 2003, it becomes clear that Yemen's average of 60.5 fixed phone lines per 1,000 people is below the world average of 183 phone lines per 1,000 people, but above the LDC average of 8. The same is true of mobile phone users for the year 2003: the Yemeni average of 35.2 per 1,000 inhabitants is also below the world average of 222.7 lines per 1,000 people, but above the LDC average of 15.6 lines per 1,000 people.

C. ENERGY

Over the past few years, the energy sector has been the object of considerable interest aimed at limiting the shortcomings that were evident. Agreement has been reached on building a gas station, undertaking projects to develop electricity, and implementing a project for emergency electricity in Sana'a. Increased subsidies have also been decided for electricity projects in the rural areas, something that has helped generated energy to grow from 856 megawatts in 2003 to 922 megawatts in 2004, allowing the average growth rate among those connected to electricity to reach some 6.2 per cent in 2004. Moreover, projects have been implemented to reduce the area of some 36 per cent that is without electricity. Investment expenditure in that sector therefore tops that of any other economic sector. Nevertheless, the percentage of the country that is covered by electricity services provided by the institution and by electricity projects in the country that are administered by local councils remains static at 40 per cent for 2003 and 2004. The rapid increase in local demand for energy means that electricity cuts remain as much an issue as they ever were over the past few years.

D. AGRICULTURE

Government investment in agriculture has continued to increase: from 3.1 billion riyals in 2003, it reached some 5.5 billion riyals in 2004. In addition, the Government has adopted a strategy to develop such strategic crops as coffee beans, cotton, olives, palms, mango and honey. The strategy also provides for building dams and irrigation systems, in order to prepare the ground for private sector investment. That trend is mirrored in a rise in loans from the banking system to agricultural sector projects, which have grown from 711 million riyals in 2003 to 2,186 million riyals in 2004. At the same time, investments authorized by the General Investment Authority for agricultural projects have increased from 173 million riyals in 2003 to 194 million riyals in 2004. All of that has contributed to a rise in the real growth rate of the agricultural sector from 0.2 per cent in 2002 to 2.1 per cent in 2003 and 3.14 per cent in 2004, while the area of cultivated land rose from 1,077 thousand hectares in 2003 to 1,189 thousand hectares in 2004, an increase of 10.4 per cent.⁵ There is clear evidence that the increase is the result of new rather than traditional crops as can be seen from the following table.

⁴ Ministry of Planning and International Cooperation, *Mid-Term Report and Assessment of the Second Five Year Plan, 2001-2005*. Sana'a, August 2003.

⁵ Central Bank of Yemen, *Monetary and Banking Developments*, July 2005, p. 15.

TABLE 3. CHANGES IN QUANTITIES OF AGRICULTURAL PRODUCTION FOR THE MOST IMPORTANT CROPS AND AGRICULTURAL PRODUCE DURING THE PERIOD 2000-2004
(Tons)

Produce	2000	2001	2002	2003	2004	Average annual growth rate (percentage)
Grains	735 317	764 174	620 301	477 419	447 270	(11.1)
Vegetables	774 908	802 733	818 951	833 349	717 414	(1.6)
Fruit	654 954	703 390	719 701	736 216	637 792	(0.3)
Cash crops*	66 963	72 426	70 716	71 289	38 345	(9.9)
Fodder	1 450 669	1 467 706	1 429 455	1 432 310	1 505 204	1.0
Qat	108 043	105 465	103 942	103 610	118 207	2.5
Meats	51 698	56 188	59 283	59 761	64 926	5.9
Fish	113 938	142 198	179 584	228 116	256 336	22.6
Eggs	604	611	613	615	668	2.6

Source: Statistical Year Book, 2002 and 2004, Chap. 6: Agriculture and Fisheries.

Note: * Cash crops are crops that the farmer sells in the market for cash.

Figures in parentheses () are negative.

It can be seen from table 3 that basic agricultural produce has clearly declined, and has done so at a considerable rate. The sharpest drops between 2000 and 2004 were 11 per cent for grains; 9.9 per cent for cash crops; 1.6 per cent for vegetables; and 0.3 per cent for fruit. The remaining crops and produce increased over the period in question at varying rates, ranging from 22.6 per cent for fish to 1.0 per cent for fodder. That trend is reflected in the increasing growth rate of basic agricultural imports over the period. The food gap was amplified by increasing pressure on foreign cash markets. In a similar way, the sizeable increase in fish output has contributed to an increase in fish exports, as a result of which fish comes at the forefront of the economic sectors that have most potential. The decline of the agricultural sector can be explained by the significant drop in rainfall levels over the past two years, combined with the re-evaluation of agricultural land in agricultural survey data in 2004.

E. INDUSTRY AND MINING

1. The extraction and quarrying industry

The non-petroleum extraction industry underwent a noticeable decline over the past three years, with the single exception of the gas sector, which may be explained by the rising demand in that sector; and in the **karî-nîs-hasâ** sectors, which is in turn a result of the noticeable expansion in construction work and, in particular, infrastructural and housing projects. Those trends can be observed from table 4.

TABLE 4. CHANGES IN PRODUCTION OF MOST IMPORTANT MINING COMMODITIES, 2000-2003

	Unit of measurement	2000	2001	2002	2003	2004	Average annual growth rate
Crude oil	1000 barrels	159 371	160 053	159 929	157 269	147 498	(1.9)
Gas	1000 tons	463	508	595	624	658	9.3
Stone quarrying	1000 tons	2 480	2 243	2 245	2 246	2 269	(2.1)
Karî/nîs/hasâ	1000 tons	607	624	642	655	668	2.4
Table salt	1000 tons	95	113	99	86	88	(1.1)
Gypsum	1000 tons	42	44	44	46	37	(2.6)

Source: Statistical Year Book, 2002 and 2004, Chap. 7: Industry and Energy.

Note: Figures in parentheses () are negative.

From the above table, it can be noticed that several of the extraction industries have declined. In some cases that is because reserves have been exhausted, as with crude oil: during the period 2000-2004, the volume of crude oil production shrank by an average annual rate of 1.9 per cent. In 2004 in particular, production fell by some 6.2 per cent. The situation with respect to stone quarrying, table salt and gypsum was very similar. At the same time, gas production displayed a high growth rate over the period 2000-2004, at an average of 9.2 per cent. For the mining of **karī and nīs**, the figure was 2.4 per cent. As a result, the rate of GDP for the extraction industries for 2002 was low, at not more than 0.26 per cent, and the figures for 2003 and 2004 were negative, at (1.76) and (4.56) per cent respectively. Those figures show that, for all its importance and high potential, that economic sector attracts little investment. That is largely because reports and economic studies on the sector's investment potential remain few and far between, which shows how important it is for the Government to issue reports, or even preliminary studies, detailing the potential and scope for investment opportunities in such a significant sector.

2. The conversion industry

The conversion industry is seen to be one of the most promising sectors in Yemen's framework for economic development. The first (1996-2000) and second (2001-2005) development plans both addressed the sector, aiming to reach an annual average growth rate of 8 and 10 per cent respectively in those periods. However, real annual growth did not exceed 2.6 and 4.7 per cent respectively. The industry's share of GDP therefore declined from 12.7 per cent in 1995 to some 5.2 per cent in 2004. Those figures reflect the sector's low level of performance and ability to compete, which are basically caused by the sector's poor structural framework. The food industry accounts for 31 per cent of the sector's gross output, construction materials for 17.6 per cent and tobacco products for 13.9 per cent. That means that the share of the GDP accounted for by the other important industries which play a leading part in development does not exceed 37.5 per cent. The potential for real expansion in the sector's activities is therefore limited. Over the past four years, its real growth rate has ranged between 3.2 and 3.7 per cent, as a result of the sector's very weak infrastructure, the size of the foreign component of production inputs, and the low level of worker productivity caused by the decline in skills of the local labour force. The competitiveness of local products is therefore very low. A cogent strategy must therefore be devised if that important sector is to recover and develop.

F. RURAL DEVELOPMENT

Rural development in Yemen represents the starting point for a comprehensive and effective development process that can act to reduce poverty and address the imbalance in the distribution of the population and that of natural resources and, in particular, water. The rural population is equivalent to 73.5 per cent of the total settled population. Over 60 per cent of that population lives in mountainous areas with few natural resources or flat terrains. However, the rate of emigration to the principal towns is rising. The Government has therefore passed legislation in respect of local authorities and worked to develop their administrative structures, and to give them such equipment as computers, printers and photocopiers to enable them to carry out their duties. Significant attention has also been given to the training of local authority staff, in order to raise the standard of their performance. All of that has contributed to a strong drive for local development, all the more so given that local authorities have now been given complete power to decide priorities for projects in their own administrative units and within the means at their disposal. At the same time, the central authority remains determined to make development projects a matter of the utmost importance. There are projects to bring water and electricity to rural areas, and projects to develop rural agriculture and roads. Despite all of that work on rural development, the prerequisites for rapid and effective rural development call for more efforts and financial resources than are available.

G. TOURISM

Yemen enjoys outstanding and varied tourist resources. The Government therefore considers tourism as one of the most promising economic sectors, and one that needs to be encouraged and developed. Numerous heritage sites and historical areas in many governorates have been restored. Museums have been opened in the provinces, and the private sector encouraged to invest in tourism. The past two years have seen intensive efforts to promote tourism. Yemen has organized tourism festivals in many world capitals, and taken part in many relevant exhibitions and regional and international conferences. Such initiatives

follow the activities and festivals of 2004, the year in which Sana'a was named Capital of Arab Culture; 2005 has been designated as Year of Tourism. A security plan has been put in place with a view to ensuring security throughout Yemen and, in particular, in tourist areas.

Those endeavours have considerably revitalized the tourist sector. The number of hotels has increased from 435 in 2003 to 516 in 2004, and the number of rooms from 11,890 to 12,890. There has been a concomitant increase in the absorptive capacity of tourist establishments. The number of tourists has risen from 58,730 in 1999 to 273,732 in 2004, an increase of 366 per cent, while the number of nights spent in hotels rose from 379,396 to 1,642,392, an increase of 332 per cent. That huge growth in tourist activity suggests that the sector could effect truly exponential growth: of the tourists who come to Yemen, 65.3 per cent come from other Arab countries, of whom 45.3 per cent are from Saudi Arabia.⁶

⁶ Central Statistical Organization, *Statistical Year Book*, 2003 and 2004, Chap. 15: Tourism.

III. SOCIAL POLICIES

A. POVERTY

1. *The problem of poverty in Yemen*

One instance of the Yemeni Government's endeavours to fight poverty is the paper setting out a poverty reduction strategy that was drawn up by the ministers of planning, development and finance in 2000, which has been presented to the World Bank and to the International Monetary Fund. The most recent survey of poverty in Yemen was carried out in 1999, but the most significant one to date took place in 1998. The latter survey showed that 17.6 per cent of Yemen's population are below what is termed the food poverty line.⁷ When non-nutritional needs are taken into account, the proportion rises to 41.8 per cent, indicating that 7 million persons suffer from one or other dimension of poverty.⁸

Poverty in Yemen is concentrated in the rural areas, where most of the population lives. Estimates indicate that 80 per cent of the poor and 87 per cent of those who suffer from the worst nutritional poverty live in rural areas.⁹ One of the factors aggravating the poverty problem in Yemen is the high population growth rate, which remains at some 3 per cent. Another is lack of education and the high illiteracy rate: estimates indicate that 78 per cent of poor persons are illiterate. Many people are affected by the large number of individuals and, in particular, children, in each family. In many poverty-stricken areas, the problem is compounded by a high unemployment rate.

2. *Government poverty-reduction procedures*

The Government has created a social safety system, which does not however cover those who work in the private sector or in the unofficial sector, while the public sector accounts for only 30 per cent of the working population.¹⁰ The Government has also set up the Social Fund, which provided aid to 450,000 families in 2000, as compared with about 50,000 families in 1999.¹¹ Despite those high figures, the Fund is far from covering all of Yemen's 835,000 families.¹²

3. *Goals of the poverty reduction strategy*

The strategy aims to reduce the poverty rate by some 13 per cent during the period 2003-2005.¹³ By 2005, it aims to reduce the absolute poverty rate by about 36 per cent, to extend the coverage of health services to some 65 per cent of the population, and to raise enrolment in primary education to some 69 per cent.¹⁴

Another target is to extend the coverage of the Social Fund to 600,000 families, and that of the social safety system to 529,000 workers, including 70,000 in the private sector.

⁷ Ministry of Planning and International Cooperation, *Poverty Reduction Strategy* (2003-2005), p. 32.

⁸ *Ibid.*

⁹ *Ibid.*, p. 34.

¹⁰ *Ibid.*, p. 46.

¹¹ *Ibid.*

¹² *Ibid.*

¹³ *Ibid.*, p. 53.

¹⁴ *Ibid.*, p. 54.

B. EDUCATION AND TRAINING

1. *Prioritizing education and, in particular, basic education*

Education, particularly basic education, comes foremost among the human development goals that have in recent years constituted the cornerstone of sustainable development. The preparation of human resources is the first real step towards evolving management and production methods and, consequently, increasing productivity and hence sustainable economic growth rates. Basic education is the cornerstone for the building of human development. That is why the expansion and development of basic education are given priority in the economic reform and poverty reduction programmes and the development strategies that most countries put into action under the supervision and auspices of the International Monetary Fund and the World Bank, and with the encouragement of donor states. Yemen has taken that into account in both its development plans and its development projects. After adopting its National Basic Education Strategy for 2003-2015, Yemen drew up an executive programme for that Strategy. The goal of that programme is to determine what steps need to be taken to reach Strategy targets. A particular concern is to define an interface mechanism between central Government, local authorities and other parties in order to tackle the issue. A National Education Council has been founded, and in 2004 a comprehensive study was prepared on poor families in of all governorates. Aid was also provided in order to assist families in paying the nominal costs of education. The effect of those steps can be seen in the increase in the number of basic education schools from 8,894 in 1999 to 10,565 in 2004, an annual average growth rate of close to 3.6 per cent. The number of teachers has likewise risen from 87,861 in 2002 to 96,348 in 2004, an average growth rate of 4.7 per cent, while the number of students rose from 3,348,000 in 2000 to 3,885,441 in 2004, an average growth rate of 5.1 per cent.¹⁵ In the light of the forgoing, it can be seen that the number of students per school and the number of students per class have both increased. The result is a quantitative improvement combined with a decline in teaching quality.

2. *Subsidies for non-basic education*

Attention is clearly given to secondary education, particularly vocational and professional education, which has an impact on the labour market, that has a greater need for vocational and professional labour than for graduates from general university education. Several Government procedures have therefore been put in place aiming to encourage vocational, professional and technical education. A national vocational and training education strategy has been adopted and a national science and technology policy has been formulated. Several vocational and technical institutes have been founded and developed in many governorates. More scientific colleges have been founded, and existing ones expanded and overhauled. In the wake of those developments, the number of secondary students rose from 444,000 in 2000 to 579,096 in 2004, at an average annual growth rate of 6.2 per cent. The number of classes rose at a lower rate; there is therefore a greater number of students per class, and the result is again a quantitative improvement combined with a qualitative decline in non-basic education.

With respect to vocational and technical education, however, there has been a rise in the number of students from 9,840 in 2003 to 12,428 in 2004, a growth rate of 26.3 per cent.¹⁶ The statistics cited above reflect a clear expansion in education services.

3. *Increasing the participation of the private sector in education*

The Government has enacted several procedures aimed at prompting the private sector to invest in the various stages, and specializations of education, foremost among which is granting education projects many of the investment incentives that are accorded to productive projects. A general administrative body has also been created with the Ministry of Education, with responsibility for administering and organizing community participation in the domain of education, and for representing the private sector in the National Education Council. All of that has helped to extend private sector involvement in education. The number of pupils in

¹⁵ *Statistical Year Book*, 2004, Chap. 15: Education.

¹⁶ *Ibid.*

basic education attending private schools in 2003-04 was some 70,310, or 1.8 per cent of the total number of pupils enrolled in State education. There were 9,910¹⁷ in secondary education, a figure equivalent to 1.6 per cent of those in Government schools. The number of students in private universities rose by 157 per cent from 9,092 in 2003 to 23,413, representing 13.5 per cent of the comparable State figure. Those data are a measure of the evolution of private education across levels and years.

4. Mobilizing political administration in order to attain the goal of education for all

The State has made a commitment to provide education for all, as is clearly demonstrated in Yemen's strategic vision for 2001-2025, which informs the second five year plan (2000-2005). Yemen aims to raise the rate of primary school attendance to 95 per cent by 2025 and to lower the illiteracy rate to below 10 per cent. That target has been brought forward to 2015 in the context of the strategy to develop basic education (2003-2015) and the Millennium Development Goals. Despite intense Government efforts over the past few years to reach the target, it must be noted that a focus on quantitative targets to the exclusion of the quality of education will have a negative impact on the realization of economic and social targets. In the same way, the lack of any rise in the real income of low-income and poor families is a substantial obstacle to the goal of providing education for all.

5. Measures to combat school drop-out rates, particularly among girls

School drop-out is a negative phenomenon that leads to expenditure on education being wasted and a primary factor in the continued high rates of illiteracy and numbers of persons who have not reached a basic level of education, leading in turn to more unemployment and child labour. A study of that phenomenon is therefore required, and solutions must be put forward, especially given the escalating drop-out rate and the fact that most drop-outs are girls or come from poor families. Numerous procedures have been put in motion to limit that trend and provide solutions, the most significant of which include keeping unchanged the nominal tuition fees; continuing subsidies for school textbooks; examining the feasibility of giving aid to poor families and waiving school fees provided that their children, and particularly girls, are sent to school; building separate girls' schools; and finally, employing the highest possible number of qualified female schoolteachers in order to encourage families to send their girls to school. Such other accompanying measures can also be taken as encouraging charitable institutions to give aid and donations towards school equipment and uniforms for poor families. The Government must also work to cut child labour and bring children back to school. Despite those efforts, the widespread nature of poverty, against the backdrop of a growing population and rising inflation, has prevented the growing trend towards school drop-out from being contained in an acceptable, let alone desirable way.

C. THE POPULATION AND POPULATION POLICIES

1. Prioritizing population issues and human settlements

The combination of a growing population, limited economic growth and scarce natural resources and, in particular, water, has led to an escalation of problems related to population issues, foremost among which is the fall in living standards caused by rising economic dependency rates and decreasing income levels. There have also been gaps in the labour market, with the combination of a growing labour force and a slackening demand for it. Unemployment has therefore risen in its open, hidden and seasonal forms. An aggravating factor has been migration from rural areas to the cities, leading to a greater demand for basic public services and limiting the opportunities for those services to expand. The rate of coverage of basic services has therefore shrunk, as has both the level and the type of service that is available to society. Moreover, migration has created significant pressure on such natural resources as water and on water installations.

¹⁷ Ibid.

Those considerations have led the Government to see population issues as one of the fundamental challenges to the process of economic and social development. The Government has been quick to take numerous steps and to enact procedures in order to address population problems. Foremost among those is the completion of a national strategy for media, culture and communication for the population. The strategy is aimed at raising awareness of population issues among the different segments of society, through audiovisual and written media. It focuses particularly on family planning, mother and child care and immunization.

The Government also organized the National Population Policy Conference and activated community participation in assessing and implementing the solutions proposed. In so doing, its aim has been to bring on board local authorities, civil society institutions, party organizations and religious and social groupings. Those bodies can share in the Government work of raising awareness of population issues and implement relevant policies and procedures. As part of that work, the process of integrating population issues into the curriculums of schools and universities needs to be completed, in order to raise the awareness of young people of population issues. Guidelines can also be prepared and finalized on how to integrate population issues into development steps and programmes for State bodies. Numerous workshops and seminars have been held on population issues, including the role of mosque preachers in raising awareness of population issues; evaluating the implementation of the population plan and surveying demand in the labour market in order to assess its labour force needs and reorient education in such a way as to help limit unemployment; implementing the general population housing and establishment census for 2004, in order to update and develop population data and their implications for the future. Those policies and procedures have helped realize visible progress in the sector: population growth rate fell from 3.7 to 3.02 per cent in the period 1999-2004. The percentage of women using family planning services has risen from 20.8 per cent in 1997 to 23.1 per cent in 2003; the same is true of mother and child care services.

2. How population policy complies with internationally agreed targets

An assessment of all of the population policies implemented over the past four years shows that they are in line with internationally agreed goals. Priority has been given to policies and procedures relating to family planning and projects for mother and child care and protection. Attention has also been given to the work of women, and to their participation and decision-making in public life. An administrative body has been created to handle women's affairs throughout the Government and in the governorates. Issues relating to children have also been considered: an agreement was reached on the Optional Protocol to the Convention on the Rights of the Child on the Involvement of Children in Armed Conflicts, and on the Optional Protocol to the Convention on the Rights of the Child on the Sale of Children, Child Prostitution and Child Pornography. Efforts have been made to raise awareness of the dangers and causes of the transmission of HIV/AIDS. Other population-related activities have been prompted by international population goals including participation in relevant international conferences, and holding workshops to discuss the outcomes and recommendations of such conferences as well as to determine which of those recommendations can be implemented. In all of those ways, Yemen can benefit from the experiences of other countries in dealing with the same issues.

D. HEALTH SERVICES

1. Improving health services

Health services should be counted among the basic services for any society, which Governments should provide at prices that are commensurate with the living standards of the population. Readily available health services do not only protect society from plagues and lethal diseases: they also help to make economic and social development a reality. They have therefore received considerable attention in the form of strategies, plans and programmes to develop and enhance health services. Over the past two years, many steps have been taken to raise the standards of health services. Among the most important of those are the reorganization of the Ministry of Public Health and Population and the re-equipping of the Republican Hospital. Many new specialized departments have been opened in a number of hospitals, in order to treat heart diseases, liver diseases, eye complaints and cancer, in order to combat the spread of these ailments. A considerable number of laws and resolutions have been passed in order to organize health services, including

a health insurance law, and the Prime Minister has issued a decree concerning the review of health projects that had lost momentum and on increase in the range of medicines that can be provided free of charge. Reports indicate that those efforts have yielded tangible improvements. The number of doctors has increased from 3,491 in 2000 to 5,282 in 2004, at a high average annual growth rate of 10.9 per cent. The ratio of inhabitants per doctor has therefore decreased from 5,231 in 2000 to 3,734 in 2004. The number of hospital beds has increased from 9,530 in 2000 to 12,734 in 2004, an average annual growth rate of 7.5 per cent. As a result, the ratio of inhabitants to hospital beds has declined from 1,916 in 2000 to 1,549.¹⁸ Those indicators reflect a clear expansion of health services.

2. Improving primary health care

Over the past few years, the Government has focused on extending primary health care: many health centres, primary health care units and mother and child care centres have been opened, with the aim of expanding the provision of health care in rural and poor areas. In 2000, there were 299 health centres, 1,283 primary health care units and 241 mother and child centres which by 2004, had grown to 511, 2,185 and 380 respectively. That has helped to bring primary health care to new areas, and decrease the incidence of chronic and debilitating disease. The percentage of malaria cases has gone down from 34.2 per cent in 2001 to some 25.5 per cent in 2003. Government efforts have also been successful in halting the spread of bilharzia. Immunization against tuberculosis is now available to 98 per cent of the population.¹⁹ The Government has also drawn up a National Strategic Framework for the Control and Prevention of HIV/AIDS, while the proportion of children immunized against the six diseases has also risen. As a result, it can be seen that public expenditure on health services has increased at a satisfactory pace over the years of the Plan, from 20,253 million riyals in 2000 to 32,103 million riyals in 2004, an average annual growth rate of 12.5 per cent.²⁰

¹⁸ Ibid.

¹⁹ Ibid., Chap. 14: Health.

²⁰ Ministry of Finance, *Bulletin of Government Finance Statistics*, No. 18, Sana'a, 2004, p. 82.

IV. THE LEGAL AND LEGISLATIVE FRAMEWORK

A. SUPPORTING LAWS PROMOTING TRANSPARENCY AND PARTICIPATION IN DEVELOPMENT

In the context of its programme of economic and financial reform, the Government has worked to foster laws and procedures aimed at supporting laws ensuring greater transparency. Over the past few years, three local council conferences have been held, assessing the performance standards of local authority organizations, the difficulties and obstacles they faced, and the proposals that must be enacted. Particular attention was given to the role of local councils in drawing up local development plans and projects; determining the annual budget; recommending policies and procedures to increase the funds directed towards development; and enhancing councils' ability to follow, assess and monitor the workings of the executive power's local branches and offices. The Government has undertaken to implement such proposals, through several procedures and steps bolstering the work of local authorities. Foremost amongst those is the Council of Ministers resolution strengthening decentralization and the coordination of the local development programme between all of the relevant governmental and non-governmental parties. That measure should ensure that local authorities have the greatest possible competence in determining the use of the allocated resources. A Republican decree has been passed forming a ministerial committee to strengthen decentralization, determine its functions and boundaries, and extend the competencies of provincial authorities to determine and implement local development projects. The Government has taken numerous steps to promote transparency. It has reorganized the Central Statistical Organization, while issuing a new law on statistics allowing the Organization to collect reports from the various social and economic actors, review them and publish them in accordance with contemporary statistical evidence. The Ministry of Finance has continued its efforts to reach an agreement with the International Monetary Fund for a transition to the 2001 governmental statistical system. That would allow the provision of a body of reports on Government finances that would be inclusive and ensure a high level of transparency, as well as strengthening the role of the Central Organization for Control and Auditing in carrying out external monitoring. The steps that have been described all make for greater transparency and participation. Their effects are felt not only in the process of development, but also the external monitoring and auditing of governmental organizations.

B. THE FIGHT AGAINST CORRUPTION AND MONEY-LAUNDERING

The Yemeni Government has prepared a national strategy to fight corruption and bolster the role of the Central Organization for Control and Auditing. The strategy provides the Organization with the power to send those who are found to be involved in illicit activities before the public financial courts. At the same time, the Strategy provides for developing judiciary and detention organizations, in order to help implement procedures and rulings related to the fight against corruption. The Central Bank has passed a law against all forms of money-laundering. Banking sector workers have been trained in identifying and discovering the forms of money-laundering, and have been instructed on how to proceed when such cases come to light. The law on local power for local authorities has been given wide-ranging competencies to monitor and hold accountable the employees of Government organizations. All of those steps are welcome in the fight against corruption. However, the practical application of the relevant laws, resolutions and policies still falls well below the minimum level that would be required to achieve any tangible improvement in that fight. Corruption remains widespread in Yemen.

C. SUPPORTING THE PARTICIPATION OF WOMEN IN DEVELOPMENT

The Government has given the utmost attention to the participation of women in development, in accordance with the provisions and purposes of Islamic law. The Council of Ministers has adopted a resolution concerning the re-formation of the Supreme Council for Women, presided over by the Prime Minister, with the objective of according greater importance to women's issues. Agreement has also been reached on a national strategy for women's development; Government actors have undertaken to ensure that its structure forms an administrative unit handling women's issues. The Government has also stated its support for employing more women in Government organizations, adopting several resolutions aimed at increasing the proportion of women, including in senior leadership roles, the diplomatic corps and the

judiciary. Those procedures have fostered the role of women in a range of domains. The Government has encouraged women to invest and organize projects, and has extended loans to women for the implementation of projects in agriculture, crafts and the like. Those processes should in turn help to stem poverty and improve living standards in rural areas. The Government has also worked to allocate aid to poor families that send their girls to school. Those efforts have contributed in the past few years to raising the proportion of females attending basic, secondary and university education as compared with that of males. Reports show that the proportion of female enrolment has increased from 24.27 per cent in 2000 to 38.7 per cent in 2004 in the case of basic education, and from 26 to 30.3 per cent in the case of secondary education²¹. Those indicators reflect a clear improvement.

²¹ *Statistical Year Book, 2001*, Chap. 13: Education.

V. ACTION TAKEN BY YEMEN TO IMPLEMENT THE PROGRAMME OF ACTION FOR THE DECADE 2001-2010 FOR THE LEAST DEVELOPED COUNTRIES

A. FOSTERING A PEOPLE-CENTRED POLICY FRAMEWORK

The deterioration of economic and social conditions in the first half of the 1990s led the Government to rapidly adopt a programme of economic, financial and administrative reform under the auspices and supervision of the International Monetary Fund and the World Bank. The Government began to implement that programme in 1995. The objective of the basic reform programme was to put an end to financial and currency imbalances; to restructure the economy and the systems and laws governing it and bring them into line with the market; and to obtain foreign financial and technical support in order to help the Government to avoid mismatches. However, the living standards of the population were still declining, and the level of economic activity remained static while the population grew at an elevated rate. There were still economic and social mismatches. In the light of all of those considerations, the Government was forced to adopt social and developmental policies, and could not limit itself to introverted short- and mid-term reform policies. In such a way, it could hope to ensure a limit to the growing economic and social mismatches, and in particular to the problems of declining life standards, an economy in recession, high unemployment rates and so on. That is what led the Government to draw up the first Five Year Plan (1996-2000), the fundamental objective of which was to achieve economic stability, raise the real rate of economic development and concentrate on human development.

Over the period 1995-2000, the Government focused on implementing policies which had grown out of the economic reform programme related to the commitments made with the International Monetary Fund, the World Bank and other donors. However, it did so at the expense of the development-centred plan. The result was that relative financial and currency stability was achieved and there was a slight improvement in the economic growth rate, without there being any tangible improvement in living standards. The latter may even have effectively declined for most of the population, as unemployment of the different types grew.

In the light of those considerations, we find that at the beginning of the first decade of the twenty first century, the Government of Yemen, while avoiding the growing problems of declining living standards, the spread of poverty and unemployment, inadequate income distribution and persistent economic stagnation, took the initiative of adopting a considerable number of development strategies and programmes. In so doing, it acted with the approval of the International Monetary Fund and the World Bank, as the two principal donors. The most significant measures were as follows:

1. *The strategic vision for Yemen, 2001-2025*

The strategic vision aims to define the main challenges facing the economy; the type and volume of material and human resources available; and local, regional and international developments. In the light of those factors, it aims to define a broad framework in which to formulate long-term plans and development programmes. Over the next 25 years, that approach should ensure an improvement in the standard of human development, to the extent that it ensures that Yemen attains the level of human development of mid-income countries by 2025. With that objective in mind, the strategic vision expects to realize the following goals:

(a) To ensure an annual average GDP growth rate over the years 2001-2025 of not less than 9 per cent, together with a decline in the population growth rate from 3.5 per cent in 2001 to 2.1 per cent by 2025. That entails achieving a real growth in the average per capita share of GDP of not less than 6.3 per cent in order to limit poverty and reduce the rate of food poverty from 27 per cent to below 10 per cent by 2025;

(b) To issue the Second Five Year Plan (2001-2005), based on the framework of the strategic vision for 2001-2025. The Plan should encourage economic stability and achieve a real economic growth rate of not less than 5.6 per cent, predominantly from non-oil sectors. Private local and foreign investment should also be encouraged, and employment and the rates of absorption of the new labour force should rise;

(c) To set out a poverty reduction strategy for 2003-2005, aimed at dealing with and reducing poverty and leading to a real improvement in the living standards of the poor. Local and foreign efforts and resources, both official and unofficial, should be allocated to that end;

(d) To publish the 20/20 Initiative, encouraging donor Governments and States to direct some 20 per cent of public state resources and of foreign aid and donations to such social service projects as education, health, water management and sanitary services. That should ensure that social development goals are rapidly met;

(e) To agree on a basic education strategy for 2001-2015, aimed at raising the level of education to match society's basic education needs; increasing its quality in line with modern requirements; increasing enrolment to 95 per cent by 2015; and addressing the problems of drop-out and low female attendance rates;

(f) To approve the Millennium Development Goals and prioritize their basic and subsidiary aims in Yemen's development plans and programmes. These goals are represented in the following eight objectives:

- (i) Eradicate extreme poverty and hunger;
- (ii) Achieve universal primary education;
- (iii) Promote gender equality and empower women;
- (iv) Reduce child mortality;
- (v) Improve maternal health;
- (vi) Combat HIV/AIDS, malaria and other diseases;
- (vii) Ensure environmental sustainability;
- (viii) Develop a global partnership for development.

(g) To establish a social welfare fund that will provide a monthly stipend of around 2,000 riyals to some 650,000 citizens;

(h) To establish a social fund for development that will provide long-term loans for the unemployed;

(i) To set out strategies specific to such sectors as agriculture, health and water;

(j) To strengthen and give momentum to the Local Authority Law and its executive and fiscal regulations, in order to ensure fiscal and administrative decentralization.

2. National and international good governance

Within the framework of economic, fiscal and administrative reform, the Government has adopted a plan to reform the judicial apparatus and set out detailed programmes to that end. Trade courts have been formed that are separate from general courts. In addition, general financial courts have been formed and measures taken to accelerate judgments in matters involving religious endowments and disputes, thus improving the climate for investment and clamping down on corruption. In order to give impetus to the implementation of the plan to reform the judiciary, the first conference of the judiciary was held in order to debate the state of the judiciary and draw the broad lines for proceedings and evolution.

As regards fostering and protecting internationally recognized human rights, including the right to development, the Government has launched procedures to strengthen the role of the Ministry of Human Rights in evaluating the extent to which official and unofficial actors protect and do not violate those rights. A committee has been formed, presided over by the Minister of Human Rights, in order to examine violations and complaints made by individuals and institutions; monitor the conditions of those who have been detained or arrested; submit a report on the subject to the Council of Ministers; and take procedures and resolutions to address shortcomings or infringements.

The Yemeni Government approved the establishment of the International Criminal Court, the draft law on combating money-laundering, and the formation of a public administration for combating terrorism and

organized crime. The aim is to foster freedom of economic activity and work, creating a safe, stable and just climate for every individual in society.

In order to conform to international trends towards encouraging Governments that are honest, transparent, well-directed and accountable to their people, the Government has passed a law on local authorities, which gives them all the necessary competencies to direct local development and to control and audit the executive bodies. The role of the apparatus for oversight and accountability has been boosted with respect to its ability to oversee and hold accountable the Government structure at every level. The role of the Chamber of Deputies has also been given a fresh importance in that regard. A consultative council has been formed whose members have the necessary expertise and local knowledge to help guide political and economic decision making, while limiting infringements in policy implementation and rapidly determining and putting in action procedures to overcome difficulties in attaining goals.

The Government has taken great steps towards completing the preparation of a monetary administration strategy aimed at comprehensiveness, transparency, oversight and accountability. Those steps include transition to the 2001 Government Finance System; transition from a financial auditing system based on cash to one based on payability; introducing classification by function alongside economic classification; using a system of reference ceilings when drawing up the budget; simplifying procedures to implement the budget, while improving the extent to which that process is monitored; and introducing new information systems and information technology, including, in particular, the Automated System for Customs Data (ASYCUDA), which was developed by the United Nations Conference for Trade and Development (UNCTAD) and DENVAS. The system should be computerized in order to contribute to the formation of a comprehensive, detailed and organized database that will assist sound economic decision making and increase the efficiency of public spending.

As regards policies aimed at building trust and averting conflict, the Government has embarked upon a policy of dialogue with political groupings that had adopted hardline positions towards others. It has achieved tangible success in bringing many of those who had belonged to such groupings back into public life. The Yemeni Government has also taken up the issue of revenge attacks, which have long been a feature of Yemeni tribal life, to all the financial costs of which have been borne by the State budget. In so doing, the Yemeni government will have found a solution to one of the most significant causes of tribal strife, replacing it with a spirit of compassion and cooperation, thus laying the bases for development and evolution in those deprived areas.

With respect to establishing widespread popular participation in development, the Local Authorities Law and its executive and financial regulations constitute a qualitative leap towards the goals of such participation, not only in development but also following-up, overseeing and ensuring accountability of its implementation.

B. BUILDING HUMAN AND INSTITUTIONAL CAPACITIES

The high population growth rate has led to a supply of labour which is greater than demand. That has led to a growing rate of overt unemployment, particularly among graduates, since the Government has ended its practice of automatically employing people in the Government sector. The Government has therefore adopted a broad strategy of overhauling and restructuring education towards more vocational, professional and technical education, in addition to improving the coverage and quality of education, particularly in rural areas. Allocations for education have therefore risen from around 15 per cent of total spending in 1997 to around 20.7 per cent in 2003. It is expected that the same rate will be reached in 2004.²²

There has also been a remarkable increase in spending on health, through the expansion of health services. The percentage of total spending directed towards health went from 3.3 per cent in 1997 to 4 per cent in 2003.²³

²² Ministry of Finance, *Bulletin of Government Finance Statistics*, No. 18, Sana'a, 2004, p. 82.

²³ *Ibid.*

Steps have also been taken to increase the cost of many non-essential government services: the Government intends to raise those to match market prices.

In order to make Government organizations more efficient, many have been restructured, while the process of training and preparing Government employees has been the subject of considerable attention, nowhere more so than for local authorities. That should ensure that the skills and efficiency of workers improve.

The Government has likewise been quick to take many steps towards limiting the burden constituted by State provision of basic public services, and to open the way to private sector investment. That should allow for more competition in providing services, allowing the private sector to participate in taking some of the responsibility for the drive towards development. The way has also been opened to private sector investment in basic services. Investors in that domain have been given the same incentives that are available to productive sector investment. The results are obvious in the rising volume of basic and public services offered by the private sector.

As regards population issues and sustainable human settlements in remote areas, the Government has adopted the National Population Policy for 2001-2020. It has also adopted an action plan for 2001-2005 and carried out an assessment of its implementation over the past few years. One of the fundamental issues that have been tackled by the Population Strategy and absorbed by Yemen's strategic vision is rapid development in rural and deprived areas. The Local Authority Law in fact constitutes an efficient means by which to achieve that goal. When determining its budget, the Government has given priority to development projects in those areas. It has also given attention to promotion plans encouraging the construction of secondary towns, creating new productive opportunities and limiting the pressure for migration towards large cities. The Government has also tried to pre-empt the problem of the scarcity or depletion of natural and water resources in densely inhabited mountain areas by directing investment towards coastal areas with a lower population density, more natural resources and wider areas with potential. That should help to alleviate the problem of the dichotomy between population growth and the availability of natural resources.

C. BUILDING PRODUCTIVE CAPACITIES TO MAKE GLOBALIZATION WORK FOR LEAST DEVELOPED COUNTRIES

Globalization and its consequences are an inescapable choice that all developing countries must face sooner or later. They must therefore prepare for the process of putting globalization into practice, if they are to limit its negative effects and promote the benefits that can be achieved. The Yemeni Government has therefore embarked on a comprehensive economic open door policy, receptive to local and foreign investment. Public spending is concomitantly being directed towards improving the economic infrastructure and creating the climate for investment by modernizing systems, legislation and laws, in line with the requirements and conditions of the market system. The security aspect and other aspects are being addressed; and studies are being carried out on economic, human, historical and other resources. In the light of globalization, promising sectors and activities with a comparative edge are being singled out to be given priority in the distribution of investment and investment incentives. The Government will also complete procedures for accession to the World Trade Organization.

Yemen will thus have taken satisfactory steps towards making the impact of globalization on economic and social conditions less negative.

D. FOSTERING THE ROLE OF THE STATE IN DEVELOPMENT

In the 1980s and 1990s, many developing countries attempted to carry out economic reform programmes and plans for development programmes by relying on the private sector and market mechanisms. Those experiences were shown to have little or no success. Developing countries, international institutions and developed countries have therefore been quick to once again give the State an essential role in the development process. This time, however, they have followed the method of development through participation rather than that of comprehensive development of a centralized nature.

In the light of world trends, Yemen has embraced that approach by participating actively in the process of development. On the one hand, it has done so through its commitment to intensive investment in infrastructure; projects for basic services; overhauling education and training; creating the right climate for investment by ensuring security; and developing the judiciary, the legislative system and other relevant systems. On the other hand, it has produced numerous strategies, plans and programmes that define the mechanisms, means and opportunities to achieve real and sustainable development, while taking care to involve all development partners in preparing, implementing, evaluating overseeing those strategies and plans. Examples are Yemen's Strategic Vision 2001-2025, the Five Year Plans of 1996-2000 and 2001-2005, and the Millennium Development Goals for a number of sector-specific strategies.

It can therefore be stated that there is a clear and distinctive part for the State to play in the process of achieving sustainable development.

E. PROTECTING THE ENVIRONMENT

Whether collectively or at the State level, ways must be found to curtail the potential dangers arising from industrial development and world population growth. Yemen has therefore passed numerous laws relating to the protection of the environment, and has adopted resolutions defining several Yemeni regions as protected natural areas. Laws have also been passed protecting many species of birds and animals from extinction. The Government is taking steps to limit pollution, including the use of electrical generators powered by gas rather than diesel; and is promoting the use of clear, rather than diesel-powered transport. It has passed a law regulating the use of imported or smuggled chemical substances, and a resolution regulating the use of chemical insecticides in agriculture. Yemen has acceded to the 1992 Protocol to amend the International Convention on Civil Liability for Oil Pollution Damage, 1969, and the Stockholm Convention on Persistent Organic Pollutants. Limited though those steps are, they should be welcomed in the light of current circumstances.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. CONCLUSIONS

1. Yemen has exerted significant efforts to implement the Programme of Action for Least Developed Countries, given the commitments the Government has made with many international institutions and donors. However, its institutional, organizational and administrative capacities are not of the standard required to put those steps into practice. There is hence a clear dichotomy between resolutions, recommendations, policies and procedures on the one hand, and their implementation on the other hand. Results are therefore below the level that had been called for when the resolutions or policies were formulated.
2. There remain many imbalances that prevent the goals of the Programme of Action for Least Developed Countries from being attained. Foremost among those are the spread of poverty, which had extended by 2003 to 42 per cent of the total number of families; unemployment, which had reached 12 per cent; the slackening rate of economic growth, which was at 3.8 per cent; and the decreasing volume of investment in development.
3. The rate of coverage of education services continued to decline to 68 per cent, and that of health services to 50 per cent. The proportion of homes not receiving clean water, electricity or sanitation continued to grow: those services reach not more than 38, 40 and 24 per cent of homes respectively.
4. Many projects have been impeded by the limited absorptive capacity of the economy, and by the insufficient abilities of the parties supervising technical projects.
5. Lack of coordination between the numerous parties supervising and funding development projects, in particular as regards basic services. Resources have thus been wasted without the social projects benefiting those who are entitled to them.
6. Despite a certain increase, the resources allocated to social development remain below the level that would ensure the realization of the goals set by the Government in its first and second Five Year Plans.
7. Local councils continue to play only a weak and unproductive part in formulating development plans that might help to revive poor and remote areas. That is because capacities are still weak, and specializations and duties unclear, while lack of cooperation between central and local authorities impairs the achievements of development work.
8. Not enough is done to evaluate and follow up development projects. The result is that more projects fail, and fewer of the intended targets are met.
9. Databases remain insufficient, making it more difficult to analyse development trends and assess the effects of the relevant resolutions and policies.
10. Financial and administrative corruption remains widespread, something that hinders any attempt at development or evolution.

B. RECOMMENDATIONS

- (1) It is important to ensure that Government parties have the capacity to implement the programmes and policies that are required of them. Priority should be given to determining clear, sharply defined and logical goals for any policy or procedure that is agreed with donors.
- (2) Economic policy must be re-balanced, particularly as regards the growing financial deficit, in order to reduce the rate of inflation. Such a policy would stabilize prices and reduce Central Bank debts, placing greater reliance on Government bonds to fund the deficit.

(3) The target fixed by the programme for economic, fiscal and administrative reform should be reached or even surpassed by decreasing current expenses while preserving capital expenses, something that should give impetus to economic reform.

(4) It is important to give local authority workers adequate training, and raise their awareness of the Local Authority Law and its aims, in an effort to create a mechanism for cooperation between central and local authorities.

(5) The rate of inflation should be lowered by pursuing a financial policy that will stabilize prices and reduce Central Bank debts, placing greater reliance on Government bonds to fund the deficit.

(6) More work needs to be done to limit poverty and reduce the number of families living below the poverty line. That can be achieved by placing greater financial resources at the disposal of the Social Fund and encouraging donor States to direct part of their official development aid towards the Fund.

(7) The rate of enrolment in basic education must be increased, and the illiteracy that currently affects 66 per cent of the population and 54 per cent of women must be reduced. That may be achieved by establishing more primary schools and increasing the funds allocated to the Ministry of Education.

(8) Health service coverage, which was no more than 59 per cent in 2003, must be expanded. That can be done by increasing the funds allocated to health services, particularly in the rural areas where most of the Yemeni population live.

(9) Investor programmes should be linked to well-defined priorities, with regulations for implementation and clear goals for each project. That would ensure that projects do not grow out of proportion or develop in a random manner. Greater attention must be given to following up and evaluating all development projects.

(10) There is a need for more fine-tuned agricultural planning in order to take account of decreasing levels of rainfall.

(11) Determined and courageous steps must be taken to fight corruption.

Annex

**Progress made by Yemen in the implementation of the Programme
of Action for the Least Developed Countries, 2001-2005**

Policies adopted and procedures taken	Comments
Commitment 1. Fostering a people-centred policy framework	
<p>(a) The aim of Yemen's Strategic Vision (2001-2025) is to raise the level of human development to that of mid-income countries by 2025. That would correspond to a real average growth of no less than 9 per cent between 2001 and 2025. The second Five-Year Plan (2001-2005) was adopted with a view to encouraging economic stability and achieving real average growth of not less than 5.6 per cent per annum;</p> <p>(b) The work of local authorities has been activated and developed by holding annual conferences for local councils. Over the past few years, three conferences have been held to assess the performance of those organizations and the obstacles they face;</p> <p>(c) Several Government bodies have been so restructured as to eliminate any conflict in the performance of their duties, and to limit hidden unemployment therein;</p> <p>(d) A strategy for the reform of financial administration has been prepared in order to develop, formulate and implement the general budget, extend decentralization, and modernize taxation and customs tariffs;</p> <p>(e) The Council of Ministers has adopted a resolution encouraging and expanding the implementation of decentralization, and coordinating the local development programme in order to ensure that the best possible use is made of the resources available to the local authorities;</p> <p>(f) The Central Statistical Organization has been restructured; a law on statistics was passed at the same time. That law provides for the collection of up-to-date statistical data and the continuation of efforts, in agreement with the International Monetary Fund, to transfer such data to the Government statistical system;</p> <p>(g) The Poverty Reduction Strategy (2003-2005) was adopted in order to improve living standards and reduce poverty and unemployment;</p>	

Policies adopted and procedures taken	Comments
<p>(h) The 20/20 Initiative encourages donors and Governments to direct some 20 per cent of grants, foreign aid and public expenditure to social service projects;</p> <p>(i) It has been made possible for the private sector to invest in such public service sectors as electricity, communications and transport.</p>	
Commitment 2. Good governance at national and international levels	
<p>(a) A plan was adopted for the reform of the judiciary and establishment of trade courts and public financial courts;</p> <p>(b) The foundation of the International Criminal Court and the draft law on money-laundering were both approved; a counter-terrorism department was created; and the role of the Central Organization for Oversight and Accountability was strengthened as part of the Government strategy for fighting corruption;</p> <p>(c) Human rights were strengthened and protected by founding a commission within the Ministry of Human Rights to examine complaints and violations; and to monitor the conditions of detainees and prisoners;</p> <p>(d) The Central Organization for Oversight and Accountability was given greater powers with regard to monitoring Government performance; and impetus was given to the role of the Chamber of Deputies;</p> <p>(e) A policy of dialogue with extremist political organizations was pursued; and an undertaking was made to find solutions to the problem of vendettas between Yemeni tribes;</p> <p>(f) A programme was adopted with a view to developing local communities; the Social Fund was given the task of implementing the programme and funding the projects that it includes;</p> <p>(g) Executive regulations for the Investment Law were promulgated; the offices of the General Investment Authorities were granted wider powers; the average time needed in order to register investment projects was reduced;</p> <p>(h) Fresh energy was given to the study and evaluation of several institutions and public sector companies and to the privatization or restructuring of many thereof.</p>	

Policies adopted and procedures taken	Comments
Commitment 3. Building human and institutional capacities	
<p>(a) The National Strategy for Basic Education (2001-2015) was adopted, making such education available to all those who are entitled to it; encouraging non-basic education, particularly professional and technical education, by forming vocational and technical institutes; and a national strategy for science and technology was formulated;</p> <p>(b) The National Conference on Solutions to Population Problems was held; the participation of society in assessing and implementing proposed solutions was activated; the National Population Strategy 2001-2020 was adopted;</p> <p>(c) Numerous workshops and symposiums were held in order to evaluate the population plan; a survey of the labour market was carried out in order to assess labour force requirements and provide education appropriate to those findings, with a view to reducing unemployment;</p> <p>(d) Support was given to the participation of women in development; resolutions were passed concerning the employment of women in Government organizations and leadership roles; and loans were extended to women for agricultural and professional projects;</p> <p>(e) The standard of health services was raised by reorganizing the Ministry of Health; equipping hospitals; opening health centres and mother and child centres and primary health care services were expanded;</p> <p>(f) Attention was given to the training of workers in local authorities, in order to improve their performance standards and to the establishment of towns of secondary importance in order to create new opportunities for productive work;</p> <p>(g) The standard of rural development was raised through water and electricity projects.</p>	
Commitment 4. Building productive capabilities to make globalization work for Least Developed Countries	
<p>(a) A significant proportion of public expenditure was directed towards developing the infrastructure of roads and expanding airports and sea ports; building dams in the various governorates; extending communications, particularly in rural areas where there had previously been none, thus increasing the number of Internet and mobile telephone users;</p>	

Policies adopted and procedures taken	Comments
<p>(b) Investment in agriculture and loans to agricultural projects were increased; a strategy was adopted with a view to developing possible crops for exports;</p> <p>(c) Several historic sites were restored and museums established; intensive work was undertaken in order to encourage tourism in the wake of the selection of Sana'a as Capital of Arab Culture for 2004 and to develop the Yemeni islands;</p> <p>(d) Technology was developed by forming the National High Commission for Information Technology; a number of scientific faculties were established in Yemeni universities in order to raise the absorptive capacity of vocational and professional institutes to 15 per cent of the total demand for education;</p> <p>(e) Attention was given to developing the fisheries sector, including by farming highly-prized and exportable fish such as rock lobster and prawns;</p> <p>(f) A project for a gas-powered electric station was implemented in order to produce energy at lower cost and with less environmental pollution.</p>	
Commitment 5. Fostering the role of trade in development	
<p>(a) Approval was given to the work of the World Trade Organization negotiations committee; completing procedures to join the World Trade Organization, the Greater Arab Free Trade Area and the Gulf Cooperation Council, one aspect of the process being the passing of the Law on Customs Duties;</p> <p>(b) Restraints on banks from extending loans to fund foreign trade were lifted; exports were encouraged by building modern markets in cities, in order to bring together agricultural produce, fish and other goods, thus raising the profile of local produce and leading to the foundation of trading companies;</p> <p>(c) A project to institute free markets in the principal ports was drawn up; and another to institute free trade zones with the United Arab Emirates, the Syrian Arab Republic and the countries of the Sana'a Group, namely, Ethiopia and the Sudan;</p> <p>(d) A number of agreements on trade cooperation with friendly countries and giving fresh impetus to such agreements as already exist were concluded.</p>	

Policies adopted and procedures taken	Comments
Commitment 6. Environmental protection	
<p>(a) Resolutions designating a number of Yemeni regions as nature reserves and attempting to reduce pollution have been adopted;</p> <p>(b) Yemen has acceded to the Stockholm Convention on Persistent Organic Pollutants (1997).</p>	
Commitment 7. Mobilizing financial resources	
<p>(a) Facilities and incentives have been provided for local and foreign private sector investment in several domains and in order to increase the capital of trade banks; a law to combat money-laundering has been promulgated;</p> <p>(b) All restraints on capital movement and the prices of goods and services have been lifted; the judicial system has been developed with a view to protecting rights and property;</p> <p>(c) Restrictions on bank loans to finance trade have been lifted and financial activity has been strengthened in order to increase state resources; a general sales tax law has been promulgated; the customs duties law amended; and tax laws have been reviewed;</p> <p>(d) The capital of trade banks has been increased in order to strengthen their financial base; modern bank organization methods have been introduced; steps to found a securities market have been given impetus.</p>	
<p><u>The most significant difficulties faced by the Republic of Yemen in fully implementing the Programme of Action for the Least Developed Countries are as follows:</u></p> <p>Notwithstanding the intense efforts exerted by the Yemeni Government to implement the Programme of Action for the Least Developed Countries, difficulties continue to impede full implementation, including the following:</p> <p>(a) The spread of poverty, which has reached 42 per cent, and of unemployment: the supply of labour continues to rise while demand declines. The result is an imbalance in the labour market. Unemployment has reached 16 per cent, the rate of economic growth has dropped to 3.8 per cent, and the volume of investment in development has also declined;</p>	

Policies adopted and procedures taken	Comments
<p>(b) Education and health service coverage continues to decline, standing at no more than 68 and 50 per cent respectively. The proportion of housing without access to clean water, electricity or sanitation services also rose: coverage of those services is no more than 38, 40 and 24 per cent respectively;</p> <p>(c) The absorptive capacity of the economy is limited, as are the capabilities of the parties overseeing technical and supervisory projects, which contributes to their failure;</p> <p>(d) There is a lack of cooperation between those who supervise development projects and those who fund them, particularly as regards basic services. That has led to wasted resources, while the projects do not reach those who are entitled to them;</p> <p>(e) Despite some growth, resources for development are lacking, and remain below the required level;</p> <p>(f) Local councils continue to play only a weak part in formulating development plans that might help to revive poor and remote areas. That is because capacities are insufficient and responsibilities are unclear. There is also a lack of coordination between the central and local authorities;</p> <p>(g) Not enough is done to evaluate and follow up development projects. The result is that more projects fail, and fewer of the intended targets are met;</p> <p>(h) Databases remain insufficient, making it more difficult to analyse development trends and assess the effects of the relevant resolutions and policies;</p> <p>(i) Financial and administrative corruption remains widespread, which hinders any attempt at development or evolution.</p>	

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