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Ref. ROY/188/SANAA/12.09

29 December 2009

The Permanent Mission of the Republic of Yemen to the United Nations presents its compliments to the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and has the honour to submit herewith the Government of the Republic of Yemen's Report, in response to the letter of the Under-Secretary-General, Special Advisor on Africa and High Representative, Mr. Cheick Sidi Diarra, dated 4 June 2009, ref. 101-06/2009/OHRLLS/MMB.

The Permanent Mission of the Republic of Yemen to the United Nations avails itself of this opportunity to renew to the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States the assurances of its highest consideration.

New York

THE REPUBLIC OF YEMEN TO THE UNITED NATIONS

United Nations Office of the High Representative for the Least Developed Countries, Landlocked \ Developing Countries and Small Island Developing States
New York, NY

Office of the High Representative
for the LDCs, LLDCs and SIDS
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REPUBLIC OF YEMEN
Ministry Of Planning & International Cooperation
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الجمهورية اليمنية
وزارة التخطيط والتعاون الدولي
مكتب .....

Ref : Mopic/1-60-9 الرقم: .....
Date : 29-12-2009 التاريخ: .....

Dear Marin Yari,
Economic Affairs Officer,
CSN/ESCAP.

With reference to the latest correspondences regarding the preparation of the national report on the BPOA, we would like to forward to you the final draft of the report which was prepared by Mr. Ibrahim Sharafuddin as per the contract with ESCAP and the outline set out by the UNOHRLLS.

Kindly share the report with whom it may concern.

Best regards.

Hisham Sharaf Abdulla

Vice Minister
Ministry of Planning & International Cooperation

c.c: Ambassador Abdulla Mohamed Al-Saedi
Permanent Mission of The Republic of Yemen
to the United Nations– New York

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Republic of Yemen
Ministry of Planning and
International Cooperation

Implementation Achievements Assessment

Brussels Program of Action for the Least Developed Countries 2001-2010

National Report

December, 2009

ABBREVIATION USED IN THIS REPORT

ASYCUDD	Automated information system for customs data.
BPoA	Brussels program of action
CACB	Cooperative and agriculture Credit Bank
CAS	Country Assistance Strategy
CBO	Community – Based Organization
CBY	Central Bank of Yemen
CCA	Common country assessment
CEDWA	Convention on the Elimination of Discrimination Against Women.
CSO	Central Static Organization
CSOs	Civil society organization (s).
DAC	Development Assistance Committee (of OECD)
DP	Development Plan 2001-2005
DPs	Development partners
DPPR	Development Plan for Poverty Reduction:2006-2010
EITI	Extractive Industry Transparency Initiative
ESCAP	Economic and social commission for Asia and the Pacific
EPA	Environment Protection Authority
FAO	Food and Agriculture Organization of the UN
FDI	Foreign direct investment
FHS	Family Health Survey
FSVIMS	Food Insecurity and Vulnerability Information Monitoring System.
GCC	Gulf Cooperation Council
GHG	Greenhouse gas
GDP	Gross domestic product
GOY	Government of Yemen
GSO	Gulf Standard Organization
HBS	Household Budget Survey
HDR	Human Development Report
HIV/AIDS	Human immunodeficiency virus / Acquired immune deficiency
ICCP	International Conformity Certificate Program
IDA	International Conformity Certificate Association (WB)
IFAD	International Fund for Agriculture Development
IFC	International Finance Corporation (WB)
ILO	International Labor Organization
INC	Initial National Communication
LDC	Least Developed Country.
LDCIV	The Fourth United Nation Conference on the Least Developed Countries.
KSA	Kingdome of Saudi Arabia
LTAA	Land Transportation Affairs Authority
MDG	Millennium development goal

MEE	Minister of Electricity and Energy
MENA	Middle East and North Arica Region
MFI	Microfinance institution
MOE	Ministry of Education
MoPIC	Ministry of Planning and International Cooperation
NAPA	National Adaptation Plan of Action
NCSA	National Capacity Self Assessment
NGOs	Non-governmental organizations
NSES	National Strategy for Environmental Sustainability
NWRA	National Water Resources Authority
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
OHRLLS	Office of the United Nation High Representative for the Least Developing Countries, Land Locked Developing States, and Small Island Developing States.
PIP	Public Investment Program 2006-2010
PRSP	Poverty Reduction Strategy Paper
PWP	Public Work Project
RC	Resident Coordinator
SFD	Social Development Fund
SSN	Social safety net
TB	
TFNA	Trade Facilitation National Assessment
UN	United Nations
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework
UNECIF	United Nations Children's Fund
UNFPA	United Nations Population Fund
UNFCCC	United Nations Framework Convention on Climate Change
UNHCR	Office of the United Nations High Commissioner for Refugees
WB	World Bank
WHO	World Health Organization
WTO	World Trade Organization
YEITI	Yemeni Council for The Extractive Industry Transparency Initiative
YSMQCO	Yemeni Standardization Metrology and Quality Control Organization.

Preface

The Government of the Republic of Yemen represented by the Ministry of Planning and International Cooperation (MoPIC), is honored to present herein its national report appraising the implementation of the Brussels Programme of Action for the Least Developed Countries for the decade 2001-2010 (BPOA). The report focuses on the achievements the opportunities, and constraints against the objectives, targets and commitments of the BPOA. It is prepared in conformity with the provisions of the programme document and the UN General Assembly Resolution 63/227 on convening in early 2011 the Fourth United Nations Conference on the Least Developed Countries (LDCIV) and the Guidelines set out by the UN-OFFICE OF THE HIGH REPRESENTATIVE FOR THE LEAST DEVELOPMENT COUNTRIES, LANDLOCKED DEVELOPING COUNTRIES AND SMALL ISLAND DEVELOPING STATES (OHRLLS) for the LDC.IV preparations at the national, regional and international levels. The MoPIC is grateful for the support extended through the UN Economic and Social Commission for Asia and the Pacific (ESCAP) to facilitate the preparation of this report and then, to consolidate it with the other ESCAP LDCs reports. The importance of such a report is well perceived. It is intended to help make the voice of each LDC heard about the progress made through the finishing BPoA implementation and the vision a head to meet the critically persistent needs through a new legitimate programme for a new decade with stronger advocacy and more effective interventions nationally, regionally and internationally.

Eng. Hisham Sharaf Abdalla

Vice Minister of Planning
and International Cooperation

I. Introduction:

The Republic of Yemen is a 19-year- young democracy on the south east corner of the Arab peninsula and, also, Asia. It was born in May 1990 after the reunifying the whole Yemen Land peacefully and merging the two different systems of its previous two LDC states, the socialist in the south and the semi-opened in the north. Since then, Yemen has been enjoying one constitutional, republican, and pluralistic system with parliamentary-presidential regime; the Cabinet reports to both the president who appoint it and the parliament which approve it. Meanwhile, the newly emerging state, from its year inception, had to face many hardly tolerated challenges presented, for instance, by (1) The high costs of the reunifying process at the expense of the development resources (2) Being part of a troubled region affected by the break out of the First Gulf War in 1991 which forced the return of about one million Yemeni Emigrants in the Gulf States and changed the attitudes of the main donors to decrease sharply the ODA to Yemen. (3) Fixing the foundations of the unity and oppressing the bloody and destructive armed conflict fueled by a secessionist group, which threatened the unity to failure. (4) The low social and economic indicators inherited from the past in both parts and still remain far below the international standards. The country is still suffering from the consequences of these challenges up to today.

The situation has been more stable since 1995, when the social solidarity and the political will for good governance prevailed. By then, the government had started adopting a comprehensive agenda for Economic, financial, and administrative reforms to deal with the development determinants and meet the prerequisites of integration with the new world system. The parliamentary elections were undertaken in 1998. The First Five-year development plan had been designed and implemented for the period 1995-2000. The decade 1991-2000 ended with tangible development improvements scoring about 7% GNP growth rate in 2000. Nevertheless Yemen is still in the LDC class with respect to the UN LDC criteria and the other indicators on the development scale. It is hence, among the beneficiaries of the ongoing BPoA 2001-2010 which is the focus of this report.

II. Policy Frameworks and Ongoing Developments:

Yemen has become very rich with the necessary development literature in theory and in practice, though not so perfect, including the studies, surveys data bases, situation analyses and common country assessments. This literature helps the government identify clearly the development determinants critical needs, priorities, the potential resources and capacities, the areas of strength and weakness, and the opportunities and challenges. Having realized these dimensions, the government, with external technical and financial support, has been working on a continuous short, medium, and long term planning process to facilitate, mainly pro-poor, economic growth and sustainably balanced development at the national, sectoral, urban and rural levels. Thus, the planning process has produced various national policy framework paralleled and reinforced by the different donors cooperation modalities and frameworks for political, economic, social, and environmental

development, taking into consideration, the national and international obligations.

A. Policy Frameworks:

1. On National Side

a) Yemen Strategic Vision 2002-2025: This vision encompasses a total long term ambitions, perspectives, and goals that the people inspires to attain. The overall objective of the vision is to place Yemen by 2025, among the countries of middle human development. It predicts the future growth. It serves, generally, as a background and reference for the medium and short term planning, strategies and policies.

b) The second 5-year-Economic and Social Development Plan (DP), 2001-2005, and the Poverty Reduction Strategy Paper (PRSP) 2003-2005. These two frameworks were separated but interrelated, interdependent, and similar in most of their features and policies. They were the first cycle of the Vision 2025, and they served the same priorities to realize economy growth rate with annual average of 5.5%, to reduce poverty rates, generate jobs, and ensure social welfare and economic stability.

c) The Third 5-year- Economic and Social Development Plan for Poverty Reduction, (DPPR) 2006-2010. Based on the lessons learned, the 5-year-Plan and the PRSP are merged in one policy framework. This merge is justified, on one hand, by the importance of (1) unifying the frameworks of knowledge, approaches, and planning policies, (2) ensuring efficiency of resources and allocations against the priorities, and (3) preventing conflicts, duplications, and overlaps in the development process. On the other hand, it emphasizes that the main development focus is on growth for poverty reduction. In addition, the third plan was designed to reflect the political well and the government determination to implement the National Agenda for reforms, which aim at, inter alia, (1) improving enabling environment for local and foreign investment and economy to attain an annual average growth rate enhancing international trust in Yemen Economy, (2) stimulating the economy growth with annual average of 7.1%, (3) promoting private sector and civil society involvement and partnership at all levels.

<u>The Public Investment programme, PIP, 2007-2010</u>:

- The government put in place this programme, PIP, as a policy framework to implement the DPPR. It contains about 85 projects serving the various sectors. The finance of the PIP was projected to come from the government and self resources by 45% and from the external sources by 12%, and about 43% estimated to be $6.3 billion remained as a financing gap.

2. On the Development Partners Side:

a. <u>The United Nations Assistance framework, UNDAF:</u>

Yemen was among the first countries adopting and implementing the UNDAF document in close collaboration with the UN Country Team (UNCT) (RC/UNDP, UNECIF, UNFPA, FAO, IFAD, ILO, WHO, UNCHR). The government welcomed the UNDAF modality within the UN reforms and as it is an efficient mechanism for better coordination of the collective and individual

development operations of the UN family in the field, based on common country assessment (CCA) and in full harmony with the national planning commitments.

The first UNDAF for the period 2002-2006 was merely experimental without a matrix of action and mechanism to monitor, review and evaluate. These shortcomings were corrected in the second UNDAF document which was signed for the period 2007-2010. The table below shows the themes selected for the second UNDAF and their harmony with the MDGs and DPPR.

UNDAF Outcomes	CCA Challenges	MDGs	DPPRR
Governance	Accountability and participation	Millennium Declaration	Enhancing good governance + decentralization
Gender Equality and Women Empowerment	Gender Equality	MDG3	Empower women in economic, social & political activities
Population & basic social services	Population, youth & children	MDGs 2-7	Improving human capital and social protection
Pro-poor growth	Population, youth & children	MDGs 1,7 & 8	Economic reforms and openness
Source: UNDAF document			

b. The Country Assistance Strategy, CAS, of the World Bank:

The World Bank plans its interventions periodically in a 4-year framework (CAS). The CAS is finalized after organizing a number of consultative meetings based on the participation and comments of many public stakeholders. It considers lesson learned from the previous CAS, the national priorities, and the economic and social priorities and updates. The main focus of the assistance has been and is still on the issues of poverty, economic, and human development including economic reform and integration with the new world system, enhanced education quality and labor force skill, social integration thorough work in areas such as gender, health, and social safety net, and management of water resources. As of the end of 2008, the portfolio of the WB/IDA contained 17 projects, accumulated from the last and ongoing CASs, with a total commitment of USD 855 million. Most of the loans are investment projects covering the economic and social sectors, including urban development, health and social protection education, infrastructure (energy, transport fisheries, environment and public sector.

B. The Ongoing Developments

Political and Social Developments:

a. Participation: The community has been to some extent politicized to practice political rights through free election, party membership, and free and independent press. More than 25% of the population is registered in the vote records. About 20 political parties are licensed. It has also, been increasingly mobilized to play effective role through NGOs. CBOs and local councils.

b. National Dialogue: National dialogue with the opposition parties and the other actors is pursuit freely and peacefully to reach national consensus on the critical issues including the National Agenda of Reforms, constitutional amendments for better governance, further development, and general security.

c. Destabilization: The country is destabilized by many frequent unlawful acts committed by radicals affiliated to AlQ'eda, the armed rebels in the North, the separatist movements in the South, and the pirates in Arab Sea and the Indian Ocean. These acts have seriously affected the investment, tourism, domestic and cross border trade, the offshore exploration of gas, oil, and the whole aspects of live. Therefore a lot of the development resources relief the affected citizens, and reconstruct the damages incurred, and support are being are used to the police and military operations.

d. Adverse shocks the poor suffered greatly from two adverse shocks in 2008. First, a 60 percent spike in food prices during 2007-08 reduced standards of living throughout Yemen. Currently, around 35 percent of the population is below the poverty line and higher food prices may have pushed an additional 6 percent into poverty. Global food prices have moderated since mid-2008 but they remain high by historic standards. Second, floods in the South in October 2008 resulted in losses and damages of about 8 percent of GDP, with the poor in Hadramout areas suffering the most.

2. Economic Developments:

a. Economic Dialogue:

- **Paris Meeting:** An international donors meeting on Yemen convened in Paris in October 2002 to mobilize additional support to help implement the second – 5 – Year– DP and the PRSP (2003-2005). The meeting concluded with agreement on a package of further economic support for $2.3 billion.
- **London Meeting:** The Government, the World Bank and the Gulf Cooperation Council (GCC) organized a Consultative Group Meeting (CGM) in London in November 2006. The meeting was a further launch to strengthen partnership with the donor community. It was meant, in particular, to qualify Yemen economy to meet the minimum requirements of integration with the GCC Economy. The government presented its policies as outlined in the DPPR and the PIP with concern to fill the financing gap which was estimated at that time by $6.3 billion. At the end 2007, the total of $5,312 billion pledges (50% GCC bilateral) had been announced, ($2921 billions as grants, 2,391 as loans), to represent 84% of the PIP finance gap. The follow up, three posts – CG meetings had been held, the last of which was on 5 April, 2009. The table below shows the status of the pledges as of Feb. 2009.

The Status of CG Pledges as of February 2009 (in million US$)

Donor	Pledged	Allocated	Signed	Disbursed
I. GCC Bilateral	2677	2129	711	12
II. GCC multilateral	1226	1006	382	2
III. Bilateral (OECD DAC and Others)	1678	1386	1139	362
Total	5581	4521	2232	376

Source: MOPIC, Public Investment Program

- **Yemen – Gulf Cooperation Council integration:** Progress has been made toward Yemen access to Gulf Cooperation Council (GCC). First, Yemen had been admitted to the GCC boards of Health, Education, Youth, and Social Affairs. In December 2008, it was admitted to four new GCC entities in the fields of standardization, consultancy, accounting and auditing, and radio and television. In March 2009, Yemen was, also, admitted to the membership of the GCC Federation of Commerce Chambers. This additions would make ties with the GCC States more closer and promote Gulf private investment in Yemen.

b. Macroeconomic Developments

Oil Situation: Yemen economic indicators are governed by the un predictable oil situation. Oil was discovered in the 1990s with lowest quantity of all compared to other producing states in the region, and the extraction trend is turning downward from a peals of 460,000 barrels a day in 2002, falling by 12% in 2007, to the current rate of 300-350,0000 barrels a day. Yemen's oil sectors provided 90% of export earnings (50% foreign trade) and 75% of governance revenue.

III. Implementation Achievements of the BPoQ, 2001-2010

The BPoA implementation in Yemen has been considered, albeit indirectly, in the national development plans and strategies over lapping the BPoA period. This section assesses the progress made with considerable external support measures in the context of overall development achievements during, the period 2001-2008.

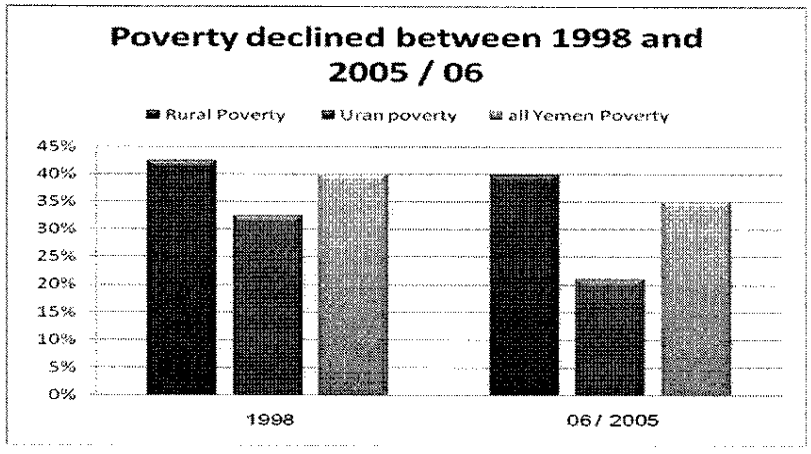
A) The principal objective:

1. **AGDP annual growth rate of 7%:**
   Yemen economy has attained a GDP an annual average growth rate of 4% since 2001. The rate slipped down from 7.7 in 2000 to 3.5% in 2001. Then it continued around 3% except in 2005 when it reached 5% due to an increase of the oil revenue. Then it slipped down to 3.2% in 2006, the first year of the DPPR. The situation could have improved if the reforms and the NLG export were not delayed and global crises did not rise.
2. **The ratio of investment to GDP increased to 25% per annum**:
   The economic performance disappoints here the BPoA as well as the national planning for the ongoing decade. The growth rate of investment declined from 16.1% in 2004 to 3.4% in 2006 due to the retreat in both the public and private investment. As a result, the investment to GDP ratio decreased from 20.3% in 2004 to 18.4 in 2007. The PRSP and the second DP projected the ratio growth to reach 26% and 28% of GDP respectively in 2005. All the plans assumed the contribution of the private sector by more than 60% of total investment. The results: however, proved the superiority of the public investment with its increasing share, above 50% against the decreasing private sector share around 40% of the total investment.
   Generally, the failure to achieve the above objective is attributed, first, to the unstable oil situation, the slow allocation, and withdrawal of external

assistance, transfers and weakness of enabling investment and doing business environment.

B) **The Main Priorities:**

1. **A Significant Reduction in extreme poverty (MDG1):** The government, the World Bank and UNDP have jointly produced a main report on Poverty Assessments, Household Budget Survey, HBS, 2005/06. The survey shows the decrease of poverty in Yemen from 41.8% (6.9 million) in 1998 to around 34.8, but, due to the high population growth rate the number remained around (7.3 million) in 2005/06 including those who cannot afford sufficient food clothing, shelter, health service, education, and transport. There is also a decrease in hunger/extreme poverty from 17.6 in 1998 to 12.5 of the total population; the number remained constant at 2.9 million people. Due to the same reason. Later, the studies of WFP and UNDP found an increase in food poverty to 27% of household (6.2 million population) in 2007.
2. **Geographically, urban poverty fell dramatically from 32.**2% to 20.7% benefited from oil-led growth while rural poverty declined only from 42.4 to 40.1% in the same period, 1998-2005/06.



3. **Child malnutrition**: Poor families children (2-5 years old) suffer from severe stunting, underweight and wasting. Stanting is the most severe mainly in the rural areas (23.5% urban VS 33.2 rural) as the table below shows, distance is still long to reach MDGI.

Prevalence of Severe Malnutrition (%)							
	National average	**Poor**	**Non-poor**	**Urban**	**Rural**	**Boys**	**Girls**
Severe Stunting	27.5	31.7	26.0	23.5	33.2	29.2	25.7
Severe underweight	11.6	13.7	11.0	10.2	13.7	12.4	10.9
Severe wasting	10.2	9.6	10.4	10.0	10.5	11.0	9.4
Source: World Bank Estimates from the 2005 HBS.							

*The results, so far, tell that we are still far away to reach MDG1.

2. Developing human and institutional resources to support sustained growth and sustainable development (MDG2-6) :

Education: The Basic Education enrolment increased from 3.95 million pupil in the school year 2003/04 to around 4.27million in 2006/07 (58.5% were boys and 41.5% were girls). Net enrolment growth rose from 55% to 62.2%, with 3.3% annual growth rate. The annual growth rate for girls was higher with 5.7% against 1.7 for boys. The enrollees in secondary education increased from 581 thousand to 589 thousand with annual average growth of 1.8% in the same period. The gender enrolment rate in 2006/7 was 66.5% for boys and 33.5% for girls. Again the secondary level growth for girls was higher with 5.2% compared to 0.2% for boys. Illiteracy as well declined in the period (1994-2007), nationally from 36.5% to 29%; among females from 76.2% to 61.6%; Geographically; illiteracy in 2007 was 25.8% and 54.3% in urban and rural areas respectively. In higher education gender disparity was still high in favor of male in 2007.

Institution	No. institutions	Gender enrolment %	
		Male	Female
Public University	7	71	29
Private University	13	76	26
2-year Inst. Vocational training centers	98	92	8
3-year Institute	12	90	10
Source: CSO, 2007.			

Equality and women empowerment

The government, with the donors intervention, is committed to narrow gender gap at all levels. A special strategy for girl education is being implemented, and special unit has been established in the Ministry of Education for this purpose. In addition, several community based training centers were established all over the country just for woman skills and handcrafts development. Women occupy more than 22% of the educational manpower and a little less in the other component of the civil servant system. In accordance with the national lows and the relevant ratified conventions, all kind of discrimination and violence by gender is eliminated giving women the same rights, opportunities and protection. Nevertheless, woman has now only one seat out of 301 seats in the parliament. The Government Plans to allocate for women a quota of 15% in parliament and the local councils and enhance economic equalities where Yemen still lags behind.

Health: A modest progress achieved;

Child mortality: infant mortality declined from 98 to 75 per 1000 life births within the period 1991-2005, planned to be reduced by 2% per annum.

Under-5 mortality in the same period declined from 138 to 104 per 1000 life births. In 2005, 76% of one-year-old children were immunized against measles, planned to reduce infection to 95% by the year 2010.

Maternal mortality: in Yemen, maternal mortality dropped from about 1,400 per 100,000 life births in 1990 to 366 in 2000, and birth attendance per percentage by skilled health service provider increased from 16% points to 28% (Arab League). The DPPR records the same figure, 336, in 2005 and plans to reduce the death cases to 238 and the proportion of skilled attendance to 45% by 2010.

HIV/AIDS: Yemen response to HIV/AIDS has developed substantially by adopting 3 principles (3 ones) (1) one national action plan, (2) one coordinating authority, and (3) one monitoring and evaluation framework. Other key sectors are also involved including education, health, police, and civil society. Only 248 cases were reported officially in 2007. Treatment, information, and awareness are sufficiently available for all.

Malaria: Notified cases of malaria decreased from 9,655 in 1990 to 3329 per 1,000,000 population in 2005. The DPPR plans to reduce the cases by 76%, and to protect 60% of adult women and under 5 children in the malaria risk area by Insecticide – treated bed nets. Malaria represents 48% of all cases reported in 2007 (CSO,2007).

Tuberculosis: The average incidence rate of TB was 191 per 100,000 population in 2005. The cases reported in 2007 were 1694 (CSO, 2007). The DPPR plans to raise the recovery rate to 85%, and cover 100% of population with daily monitor, and raise notification to 75% of annual incidence.

A considerable support in this priority is received, mainly, from the Global Fund to Fight Aids, Malaria, and Tuberculosis, the WB bilateral relations, and the UN/UNDAF. however, education and health are still underfunded sectors.

3. Removing supply – side constraints, enhancing productive capacity, and promoting the expansion of domestic markets to accelerate growth, income and employment generation.

The PRSP and DPs have identified some key targets that serve this priority.

- Restructuring the economy to remove all constraints on the path leading toward free markets and of the private sector investment focusing on the productive and promising sectors, agriculture, fishery, tourism, oil, mining sectors and non oil industries that are intensive employment sectors. This target could have been approached through implementation of privatization programme (64 establishments) and gradual increase of investment to reach in total 26% of GDP. The progress here is still below the targets.
- Reinforcing policy of free trade and developed and diversified exports, that absorb technology and create jobs. However, oil, is still the influential 90% of export, though dwindling.
- Promoting the role of the social safety net to increase the productive projects and support the small scale enterprise at the local and poor levels.
- Strengthening infrastructure including highways and feeder roads air and sea ports, electricity and energy with gas generating plants, information and telecommunication technology, marketing centers for agriculture and fishery products.
- Creating disciplined and rationalized financial sector, fair judiciary system, and well institutionalized decentralization.
    - These measures involved moderate improvement in some economic indicators . For instance.
    - Non oil sector GDP grew from 64% in 2005 to 71.7% in 2007.
    - Per capita GNP 2005-2007 improved from $760 to $965, but the growth rate declined from 17.1% to 11%.

- National savings percentage of the national disposable income dropped from 17.2% in 2005 to 4.4% in 2007
- Employment during 2004-2007 developed as follows.
- Labor force (000) increased from 4244 to 4750, with 3.8% growth rate.
- Employed (000) increased from 3655 to 3965, with 3.7% growth rate.
- Unemployed (000) increased form 689 to 789, with 4.4% growth rate.
- Unemployed ratio to labor force increased from 16.2% to 16.5% with 00% growth rate.

4. Accelerating LDC growth with the aim of enhancing LDC share in world trade and global financial investment flows.

The policy measures undertaken under the priority 3 above could also serve this fourth priority. Yemen and foreign investors work towards new explorations of oil and gas in the Yemeni Land and Sea. Meanwhile, Yemen has taken rapid steps to strengthen the economic partnership and trade exchange between Yemen and the GCC, including establishing economic zones on the borders with Saudi Arabia and Oman. Yemen government has also, proposed to the development partners a project to establish ten industrial zones in two phases. The first phase focuses on three industrial zones in three big costal governorates, and the second is designed to build seven industrial and export zones in other seven inland and costal governorates. Yemen invests its geographical, natural, and human advantages to attract different kind of investment and strengthen its investments abroad.

FDI flows to Yemen 2002-2007 (million US$)

	2002	2003	2004	2005	2006	2007
FDI- non-oil	797	855	898	932	2438	2536
growth (%)	21.6	7.3	5.1	3.8	161.5	4.0
FDI-oil	114	181	144	-302	1121	877
growth (%)	-15.6	59.1	-21.0	-310.4	-471.1	-21.8

Source: CBY reports

Yemen is adopting foreign trade policy to strengthen economic openness, liberalize trade, promote exports, raise the rate of international exchange, and increase national incomes.

5. Environment protection, accepting that LDCs and industrialized countries have common but differential responsibility.

The government acknowledges and the policy frameworks conside the inter-relationship, among sustainable development, sound environmental management, and poverty reduction.

Environment issue was lifted for the first time, to cabinet level by creating the Ministry of Tourism and Environment in 2001, later, a separate ministry, the Ministry of Environment and Water, was setup in 2005, giving this sector, setting up, for more focus, the Ministry of Environment and Water in 2003. The Ministry supervises general technical and policy making authorities, including Environment Protection Authority (EPA) and National Water Resources Authority (NWRA).

External interventions supported harmonizing national environmental policy and laws, planning and management of natural reserves and protectorates with sustainable livelihood approaches, and integrating environment, social, and economic factors at all levels. The efforts have led to (1) improved human

and institutional capacities, (2) updated environmental protection law, with the aim to include new international requirements and integrate national priority issues, (3) developed National Strategy for Environmental Sustainability (NSES) (adopted by the Cabinet in 2008). The strategy is consistent with Yemen millennium goals, particularly with MDGs 1, 3, 7, and the means to reach them, and (4) established environmental library and database. Climate Change threats are being addressed. Yemen ratified the UN Framework Convention on Climate Change (UNFCCC) in 1996. Since then, it has initiated a process to meet its commitments under the convention. GEF/Netherland assistance (1997-2001) helped complete important enabling activities to cope with climate change. These activities include preparations the Initial Nation Communication (INC), the greenhouse gas (GHG) inventory, mitigation analysis, policy frameworks for reducing GHG emissions and enhancing forest sinks. Further, UNDP/GEF support has extended to the projects of (1) preparation of National Adaptation Action Plan (NAPA) to broadly communicate to the international community the priority activities to meet the urgent needs for adapting to the adverse impact of climate change; (2) National Capacity self Assessment (NCSA) to prepare national strategy and action plan to address capacity constraints on the way to respond to the global conventions (3) the preparation of the Second National Communication to the conference of parties, still on going, for the same purpose of the INC besides increasing awareness and mobilizing additional resources for projects related to climate change and reduction of GHG emissions.

The Mine – Action Center has implemented 3- phase project and cleared 173 kilometers square of mine-explosive-affected land to be returned to local communities for economic use. Meanwhile six protected areas has been officially declared for biodiversity conservation and to be managed by the local communities

The progress made in this priority is qualitatively good at central and institutional levels in particular, but it is still limited in scope and outreach at the local and community levels.

6. Food Security and Malnutrition

Yemen faces immense challenges presented by a mix of structural and acute food security and malnutrition problems. Sometimes, these problems develop, to create difficult crisis. Therefore, issues of food security and malnutrition have been always among the first priorities of focus in the national programs and the external interventions

a. Food Security:

The Government and the World Food Programme conducted a survey of Food insecurity and Vulnerability Information Monitoring System (FSVIMS) 2003. This survey explored that about 0.5 million families of 4 million individuals (22% of total population) classified food insecure. These included 2.5 million individuals (14% of population) who are food insecure with moderate hunger, and close to 1.4 million individuals (8% of population) live with severe hunger. Latter, the HBS 2005/06 shows that there were 7 million poor people in Yemen, meaning that almost 35% of the population could not meet their basic needs. Food poverty was

estimated at 13% representing almost 2.9 million individuals who cannot meet their basic food needs.

Based on the rapid assessment, WFP concluded that food security in the poorest governorates has deteriorated as a consequence of high prices in 2008; and found 24% of households have poor food consumption, and additional 35% were borderline. UNDP found that the proportion of people suffering from food poverty more than doubled from 13% in 2005-2006 to 27% in December 2007, implying that food poverty affects 6.2 million people. UNDP estimates that over 6% of Yemenis dropped below the poverty line due to rising food prices.

In Yemen, economic access to food is a major food security determinant. Since food availability is largely driven by imports, e.g. 100% and 90% of needed rice and wheat respectively, people produce a small proportion of their needs and rely heavily on other sources of income. The majority of food consumed is purchased on the market. This is interesting in light of three quarters of the population living in rural areas. More severe levels of food insecurity are associated with a reliance on salaries from temporary employment. Food insecure households have fewer options for livelihood diversification to rely on when obtaining food.

b. Malnutrition

Yemen is among the countries with the highest malnutrition rates. Most recent national data on malnutrition comes from the Family Health Survey (FHS) 2003 and HBS 2005/06. According to FHS, 53.1% of children under 5 are stunted, 45.6% are underweight and 12.4% are wasted. HBS shows slight increase, with 55.7% stunted, 35.6% underweight, and 13.2% wasted. FHS shows that a quarter of women of reproductive age are malnourished. The rate of malnutrition among pregnant and lactating women was high; 27% of pregnant and 35% of lactating women were malnourished.

Micronutrient deficiencies was also pervasive. A significant proportion of children and women suffer from low intake of essential micronutrients including Vitamin A, iron/folate and iodine. For example, the prevalence of anaemia was 82% in children under five, 83% in lactating mothers and 73% in pregnant women. Maternal mortality of 365 per 100,000 live births is amongst the highest in the world. Mortality of children under five is at 102 per 1,000 births. Inadequate access to food, inadequate maternal and child care practices, poor access to water and sanitation and health services contribute to malnutrition in Yemen. It is also expected that qat chewing has a negative impact on pregnancy and nutritional status of infants (low birth weight in infants is 32%). In Yemen critical issues of malnutrition are inadequate breastfeeding practices and high prevalence of diarrhoeal diseases. Only 12% of children are exclusively breastfed for the first six months. Diarrhoea is one of the main causes of child mortality in Yemen. The prevalence of diarrhoea among children (6-59) was 45%, exacerbated by inadequate practices of treating ("WFP" secondary sources analysis 2009)

c. commitments

1: fostering people centered policy frameworks:

The successive governments, have committed themselves, as reflected in the various policy frameworks, to work effectively toward sustainable human development with decent life for all, especially the poor people.

Exerted efforts toward economic growth and poverty reduction resulted in modest progress in growth of GDP and investment and in poverty reduction. Assessment of the 2nd Development Plan (2001-2005) shows (1) average GDP growth rate of 4.1, below the targeted 5.6%, (2) non-oil average growth below the target of 8% but with increased share in GDP from 83% to 87% while oil share declined from 17% to 12.4% (3) average per capita growth was 1.1% against 2.3% targeted, and (4) employment growth by average of 2.8% below the annual average growth of labor force by 3.9% increasing unemployment from 12 to 16.8%. in the period (2001-2005).

Total investment, in the same period was dominated by increasing public investment at the express of decreasing private investment. It grew by average of 17.6% (close to 19.9% targeted) due to high increase of public investment expenditure by 25% average (exceeding 18% planned) increasing from 38,3% to 53.7% of total investment, and growing as average ratio to GDP by 9.4%.

Meanwhile, local and foreign private sector investment grew by annual average of 11.5% (below 23.5% targeted) retreating from 60.4% to 46.3% of total investment. (MoPIC, the DPPR document)

The GDP growth attained the PRSP target of 4% due to exceptional growth in 2005, but the investments disappointed the PRSP target within the same period. After that, the economy continued with annual GDP growth rate below 4% to remain up to now at a midway milestone to reach the rate of 7%, the target of both the DPPR and the BPoA in 2010. This slow progress is attributed inter alia, to (1) imbalance in economy stature by relying on declining scores, e.g. oil and agriculture, and public investment (2) delays in privatization (3) weak investment environment.

This modest economic growth helped, hence, achieving modest progress on poverty reduction at all levels as summarized by the HBS 2005/06.

The poverty indicators confirm the belief that poverty (moderate and severe) is of rural nature: 27% of total population in urban areas but account for only 16% of the poor; 72.6% in rural areas, and account for 84% of total poor. Regionally, poverty in Yemen is deeper and more severe than in other MENA countries.

The Government, in collaboration with the civil society, private sector, and donors innovated social safety net (SSN) to ensure social protection and alleviate the adverse impacts of economic reforms such as removing the subsidies of oil prices and as well of the main food commodities. The SSN includes (1) insurance authorities (Civil & Military), Social Welfare Fund for cash help, though minimal, (2) Social Development Fund SDF for community developments institutional support, capacity building, and small scale enterprise development, (3) Public Work Project (PWP) to provide job opportunities through infrastructure development, (4) Agriculture and Fishery Exports. Promotion Fund to provide support through cooperatives and the Cooperative and Agricultural Credit Bank (CACB).

Nevertheless, economic growth could not make a big difference in poverty reduction because of high population growth (3%), high fertility rate (5.5 Per women), difficult geography, and concentrating economic growth revenues on sectors of intense capital (services, tourism, banking operations), and the persistent social attitude against woman work.

Further efforts are needed to restructure the economy and reduce poverty through more focused pro-poor strategy under the umbrella of overall strategy. Special attention in future needs to be paid to the rural areas in terms of human and institutional capacity including health, education, (basic and vocational), empowering local authorities, linking the rural activities to those of tourism and service sectors and removing the social and economic constraints that deter woman involvement in all development process, completing the infrastructure and introducing the modern technologies.

Commitment 2. Good governance at national and international levels

The government has been implementing a comprehensive national reform agenda (NRA) to reinforce economic integration and partnership, improve the government efficiency, stimulate economic growth, and expand political participation. The reform priorities and the key achievements are briefed as follows:

a. Judicial reforms: (1) enhanced judicial autonomy (separate the supreme judiciary council from the president authority) (2) reformed commercial and public funds courts, (3) improved judicial inspection and accountability, and (4) developed juvenile justice and judicial human resource; increasing trained judges by 6% and including 30 female judges (one in supreme court). This reforms aimed at enhanced public and private investors confidence in the judicial system.
b. Accountability, transparency and anti-corruption. (1) Supreme National Anti-Corruption Authority established and the Financial Disclosure Law activated, developing institutional capacity finalizing and implementing National Anti-Corruption Strategy to improve Yemen corruption perception score up to 8 points (2) Yemen joined the Extractive Industry transparency Initiative (EITI), and established the Yemeni Council for the EITI (YEITI) aiming at improving transparency in managing hydrocarbon resources. (3) Budgetary transparency improved, setting up the automated financial, management information system to share the budgetary information with the public, (4) The law of Public Procurement and Tenders and new high Tender Board assisted by technical committee established.
c. Civil service reforms and modernization: Bio-metric system applied, the cabinet and some ministries restructured, and internal audits law prepared aiming at quality and cost effective service and high productivity levels; and expanded decentralization.
d. Economic, fiscal, and Investment Reforms: (1) Promising sectors have been studied to increase non-oil revenues and export by 36% and 26.6% respectively, (2) income tax and customs laws have been revised to ensure justice, upgrade efficiency of revenue generation, prevent higher rate of evasion; (3) finalized one stop shop for investors, land registration law and new investment law, and simplified business startups.

e. Human rights and woman empowerment (1) The Government and the UN Country Team (UNCT) through UNDAF collaborate to strengthen human right capacities, adopt a National Human Rights Strategy, harmonize several laws with international human rights standards, strengthen the role of CSOs raise awareness, and implement the ratified human rights treaties including the convention on the child rights, elimination of all forms of discrimination against women (CEDAW) and the wrost from of child labor. (2) The government plans to increase woman participation. (15% candidates, 30% votes) 42% of allegeable woman voters are registered.

Constraints: Low institutional capacities, national law harmonization with international governance, budgetary priorities, slow donors allocations, conflict of interests, low enforcement of laws, and law paid civil servants.

Yemen Ranking: Based on the World Bank report on indicators of good governorate (2007) Yemen improved in some areas as the table shows below:

Yemen in the Open Budget Initiative survey (2008) ranked 69 out of 85 countries scoring 9 percent. In corruption perception index, it ranked 131 globally scoring 2.5; in the logistic performance index (2007) ranked 113 out of 178 countries, in doing business survey (2009) ranking at 126, and in UN Gender Development Index (2008) scored 0.515.

Good governance indicators in Yemen			
Indicators	2000	2005	2006
Rule of law	0.11	11.42	15.2
Political stability	11.5	8.2	9.6
Vote & Accountability	21.2	20.2	18.8
Government effectiveness	24.2	16.1	17.1
Management & discipline	23.9	22.4	24.9
Corruption fighting	30.1	33.5	33
Source: MoPIC Economic Report 2008			

The Government could take additional steps to improve governance rehabilitation of the existing capacities at the central, local, and gender level, refining the laws to meet the international standard, involve the public in national dialogue and budget process, strengthen the parliament role to follow up implementation of development policy frameworks, with its routine mandate.

Commitment 3: Building human and institutional capacities.

Education: Over the last 10 years, some improvements were clear in areas, for example, schooling access in rural areas particularly, and narrowed gender gap, significantly in basic education. However, education sector continues to suffer from a few structural weaknesses confirmed by low literacy rate and poor quality and achievement indicators. The current shortcomings are well-recognized; hence, the government, assisted by the international donors, is paying increased attention to the general education system. The National Basic Education Development and Girl Education Strategies are being implemented well. Program budgeting to basic and secondary education was introduced in 2007, and Medium-Term expenditure Framework (2007-2010) has been approved to help better plan education development.

Yemen, so far, has achieved some progress in basic education by introducing various innovative approaches. These measures include: (1) Conditional cash transfer to grades 4-9 girls, (2) Whole School Improvement Scheme, (3) Female teacher contracting, (4) Establishing a Center of Measurement and Evaluation, and (5) participation of more than 5000 students in Trends in

International Mathematics and Science Study (2007) where Yemen ranked at the bottom of a list of 36 countries surveyed for respective scholastic abilities at the fourth grade, (5) designing coordination policy led by the Ministry of Education (MOE) for school health and nutrition, and (6) tying teacher post to school. The focus on a supply – drives factor of sub-sector development has been changed in the last 5 years to the demand – driven factors of enrolment and detention and to education quality and learning outcomes.

As regards secondary education, a National General Secondary Education Strategy was approved in 2007 focusing on improvement of quality and relevance, reducing gender and regional disparity in terms of access and completion, and institutional capacity building. The strategy also addresses the role of the private sector as a provider of education at the post basic education level. The private sector educational services have been expanding in the big cities at all levels serving only the high income families. In addition, increasing attention has been awarded to the sectors of vocational and postsecondary education which is still very small.

The main constraints to education are presented by the low ratio of classrooms and teachers to enrollees; teachers quality, physical school environments, remote school sites away from the scattered settlement, the cost opportunity, and poverty. The public supply – side faces, above all budgetary and resources constraints.

Nevertheless, enrollments has shown increasing trends in the last 10 years. Girl enrollment in particular is promoted under alia, by raised awareness, exempted fees, token book price, and **food** incentives provided by WFP in some rural area.

Much work needs to be done and much more resources need to be provided to remove the above constraints of the supply and demand-sides mainly in terms of maintenance, new constructions, teachers training, and enough budgetary allocations.

Health: Health sector has progressed notably but to unsatisfactory level in terms of quality and quantity. It covers about 58% of total population although health facilities (Hospitals, Centers, Units) have been expanded to most of the districts. The public budget allocates for the health sector only an annual average of 4.2% of the public expenditure, about 1.4% of GDP in the last few years. According to the UNDAF review (early 2009) the ratio of public expenditure on primary and reproductive health to total public education and heath sector expenditure is 27% in both 2006 and 2008. In 2005, life expectancy rate was 60.6 years (HDR), total fertility rate was 6.2, maternal mortality rate was 356, targeted 300 in 2009. New-natal mortality rate was 35, targeted 30 in 2009. In 2003, (1) contraceptive prevalence rate was 13% (2) percentage of deliveries attended by skilled birth attendants was 13%, (3) percentage of pregnant women benefiting from at least one ante-natal care visit was 4%. National Strategies were developed and endorsed including Reproductive healthy, Birth registration and Home based maternal and new - born care to accelerate the achievement of MDGs (reduction of maternal mortality rate) training, services, and awareness targets have expanded to combat HIV/AIDs, TB, and Malaria. Yemen was certified as "polio free" by WHO early. Health and education sectors share common constrains, but they are more critical in health sector.

It is still highly essential in the coming years to up date the data, expand the outreach of facilities and services, increase professional staff for the rural and remote areas in particular, qualify the communities to address health problems, and stimulate the private sector to provide affordable health services for the poor people and rural areas.

Commitment 4: Building productive capacities to make globalize work for the least developed contries.

The Government is building the country and people by improving the necessary capacities to take advantage of the positive opportunities and cope with the challenges presented by globalization and the New World system. It had made notable progress to this end, especially in the following areas.

Infrastructure: Despite the difficult terrain, road networks have been constructed and expanded to connect the 22 governorates and most of their districts. The length of asphalt roods have increased from 7553 km in 2001 to 13127km in 2007, and the carvel roods increased from 6428km to 18,000km in the same period. Some villages on high mountains or in remote areas have not been reached yet. Meanwhile, Yemen is now connected with the neighboring countries (Oman and Saudi Arabia) through international asphalt roads. Besides roads networking transportation sector is being reformed.

The Government has initiated steps to reform the Land Transportation Sector. In December 2008, Decree No 291 was ratified leading to the establishment of a new independent authority, the Land Transportation Affairs Authority (LTAA). The new body will complement the functions of the Ministry of Transport in regulating the sector and helping to promote private investment and competition. In the past, the sector was dominated by private cartel-link arrangements in the trucking sector, and by single public transportation company. Currently, Yemen has eight different licensed public transport companies, which adequately serve the public transport needs between major cities, but remains inadequate for smaller cities and rural areas. This shortage has been seen as one of the contributing factors to the wide spread poverty incidence in rural areas. The authority is currently implementing a marketing and advertising campaign to attract new operators in the sector, which has so far secured around 10 contracts in the international land transportation, thus helping to strengthen the network between Yemen, Oman, King of Saudi Arabia and United Arab Emirates. Three land ports are in the process of establishing in Haradh, Aden, an Alwadeeah, which once completed will facilitate trade with neighboring countries, help to raise additional traffic revenue, reduce customs evasion and promote economic activities in those areas. Other objectives of the LTAA include the establishment of inspection stations and motorist rest areas on major highways. Additionally, the LTAA with the support of private investment is planning to develop the checkpoints at all major cities, which will include establishing commercial markets, parking, and warehouses to further empower investment in the sector.

Air transportation is administered through 6 international and 2 secondary airports. They are equipped enough to provide international standard of logistic and safety services. Similarly, marine see transportations is managed through 5 big and 2 small ports on the cost of the Red Sea, Aden Gulf, and Arab Sea. Aden port is the most important due to its location near to the door

between the Red Sea and Indian Ocean, its shallowness to receive large ships. The container terminal, and oil refineries are built near to it. Foreign air and marine companies are encouraged to use these ports, and private sector is promoted to operationlize them. Mail services are provided through 258 postal offices and 58 agencies with 22825 rented P.O.Box and 58 public boxes. They serve ordinary and excellent mails, money transfer and deposit, and bills collection.

Urbanization is planned to create new cities with wide streets, national gardens, and basic services facility. The first two big cities enjoys 40% of the urban sewage system, the second two enjoy 20%, and the remaining 22 cities enjoy the remaining 40%. A big World Bank Project has developed the main port cities.

Technology: Telecommunication and information technology has been introduced with very high growth rates in the last few years. A new fiber optic network has been completed covering most of Yemen and lenking it to international cable. Based on the annual Central Static Organization report, 2007, more than 1 million telephone lines operated reaching, hence, the teledensity target of 5 lines per 100 people; internet subscribers were 205,613 person; 4.3 million cellular phones used (66% provided by the private sector); 11,684 telecommunication center and internet cafes opened; at home computer users were 43,309 households of 100,625 members, and out side were 46628 households of 72610 member; at home internet users were 16008 household of 31970 member, and outside were 36610 of 57177 members, (95%) in both cases were in urban areas.

Business Environment: The supply of commercial land with secure legal title has been very constrained. Access to land and security of property rights have been obstacles to new investors. The General Investment Authority has reported recently that 9200 licensed investment projects did not materialize between 1992-2008 because of land disputes. Therefore, to remove this constraints, the Government reformed the land registration system by a new law that will help remove vagueness and reduce conflict about land ownership and its use. It will reduce land transaction costs and risks associated with new investment, while taking care of the poor. Beside the land reform, procedures are simplified. An Automated Information System for Customs Data (ASYCUDAPLUS), has been implemented in all major ports and airports, covering 97% of Yemeni imports. It is, also, accessible for the tax authority, the Central Bank, Central Static Organization, and some 300 commercial companies. ASYCUDA help improve custom valuation and clearance processes that should reduce the cost of doing business. Drawing on the UNDAF review (2008), a joint initiative of UNDP, IFC, and Ministry of Industry and Trade improved the way of doing business in Yemen by introducing e. registration and simplification system; hence, Yemen global rank lowered from 123 (2008) to 93 (2009) out of 181 countries.

The UNDAF has helped establish a micro-finance network build national capacities, and increase micro-credit clients at national level to reach the poorest of the poor.

The Parliament has passed a Microfinance Law to promote microcredit in the rural and urban areas, with the final objective of promoting a pro-poor growth and reducing unemployment. Furthermore, it seeks to enhance social stability

and equality of opportunities especially to the underprivileged categories in the society. The law regulates the establishment of microfinance institutions under the supervision of the Central Bank of Yemn, and sets their minimum capital requirement at YR500 million. There are many issues which have hindered the development of financing the small entrepreneurs in Yemen in the past, including scant investment information and feasibility studies, the weakness of the domestic market, and the lack of promotional efforts to attract clients. Since 2003, the Social Fund for Development (SFD) has been taking the lead role in implementing microfinance in Yemen. These efforts are implemented through Economic Development and a Job Creation Program, which channels microfinance services through intermediary entities such as NGOs, Microfinance Institutions (MFI) and banks. As a result of these efforts, there are 13 active microfinance institutions in Yemen, with total outreach estimated at approximately 35,000 clients (80 percent women), a combined loan portfolio of US$7 million, and an average loan size of US$97. The cumulative number of dispersed loans has reached more than 216,000 during the past ten years. The SFD also took charge of formulating the National Strategy for the Development of Small and Micro Enterprises, and the current microfinance law.

Agriculture: Low rates of rainfall, long periods of drought, deep depletion of ground water, cash-crop, (e.g. Qat) competition are the main constraints of productive agricultural sector.

However, the sector grows modestly to score growth rate of 2.85% in 2008 compared to 5.63% in 2007. Similarly Agro-industry is still limited to canning some fruits and beans, and it declined within the industry sector to 3,52% in 2008 against growth rate of 6.22 in 2007. But this sector still presents promising opportunity for investment based on scientific researches, and modern technology, which are rare especially for economic irrigation. An IFAD project in one governorate, Thamr, proved possible success by provision of agricultural demonstration and extension services. It helped increase crop yield as: millet 25% sorghum 45% wheat and maize 100%, potatoes 34%, coffee 150% and honey 91%. Such venture in other governorates along with extensive studies and research on potential water reserve, building rainfall **cultivation** and irrigation, and extension. This policy shall serve well rural development and food security.

Mining: Public and private and foreign investments continue to focus on oil industry, exploration, extraction, and marketing.

Energy: A new electricity law makes electricity a national priority and sets a new regulatory framework for the sector, particularly with issues related to the role of private and foreign producers and government procurement guidelines. The law includes provisions for improving the quality of electrical and the development of energy diversifications with more focus on the renewable and permanent sources of energy. In addition, the Cabinet has approved of establishing an independent authority for rural electricity that will focus to increase the electrification of rural areas. The new authority will initially be linked to the national grid for a period of ten years while increasing its efforts on investing in new power stations to facilitate independence from national grids. Meanwhile, Yemen continued to experience power shortages amidst further delays in the strategy for the expansion plans that use natural gas for

power generation. Yemen is currently working on two projects, Marib I, which has been completed though not launched due delays in substation instillation and Marib II, which has now begun and is expected to be completed in 2011.
Yemen is planning to increase reliance on power generation from renewable sources. In an effort to reduce the power deficit and meet its goals in providing electricity in the rural areas. The Ministry of Electricity and Energy (MEE) is reviewing plans to invest in generating capacity from renewable sources such as wind and solar. Currently, the Ministry is in the final stages of finalizing a deal for a 60MW wind farm project in Al-Makha province with a partial financing from the World Bank. It is anticipated that the project, one of the highest levels of solar radiation with average of 6.8 – 5.2kw/m2 per day, making the potential for wind energy very feasible. Recent studies have shown that Yemen has massive wind energy potential; however, more attentions and reforms are required by the government in order for the sector to flourish and to remedy the continuing power shortages.
Tourism: History, art, environment are among many factors qualifying Yemen for different purposes of tourism. Therefore tourism is among the overriding promising sectors. The sector is led by supreme council chaired by the Prime Ministry, promoting council, and special ministry formed in 2003.
The sector is living a period of stagnation for two main reasons: (1) the bad image and impression that westerners perceive about security in Yemen because of the rare terrorist attacks and the juvenile kidnapping that take place very often (2) lack of exposure and advertisement about the touristic potentiality in Yemen.
These constraints should be removed in the near future to provide better enabling environment for investment in this dynamic sector all over the country.
Efforts shall continue to optimize globalization opportunities through, security laws refining and adjustment, strong and more expanded infrastructure, urban and rural, development researches.

Commitment 5. Enhancing the role of trade in development:
Great attention is paid to trade sector for its relative advantage in providing the development needs of capital and expendable commodities. Externally, trade is promoted to market the domestic product surplus, attract investments, transfer technology, and integrate the national economy with the international trade. Internally, trade is organized to expand and diversify the productive bases, maintain demand-supply balance in the domestic market taking into account the increasing growth of population and their needs.
Such roles of trade are enhanced though improved infrastructures, reformed institutions and legislations, simplified customs procedures, initiated industrial zones, investment incentives, competent apparatus of standardization and quality control, and activated foreign trade relations, including ratified agreements of technical cooperation for export promotion and elimination of tax duplication. Based on the 2nd UNDAF review, (1) institutional capacity of the Ministries of Agriculture and of Fish Welth were enhanced to monitor, promote, and better manage quality control of exports. (2) ground has been laid to increase high quality productivity of fruits, vegetables and fishery for export, within the policy of economic diversification. (3) a joint initiative of

UNDP, the IFC, and the Ministry of Industry and Trade has introduced e-registration and simplification system within the policy of improved way of doing business, and restructured Ministry capable to provide more effective support to expand manufacturing and trading establishments.

Based on the final evaluation of the 2nd Development Plan, the trade sector achieved notable development during the period 2000-2005 with positive average indicators as follows: (1) shares in GDP; exports 35%, commodity imports 27,7% trade balance 7.3%, foreign trade 61,1%, crude oil 31,8% (88.8% of exports while agriculture share 2%, fisheries 41% and industries 7% of commodity export). The average percentage of exports to imports amounted to 131.3% due to increased revenues of oil exports The Third Development and Poverty Reeducation Plan (DPPR) aims at increasing non-oil commodity exports to 19% of total exports by 2010. Trade continued its overdependence on oil export (90% of total exports and 50% of total foreign trade though declining in quantity and witnessing unstable in price) and the indicators inclined in favor of imports and trade balance deficits as reported in the years 2007 and 2008.

Trade balance as % of GDP		
Indicators	2007	2008
Exports	29.7	31.3
Imports	31.5	32.5
Trade balance	-1.8	-1.2
Source: Central Bank of Yemen 2008		

Regionally, Yemen is reinforcing the economic partnership and developing trade exchange with the Gulf Cooperation Council (GCC) states through establishing two Economic and Commercial Zones on the Yemeni-Saudi and Yemeni-Omani borders, including two Free Trade Zones. These zones aim at accelerating the processes of integration with the GCC economies, providing intensive job opportunities and improving the competitive quality of Yemeni exports. In addition, Yemen joined the treaty of Great Arab Duty – Free Zone. In compliance with the treaty, annual tariff decreasing started in 2005 by 16% to reach zero tariff by 2010. More broadly, Yemen enjoys good trade relations with the other regional blocks and individual countries in Asia, Europe, and America. The Government has approved the treaties of tax facilitation and establishing duty – Free Zone among Sana'a Gathering Countries which includes 4 LDCs, Yemen, Sudan, Ethiopia, Somalia and Djibouti.

The Government is actively pursuing WTO accession process. Yemen so far holds an observer status in WTO, and its application for full membership was accepted in July 2000.

During the fifth meeting that was held in Geneva in October 2008, WTO members reviewed Yemen's legislative reforms to bring its trade system in line with WTO rules. The meeting also discussed Yemen's accession requirements including the implementation of Financial & Economic Reforms, the benefits from the applied economic policies since the reform and mechanism to create a trade-related legislative environment compliant with WTO agreements. Yemen is currently reforming its customs law and implementing the new taxation reforms, in addition, the Government (GOY) has implemented new trade standards along with the International Conformity Certificate Program (ICCP) that together will work towards improving trade quality and ultimately increases trading with Yemen. Furthermore, in 2008, Yemen conducted the WTO Trade Facilitation National Assessment (TFNA), which was an opportunity to self-assess the country Trade facilitation needs

and priorities. Yemen became the first WTO acceding country to conduct its TFNA. This exercise provided data and information that are currently supporting the TF and would pave the way to the WTO membership (Office of coordination with WTO, internal reports).

New initiatives to enhance trade also aim at tackling quality standards. In the past, the lack of clear and enforceable standards for Yemeni products has been seen as a significant barrier to trade and foreign investment. The Yemen Standardization, Metrology and Quality Control Organization (YSMQCO), established in 2000, is the lead authority in promoting these efforts. As of 2008, YSMQCO has prepared some 2700 standards and specifications, and designed procedures to verify conformity in various fields such as production, construction, distribution, importing and exporting of goods. Beside the full membership to the Gulf Standard Organization, YSMQCO enrolled in the International Conformity Certificate Program (ICCP), which issues certificates of conformity for a range of specialized products and goods to international standards. Under the two-year agreement signed recently, Yemeni imports that are covered by the program will be validated by ICCP at source, therefore minimizing the time required for their clearance at local ports upon entry. These two memberships will help Yemen to enhance the competitiveness of its exports and cut the red tape in customs administration. The Ministry of Trade is expanding YSMQCO offices and laboratories nationwide to implement the new standards as well as combating and arresting smuggled imports that do not comply with the international or national standards.

Nevertheless, trade sector still faces considerable challenges presented by absolute dependence on one commodity export (oil), lack of diversified and qualitatively completive exports, external and national laws conflict, weakness of marketing and information, and monitoring and expansion of random trade activities. Such challenges shall continue in the coming agenda of reforms and development.

Commitment 6. Reducing Vulnerability and protecting the environment

The institutional and regulatory buildings have been laid down for management and equitably sustainable use of natural resources and for environment protection. As reported above. The necessary capacities and policy measures have been prepared to meet the national and international requirements. Through the UNDAF and others assistance, valuable, though limited, projects have been implemented on Integrated Resource Management, Sustainable Development and Biodiversity Conservation in Socotra Islands (Yemen) Sustainable National Resources Management, Local Water Supply and Sanitation, institutional capacity development for the Clean Development Mechanism rural development, National Mine Action Programme, and second National Communication. These interventions could help develop the environmental institutions, laws, strategies, and National Adaptation Programme (NAPA), and National Communication and its preparatory studies on different climate change impacts (mainly on water resources, agricultural crops, and costal areas) they also developed community based protected areas, impact assessments (40) disaster management units (3), relevant training Information, awareness and popular advocacy and involvement.

The sustainability and follow-up of such achievements seem at risk due to the public budgetary constrains, donors hesitation and slow response to national measures while private sector looks indifferent although the regional and international meetings and negotiations are attended. The climate unit has a list of follow up projects waiting for finance to be prepared and implemented to reduce CO2 and greenhouse gases emissions and promote the use of renewable energy resource. At the community level, the grass root majority, mainly rural, are ignorant about the new environmental threats to their lives and livelihoods. This is attributed to high illiteracy rates, short outreach of the implemented projects, and lack of qualified community based organizations (CBOs) advocating environmental issues.

Nevertheless, the progress made, so far, is considerable, but it is un-equivalent to the huge challenges presented by: (1) cute scarcity of water (ground and rainfall), due to long period of drought, high rates of random use running twice the replenishment levels, leading to further depletion of water resources and threatening the survival of rural and urban areas, (2) expanded desertification, soil and wide banks erosion, and vegetation cover degradation, and (3) the increased consumption of chemical and carbon substances and green house gases.

Commitment 7. Mobilizing financial resource:

Development infrastructures and investments depend mostly on the public finance allocated within the government budgetary framework, the state budget which is mobilized as in 2007 from oil and gas revenues 67% of total public revenues, 20-1% of GDP in 2007 (76% & 26% in 2008 estimates) (2) non-oil revenues-direct/indirect tax and non-tax revenues; 33% of total revenues & 9.9% of GDP in 2007 (24% & 8.1% in 2008 estimates). Public expenditures covered 36.7% of GDP, including (1) current expenditures: 78% of total expenditures & 28% of GDP in 2007 (80.6% & 32% in 2008 estimates) (2) capital and investment expenditures; 17.9% of total expenditure & 6.6 of GDP in 2007 (17.3% & 7% in 2008 estimates). The total public revenues could cover 81.4% of expenditures in 2007 (84.6 in 2008), while local and external financing could leave a deficit of 5.3% of GDP in 2007 (decreased to 3.2% in 2008) to cover the deficit. The Government resort to external debt, $5894.4 million, 20.5% of GDP and 69.9% of total public debt, and local debt - 8.8% of GDP and 30.1% of total public debt as at end 2008. Policy of rationalized expenditure and flexible taxation is pursuit but constrained by continuous expanded current expenditures and unstable tax structure. Despite the social unrest, oil subsidy had been reduced from 5% to 1% of GDP in 2001-2005, the government plans to go further as the subsidy bill has been pushed by 2008 souring price to $3.5 billion – 12% of GDP).

The authorities has initiated a number of reforms in the financial sectors. These reforms include (1) passage of a deposit insurance law and establishment of a related corporation; elimination of restrictions on foreign ownership and allow commercial banks to open an Islamic branch (3) A micro finance law to help establish non-banking financial institution; (4) Boosting the internal capacity of the Central Bank (CBY) in enforcing existing prudential standard and regulations of the banking sector. The CBY proved its competence to some extent, in keeping constant interest rate at 13%,

absorbing the surplus cash flow, mostly through treasury bills controlling relative exchange rate. However, the overall inflation showed a marked increase from an average of 12.2 in 2005 to percentage of 18.5 in 2006 and 17.6% in 2007 (reaching from 19% in 2008 estimates), exceeding the targets of the planning frameworks (2001-2015). it was pushed by inevitable increasing international commodity price and cash flow and offer (35-38.8 of GDP in 2004-2007). Banking transactions improved from 22.5-25.5% GDP, and 60.4% of total banking deposits (13.7% GDP) was lended to private sector (50.1%) and the government (49.9%). There is an imbalance in the economic structure that deepens the gap of potential resources and constrains mobilizing a large proportion of national income to savings and, then, to investment. The national savings share was 4.4% of the national disposable income in 2007, despite the growth from 16.3% in 2004 to 20.1% in 2006.

More than 50% of development financings anticipated from external support in from of ODA and concessional loans associated with grants, long grace period and long, schedule of payment. To warrant increasing support from development partners (DPs), the government uphold the principles of aid effectiveness, vigorous reform and good governance, debt sustainability, sound fiscal management, nationwide equalities, and development of a virtual community of continuous real-time information exchange, coordination, partnership and action among the full range of development financing stakeholders. After the London CG, the Government and her DPs intered into a development compact of common but different commitments. With the DPs support, the government commitments includes (1) strengthened institutional, human and financial capacities to effectively manage and implemented donor funded projects, (2) establishing a trucking and reporting system with a timetable all stages of the project cycle implementation, (3) continued and deepened implementation of the national reform agenda, and (4) establishing a fast system for parliamentary approval of all donor funded projects. The DPs commitments include (1) providing indicator allocations and minimizing the delay of activity initiation and resource release (2) considering resources leverage, and parallel and co-financing and institutionalizing collaboration and coordination between multilateral OECD, and GCC donors. The UNCT is preparing their offices and the national authorities to use a harmonized system for cash transfer to national implementing partners (HACT). These trends go in the directions of Monterey, Consensus and Paris Declaration; however, implementation of both has not been official assessed.

IV. The impact of the global economic and financial crisis on Yemen

Firm quantitative estimates of the impact of the ongoing global economic crisis cannot be made because of the lack of relevant macro data. The most obvious channels of impact are the price of oil and economic growth in the Gulf countries that are a major source of remittance income and foreign investment flows for Yemen. For the moment, the following observations are pertinent.

a) Yemen has a relatively small exposure to foreign banks and its financial market remains underdeveloped. This limits the risk of contagion from the financial side of the global crisis. The Government announced on several occasions that its foreign reserves were largely unaffected by the crisis. As of

February 2009, the central bank foreign reserves exceeded US $ 7 billion or about 11 months of 2008 level of imports.

b) Currently, oil accounts for two thirds of public revenue and 90 percent of export receipts. The collapse in the price of oil since the middle of 2008 will certainly affect public revenues and current account balance although the timing and impact will be determined in part by the terms of existing oil contracts. After allowing for the reduced expenditure on fuel subsidies and petroleum product imports as the international prices have fallen, it is estimated that the partial effect of the expected halving of oil prices in 2009 compared to the previous year would increase fiscal deficit by 3 percent of GDP and current account balance by 7 percent of GDP.

c) The crisis could reduce the flow of FDI to both the oil and non-oil sectors. The former will be affected by the lower return in the sector, although moderating international costs for drilling and exploration could be an offsetting factor. In the non-oil sector, the crisis is likely to lower FDI flows, which come mostly from the Gulf and tend to concentrate in tourism, real estate, and some manufacturing industries. The size of non-oil FDI has been small less than US $ 100 million in the last 4 years.

d) Yemen has a large expatriate population in the Gulf and elsewhere and remittances could be adversely affected if the crisis deepens. Currently, remittances are estimated at 5-6 percent of GDP. Remittance inflows are larger than non-oil exports by 50 percent.

e) There is some evidence of adverse effects on non-oil exports. Fish is the main non-oil export product and is marketed mainly in Asia and the neighboring Arab countries. With economic slowdown in the main importing countries, exports of non-hydrocarbons could be adversely affected. Trading firms report difficulties in obtaining trade finance facilities from commercial banks. Although not increasing their lending rates substantially, commercial banks have increased the margin requirement for issuing letters of credit for importers. Preliminary data from the Customs Authorities show a marked drop in customs revenues since the beginning of the year. Yemen's tourism earnings could also be affected by the global recession. Most tourists to Yemen originate from Europe and the Middle-East and in good times tourism earnings have amounted to a third of non-oil exports (World Bank, Yemen Economy 2009).

V. Conclusion and Way Forward:

The situation in Yemen remain increasingly complex as the country still faces a series of challenges and emergencies. Yemen suffers from chronic underdevelopment that it is both a low income and food-deficit country suffering from week infrastructure, widespread poverty and unemployment, low health and education indicators, and gender disparities. The country remain stuck in the group of the world's least developed and low human development countries. Based on this and the other assessments, Yemen is vigorously trying and making moderate progress on the development truck; nonetheless, it is still unable to reach, on time, the targets of the national policy frameworks, the BPoA, and MDGs, without substantial redirection of policies, injection of additional funds, and institutional and human capacity building.

Although decreased from 3.7% in 1994 to 3% in present, the high population growth rate remains an underlying cause of many of problems that Yemen

faces. Therefore, population issues and family planning shall remain among the overriding development priorities in the future.

The economic development path in Yemen is marked by overdependence on the capital intensive oil sector, with little attention to creating the conditions for sustained growth associated with above all poverty reduction. As this path proved to be unsafe, new policies are needed to foster diverse local supporting industries, create employment, and strength communities, invest in human capital through better designed and funded policies of health and education coupled with better social protection that minimize regional and gender disparity.

The institutional and regularity reforms initiated shall be materialized and enforced to ensure good governance in all its dimensions, including efficient decentralizations. This is essential for effectively mobilizing domestic financial resources, attracting foreign direct investments, stimulating private sector and creating stable and encouraging environment for development.

In the case of Yemen the themes of the BPoA and the outcomes of its ministerial and high level Mid Term Review 2006 (MTR) are still important priorities of concern to be readdressed by the forth UN Conference on LDCs (LDC.IV) with a new look in line the global economic, financial, and environmental developments.

The LDC.IV should emphasize the necessary improvement of access to the different from of development financing for the low income countries such as Yemen which suffer from fragile economy, vulnerability to challenges of climate change, food security, and frequent natural disaster and manmade crisis. The financing shall be governed by the principles of national ownership, fair and flexible terms of trade, loans and access to the regional, and international markets.