



Republic of Yemen  
Ministry of Planning & Development

**Summary of  
The Second Five –Year Plan for  
Economic & Social  
Development 2001-2005**

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## *Preface*

The drafting of the Second Five-Year Plan (SFYP) for socioeconomic development (2001–2005) comes at a time of positive internal changes as well as highly complicated and interlinked regional and international developments. Hence, the GoY presents today the SFYP, as one of the most important constitutional commitments. The Plan highlights within the government's general perspective the main directions for the future of institutional set up and the economic, financial, administrative, judicial, educational and cultural reforms. The Plan also takes the initiative to concentrate on many pivots required for the current phase, after achieving political stability and enhancing democracy as an approach for governance and political participation. Consequently, socioeconomic development has become the main concern for government and its programs. At the forefront of these pivots lies the continuation of the reforms and administrative development with strong momentum, especially that the government has completed important phases of economic and financial reforms. The SFYP, hence, focuses on implementing reforms and advancement in all institutional and administrative structures, and on correcting the path of civil service and the public post. This will take place in light of redefining the role of the state, the involvement of the private sector and civil society in development efforts, and targeting the support and reaction of society with the policies and measures of the reform program. The SFYP also highlights the significance of the judicial reform within the continuation of developing the whole justice system.

The Plan's methodology adopted the economic policies, measures and instruments that achieve economic efficiency in the broader sense. Medium term projections were drawn to identify and analyze implications of the various policies, with emphasis on linking annual budgetary allocations to priorities, programs and projects cited in the Plan's document. Moreover, the identification of programs and projects should be in line with the Plan's targets and policies as well as its pillars.

Also, the preparation of the SFYP coincides with the many hardships facing the national economy. The economy is suffering from dearth resources compared to the social and economic development needs, and as the rest of the world is moving toward the economy of the twenty first century, giving in to the information revolution and its techniques. The world economy has been controlled by information technology activities based on creativity and the development of competitive and efficient economic relations, especially with the expansion of globalization, and the elimination of all barriers and restrictions confronting the free flow of goods, services and capital among countries.

Obviously, the preparation of the SFYP has been launched on the basis of the various considerations reflecting the economic, social, political and cultural situation in the country and the challenges facing the comprehensive development, in addition to exploring society's ambitions and determining its long term goals, objectives, and the strategies and policies leading to those ends. From such perspective, Yemen's Strategic Vision 2025 has been drafted to reflect society's will to foresee its future and that of coming generations, in the path toward achieving growth and progress through mobilizing its resources and potentials in accordance with clear objectives and means. In this respect, the SFYP's document represents a reference framework for the macro, sectoral and regional development plans in the long term, and provides

solutions for the existing and expected challenges. It is thus based on Yemen's Strategic Vision 2025, a comprehensive assessment of the development path during the FFYP (1996-2000) and the Economic, Financial and Administrative Reform Program which took place since 1995.

The preparation of the SFYP also coincided in time, format and content with similar preparations for a Poverty Reduction Strategy (PRS), and hence the Plan's general objective has been set out to generate economic growth, poverty reduction, create job opportunities and ensure economic and social stability. Moreover, the Plan has been directed to reflect determinants and bases for poverty reduction, and henceforth the PRS has become part and parcel of the SFYP and a major component of its strategies and objectives. Furthermore, due to the direct relation between work, production and poverty, the SFYP's document has allocated a separate chapter for the issues of the labor market and manpower.

To highlight the importance of the private sector's role in the process of socioeconomic development, the Plan focuses on that role, outlining in a separate chapter government's directions toward enhancing partnership. Moreover, the SFYP emphasizes the complete conviction that achieving development objectives cannot be reached without empowering local communities to direct development efforts and to reap its fruits through their involvement in the preparation of development plans, programs and projects, as well as in the implementation phase and follow up. Hence, one of the chapters deals with developing governorates and local communities, highlighting justifications and bases for such approach.

The document of the SFYP includes 10 chapters in addition to three annexes. The first chapter presents the main development challenges that confront the process of socioeconomic development in Yemen, and which require short, medium and long-term solutions. The second chapter outlines the framework and features of Yemen's Strategic Vision 2025, highlighting its five pivots, which aim at transferring Yemen by the year 2025 to the ranks of middle human development country, with economic diversification and social, knowledge, cultural and political progress.

The third chapter on the performance of the national economy during the FFYP, undertakes a comprehensive assessment of that Plan, shedding light on the successes and the occurring shortcomings of that period. The following chapter, however, moves to presenting the macro economic framework for the SFYP, its overall objectives, targets and policies. This chapter also puts forward the pivots and foundations of the socioeconomic strategy, represented in developing human capacities and capabilities, maintaining economic stability, diversifying economic structures, enhancing partnership and expanding the role of the private sector, improving investment attractiveness of the national economy, guiding economic activities toward exportation, supporting good governance and decentralization, upgrading the national scientific and technological abilities, and finally conserving and protecting the environment.

To make comparisons with the economy's performance during the FFYP, chapter five pinpoints the economic growth trend over the coming period on the bases of the SFYP's general objectives and strategic bases, targeting an average real GDP growth of 5.6%, coupled with falling population growth to 3% and increasing the contribution

of the non-oil economy to 74.3%. Chapter six takes a detailed diagnosis of the current situation, including existing challenges, targets, policies and programs in the overall economy as well as in its various sectors such as the productive, services and natural resources sectors.

Chapter seven on the labor market indicates that the SFYP aims at increasing labor's productivity while reducing explicit unemployment and underemployment, in addition to raising women's participation in the labor force. As for poverty, chapter eight demonstrates the overall determinants and causes of poverty, its characteristics, the necessary targets, policies and measures to alleviate its effects in the medium and long terms. The chapter also discusses the role of the social safety net, comprising a group of schemes, funds, programs and projects that aim at alleviating the various facets of poverty. The chapter analyses difficulties and obstacles facing this net and specifies its objectives, policies and measures over the SFYP.

The chapter on the private sector, chapter nine, talks about the sector's role and partnership in achieving development, especially after highlighting the impact of the EFARP on its performance and role. The chapter also presents the major challenges that impede its growth and development, in the form of internal challenges such as deficient infrastructure services or external challenges such as globalization and the fast technological changes. The chapter concludes by setting the tools and means for reinforcing the investment environment, developing competitive and export capacities, and activating the role of privatization.

Chapter ten features the characteristics of the twenty governorates, its economic foundation, challenges they face, and the policies and projects to be adopted. The chapter kicked off by exhibiting the gaps among and within governorates in terms of population density, economic activities, employment, social services, poverty and unemployment indicators, and availability of infrastructure services. The chapter also presented some background on development initiatives at the governorate level, as well as outlined directions of the development work under the Local Authority Law and the formation of local councils, as a prelude toward delegating planning and implementation from the center to governorates and districts.

Finally, this summary intends to provide a comprehensive and accurate overview of the SFYP in English, to those who do not have adequate Arabic proficiency or will not have time to go through the whole document. Hence, we hope that this summary encompasses the main issues and policy foundations and trends of the macroeconomy and its various sectors, as well as captures the new features and marks adopted by the planning process in Yemen. The planning approach relied on decentralized mechanisms and wide participation including the civil society and donor organizations, particularly during the Plan's two most important components, which are Yemen's Strategic Vision 2025 and the Interim Poverty Reduction Strategy Paper.

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## **Introduction**

Yemen is categorized as one of the Twenty Least Developed Countries (LDCs) in the world. In 1999 its GNP was around \$6,144 million and its per capita GNP was only \$347. Since March 1995, the Government has launched several sets of reform measures as part of the Economic, Financial, and Administrative Reform Program (EFRAP). While the general assessment of this program proves that Yemen has achieved substantial progress in macroeconomic indicators, formidable challenges are still stifling the realization of sustainable social and economic development in the country.

## **1- Population Challenges and Dynamics**

### **1-1-1 Population Growth**

In the last three decades, Yemen has witnessed rapid population growth, reflected in the population increase from an estimated 12.8 million in 1990 to 15.4 million in 1995, and to 18.3 million in 2000. Moreover, the population is characterized by a young age structure, where 48.8% of the population is below 15 years of age. The rapid population growth exacerbated by the young age structure has burdened demand for basic services such as education and health care, as well as increased pressures on the labor market.

Yemen's population policies have recently made significant progress in improving the demographic characteristics and indicators; fertility rate has declined to 5.9 live births per woman, crude birth rate to 41.2 and crude mortality rate to 9.8 per 1000 persons. Annual population growth rate has thus declined from 3.7% to 3.5%, which still stands as one of the highest in the world.

### **1-1-2 Demographic Distribution**

Yemen's population is predominantly rural with only 25.5% living in urban areas. Also, population is unevenly distributed, living in small concentrated dwellings dispersed over the whole of the country. These sporadic dwellings are more prevalent in mountainous regions; thus, making the provision of basic services more difficult. Moreover, this uneven distribution is manifested more in the less populous eastern and western plains; in contrast to the mid-high plateau where the population density causes over exploitation of the underground water, to the point of almost total depletion of the water basins.

### **1-1-3 Labor Force**

Population in the working age of 15 years and above has increased from 7.6 million in 1995 to 9.3 million in 2000. Further, the increase in the number of university graduates, in addition to large proportion of the population remaining without schooling and high drop out; all lead to a fast growing labor force, representing a

major challenge for the national economy and in particular for the private sector to provide sufficient employment opportunities.

#### **1-1-4 Population and Gender**

Women's economic and political rights are granted and guaranteed by the constitution, laws and regulations. However, women's participation in various walks of life is limited because of illiteracy and lack of schooling. Besides, cultural traditions continue to keep women deprived of access to services, resources and assets; thus, women's participation in economic activities does not exceed 22.7% while men's participation rate is as high as 69.2%.

#### **1-1-5- Population and Environment**

Rapid population growth, expansion of human activities and urbanization, all have led to the over exploitation, depletion and pollution of natural resources, particularly the underground water. Pollution is largely attributed to hard waste and lack of sewage systems. Deforestation through woodcutting and overgrazing led to the expansion of desertification and erosion of agricultural land. Air pollution is still a major concern because of gas emissions through automobiles and industries.

### **1-2 Human Resources Development**

#### **1-2-1 Health Situation**

Yemen's health system has gradually made progress, and the health delivery system coverage increased from 10% in 1970 to almost 50% in 2000. Advocacy, social mobilization, child immunization, and the opening of new health centers and hospitals have accompanied the expansion of the health system leading to significant improvement in demographic and health indicators. Nevertheless, huge challenges remain.

##### 1-2-1-1 The Health Sector

During 1990-95, public expenditure on health averaged 4.4%, increased to 5.1% over 1996-2000, and accounted for 1.1% and 1.5% of GDP during those periods, respectively. Because of the health sector's expansion, the overall allocation of public expenditure on health is not enough to even meet the operational costs for its infrastructure. Under these circumstances most of the health facilities are exposed to shortages of essential drugs and of maintenance needs. Further, centralization of the administrative and financial systems has weakened the supervisory and monitoring roles of the Ministry, and has restricted community participation in developing and implementing health programs at the governorate and the district level.

Furthermore, the health delivery system is seen to be either duplicating efforts or totally absent in some areas. Distribution of health facilities and manpower are skewed towards urban centers and the more developed governorates. Thus, health coverage amounts to 80% in the urban areas compared to an average of 25% in rural areas. Only 40% of total population has access to safe water, and 6.2% are covered by

sanitation and sewage system. Epidemic and infectious diseases, diphtheria and malaria, are widely spread.

#### 1-2-1-2 Poverty

The spread of illiteracy and the increase in poverty accentuates other compelling epidemics and diseases as well as the degradation of the environment. The prevailing poverty, malnutrition and the low level of awareness have contributed to the persistent high infant mortality rate (67.8 per 1000 live births) and the under-five mortality rate (94.1 per 1000). Moreover, children in Yemen are still exposed to malnutrition and under-weight. At the same time, declining purchasing power and absence of health insurance or security lead to more people becoming unable to afford the costs of health services, and thus increase the cases and incidence of illness.

### **1-2-2 Education and Training**

In 1990, illiteracy was estimated at 64% and basic education enrollment was at a low 59.6% (especially female 37.6%). The unified state of Yemen has paid special attention to meet the education and training needs. Over the period 1990-2000 public expenditure on education has attained an average of 18% of total public expenditure, which assisted in making considerable progress in expanding educational capacities of schools, institutes and universities. Nonetheless, basic education enrollment has lost six percentage points in total enrollment during that period, to the benefit of secondary and university education, whilst vocational training and technical education share remained unchanged.

#### 1-2-2-1- Literacy

Illiteracy, low enrollment and school drop out take precedence over other challenges that impede socioeconomic development and its sustainability. The present situation is far from satisfactory, as the illiteracy rate remains high at around 55.7% of the population aged 15 years and above (36% males and 74.1% females). Facing these challenges, the Government has launched a national strategy for literacy and non-formal adult education. However, the limited financial resources allocated for those programs and lack of community participation have led to achieving partial results. Only 290 thousand illiterate persons have become literate during the First Five-Year Plan (FFYP).

#### 1-2-2-2 General Education

Although the Government spent an average 18% of the budget on education over the last decade, that expenditure has been drained off by the salaries and wages of almost 143 thousand teachers in basic education and 26 thousand in secondary education, not to mention other administrative and assistant personnel as well as the double dippers and "ghost" names. High expenditure on wages strained the share of operation and maintenance.

Education indicators still reflect shortfalls in enrolment where 38.6% of children in the 6-14 age group has never attended school (22.8% for boys and 56.1% for girls). Surveys have shown that on average 8% of basic education pupils drop out from

school annually, reflecting the fact that around 270 thousand pupils have joined children outside schooling in the school year 2000/01 without basic mastery of language, mathematics and acquisition of life skills.

Moreover, the quality of education is deteriorating; textbooks are inadequate for enhancing learning skills, the provision of education facilities and school buildings are insufficient, and the civil society's contribution to the education process is very weak. Further, the existing education system is urban and male oriented, where girls' schools and female teachers are not sufficient especially in rural areas.

### 1-2-2-3 Vocational Training and Technical Education

Enrolment in vocational centers is very low constituting a meager 0.4% of total education and training enrolment. This sector faces various challenges. Its share of total public expenditure does not exceed 0.5%, its enrolment capacity is very low, and female placement is very limited and constrained. Besides, the sector suffers from unclear authority lines and responsibilities, its curricula still rely heavily on theoretical approaches and have not kept in pace with recent developments. Hence, sector outputs do not match the needs of the government and public sector nor those of the private sector.

### 1-2-2-4 Higher Education

Most of secondary education graduates is accommodated in the universities. Higher education has witnessed horizontal expansion due to the opening of seven public and eight private universities. Thus, enrolment in higher education increased at an average of 16% per annum during 1990-2000, and the number of students from 42 thousand to 184 thousand. University graduates in 2000 have reached 17,836 male graduate and 6,600 female graduates, distributed among Arts fields (87.8%) and Sciences (12.2%), in addition to 8.1 thousand graduates from teachers' institutes.

Major obstacles to improve higher education in Yemen are centered on the universities' traditional organizational structures and the duplication of faculties and departments. In general, university curricula are mainly geared toward theoretical aspects in all disciplines, and are not sufficiently updated to reflect developments in their fields. Universities also lack many services, equipment and other learning facilities such as libraries and laboratories.

In addition, admission policies are not clearly identified and do not respond to the market needs. Further, those policies are not conforming to enrolment capacities of the institutions. Postgraduate studies at all universities lack clear vision and plans for enhancing research activities. Enrolment capacity is limited and financial resources are constrained as well as misallocated. For instance, scholarships to study abroad draw a large portion of the sector's financial resources, where at the same time they are allocated to areas of study that do not reflect market and development needs. Moreover, universities require extra funds for maintenance and operation.

### **1-3 Water Resources**

In Yemen, average annual per capita share of water resources is 137 m<sup>3</sup>, vis-a-vis 1250 m<sup>3</sup> in Middle Eastern and North Africa countries group and 7500 m<sup>3</sup> as world average. Since mid 1970s, with the introduction of pumping technology, Yemen has witnessed great expansion of groundwater pumping. Extraction of ground water has exceeded the level of replenishment capacity causing water depletion. Many regions in the country are threatened by serious depletion of water resources. Also, while water policies and conservation measures are virtually absent, several institutions, with overlapping and conflicting mandates attempt to draw strategies that ensure proper management of water resources and implement the water sector policies. Implementation failures are partially attributed to the absence of a system of supervision and maintenance. Also, diesel subsidy has encouraged the over-extraction of groundwater.

#### **1-3-1- Imbalances in Water Resources**

Recent studies indicated that water resources imbalance reached a deficit of 900 million m<sup>3</sup> in 2000. The crisis is manifested by pointing out that over 90% of water consumption is used for irrigation, and a great portion of that reflects irrigation efficiency below 40%. Water needs are estimated at 3,521 million m<sup>3</sup> in 2010, with a decline of irrigation share to 2,869 million m<sup>3</sup> as a result of improved irrigation efficiency to 75%. Household share and other uses are expected to increase to 563 million m<sup>3</sup> and 89 million m<sup>3</sup>, respectively, implying the widening of the gap to 921 million m<sup>3</sup> annually.

#### **1-3-2 Dimensions of the Water Crisis**

Underground water in the various basins reach 20,000 million m<sup>3</sup>. Obviously, a deficit of about 700 million m<sup>3</sup> in 1995, expected to increase to 921 million m<sup>3</sup> in 2010 would result in the depletion of 12,157 million m<sup>3</sup> of ground water by 2010. However, the growing gap does not imply proportional and regular impact among the various regions and water basins. Over-extraction reaches between 250-400% in some regions such as Taiz, Sa'dah, Sana'a and Abyan.

### **1-4 Qat and its Socioeconomic Effects**

Since early 1970s, chewing qat has spread considerably among people in every group and region, including women and students. Its cultivation has therefore expanded greatly during last decades. Further, qat is a crop that resists the semi-arid climate, and its return per hectare is more rewarding than any other cash crop, in addition to the availability of outlets all year long.

#### **1-4-1 Qat Cultivation**

Agriculture statistics show expanding qat acreage constituting 9% of total cultivated land in 2000 and representing an increase of 35.3% from 1989. When qat cultivation is irrigated, its cost exceeds that of coffee by 1.4 fold, grapes by 1.1 and sorghum by 2.3. Its net return per hectare is higher than that of those crops by 16.2 folds, 13.1 and

74.4, respectively. In 2000, qat cultivation is estimated at YR 58 billion, constituting around 6.3% of the non-oil GDP and 30% of agriculture production.

#### **1-4-2 Qat and Health**

Above all, qat has grave negative effects on health, especially on the neurology system and psychological well being of its consumers. Qat chewing leaves some physiological effects such as high blood pressure, stomatitis, esophagitis, stomagasteric acid, constipation, anorexia, hepatitis, and sexual latency.

#### **1-4-3 Qat cultivation and Irrigation**

Each hectare of qat requires between 600 m<sup>3</sup> to 12,000 m<sup>3</sup> annually. Further, qat cultivation has degrading effects on the environment due to the excessive use of pesticides and chemical fertilizers, which lead to the accumulation of chemical residues on the soil and surface water, thus representing hazards to humans and to all creatures.

### **1-5 Weak Government Institutions**

Yemen has declared its commitment to democracy and called for people participation in drawing policies and in the move towards administrative decentralization, in cooperation with the private sector and civil society. Still, many chronic obstacles and shortcomings relating to the justice sector and the spread of corruption remain, thus straining the process of development.

#### **1-5-1 Over-Sized Public Administration**

To tackle issues of backwardness, poverty and ignorance, the subsequent governments have been the sole providers of basic services in the country since the 1960s. Thereby, public administration has grown to include 1,107 administrative units and branches. The situation has been aggravated due to the merger of the two civil services of the former parts of Yemen. Moreover, the return of 800 thousand Yemeni migrants in 1990-91 as a consequence of the Gulf War exacerbated the situation further as the Government had to employ many of those returnees. The Government was also compelled to cope tolerantly with the outcome of the secessionist war in 1994.

The civil service wage bill reached to almost 13% of GDP and to 35% of total public expenditure in 2000. Nonetheless, real average wage had lost two-thirds of its 1990 value, although increased in nominal terms from YR 1,387 per month in 1990 to YR 4,385 in 1995.

#### **1-5-2 Corruption**

In view of the deficient execution and application of laws and regulations, and the lack of an integrated public administration, corruption has spread in many forms. Low pay, excessive centralization, duplication of administrative efforts, weak disciplinary measures and accountability, and absence of a rewarding system and accountability;



have all contributed to the chronic corruption of the civil service system. Hence, civil servants would subject the processing of clients' requests to tardy and confusing procedures, to get extra money as compensation for the low salary they get. Hence, those who are not capable of paying bribery, mainly the poor, are victimized by such system.

### **1-5-3 Supervision, Auditing & Justice**

Deficiencies in the role of the state have not been limited to administrative aspects alone, but extended to the role of supervision and auditing. Control and supervision have become ineffective. Civil service efficiency is clearly tied to the potency of the judicial system, which has remained deficient. In the past years, the Judiciary encountered many constraints that are centered on codifying, drafting and updating the existing laws and regulations to respond to the new role of the state. Moreover, the judicial system suffers from insufficient and unqualified caliber and prolonged processes.

## **Introduction**

The challenges confronting the development of the country need to be tackled through a long period of time, while allowing medium term plans to ensure revisions, monitoring, follow-up and evaluation. Hence, Yemen's Strategic Vision 2025 has been drawn considering those major challenges as well as the various social, economic and political factors. Moreover, to achieve the objectives of the Vision, all socioeconomic, political and cultural efforts are to be coordinated at all levels, i.e. private and public, national and regional, central and local. All participants should be brought under a consensus of a common perspective that focuses on designating goals and people's long term aspirations in all walks of life. Those goals and aspirations should be built in accordance with the cultural texture of the country and agenda, irrespective of changing political roles and terms.

## **2-1 Guidelines and Framework of Yemen's Strategic Vision 2025**

Yemen's Strategic Vision 2025, for the next 25 years, will be aiming at improving human development and raising the living standards to ensure a decent and dignified life for all Yemenis. Those goals need to be correlated and associated with increasing incomes and diversification of sources of domestic production. Hence, this cannot be realized without a holistic approach towards development that considers the social, educational, cultural, and political dimensions. Within this context, formulating Yemen's vision, has aimed at moving Yemen to the status of countries with middle human development, with a diversified economy, and social, scientific, cultural and political development.

### **2-1-1 Yemen's Vision to Achieve the Economic Goals and Objectives**

To reach the status of middle human development, Yemen has to accelerate its economic growth to an annual average of at least 9% during the first quarter of the new century. Acceleration of growth should also go hand in hand with controlling the high population growth. The national economy should achieve -at least- an annual per capita GDP growth of 2.5% in the initial years. Local and foreign investment should increase simultaneously. Achieving such economic growth depends mainly on fulfilling higher contributions of the non-oil sectors, in addition to the suitable selection of development options and priorities and the efficient management of resources. Yemen's economy cannot rely extensively on one dominant sector like oil, whose sizable increase has certainly contributed to GDP and public revenue. Yemen should identify its potential sectors that would form the basis for a diversified economic development.

## 2-1-1-1 Sources of Growth and the Potential Sectors

### 2-1-1-1-1 Developing Coastal Regions

One of the major challenges to development is noted by the fact that cultivated land in Yemen is severely limited due to the dominant arid climate and scarcity of water, aggravated by high population growth. Further, population density is higher on the relatively fertile land of the mid-high plateau where water resources are under constant exhaustible extraction. The coastal line that extends from Meidi in the north to Houf (Al-Mahara) in the east presents a feasible solution to the demographic predicament in Yemen. The coastal line shows potential for a wider scope of activities, services and natural resources that would create a balance in population distribution.

### 2-1-1-1-2 Accelerating Industrial Progress

Industrial progress is a strategic option for economic growth in Yemen to ensure transition to the ranks of middle-income and rapid growth economies. The objectives of expanding the industrial base, diversifying products, improving product quality, encouraging industrial creativity and innovation and exploiting natural resources, would require highlighting them and placing them in the heart of the development plans. Establishing modern industries based on the comparative advantage of natural resources and abundant labor would open new horizons to increase income and create jobs. However, this cannot be achieved without Government's support to establishing industrial zones with the necessary facilities and services. The current high cost of production will thus decline and hence improve local products' competitiveness.

### 2-1-1-1-3 Encouraging Extracting Industries

Yemen has a reasonable oil and gas wealth. To strengthen the sector's contribution to economic growth, concessions for exploration and exploitation should be expanded to cover most of the country including the marine territory. Investments in gas should aim at increasing its local consumption and particularly in the power sector to enhance generated electricity capacity and assist in establishing industries that demand large power needs. Long term and integrated plans should be set forth to export gas in light of growing reserves. The primary sector is a source of hard currency to the economy, an engine for job creation and an impetus for reviving the rural economy. Therefore, national and direct foreign investments are to be encouraged for venturing in the sector.

### 2-1-1-1-4 Developing and Rationalizing Agricultural Activities

Agriculture will remain in the coming years the major economic activity for a great portion of the population. However, in light of rationalizing water uses, agriculture's role is to be reconsidered taking into consideration the impact of other factors and determinants in the sector. A plan should be drawn to develop agriculture produce and orient its activities towards income generating activities outside farms and in rural and urban areas alike, leading to rationalizing water consumption and conserving the underground water basins. Water harvesting should be expanded while improving traditional irrigation techniques and introducing new irrigation methods. Further, new

crop substitutes should be introduced to replace qat cultivation such as coffee, potatoes and others that are economically feasible and exportable, in addition to encouraging green house vegetation and horticulture.

Notwithstanding the aspirations of a minority of the population to eradicate qat plantation and live in a “ Yemen without qat”; a realistic approach would require seeking a balance between developing the rural economy on one hand, and restricting the spread of qat plantation and its other adverse effects through gradual measures on the supply and demand sides, on the other hand. Thus qat cultivation can be controlled and consumption reduced, based on cooperation between the whole society, i.e. individuals, groups and organizations.

#### 2-1-1-1-5 *Balanced Exploitation of Fisheries*

The fishery sector is one of the country's potential sectors. Yemen's location and long coastal lines extending from the Red Sea to the Arabian Sea and the Indian Ocean, as well as its scattered islands provide great marine wealth, aquatic catches and fisheries. The potential of fish and marine life culture and particularly species of high commercial value is enormous due to the warm waters around the year and its labor-intensive nature.

#### 2-1-1-1-6 *Tourism Industry*

Investments in the tourism sector shall open a new and wide horizon that assist in resolving the unemployment problem. Yemen's resources permit developing the ecological, historical and cultural tourism as well as expanding beach resorts to promote tourism in the coastal areas, mountains and even in the deserts. Thus, Yemen should witness a great leap towards completing its infrastructure while the private sector indulges in tourist projects like hotels, restaurants, tourist villages and complexes, scuba diving centers and tourist transportation. When the infrastructure and the tourist services are completed, tourists may increase to around two millions a year, with a return amounting to \$2-3 billion by 2025.

#### 2-1-1-1-7 *Globalization and Exportation*

Orienting economic development towards exportation should be the strategic option for Yemen to attain economic growth. Yemen should make steady progress to liberalize its economy and trade relations with the GCC, the East African countries and the Indian Ocean countries. Those regions represent viable markets and feasible outlets for Yemeni products. Further, globalization is inter-related with the growth of foreign direct investment. However, foreign direct investment in non-oil sectors in Yemen is very low and sometimes non-existent.

Yemenis need to be persuaded and attracted to invest in their homeland. This would be possible through creating a friendly investment environment, which would include simplifying procedures, enforcing rule of law, and improving measures to safeguard land titles and property rights. When an appropriate investment-milieu is created, investments of Yemeni migrants all over the world whose total wealth is estimated at \$20-30 billion will start coming to the country.

#### 2-1-1-1-8 Yemen's Geographic Location and The Free Zone

The Government has made significant progress in developing the economy vis-a-vis the world markets, through diversifying sources of income, promoting exports and utilizing the strategic location of Aden port. To enhance integration in the world economy, Yemen has already completed the initial phase of the Aden free zone project. More efforts are to be exerted to face competition from other free zones in the region. The country should make use of its geographic location and population characteristics that are suitable to expand investments and economic activities. Thus, in accordance with the Government's plans and policies, other free zones in Socotra, Hodeidah and Al Mukalla should be established, transferring Yemen to become a regional and international center for industry, trade, transit, storage and shipment activities. This will ensure creating job opportunities and increasing incomes.

#### 2-1-1-2 Economic Growth Requirements and Conditions

##### 2-1-1-2-1 Partnership between the State and the Private Sector

Achieving the goals of Yemen's Strategic Vision 2025 requires redefining the roles of government and that of the private sector in all economic spheres. This futuristic perspective depends on the private sector as the main economic arbiter, on strengthening competition, and enabling the national and foreign private sector to invest in new fields including infrastructure projects. The Government must ease out all difficulties and barriers that are manifested in the weak infrastructure, the insufficient financial arrangements and lack of security. Besides, it ought to maintain inflation at a controlled level, while stabilizing the local currency's exchange rate.

##### 2-1-1-2-2 Modernization of the Civil Service

To achieve economic development, Yemen ought to establish a modern and efficient administrative system by restructuring civil service institutions in response to the state's new roles and functions. Also efforts should be directed toward enhancing the organization role through revising and updating laws and regulations, in addition to simplifying procedures and eradicating corruption. Delegation of authority from the center to local authorities must be institutionalized and relations ought to be clarified and coordinated to enhance local administrative functions. Moreover, the legal system should be reformed, empowered and strengthened to facilitate the litigation process and law enforcement. Likewise, land registration must be strengthened and developed.

##### 2-1-1-2-3 Economic Growth and Poverty Alleviation

During The FFYP, the Yemeni economy witnessed significant achievements that are substantially reflected in many economic indicators. Economic growth in the same period averaged 5.5%, which is less than the required growth to improve living standards and reduce unemployment. A proper strategy is to be defined and implemented, aiming at ensuring sustainable growth and equitable income distribution, expansion of job opportunities, increasing social expenditures according to the set priorities, and expanding poverty alleviation projects.

Yemen's vision aims at halving food poverty by 2015, and achieving its total eradication while reducing the upper poverty line to less than 10% by 2025. In the

same vein, Yemen's vision foresees a strong social safety net by expanding the base for micro projects that provide job opportunities for all people. Additionally, the safety net will be directed towards more community participation in designating and implementing local projects. The Vision highlights the needs of the deprived and marginalized groups while emphasizing the importance of adopting criteria to ensure justice and rights of those groups.

#### 2-1-1-2-4 Environment Protection

Degradation of the environment imposes a burden on the present and future generations. Besides, environment conservation is associated with economic development, therefore, Yemen has to protect its natural resources, particularly through enhancing water management, soil conservation, industrial hard waste management, and implementing measures to protect the sea and the coastal regions from contamination. In addition, surveys should be conducted to study the climatic impact on desertification, the mountainous terrace erosion, bio-diversity and deforestation. Moreover, Yemen has to develop wastewater treatment, recycling plants and other environment-oriented projects. In addition, it should encourage the manufacturing of products that assist in protecting the environment.

#### **2-1-2 The Perspective of Yemen's Vision in the Social Field**

Human development aims at empowering the people with the necessary skills and capacities that would expand their options, improve their living standards and open a wider horizon for participation in decision-making, within an environment where stability and social justice prevails. Social concerns have been reflected in Yemen's Strategic Vision, where the focus has been on reducing population growth to 2.1%, at the same time when internal migration should be directed towards the coastal regions. Also, special attention will be geared to child and maternal care, and to providing necessary health and social services to the disabled and the elderly. Gender gaps will be narrowed to provide women equal access to health, education and economic activities.

Public and private investments constitute the main resources to provide and develop health care at its various levels (primary, preventive & curative), which is essential to achieve social development and to prepare people to acquire knowledge and skills. Improving health services, particularly in rural areas, would require coverage to reach 90% of total population by the year 2025, with special focus on primary health care, reproductive health, immunization and spreading health awareness among the population to assist in achieving a sharp decline of maternal and infant mortality. Simultaneously, Yemen's vision foresees declaring Yemen free of epidemics such as malaria, tuberculosis, and other parasitical diseases.

However, not much can be achieved without the synchronized efforts and campaigns to eradicate illiteracy through educational programs that would empower the individual to practice her /his rights, civic duties, and pay due respect to work. Literacy campaigns are at the heart of the Vision 2025, and illiteracy is expected to decline from the current 56 % to below 10%. Despite the expansion of education horizontally during the last three decades, enrolment in basic education has not exceeded 61.4%, with wide urban/rural disparities (85.4%, and 57.4% respectively),

as well as gender gaps favoring boys over girls (77.2%: 43.9%). Yemen's vision aims at restructuring the education and training sector to make it respond to the scientific and technological changes and to developments needs, while emphasizing its complementarity.

### **2-1-3 The Perspective of Yemen's Vision in Science and Technology**

Yemen has the basis for a science and technology net. However, it needs restructuring and developing as well as establishing its legal structure. Education and training are required to be oriented more towards science and technology. The science and technology net should also be supported and enhanced in order to generate a national innovation system, in a manner that would be able to achieve real economic development represented in diversity, growth, creating jobs, and integrating in the world economy. Such goals require the formulation of a national science and technology strategy, and the establishment of an entity that would implement the strategy, coordinate, monitor and activate relations with intrinsic sectors such as education, training, research and development, and the production and service activities.

### **2-1-4 The Perspective of Yemen's Vision in Culture**

To achieve cultural development goals during the next quarter of the century, Yemen looks forward to establishing institutions capable of maintaining and developing the cultural heritage, conserving historical monuments and sites, in addition to supporting the national archives and documentation system that will be accessible to all scholars and researchers as well as to government officials. Such endeavor will provide cultural learning opportunities to support good civic attitudes, tolerance, cooperation, altruistic behavior and national pride. The cultural dimension of development should be given special attention, while substantiating it through encouraging people's participation and raising awareness as integral factors of sustainable development.

### **2-1-5 The Perspective of Yemen's Vision in the Political Field**

Yemen's rebirth, during the next phase, is determined by consolidating the achievements and accomplishments, which the country has ascertained. Also, the political system and the democratic trail in Yemen should take further steps arriving at the phase of mature democracy and stability. In its political scope, Yemen's Strategic Vision 2025 aims at transforming the country from an emerging democracy to a mature stable democracy. Hence, the sociopolitical mechanisms such as the multi-party system, peaceful political hand over of government and human rights should be strong enough to ascertain political development, parallel to economic progress. Yemen's foreign policy should be also geared toward stability and political development.

## **Introduction**

The Second Five-Year Plan (SFYP) represents the first circle in the chain of plans interpreting and implementing Yemen's Strategic Vision 2025, and the first initiative to set objectives, targets, policies and measures that lay the foundations for the attainment of the Vision's goals and aspiration. Evaluating the performance of the national economy during the FFYP (1996-2000) coincides with completing an important phase of the Economic, Financial and Administrative Reform Program (EFARP), and at the end of the period of Enhanced Structural Adjustment policies (1998-2000), as well as when entering a new phase of EFARP that aims at achieving economic growth and poverty reduction.

### **3-1 Real Sector Indicators**

#### **3-1-1 Economic Growth**

Data indicates that real GDP has increased on average by 5.5% during the FFYP against a planned 7.2%, at an achievement rate of 76%. Such achievement should not be undermined given the conditions and the drastic changes resulting from the implementation of the EFARP and its policies of a stringent nature.

The economy's growth has been affected by the oil sector, which kept fluctuating in response to international demand and unstable oil prices. Nevertheless, domestic oil production increased by an annual average of 7.7% vis-a-vis 5.1% average growth for non-oil GDP. Some economic sectors have lagged behind the SFYP targets; as average growth did not exceed 2.2% in transportation, storage and telecommunication, 2.6% in manufacturing industry, while oil refining fell by 1.4%. Conversely, other sectors' growth surpassed the planned targets such as construction (12.7%), fisheries (12.3%), oil and gas (7.7%). The remaining sectors managed to reach levels close to their planned targets, though with limited impact on the overall growth.

#### **3-1-2 The Production Structure**

The level of growth in the various sectors is reflected in their contribution in GDP on one hand, and in the share of the sectoral groupings on the other hand. However, the slight change in the contribution of some sectors in GDP has not led to drastic shift in their shares over the period of the FFYP. This implies that the national economy has not witnessed changes in resource allocation among the sectors nor in any other factor that would lead to serious changes in the production structure.

#### **3-1-3 Macroeconomic Balances**

Macroeconomic indicators have shown significant improvement as a result of the EFRAP. Final consumption increased at an average nominal rate of 13.2% compared with 22% for GDP and 10.4% for inflation. This led to reducing private final consumption as a percent of GDP from 83.8% in 1995 to 68% and 57.8% in 1999 and



2000, respectively. In turn, investment and exports increased respectively from 22.1% and 21.9% of GDP in 1995 to 24.6% and 36.3% in 1999. In the following year, gross investment declined to 19.2% while exports continued growing reaching 50.5%; thereby leading to reducing the domestic demand gap from 20.4% of GDP to 6.4% in 1999, and eventually moving to a surplus in 2000.

### **3-1-4 Investment and Sources of Financing**

Investment figures indicated a large increase of an average 18.6% in current prices during the period. Nevertheless, its ratio to GDP declined from 22.1% in 1995 to 19.2% in 2000, which has been reflected in cutting total investment during the FFYP by 32.5% of the planned, thus, adversely impacting basic infrastructure projects, the provision of basic services, the expansion of production capacity and the increase in job opportunities. Moreover, domestic private sector's share in total investment did not exceed 49.7%, which represents 12.1% of GDP.

The increase of investment expenditure from 11.5% of total public expenditure in 1995 to 15.7% in 2000 reflects the fact that the government has been the major source of financing with a share of 47.5%, against 37% for external financing and 15.2% for self-financing projects and programs. Indicators also show the continued reliance of infrastructure and basic services projects on government and external financing with limited recourse to self-financing for public sector's projects. Further, the banking sector's financing has been very weak with a share of 0.1% of total investments.

Investment allocations from the public budget and other external sources during the FFYP reached 75.6% of the planned, whereas actual investment fell to 81% of those allocations and 60.5% of the planned. Shortcomings in investment have been due to shortfalls in the implementation of externally financed projects, where the achievement rate declined to 41.2% during the Plan's period compared with 91% for government-financed projects and 74% for self-financed projects.

### **3-1-5 Disposable National Income**

Disposable national income in current prices has doubled during the FFYP as a result of achieving an average growth of 17.4%. In real terms, it managed to increase by an average 7%, given an average inflation rate of 10.4% during the period. Such rate of growth is satisfactory even when considering the high population growth of 3.5%, as it will still leads to an improvement by an average of 3.5% in the living standards.

## **3-2 Fiscal and Monetary Indicators**

### **3-2-1 The Public Budget**

Macroeconomic policies have made significant progress in the public budget field by gradually reducing the budget deficit and achieving a surplus in the last two years of the FFYP. The fiscal deficit of 5.2% of GDP in 1995 was turned into a surplus in the late years of the Plan, though its trend has not been steady over the whole period due to fluctuating world oil prices. Although oil revenues continued to increase its share in total revenues, the fiscal policy nonetheless, has aimed at reducing the budget deficit through increasing revenues and diversifying its sources on one hand, and through

rationalizing public expenditure on the other hand. Financing the budget deficit was from real sources such as treasury bills except for 1998 when world oil prices took a plunge to very low levels.

### **3-2-1-1 Public Revenues**

Total public revenues increased from YR 93,314 million in 1995 to YR 585,743 million in 2000, at an annual average of 44%, leading to increasing its ratio from 18.3% of GDP to 42.5% during the same period. Oil revenue maintained its dominance in the public revenue structure; evidently increasing its contribution to 76.1% in 2000 compared with a modest 25% in 1995. In contrast, the share of taxes declined drastically, particularly the indirect taxes that fell from 33.4% to only 10% during the same period due to continuous loss of customs duty's importance.

### **3-2-1-2 Public Expenditure and its Allocation**

During the FFYP, public expenditure focused on constraining wages and salaries, rationalizing investment expenditure and limiting it to social priorities and infrastructure, and finally reducing current and capital transfers to public enterprises. Capital expenditure made great leaps by achieving an average growth of 41%, thereby increasing its share from 11.5% to 15.7% of total expenditure. While the small decline in spending on government's contribution to public enterprise has reflected the slow privatization process, the increase in debt servicing indicates the improvement in Yemen's creditworthiness specially after entering debt rescheduling at the "Paris Club".

The structure of expenditure, its priorities and the sufficiency of financial resources to meet priority needs have been crucial to resource allocation policies. Notably, public services have become less important, in addition to changing priorities within the group. The structural change in the functions of the budget can be seen from the decline in the share of defense, security and public order, and the inclination to deal seriously with the major development challenges in education, health and social services. The latter are the sectors most related to developing human basic structures. Those sectors have drawn 33.8% of public expenditure in 2000, against 31.9% in 1995. Education has had the largest share, though the health sector's share grew by 23.7% over the period reaching 4.7% of public expenditure. At the same time, the importance of economic services has doubled especially through investing in electricity and water, which represented 24.2% of total public investments during the FFYP, followed by construction, housing and urban planning (18.2%), and transportation (9%).

## **3-2-2 Monetary Policy**

### **3-2-2-1 Money Supply and Prices**

Money supply increased from YR 248,265 million in 1995 to YR 474,525 million in 2000, achieving an average growth of 13.8%. Nonetheless, its ratio to GDP declined from 48.6% to 34.4% during the same period, as nominal GDP grew by an average of 22%. Inflation dropped drastically from 54.4% in 1995 to a low 2.5% in 1997, then increased to 8.7% in 1999 and returned to 3.9% in 2000. The average inflation of

10.4% over the period has contributed to falling living standards, as price increases were mainly pertinent to basic goods and services.

### 3-2-2-2 Interest Rates

Although interest rates are not only controlled by prices and inflation but also by other variables such as treasury bills, data indicate that changes in interest rates have been consistent with the inflation trend. Liberating interest rates at the beginning of 1995 resulted in higher rates on saving deposits and on commercial loans to 20% and between 25-30%, respectively. However, over the FFYP, interest rates kept fluctuating between 11-25% on saving deposits and between 15-32% on commercial loans, though in general both took a downward trend.

### 3-2-2-3 Exchange Rate

Since floating the Yemeni rial in July 1996, the monetary policy has aimed at achieving relative stability of the domestic currency against other foreign currencies. Subsequently, the official value of the rial fell from YR 25 per dollar in 1995 to YR 161.7 in 2000, at an average loss of 45% per annum. At the market, the value of the rial went down from YR 121.7 per dollar in 1995 to YR 161.7 in 2000, at an average decline of 5.8%.

## **3-3 The External Sector**

The exposure of Yemen's economy to the external world increased from 64.1% in 1995 to 91.9% in 2000. External financing to the development process during the FFYP has reached 35%, while oil revenues increased to a peak of 76.1% of public revenues in 2000. Evidently, those indicators highlight the reliance of the Yemeni economy on the external sector, and the weaknesses of both the production and tax structures, leading to imbalances that adversely impact the overall socioeconomic conditions.

### **3-3-1 Balance of Payments**

The balance of payments improved from a deficit of YR 10,103 million (2% of GDP) in 1995 to a surplus of YR 231,824 million (16.9% of GDP) in 2000. Rescheduling external debt accounted for the improvement in the capital account, while increases in oil revenues contributed to increasing the current account's surplus; hence surpassing the plan's targets.

#### 3-3-1-1 Current Account

Whereas the trade balance achieved a surplus during the FFYP, the growing deficit in services and income transfers has eroded much of the surplus in the current transfers, hence limiting the current account surplus that could have been achieved, which rose in absolute value from YR 4,746 million to YR 181,348 million (from 0.9% of GDP to 13.1%). The trade balance surplus supported the increase in commodity imports by an annual average of 21.5%, against an increase in exports by an average of 46% during the same period. Those increases were partially attributed to liberating the

accounting customs exchange rate; nevertheless they also reflect that oil exports are the dominating factor for export growth.

### 3-3-1-2 External Debt and Foreign Reserves

By adopting the EFARP, obstacles facing rescheduling Yemen's external debt were removed. Yemen has successfully rescheduled its foreign debts in Paris Club and according to Naples Principles. External debt has been reduced from \$10,530 million (250% of GDP) in 1995 to \$4,483 million (65% of GDP) in 1997. With new loans, Yemen's external debt increased to \$4,943 million in 2000 although continued to fall as a percent of GDP (58%). Banking sector's external assets expanded considerably during the FFYP, increasing foreign reserves from \$319.7 million to \$3,013 million at an average growth of 56.6%, which is equivalent to increasing import coverage from 2.2 months to 10.2 months.

## **3-4 Institutional Structure and Administrative Reforms**

The FFYP has concentrated on reorganizing and rationalizing the functions of the state through restructuring public administration, promoting institutional capabilities and upgrading public activities and programs. Eventually, it has aimed at enhancing the role of the private sector and limiting public services that can be provided by the private sector. To combat corruption, the state took steps towards strengthening monitoring, ensuring transparency and enhancing mechanisms for collecting public revenues. Furthermore, it has issued laws and regulations to empower the fiscal and administrative decentralization, in addition to delegating authority to local levels. Similarly, the civil service law has been activated along with applying new policies, mechanisms and procedures that ensure equal opportunity to acquire a public post, and at the same time prevent over-staffing and improve qualification.

### **3-4-1 Administrative Reforms and the Civil Service**

The unification process of the two parts of Yemen encountered many impediments, whose adverse effects continued over the FFYP such as merging the identical institutions and ministries that existed in the former two parts. Also, Yemen's public administration is characterized by being overstaffed and lacks skilled manpower. In addition, wages and salaries take up more than one third of public expenditure. Public administration still suffers from prolonged and cumbersome bureaucratic procedures and absence of an effective accountability system, which contributed to spreading corruption in the financial and administrative systems.

In this context, the Government approved a strategy for modernizing the civil service, starting by undertaking a civil service survey to establish a credible database and to diagnose the imbalances in the system. Concurrently, some steps were taken to rationalize the employment policy including removing double dippers and ghost names, transferring those entitled to retirement to pension schemes, replacing expatriates by Yemenis, and adopting recruitment through contest while decentralizing positions and staff distribution.

To complete modernization of the civil service, the Government has recognized the importance of restructuring and reorganizing its structures and procedures. It has

taken several measures pertaining to the financial management and the public budget, which helped in the preparation of a unified budget in 2000, in addition to the implementation of a new system that improves monitoring and reduces financial and administrative corruption. At the same time, the government approved the Local Authority Law, which represents a qualitative leap in public administration leading to delegating authority to local levels that will be held accountable to perform their duties and functions.

### **3-4-2 The Justice Sector**

The FFYP has pointed out to the shortcomings of the judicial system. Many judicial institutions lacked the legislation and regulations that organize operations and identify duties and responsibilities. Despite some improvement in the judicial system, it continues to reflect some distortions; most important are inadequate human resources, insufficient financial resources, deficient structures and outdated operations. These characteristics are constraining the system from operating smoothly and efficiently.

### **3-4-3 Ensuring Security and Stability**

In view of accelerating socioeconomic changes, security schemes over the FFYP have concentrated on expanding and spreading security apparatus through increasing police stations, emergency police cars and traffic controls in all major cities. Likewise, special attention was given to the provision of necessary equipment and training of personnel in the fire departments. Furthermore, security services at the naturalization and the immigration department have been upgraded with the installation of a computerized system and the adoption of a management information system, in addition to the issuance of identification cards with thumbprints.

### **3-5 The Environment**

Because of the pervasive contamination and deteriorating natural resources, environmental issues have started to take a new dimension through adopting the concept of environment management. While the environment is associated with various human activities, the FFYP has been concerned with preserving and conserving the ecological balance. The environment has been recently recognized as an integral factor of growth and sustainable development, hence the Government has established an “Environment Protection Council” and issued a law on Environment Conservation. Further, it has established special institutions with mandates on the various environmental issues, particularly on conserving water resources, coastal regions and natural habitats, ensuring proper management of hard-waste, toxic and hazardous waste, and monitoring air pollution.

## **Introduction**

The SFYP has been considered, to a large extent, a continuation of policies and strategies of the FFYP. Both plans are aimed at rationalizing the utilization of the limited natural resources, achieving higher economic growth, increasing the share of the production sectors in GDP, developing human resources and improving performance. Moreover, the SFYP has been set out at establishing a framework that aims at supporting and adjusting the structure of the national economy towards diversifying the production base. Focus has been also given to the potential and promising sectors, in addition to highlighting the poverty reduction policies as a priority that cannot be delayed.

### **4-1 Development Challenges**

Long series of distortions and imbalances have constituted major constraints limiting Yemen's capacity to take further steps toward socioeconomic development. The internal constraints are presented in the followings:

- **Water scarcity:** Yemen is one of the most water scarce countries, which is largely attributed to low rainfall. Growing demand coupled with limited supply leads to water deficits, which in turn forces going down to lower water tables, especially in some regions such as Taiz, Sana'a, Sa'dah and Rada where the underground water is over exploited at a rate that threatens depleting their water aquifers.
- **High population growth:** reaching 3.5% per annum vis-à-vis limited economic resources, thus increasing the percentage of consumption in the economy and restricting the existing capabilities of saving and investment.
- **Unemployment:** the overall unemployment rate has reached around 37% of the labor force, constituting 11.9% of unemployment and 25.1% of underemployment. This high unemployment is attributed largely to high labor force growth of 4.3% per annum.
- **Low human resources development:** which is reflected in high illiteracy rate, low enrolment in general and technical education and unresponsive curriculum and training programs to the scientific developments and labor market needs.
- **Growing Poverty:** in both lower and upper poverty lines, which have increased to 27.3% and 34.9%, respectively.
- **Fragile infrastructure:** reflected in the existing roads, water and sanitation services, electricity, telecommunications, education and health services, etc. This infrastructure does not meet the requirements to improve living standards nor enhance development links of economic activities and investment.
- **Backwardness of the national science and technology schemes:** represented in low number of higher education graduates in the field of science and technology, and limited research and development activities, in addition to weak ICT infrastructure and the high cost of accessing it.

The external challenges include the following:

- **Preparing the Yemeni economy to face the winds of globalization** and to integrate into the world economy on competitive and fair basis, especially as the country is heading to join WTO membership.
- **Economic integration and cooperation:** within the framework of regional, Arab, and Islamic economic blocs, in order to maximize gains from integrating into world economy.
- **Benefiting from the information and technology revolution:** which has created drastic changes in economic equations and relations, hence effecting economic activities and growth. The combination of human thought and information technologies has become principal and integral factors for achieving economic growth, investment and foreign trade.

#### **4-2 Pillars and Basis for the Socioeconomic Development Strategy**

The socioeconomic development strategy rests on the following essential pillars and basis:

- 1- Development of the Yemeni human resources: which brings human development to the forefront of development through upgrading manpower capabilities, promoting productivity and achieving sustainable development.
- 2- Achieving economic stability and diversifying the economic base: that is essential for the development of the various sectors in the national economy. Hence, promoting economic sectors such as small scale and traditional industries, non-oil extracting industries, fisheries and tourism will bring about economic stability and ensure sustainable growth.
- 3-Enhancing partnership and expanding the role of the private sector: as one of the major objectives set forth by Yemen's Strategic Vision 2025 to enable the private sector to take the lead role in achieving socioeconomic development in its various aspects and directions. Partnership requires preparation of all legal and institutional factors, in addition to adopting appropriate policies and measures that provide the means for the private sector to take such role.
- 4- Improving investment attractiveness and upgrading competitiveness of the national economy, which have become requisites for attracting capital, technology transfer and integration into the world economy on equal-footing.
- 5- Orienting economic activities toward exporting: in order to surpass limitations of the domestic market and respond to foreign trade liberalization and integration into the world economy.
- 6- Good public administration and decentralization: which have to be sought as soon as possible as a framework for enhancing partnership with the private sector.
- 7- Development of national scientific and technological capabilities: through qualifying specialized Yemeni elite in the various fields of science and technology supporting the national economy. It is equally important to give

ample consideration to the provision of all what it needs to upgrade those capacities and improve productivity.

- 8- Conserving the environment: that has been recently acknowledged as one of the main foundations for achieving socioeconomic growth. Besides, it has become an integral factor in ascertaining development sustainability in all sectors and production activities throughout the various phases of development. Furthermore, environment acquires its importance from constituting a viable dimension for all human activities and for creating a balance between population and nature.

### **4-3 Goals, Objectives and Policies**

#### **4-3-1 Goals and Objectives**

The SFYP aims at achieving economic growth, creating job opportunities, and ensuring socioeconomic stability, through working towards reaching the following objectives:

- 1- Achieving an average real GDP growth of 5.6% per annum, and 8% for non-oil GDP, in addition to increasing the share of the goods-producing sectors through accomplishing annual average growth rates within those sectors between 6.1% and 13%.
- 2- Encouraging local and foreign private sector investments, and increasing its share in total investment to around 58%, thereby expanding its activities in the national economy.
- 3- Increasing employment rates to absorb the annual addition in the labor force, while decreasing the existing unemployment in its various forms to 22% (9.5% unemployment and 12.5% underemployment).
- 4- Restricting the spread of poverty and alleviating its impact on the deprived and the poor segments of the society, through creating job opportunities and improving productivity on one hand, and providing social welfare cash assistance on the other, in order to reduce food poverty to 21.7%.
- 5- Maintaining a relatively stable public budget by increasing public revenues, improving efficiency of resource allocation, and containing the inflation rate around 4.9% for the whole period provided that it will not exceed 6% in any one year.
- 6- Establishing and activating a national innovation system based on the Yemeni scientific and technological grid. Its aims focus on developing national capabilities towards achieving economic growth, increasing employment and attracting investment.
- 7- Enhancing regional and Arab economic cooperation and integration, and maximizing benefits from joining the WTO.



### **4-3-2 Macroeconomic Policies**

Macroeconomic policies aim at correcting structural imbalances and ensuring balanced economic accounts such as savings and investment, balance of trade, balance of payments and the public budget, as well as solving other persistent problems in particular economic stagnation, unemployment, poverty and volatile exchange rate, etc.

#### 4-3-2-1 Fiscal Policy

Fiscal policy bears the brunt for achieving macro as well as sectoral goals and objectives set forth in the SFYP, through adopting and implementing the following:

- Managing the public budget through comprehensive and complementarily policies, and continuing to implement structural and institutional measures in the fiscal field according to the set program.
- Increase and mobilize local and foreign resources to finance public projects and programs.
- Restrict the growth of current public expenditure to levels that do not exceed GDP's growth; while at the same time increase public revenues, diversify its sources and control the budget deficit within a ceiling of 3% of GDP, in addition to limiting deficit financing to non-inflationary sources.
- Restructure the public budget in favor of investment expenditures and particularly in infrastructure, education and health services, while also increasing allocations for operation and maintenance and giving priority to existing projects.
- Basing the public investment program on economic and social feasibility, and on the complementarity of the projects to those of the private sector, especially in infrastructure.
- Upgrading taxation laws, implementing a simple and transparent tax policy, and expanding the tax base while abolishing biases against production and exporting activities.

#### 4-3-2-2 Monetary Policy

Over the years of the SFYP, the monetary policy should focus on the following:

- Expanding gradually in the monetary and credit policies, in light of eliminating investment barriers and improving the performance of the banking sector. Money supply is expected to grow at an average of 10.1% per annum. It is also important to ensure macroeconomic stability, particularly its monetary aspect in order to maintain low inflation, stable exchange rate and enhanced foreign currency reserves.
- Enhancing Central Bank's independence and strengthening its monitoring role over banking activities while also continuing to liberalize those activities, and establishing a stock exchange as well as developing the current mechanism for issuing treasury bills.

- Encouraging the establishment of financing institutions and specialized funds that contribute to the development of the various economic sectors as well as exports. Also, the SFYP aims at introducing special credit and financing programs to grant soft loans to productive families, women and the poor.
- Completing the implementation of the financial sector reform, particularly the restructuring of the public and mixed sector's banks, in addition to creating an environment that is conducive to increasing savings, credit and investment.
- Initiating a new round of external debt rescheduling in "the Paris Club" in 2001, while curtailing government's recourse to foreign commercial borrowing, and completing the establishment of an interlinked central management system.

#### 4-3-2-3 Foreign Trade Policy

Foreign trade has come to play new roles and achieve new objectives, through which it contributes to the fulfillment of income and production growth targets of the SFYP; these include:

- Maintaining the improved position achieved in the current account and the balance of payments through the continuation of the structural reform policies, trade sector reforms, foreign trade liberalization and achieving equitable and fair integration into the world economy.
- Diversifying non-oil exports and increasing its share in total exports, particularly from the promising sectors, as well as enhancing competitiveness to provide consumption and investment goods and services.
- Establishing free trade and industrial zones, and strengthen their role in developing the national economy, as well as complete implementation of the remaining phases of Aden Free Zone while exploring the prospects of establishing other free zones.
- Continue to work towards Yemen's accession to the WTO by preparing the appropriate conditions to maximize benefits that should accrue to the economy from the membership including exemptions and exceptions granted to the LDCs.

#### 4-3-2-4 Investment and Employment Policies

The SFYP aims at confronting the dual challenge of poverty and unemployment by pursuing the following:

- Encouraging investments to absorb the annual increase in labor force and particularly in labor intensive activities such as agriculture, construction and small scale manufacturing, through providing incentives to labor intensive methods and technologies and encourage their settlement in rural areas.
- Continue to direct the Public Works Project to employ a greater number of labors in road construction, building small dams and water detentions and others. Similarly, the Social Fund for Development will continue to increase its contribution in productive families' activities, small industries and traditional craftwork, and in employing women especially in rural regions.

- Transferring allocations of the Social Welfare Fund gradually towards projects that develop the abilities of those capable of working after being trained to acquire appropriate skills. Such approach will be consolidated with providing soft loans to encourage establishing small projects.
- Correcting the imbalance that has resulted from incompatibility of education and training outputs with the labor market needs, and expanding employment offices to coordinate between the supply and demand of the labor force.
- Consolidating cooperation and complementarity links with neighboring countries to increase the share of Yemeni migrant workers in those countries, as well as explore new employment fields that correspond to improved skills of the Yemeni labor. In addition, investments of those countries in Yemen will be encouraged in order to increase job-opportunities within the country.

#### 4-3-2-5 Privatization and Public Enterprises Reform

EFARP has reflected the new economic directions that include privatizing the majority of the public enterprises (PEs), while reforming the rest according to competitive rules and mechanisms. Thus, the Government will adopt evaluation criteria for the PEs to determine which firms should be transferred to the private sector through privatization, in order to be more efficiently operated. Also, the new economic directions include encouraging the private sector to invest in infrastructure and service projects.

While the EFARP has explicitly mentioned privatization of the majority of the PEs, it calls for the liquidation of those that do not receive bids. Moreover, measures will be taken to improve performance and monitoring of the remaining PEs, and to lift subsidies in order to operate according to market mechanism. For this purpose, the Government has included some measures pertaining to early retirement, voluntary leave and a labor share in the privatized PEs, in addition to establishing the Civil Service Fund that will be responsible for retraining and distribution of the retrenched labor.

#### **4-3-3 Institutional Set up**

Yemen's Strategic Vision 2025 awards special attention to the institutional set up and the administrative reform, which constitute integral factors for "good governance" and around which other activities revolve. Hence, to achieve the SFYP's objectives in economic growth and poverty alleviation, a substantial progress ought to be realized in the institutional set up and the performance of the public administration. A great deal of economic and social problems falls within the domain of the public administration such as the budget deficit, mis-distribution of services, deficient application of technology and the degradation of the environment.

##### 4-3-3-1 Administrative Reform and Civil Service Modernization

The SFYP aims at continuing the implementation of the civil service modernization strategy, which has been designated toward establishing a modern public administration that provides public services sufficiently and efficiently, as well as enable the private sector to grow. The plan adopts a gradual implementation approach

in accordance to the strategy priorities and the institutional ability to make the change. Hence, it has adopted the following policies and measures:

- Terminating all forms of duplication, upgrading the civil service performance and giving up services that can be provided more efficiently by the private sector.
- Achieving competent management of human resources, increasing transparency and consistency of public administration procedures, as well as improving management systems and budget management.
- Initiating the process of consolidation and standardization of public administration procedures and operations as a basic step to facilitate codification, computerization and the application of information systems within the civil service. A broader networking with other government agencies, reflecting the comprehensive trend toward adopting information systems and modern telecom networks will follow.
- Formulating and applying job classification and description systems, adopting occupational criteria for recruitment, promotion and upgrading, while defining tasks and responsibilities in accordance with transparency, reward and punishment principles. Also, a wage and salary policy linked to job classification, performance and inflation will be introduced.
- Enforcing strict monitoring on administrative performance, recruitment and redistribution policies, rules of job termination; and activating administrative public prosecutors and courts, the Central Organization for Control and Audit as well as the inspection directorates to carry out their roles within the designated mandates.
- Completing the deletion of double dippers and ghost names and those who have been recruited from outside the civil service system. Also, the national occupational number will be introduced, the civil service fund will be activated and government recruitment will be limited to the needs of the education and health sectors, in addition to high-qualified personnel necessary for the purpose of economic restructuring.
- Supporting regular and middle-level training programs as well as those targeting information and communication systems to help in moving toward an e-government.

#### 4-3-3-2 Control and Audit

Yemen's Strategic Vision 2025 foresees achieving good governance, which requires a functioning control and audit system to support the principles of transparency and accountability. Hence, the SFYP focuses on upgrading control and auditing functions that will ensure efficient allocation and management of public funds, through pursuing the following policies and measures:

- Asserting independent decisions by the Central Organization of Control and Audit, and strengthening coordination and cooperation between this organization and the internal audit units in all ministries and government agencies.
- Promoting new controls and audit methods and mechanisms and consolidating them at the level of local units.

- Developing the skills and capabilities of the control and audit staff to improve performance and efficiency.
- Applying principles of accountability, reward and punishment, while empowering the administrative public prosecutors and courts to undertake their responsibilities.

#### 4-3-3-3 Local Authority and Decentralization

With the issuance of the Local Administration Law no. 4 of 2000, Yemen has made a great leap toward a new phase of organizing and administering social and economic development based on fiscal and administrative decentralization and community participation. The SFYP's policies in this regard have been set clearly to improving the conditions of citizens, providing a suitable environment for investing, creating job opportunities and increasing production and incomes while alleviating poverty, through the following policies and measures:

- Preparing the instrumental basis and conditions for the success of decentralization, and delegating fiscal and administrative powers according to the Local Authority Law, while strengthening roles of local councils in the governorates and districts to carry out their responsibilities.
- Asserting the principle of participation of local authorities in planning, implementing of service projects and public facilities, continuous monitoring and evaluation of the applications of the local authority system.
- Adopting broad training programs that respond to the needs of the local councils of various expertise and necessary qualification. It is also important to encourage competitiveness and undertake necessary measures to counter investment obstacles and barriers.

#### 4-3-3-4 Reforming the Judiciary

Through adopting and pursuing a set of policies and measures, the judicial authorities aim at completing the reforms to achieve the objectives that have been set out. Those objectives focus on consolidating independence of the judicial authority, modernizing and improving its structures and performance, and empowering the system to protect basic rights of citizens including freedoms. Shared policies and measures among all judicial institutions highlight the following:

- In compliance with the constitutional amendments, the judicial authority law needs to be modified in addition to having a law that organizes its budget as well as other regulations pertaining to streamlining the various arms of the judicial authority and its supporting agencies.
- Training and upgrading skills of decent judges, and advancing the performance of the judicial cadre and the administration as well as improving their work conditions.
- Simplifying court measures, shortening ruling processes in accordance with pertaining laws, enforcing court ruling through law enforcement units, and

modernizing methods and mechanisms to benefit from modern outputs of science and technology.

- Implanting judicial attitudes and traditions and sensitizing government agencies and the society at large to the importance and status of the judiciary.
- Enhance bilateral relations of the Yemeni judicial authority with its counterparts in other brethren and friendly countries as well as with organizations concerned with judicial affairs and human rights.

#### 4-3-3-5 Security and Ensuring Stability

The SFYP has adopted the enhancement of security and stability and maintaining law and order all over Yemen, through the implementation of the following policies and measures:

- Improving security services rendered to citizens and society, and advancing performance and preparedness of its forces and institutions.
- Concluding the structure of the security forces through establishing coast guards, justice and tourism police.
- Providing and modernizing equipment and facilities such as telecommunication, laboratories and information centers, etc.
- Strengthening the role of the civil records and the national number in facilitating and documenting citizen's dealings in general, controlling and continuous modernizing of the electoral registry, and generalizing issuing of identification cards and other vital documents automatically in all governorates.
- Developing capabilities of security forces by undertaking continuous rehabilitation and training programs, and giving consideration to the security cadre and preventive security.
- Augmenting security awareness and culture to portray good ties between the security forces and the communities they serve, in addition to strengthening relations with security apparatus in brethren and friendly countries.

#### 4-3-3-6 Environment Protection Agencies


The SFYP aims at reconsidering the institutional set up of the environment protection agencies, consolidating its role in preserving natural resources and combating current and probable features of environment degradation. Hence, new mechanisms and interventions are adopted as reflected in the following measures and policies:

- Restructure environment related agencies, strengthen their relations and coordination, activate the role of its institutions and complete issuing the necessary laws and regulations that seek to protect the environment.
- Adopt the environment as a principal variable for all investment decisions, production and consumption, as well as incorporate its domains in programs and activities in order to position it as a basic determinant in the planning process.
- Organize the utilization of all natural resources to meet the needs of the present and future generations.

- Combat all forms and practices of environment contamination, control its sources and eliminate its causes or at least restrict them.
- Activate programs for natural conservation parks and regions as well as preserve biodiversity.
- Advance environment awareness and culture campaigns addressing environment issues while involving the private sector, NGOs and local councils in taking responsibility of environment protection and ensuring requirements for environment safety.
- Upgrade skills and capacities of those working in environment protection and administration, and establish an environment protection fund to provide the necessary resources to combat contamination and to finance preventive programs.

#### 4-3-3-7 Science and Technology Institutions

Yemen has been in great need for a science and technology policy that would assist in utilizing the limited resources in high return activities. This would require establishing an institutional body and drafting a plan and a strategy for science and technology to specify adequate goals and objectives. The SFYP aims at formulating a national science and technology strategy and the necessary policies in accordance with the new directions set forth in Yemen's Strategic Vision 2025. Also, an administrative unit will be established to carry out that responsibility and to follow up on the consequent measures and steps. The SFYP will also undertake some urgent and explicit projects in an initial step toward building a science and technology policy, particularly in technologies pertaining to agriculture and fisheries industries.



## **Introduction**

Yemen's Strategic Vision 2025 has identified the main features for the process of socioeconomic development in the coming quarter of a century, whereas the SFYP has been prepared based on eight main pillars including the poverty reduction strategy framework. The general policies of the Plan concentrate on continuing support and consolidation of economic stability, achieving real growth and sustainable development, improving the state's financial position, diversifying the productive and income economic base, upgrading competitiveness of the national economy, improving the current account and the balance of payments, creating new job opportunities and increasing efficiency, supporting the promising sectors, increasing private sector's participation and efficiency and encouraging private foreign and national investments while vitalizing the privatization programs, upgrading performance of public administration, and finally developing the infrastructure and basic services, in addition to considering environment requirements.

### **5-1 Trend of GDP**

The SFYP aims at achieving an average real GDP growth of 5.6% per annum. Taking into consideration policies that target reducing population growth to around 3% by 2005, per capita GDP is expected to increase in constant prices from YR 75,276 in 2000 to YR 84,448 in 2005, thereby achieving an average growth of 2.3% per annum. This will partially contribute to the improvement of the living standards, creating job opportunities and alleviating poverty.

### **5-2 The GDP Structure**

The structural change that the SFYP seeks is to increase the contribution of non-oil production sectors as a percent of GDP in order to enhance the stability of the national economy. Hence, efforts will focus on developing the productive sectors, the efficient utilization of the available resources with emphasis on the promising sectors, encouraging a greater private sector role and advancing its competitiveness. Thus, for achieving a balanced growth while changing slightly the GDP structure, the SFYP expects increased contribution of the non-oil economy (goods and services) to real GDP from 66.3% in 2000 to 74.3% by the end of the Plan, which requires an annual average growth of non-oil GDP in constant prices of 8%.

The significance of the non-oil sectors lays in the fact that they represent major activities that alter and diversify the structure of the national economy as well as provide employment for local labor. Value added of the non-oil economy is expected to increase in constant prices from YR 914,343 million in 2000 to YR 1,346,500 million in 2005, hence reflecting an average growth of 8%. However, growth would vary among the major sectors comprising the non-oil economy, where goods producing group is expected to grow at a real annual average of 8.1% against 9.1% for the services sector and 4.7% for government services.

The SFYP relies in its endeavor to increase the share of the non-oil sectors on greater role and share of the private sector in the national economy. The Plan aims at augmenting the share of non-oil private sector in GDP and in total non-oil sectors



from %43.9 and 66.2% respectively in 2000 to 53.7% and 72.3% in 2005. In turn, the relative share of government's activities is expected to decline slightly during that period from 10.8% of GDP to 10.4%, due to two opposing forces. While the first force is represented in government's inclination to stop expanding its role in some activities and referring other activities to the private sector domain, the second force reflects the tendency to expand local authorities in order to fulfil the move toward a local authority system.

### **5-3 GDP and its Expenditure**

The Plan's policies have been also directed to realize an appropriate change in spending on GDP in favor of gross capital formation (investment). The Plan has estimated an increase in total final consumption as a ratio of GDP from 71.8% in 2000 to 72.4% in 2005, at an average nominal rate of 10.8%. This growth will be attributed to the increase in government final consumption at an average of 12%, and hence the increase of its ratio to GDP to 15% to meet the rising needs for the implementation of the local authority system and the improvement in the performance of the public administration as well as in the employees conditions. Also, private final consumption is expected to grow in nominal terms by an average of 10.5% per annum to meet the consumer needs of the society and to lift the living standards of its citizens.

The SFYP also seeks to reach a large and gradual rise in gross investment from 19.2% of GDP in 2000 to 28.6% in the final year of the Plan. As disparities exist in growth rates of investment among the private sector on one hand and the government and the oil sector on the other, private sector's share from gross investment is expected to grow to 61.8% in 2005, against a reduction of the combined government and oil sector investments from 46.8% to 38.2%.

As for exports, oil revenues are expected to drop at an average 3.2% per annum. Yet, the Plan aims at increasing non-oil exports of goods and services at an average annual growth of 17.1% and 10%, respectively. This growth would be achieved by promoting tourism and Aden Free Zone, thereby total exports could grow at an average of 2.2% per annum. Also, the SFYP aims at providing the necessary resources for total uses through domestic output and imports, where imports are expected to jump from YR 2 trillion in 2000 to YR 3 trillion by the end of the Plan, achieving an average growth of 9.6% annually. Thus, the national economy is expected to meet total uses of goods and services, as the share of local resources would rise from 70.7% to 74% by the end of the Plan's period.

### **5-4 Government Finance**

The SFYP's targets are based on increasing non-oil revenues while rationalizing public expenditures, controlling budget deficit and achieving surpluses in years when oil prices surpass the minimum of \$22 per barrel. Hence, government revenues are expected to increase from YR 585,743 million to YR 809,695 million at an average annual growth of 6.7% over the period 2000-2005. On the other hand, public expenditure would increase from YR 488,251 million to YR 864,440 at an average growth of 12%. Consequently, the achieved budget surplus will gradually decline and turn into a deficit reaching around 2.4% of GDP in the final year of the SFYP.

The public budget over the SFYP period reflects priority expenditure, focusing mainly on social spending in order to achieve human development objectives in Yemen. The Plan aims at seeking human resources development, which is considered the foundation of development, as highlighted in the Plan and in Yemen's Strategic Vision 2025. Hence, spending on education is going to increase at an average of 13.2%, reaching YR 198,821 million in the last year of the Plan, which is equivalent to 23% of total expenditure and 11% of GDP. Along the same lines, the Plan estimates the necessary allocations to improve the health and other social services to reach 6% and 7.6% of total expenditures, respectively, compared to only 4.6% and 7.1% in the base year of the Plan. Increasing expenditure on public health would be accompanied with private sector's expansion in providing health and curative services.

Allocations to housing and other community facilities including municipalities will remain unchanged at around 5% of total expenditure, bearing in mind that those allocations are expected to grow by almost 77% over the whole period. Such growth reflects the necessity to improve municipal services for the growing demand of the population, the rapid urbanization and the need to protect the environment. Also, despite the state has refrained from carrying out activities that the private sector could implement, the SFYP has reserved the State's mandate to provide certain important economic services. Expenditure on those services would increase slightly to 12.7% of total expenditure, thereby shares of fuel and energy, agriculture and fisheries in the budget are expected to increase, while that of transportation and telecommunication will decline slightly.

## **5-5 Prices and Money Supply**

The SFYP targets controlling inflation at levels that prevent the consumer price index from exceeding 6% in any single year of the Plan's period. Average inflation for the whole period is expected to be around 4.9%, while the annual average for the non-oil GDP will be higher at 7%, although taking a downward trend to around 5.6% in 2005. This target coupled with declining price index of oil production at an average 8.5% will help in curbing the GDP deflator, and thus bringing it down to a low of 3.9%.

Controlling inflation, however, requires precautionary fiscal and monetary policies, particularly in the fields of money supply and exchange rate policies. Broad money supply is expected to increase from YR 474.5 billion in 2000 to YR 766.2 billion in 2005 at an average growth of 10.1% per annum, consequently its ratio to GDP will decline in nominal terms from 34.4% to 33.5% while increase in constant terms to 42.3%. Also, while the SFYP anticipates an increase in total money supply, it has taken into consideration that M1 should not grow by more than 8.7%, foreign currency deposits by 4.7% and domestic currency deposits by 20.3%. This reflects a monetary policy that restricts expansion in monetary liquidity especially outside the banking sector, while at the same time attracts national savings that can be directed toward lending private sector projects. Banks' loans to the private sector are expected to increase at an annual average of 16%, while the balance of payment's surplus will contribute to the economy's foreign reserves as net foreign assets will grow at an average 7.3% per annum.

## **5-6 Balance of Payment and External Debt**

Expected outcomes in both the current account and the capital account will result in achieving a total annual surplus in the balance of payments. However, this surplus will take a downward trend from YR 231,824 million in 2000 to YR 72,557 million in 2005, and totaling around YR 458 billion for the whole Plan's period. The Plan also expects a decline of the current account surplus from YR 181,348 million in 2000 to YR 135,500 million in 2005, due to declining international oil prices. Nonetheless, the current account's situation will improve vis-à-vis GDP with an overall increase of 8.3% of its surplus over the period.

The Plan targets increasing non-oil commodity exports by an average of 17% per annum in return to declining revenues from oil exports by an average of 3.2%. Total commodity exports will achieve an average negative growth of 0.2%, which would be also reflected in the corresponding reduction of oil exports as a ratio of total commodity exports from 89.5% in 2000 to 76.7% in 2005, and also the decline of commodity exports from 48% of GDP to 28.7% over the same period. Commodity imports are expected to increase at an average 7% per annum, hence its ratio to GDP will fall from 33.2% to 28.1%. Consequently, the trade balance surplus will shrink and its ratio to GDP will fall from 14.8% to 0.6% over the Plan's period.

Oil companies' capital transfers to outside Yemen plus debt repayments are expected to increase in light of better debt disbursement and higher foreign direct investment inflows. The final outcome would be reflected in higher capital account deficit reaching YR 62,943 million in 2005 compared with YR 14,103 million in 2000, at an annual average increase of 34.9%. The Plan foresees that the current account surpluses will limit the increase in external debt as well as assist in repaying outstanding commitments on foreign debt. It also anticipates a slight decline in external debt from \$ 4,943 million in 2000 to \$ 4,854 million in 2005, hence lowering its ratio to GDP from 57.9% to 44%.

## **5-7 Labor Force, Employment and Productivity**

The total labor force is doomed to grow, adding around 876 thousand workers over the period 2000-2005, at an average increase of 3.8% per annum. Male laborers constitute around 564 thousand of this increase, reflecting an average increase of 3.3% per annum, while female laborers increase reach almost 312 thousand, equivalent to 5.3% average increase over the period. The SFYP is expected to provide an additional 896 thousand job opportunity, which will result from economic growth in the various sectors. Total number of the employed in the economy will go up to 4,661 thousand compared with around 5,150 thousand in the labor force. The Plan aims at reducing unemployment from its present rate of 11.9% to 9.5% in its final year. Also, as a consequence of growing labor supply and increased job opportunities, female participation is expected to increase from 22.7% in 2000 to 24.4% in 2005, which matches the goals and overall objectives of the SFYP and Yemen's Strategic Vision 2025 toward expanding women participation in all walks of life.

The civil service is expected to have an additional 35 thousand new employees over the period, reflecting an average increase of 1.6% per annum. The number of employees in non-oil production sectors of the private sector will reach around 3,065 thousand in 2005 compared with 2,449 thousand in 2000, representing a 4.6% average

increase per annum. Thus, this sector attains 66% of the total labor force in the non-oil economy. Non-government service sectors will also absorb more labor, arriving at 1,109 thousand in 2005 compared with 874 thousand in 2000, which is equivalent to 4.9% average increase.

Furthermore, upgrading productivity rests at the heart of the SFYP's priorities. Total productivity of the non-oil economy is targeted to improve by an average of 3.5%, government services by 3.1%, productive sectors by 3.4% and 4.2% for the services sector. To achieve this, the Plan seeks to match education and training outputs with labor market needs, in addition to giving more attention to training and rehabilitation. Moreover, improvement in labor productivity should be reflected in wage increases, betterment of living standards and reducing poverty incidence in society in both medium and long terms, which are major objectives of the Plan.

## **Introduction**

The commodity producing sectors form the basis for any economic activity in its various aspects of investment, production or employment. Moreover, those sectors represent sources of growth and development. Nevertheless, growth and development cannot be attained with the exclusion of the dynamism of the service sectors, the social and human development sectors, and the natural resources sectors. Accordingly, Yemen's Strategic Vision 2025 has taken the initiative to identify the promising sectors that will enable the national economy to move toward a middle human development status with a diversified economy and a social, knowledge, cultural and political development.

The SFYP aims at eliminating distortions and correcting imbalances in the economic structure, and alleviating its' effects through reducing dependence on oil resources. Commodity producing sectors will be encouraged to provide permanent and renewable job opportunities that ensure increasing incomes, improving living standards and alleviating poverty. However, growth of those sectors and their contribution to changing the structure of the national economy and diversifying its base depend on the set of adopted sectoral objectives, policies and programs.

## **6-1 Natural Resources Sectors**

### **6-1-1 Water Resources**

Over the last 25-30 years, Yemen has been depleting its water resources. Annual consumption is estimated at 3.4 billion m<sup>3</sup> against 2.5 billion m<sup>3</sup> of renewable resources, leading to an annual deficit and reduction of underground reservoirs by 900 million m<sup>3</sup>. Water depletion causes lowering water tables in many basins and severe shortages in others such as in Taiz, Sa'dah, Radaa and Sana'a. The water sector suffers from weak institutions and legislation that organize the exploitation of water resources, in addition to overlapping and conflicting mandates. The Sector also complains from the negative impact of some pricing policies, which have encouraged overexploitation of underground water, particularly subsidizing the cost of diesel, and electricity and water rates. However, during the last few years, the government intensified its efforts toward completing many of its legislative frameworks, strategies and policies addressing the complications in the sector. Furthermore, the Sector has been undertaking a restructuring process of its agencies, adopted decentralization through delegation of authorities and emphasized building institutional capacities and manpower rehabilitation.

Sector priorities in the SFYP concentrates on narrowing the gap between water resources and uses, as well as achieving an efficient management. Hence, the Plan aims at arriving to an optimal utilization of available water resources, developing and upgrading means and methods that help in recharging aquifers, as well as protecting water resources from contamination. The SFYP attempts to confront the water deficit through two major approaches, which are:

a) Qualitative approach in the use of water resources to maximize the per unit benefit of water. This approach requires the development of practical technologies, adequate economic and technical abilities, social and official awareness, effective population policies, balanced development between the city and rural areas, and finally fair and just distribution of available resources.

b) Quantitative approach of water resources through increasing the ability and efficiency of its sources while maintaining an environment balance. This would be achieved by intensifying the use of rainfall, developing and introducing the most appropriate methods of water harvesting, in addition to exploring new traditional sources and introducing technologies for water production from non-traditional resources.

### **6-1-2 Oil, Gas and Mineral Resources**

During the FFYP, the oil sector witnessed increasing growth that diverted from its production targets, which were expected to decline to around 331 thousand barrels per day by the year 2000 compared with around 344 thousand in 1995. Actual production achieved an average growth of 4.9%, bringing total production up to 436 thousand barrels in 2000. Furthermore, oil exports jumped from YR 87.6 billion to YR 594.6 billion, where the government's share peaked at YR 306.8 billion. Moreover, many exploration concessions have been granted to oil companies, which are expected to start production in the coming few years including east of Sar bloc (no. 53) planned to have production lines by the end of 2001.

Estimates of natural gas indicate to proven reserves in Yemen of 12 to 15 trillion cubic feet. However, due to delays in the gas export project, 95% of the associated gas is being re-injected. Unavailability of external markets for the Yemeni gas represents the most critical obstacle facing the development of the sector, especially with scarce financing resources for such projects.

As for mining, efforts in surveying operations, explorations and mining have culminated in encouraging results. Gold has been discovered in Hajjah governorate, platinum in Amran, iron and titanium in Abyan, in addition to construction rocks and other industrial raw materials in various parts of the country. Mining activities, in general, confront many problems relating to property right disputes, lack of transportation networks connecting production sites to internal marketing and export outlets, in addition to high transportation and exploration costs.

#### **First: Crude Oil**

To avoid the adverse impact of the decline and hence depletion of oil reserves in the coming few years, the SFYP aims at maintaining the current level of production by developing oil reserves and increasing production from the new oil fields based on the expansion of concession blocs. Moreover, the plan seeks to reach the optimal level of utilization of oil production and proven reserves, while enhancing complementarity and linkages with other sectors of the national economy.

#### **Second: Gas**

Natural Gas represents a major source of producing clean energy and receiving foreign currency, in addition to its potential use in many petrochemical industries.

Thus, the SFYP emphasizes the continuation of efforts to locate export markets for the Yemeni natural gas, ensuring the necessary financing for the export project, commercializing the use of gas in generating power and in strategic industries and transportation means, and finally pursuing the increase of proven reserves and effectively utilizing liquefied gas.

### **Third: Mining**

Geological surveys have indicated to existing minerals and raw materials, which most of them are still hidden underground and unexploited. The Plan targets increasing the share of the mining sector to GDP, enhancing its contribution by developing regions where it is located, and expanding job opportunities. Also, the sector seeks to raise the domestic value added of producing mineral raw material through encouraging their processing and achieving linkages with other sectors of the economy.

## **6-2 Productive Sectors**

### **6-2-1 Agriculture**

During the FFYP, agriculture was able to achieve an average growth of 5.4%, which is below the planned target of 7%. Yet, agriculture exports of foodstuff and livestock grew in dollar terms at much higher rates reaching an average growth of 38% per annum, bearing in mind the low base it started from. Growth in plant produce registered 5.6% average growth attributed to the expansion in the cultivated land and in productivity improvement. Livestock production, which continued to represent 23.5% of the sector's production, exhibited growth in all its components including meat, hides and skin, wool and honey. The achieved average growth over that period was 4.8%.

Shortcomings in the sector's performance reflected in its growth and level of implemented investments are all attributable to the natural constraints represented in limited arable land and scarcity of water resources, and to the technical factors seen in low productivity and outdated technology, particularly those relating to the irrigation systems. Similarly, the economic factors impose adverse effects on agriculture's performance; as small, scattered and unstable land holdings do not encourage expansion nor lead to high productivity. High prices of agriculture inputs, insufficient financing facilities and weak transport and marketing networks are also major constraints on the sector.

Qat production makes up a major portion of the agriculture sector and of the economy, accounting for 30% of agriculture produce and 24% of the sector's labor. Qat provides incomes to many of the rural population and represents a means for transferring cash to rural regions. Demand for Qat has been growing considerably leading to expanding its cultivation at the expense of other crops in regions where water is available. Also, Qat consumption has turned into a daily habit, shared by men and women in rural and urban areas alike. Qat leaves on its chewers, especially those who have taken this habit as a daily ritual, some negative effects on health and on family social relations.

However, based on Yemen's Strategic Vision 2025 that envisages the development of the agriculture sector, the SFYP aims at increasing agriculture production at an annual

average of 6%. The Plan seeks to achieve higher rates of food security, increasing and diversifying agriculture exports through improving land and labor productivity, as well as raising farmer's income and lifting his living standards in order to alleviate poverty and limit the spread of under-unemployment. The Plan also sheds appropriate attention to all Qat issues as a multi-dimensional problem, which should be tackled by the government and the society alike. The main focus is to seek comprehensive understanding of the problem, specifying its dimensions and characteristics, and finally adopting an appropriate approach to deal with its positive as well as negative aspects.

### **6-2-2 Fish Wealth**

The fisheries sector witnessed high growth during the FFYP, averaging 12.3% against a planned target of only 7%. In view of its potential, the sector's performance remains modest as its contribution to GDP has not exceeded 2.4% and its exports have not surpassed YR 4 billion in 2000. The Sector has been suffering from many difficulties and obstacles, most prominent are limited infrastructure and basic services provided to fishing activities, lack of accurate and reliable statistical database, weak sector management and policies, and an incomplete legislative and regulatory framework. Moreover, the fish wealth and marine resources are exposed to over-exploitation and illegal fishing, in addition to inadequate quality control systems and measures.

Perceiving the relative priority given to the Sector by Yemen's Strategic Vision 2025, and its potential in contributing to alleviate poverty and unemployment, the SFYP targets achieving an average growth of 13% in fish production, which will increase final year's production to 248 thousand tons. The value of output will also increase at an average 11.8% per annum, while fish exports are expected to achieve an average growth of 11.5% per annum reaching a total of 38 thousand tons in 2005.

### **6-2-3 Manufacturing Industry**

The FFYP reflected a humble performance for the manufacturing sector and an obvious concentration on food industries, refining and construction activities. Average output growth did not exceed 2.6% over the period against a planned target of 8%. Nevertheless, Yemen's Strategic Vision 2025 has assigned a leading role to the sector that would help accelerate economic growth in the coming 25 years. Moreover, the sector takes a prominent position in the SFYP, based on its ability to attract local and foreign investments and to absorb technologies and scientific developments that will enlarge its contribution to GDP and to increased exports. To achieve such aspiration for the sector, a qualitative leap should be taken to transform the structure of manufacturing and overcome all obstacles and impediments that stifle its growth and development. These obstacles include the following:

- High production costs resulting from weak infrastructure such as electricity, water and sanitation as well as internal and external transport networks.
- Low priority given to quality aspects in manufacturing coupled with low productivity due to weak technical and vocational cadres.



- Heavy reliance on imported raw material and intermediate goods, which raises production costs and prices of the final product and reduces the domestic value added.
- Flooding the domestic market with many foreign manufactured goods through illegal outlets, hence causing major harm to the domestic industry and placing it in an unfavorable competition.
- Unattractive investment climate due to many reasons, more specifically the deficient legislation and judiciary and undisciplined administration.

However, perceiving the goals of Yemen's Strategic Vision 2025 relating to manufacturing, the SFYP intends to achieve real average growth of 10% that will enable raising the sector's contribution to 6% by 2005. The Plan also seeks to enhance manufactured exports, encourage and develop small industries and traditional crafts, which create job opportunities and alleviate poverty while also being an attracting element for tourism.

## **6-3 Service Sectors**

### **6-3-1 Tourism**

The FFYP witnessed growth in the sectors relating directly to tourism activities amounting to an average of 7.9% per annum against a planned target of 7%. Such growth has been manifested in establishing and expanding tourism facilities, which increased from 1,132 in 1995 to 2,236 in 2000. Similarly, manpower in the sector doubled over the period reaching 27,653 laborer. Progress achieved in the sector has been also exemplified in higher revenues amounting to YR 12.5 billion in 2000, equivalent to 0.9% of GDP, which nonetheless, does not reflect the sector's potential and the diversity of its products in Yemen.

Weak tourism activities and modest revenues are attributed to many factors such as incomplete infrastructure of heritage and historical sites, continued violations of tourists' security, deficient institutions and regulatory framework in the sector, and lack of enforcement of international standards in organizing tourism activities and in operating the various facilities. Also, the low skills and limited experience of those working in this field reflects negatively on the potential of the sector, in addition to the need to raise awareness on the importance of tourism and developing its resources, specially the cultural and historical heritage.

The SFYP seeks to increase the share of the tourism sector in GDP and to expand its contribution in creating direct and indirect employment opportunities. The Sector will also participate in developing and rehabilitating regions of tourist potential, and will encourage in-country tourism as supplementary to international tourists. Furthermore, it will attract foreign capital to invest in Yemen's tourism industry as well as transfer experience of the field.

### **6-3-2 Finance and Banking**

The FFYP witnessed drastic reforms in the finance and banking sector that aimed at correcting its imbalances. Those reforms focused on freeing debt interest rates and

preparing to free the credit interest rates, while enhancing its role to influence financial and banking performance. Similarly, the Yemeni currency was floated vis-à-vis foreign currencies, and dealings in foreign currencies and its transfer were freed. The Sector also witnessed legislative, institutional and organizational reforms to ensure improving the performance of the banking system through modernizing the commercial banks' law and the Central Bank's law, and activating the Central Bank's monitoring and supervisory roles, in addition to the adoption of a program to resolve the problems of the public and mixed sectors' banks. More recently, preparations are underway to establish a stock exchange based on the secondary market for treasury bills.

Those reforms have reflected positively on the sector's performance, where deposits of all kinds increased from 33.9% of broad money supply in 1995 to 47.9% in 2000. Banks' loans to the private sector also increased from 30.6% of total deposits to 33.3% over the same period, against a large change in government's debt from the banking sector from 26.8% of the change in money supply in 1995 to achieving a surplus with the banking system equivalent to 8.2% of total deposits in 2000. The financial and banking sector's plan aims at raising the financing resources for investment activities in the economy, consolidating and strengthening the financial status of banks and financial institutions to perform their tasks efficiently, improve the banking services, and finally establish a stock exchange.

### **6-3-3 Trade**

The EFARP has made positive impacts on the trade sector, in both its domestic and external domains. Foreign trade grew substantially, as imports increased from YR 172.7 billion in 1995 to YR 457.8 billion in 2000, achieving an average growth of 21.5% per annum. Exports, on the other hand, multiplied to a value of YR 662.2 billion in 2000 compared with YR 99.9 billion in 1995, at an average increase of 46%. Crude oil represented the majority of exports, constituting between 80% and 92% of all exports. During that period, the devaluation of the Yemeni Rial contributed to raising those growth rates compared to the averages of 8.3% and 7.5% for imports and exports, respectively. Consequently, the trade balance enjoyed an improvement and recorded surplus in all years except for 1998 when oil prices plummeted in international markets.

Likewise, the EFARP made positive impacts on the whole and retail trade, which recorded average growth of 5.9%, thus raising its contribution to 9.9% of GDP in 2000 against a 9.7% in 1995. The labor force in the whole and retail trade together also increased from 295 thousand to 407 thousand, raising its share to about 10.8% of the total labor force. However, domestic as well as foreign trade are still facing many obstacles constraining their growth potential and development; the most prominent of which are the following:

- An imbalance in foreign trade favoring imports.
- Weak institutional and organizational structures that fail to uphold competition and prevent monopoly, as well as to ensure good quality, protect consumers and intellectual property rights.

- Inflow of a good percentage of foreign trade through illegal outlets and entry points.
- Limited infrastructure necessary to enhance exporting activities and high internal transportation costs, which is also under monopoly.
- Overwhelming informal activities in domestic trade and its low productivity.

Nonetheless, Yemen, through consolidating foreign and domestic trade, has got good chances to achieve high growth rates in production, income and employment. These chances have been explored in Yemen's Strategic Vision 2025, which outlined mechanisms to improve the investment climate and to attract foreign direct investments and new technologies. The focus should be also on exports as a central pillar for all economic activities, and which will give trade a prominent role in the socioeconomic development process. Hence, the SFYP seeks to increase and diversify non-oil exports, raise the share of domestic trade to GDP by facilitating and encouraging the flow of goods between all regions of the country, and accomplishing regional and international integration including continuing efforts to joining the WTO.

The trade and industrial free zone in Aden with its nucleus the container terminal is considered a strong means to attracting national, Arab and foreign investments and to transferring modern technologies. Investment requests have been forthcoming to the Free Zone Authority, amounting to 455 confirmed requests by the end of 2000, with a total capital of \$ 3,541 million and YR 32 billion, creating 11,181 job opportunity for nationals and 973 for expatriates. The delay in the execution of the free zone projects has adversely effected the free zone's competitiveness and attractiveness. That delay has been mainly attributable to many obstacles such as weak infrastructure and service facilities, duplicity in the allocation of land plots, overlapping legislation and regulations concerning the free zone and weak enforcement. Hence, the SFYP aims at improving the attractiveness and competitiveness of Aden Free Zone, expanding the capacity of the container terminal to reach 1.5 million container by the end of phase three, and establishing the industrial and warehousing estate as well as the cargo village at Aden airport.

## **6-4 Housing and Infrastructure**

### **6-4-1 Housing and Urban Development**

Housing, construction and urban development sector occupies an important position in Yemen's national economy. Construction contributed by around 3.5% of GDP in 1995 and 4.9% in 2000, while employed 6.6% of the total labor force. Although the Sector has many diverse responsibilities, it managed to complete many housing complexes and laid down infrastructure in other projects in several major cities. Furthermore, 329 urban plans were delivered in major and secondary cities, in addition to preparing regional studies for several governorates that enhance regional planning at the level of the country in accordance with regional social, economic and natural characteristics and advantages. Also, within the context of implementing the FFYP's projects, a total area of 3.4 million m<sup>2</sup> of asphalted streets in major and secondary cities was completed, beside the maintenance of around five thousand km. Moreover, street lighting projects covered a total of 222 thousand meters, along with

completing eight central markets in various governorates and walling 13 public gardens and parks.

Nevertheless, this sector still faces many difficulties resulting from high population growth and the impact of high urbanization, which lead to intensify pressures on water and sanitation services as well as on demand for other basic services, needless to mention scattering efforts by municipalities. As a consequence, random construction expansion has been observed at the outskirts of cities, as well as deteriorating environment conditions in and outside cities.

The SFYP aims at controlling urbanization through maintaining a balance between environment, economic and social surrounding requirements and the need to implement housing projects in the cities for limited income employees and workers. Also, the Plan includes completing urban planning of all land spaces in the cities, implementing streets of a total area of nine million m<sup>2</sup>, and constructing and maintaining several central markets and public parks. Besides, in the field of municipalities, the Plan seeks to upgrade the level of cleanliness and sanitation in cities and neighborhoods.

#### **6-4-2 Electricity**

During the FFYP, the electricity sector observed modest development. All forms of power capacities (installed, generated, transmitted and sold) expanded at annual averages ranging between 5.1% and 6.4%. Consequently, maximum loads grew to 610 megawatt in 2000, at an average growth close to 5%, and the number of subscribers increased from 524 thousand to 800 thousand. Hence, the number of beneficiaries from the public and independent grids reached 5.3 million, covering around 30% of the population in 2000. In rural areas, the coverage rate has been estimated at 16% of rural population, as the number of beneficiaries reached 2.1 million people in 2000 against 1.7 million in 1995.

The total available power through the Public Electricity Corporation reached 597 megawatt in 2000 compared with a demand of 518 megawatt from the public grid and 92 megawatt from the independent networks. This situation reflects a 49 megawatt shortage in the public grid, while at the same time the independent networks have a surplus of 36 megawatt that cannot be used since both grids are not linked.

Electricity fails to meet the growing demand because of outdated generating stations and worn-out distributing networks. Indicators show that current wastage is very high and estimated at 38% against 34% in 1995. Certainly, this prevents the full utilization of the electrical power in the various production and service units, as well as costs private enterprises to set up their own generators, let alone for meeting the demand for regular household needs. This situation is expected to remain in the medium term due to highly growing demand.

In light of the above-mentioned situation, the SFYP aims at increasing the installed electrical power to 1,266 megawatt in 2005 at an average growth of 7.4%, which will expand coverage to 40% of total population. The Plan also targets shifting from diesel fuel in generating electricity to gas turbines, in addition to reducing power wastage to 33%. Electrification of rural areas targets 22.2% coverage of rural population by 2005

through selecting the most appropriate sources of energy including new and renewable such as wind and solar sources.

### **6-4-3 Water and Sanitation**

The public water network covers around 45% of all households, while the rest depends on the private sector to provide their needs. However, the public water network has witnessed great improvement during the FFYP. Water production increased from 76 million m<sup>3</sup> in 1995 to 1.3 million m<sup>3</sup> in 2000, at an average growth of 6.3% per annum, and the number of beneficiaries reached 2.9 million people, increasing at an average growth of 6.7% per annum. Water consumption jumped from 57 million m<sup>3</sup> to 70 million m<sup>3</sup> at an average growth of 4.2% per annum. Water coverage in rural areas reached 59% in 2000, benefiting around 7.7 million people. Water coverage differs from one means to another, where 27% represents piped water, 44% through wells and 29% through surface water. In 2000, water consumption in rural areas increased to 306 million m<sup>3</sup> with a per capita share of 40 liters per day.

Data show low sanitation services and its concentration in the major cities. Household connections increased from 67,177 in 1995 to 160,224 in 2000, hence the number of beneficiaries more than doubled from 448 thousand to almost 1.129 thousand. Coverage rate varies among cities, reaching its highest in Aden (90%) whereas the capital city of Sana'a recorded the lowest coverage (50%).

Recent efforts have been focusing on improving and expanding the sanitation services, through establishing new networks and rehabilitation of the old ones, building treatment stations in cities, particularly in the capital city of Sana'a, Aden, Hodeidah and Mukalla, as well as in other secondary cities such as Hajjah, Zabid, Amran, Seiyoon and Yarim. However, the water and sanitation sector still suffers from weak institutional structure to bear the responsibility of providing sanitation services in both urban and rural areas. The most pertinent difficulties facing the Sector are: water scarcity, high population growth, outdated public networks and inadequate maintenance and operation leading to a wastage of 32%, and overlapping responsibilities among the implementing and the supervisory institutions as well as with other concerned agencies.

The SFYP seeks to increase water production for urban households to 162.5 million m<sup>3</sup> by 2005, hence raising water coverage to 69% of urban population. Similarly, the Plan aims at increasing water consumption in rural areas to 423 million m<sup>3</sup> during the same period, exceeding the amount consumed in 2000 by 117 million m<sup>3</sup>. Consequently, water coverage in rural areas will include 10.3 million people at a rate of 65%. The Plan also concentrates efforts on completing those projects that have been already initiated, in addition to building treatment stations in some cities and increasing sanitation connections to 263,875 household by 2005 representing a total increase of 65% from its 2000 level, and hence bringing the number of beneficiaries to 1.7 million.

#### **6-4-4 Transportation**

Irrespective of the relative progress accomplished by the transportation sector during the FFYP, reflected in improved roads, sea ports and airports, the average real growth achieved by the Sector including postal and telecommunication services did not exceed 2.2% per annum, in contrast with the Plan's target of 10%. The length of asphalted roads increased from 5,052 km in 1995 to 6,586 km in 2000, gravel roads from 2,360 km to 3,915 km, while feeder roads in rural areas reached 60 thousand km. In addition, regular maintenance, supporting and rehabilitation works covered an estimated 6,497 km of asphalted and gravel roads. Nonetheless, the road network is far from being complete or even adequate to meet current as well as future development needs. Asphalted roads represent only 9% of total roads, which is way below regional and international averages. Furthermore, the road sector in Yemen is still exposed to many obstacles stemming from lack of technical specifications, weak enforcement of truck loading, and deterioration of large parts of the asphalted and gravel roads network.

By the end of 2000, the number of registered automobiles reached 885 thousand. The private sector has been providing road transportation services for both passengers and goods, whereas the Public Transportation Corporation has a small contribution in both services due to various shortcomings pertaining to human resources, technical and economic imbalances. More recently, many private passenger companies have been licensed to operate between cities and for tourist trips, while cargo and shipment businesses have been allowed to break the early monopoly in order to cut down transport cost.

Hence, the major issues that hinder the expansion of road transport activities can be summarized in the multiplicity of supervisory agencies on the sector, lack of intercity public transport and chaotic current lines, continued monopoly of goods transportation by the syndicate, lack of transport safety conditions and regulations, high accidents rate, in addition to low levels of maintenance and services as well as shortages in supporting and complementary services such as passenger terminals, rest areas and maintenance centers, etc.

The SFYP seeks to complete and modernize the internal and international road network in order to ensure good links between regions and cities, enhance transportation movement and facilitate accessibility to goods and passengers, in addition to preserving and sustaining the present road network. Thus, the Plan targets adding 3,911 km of asphalted roads, 2,194 km of gravel roads, besides maintaining five thousand km of asphalted roads and 2,500 km of gravel roads. The Plan also considers improving intercity public transport, resolving bottlenecks, reducing accidents and ensuring passengers' safety on roads.

Seaports and marine transport improved its infrastructure during the FFYP. A new platform was established in Al-salif port extending for 450 meters and a depth of 14 meters. Also, at the northern part of Aden harbor, a completely new seaport was built as a container terminal to enhance the role of Aden Free Zone. A sea tributary was built in Socotra island in preparation of having a modern and integrated seaport. Moreover, work is underway to finalize the economic and technical surveys for constructing three new seaports in Broum (Hadramout), Khalfoot (Al-mahrah), and Shugra (Abyan). In addition, efforts have been exerted to strengthen capacities and

abilities of existing seaports by increasing their depths, upgrading facilities such as platforms and warehouses, and providing necessary equipment and machinery such as trailers and guiding boats. Consequently, the performance of these seaports and marine transport progressed, where the number of ships anchored to Yemen's six seaports reached 3,409 ships in 2000 compared to 2,407 in 1995 and cargo mounted from 4.2 million tons to 6.4 million tons over the same period.

The state has adopted the participation of the private sector in marine transportation and in the provision of other supporting services. Hence, the door became wide open for the private sector to enter the fields of sea shipping agencies, clearance and delivery of goods, and supplying ships in all Yemeni ports. The private sector has also won the contract of operating the container terminal within Aden Harbor, which represents a strategic step and a breakthrough in the role of the sector.

However, those activities have not exploited all prospects of the sector because of low foreign trade especially non-oil exports, high shipping costs and container transit compared to neighboring ports resulting from limited sea lines to and from Yemen. Furthermore, many of the obsolete machinery and equipment, the conditions of the ship yards, and lack of modern technology that would facilitate operations as well as absence of cooling and storage areas in the Yemeni export seaports, all impede expansion of activities in general and exploitation of agriculture and fisheries exports in particular. Vague policies vis-à-vis the organizational structures, also, represent an obstacle where the operation of the container terminal in the free zone area led to suspending work at the container station in Aden Harbor.

The SFYP aims at lowering shipping and transit costs, through improving the ports' facilities and performance, and establishing regular local sea lines between Yemeni seaports on one hand and with commercial regional and international harbors on the other hand, in order to enhance economic integration and growth of trade and export activities. The Plan highlights the importance of protecting territorial waters and its economic region as well as conserving the marine environment from contamination.

Air transport activities have witnessed expansion and upgrading, including the rehabilitation of Aden International Airport to receive modern planes, constructing a passenger terminal in Ataq Airport, strengthening the runway in Taiz Airport, expanding the passenger terminals in each of Al-Rayan and Al-Ghaila airports, and starting the construction of Socatra passenger terminal. Progress is also noticed in the modernization of the national carrier's fleet and the construction of a new maintenance building for the Airbus fleet. Nonetheless, air travel has been relatively stagnant over the last years, where the number of arriving and departing passengers declined to around 757 thousand compared to 1.4 million in 1995, although it managed to recover recently and increase passengers to 1.1 million in 2000. Air cargo activities, on the other hand, grew from 9.3 thousand tons to 12.8 thousand tons during the same period. Alyemenia, the national carrier, had a share in the Yemeni air transport market of 66% of total passengers and 56 % of total cargo.

Stagnation in air transport is due to the depression hitting tourism, continued economic recession and low incomes. Moreover, this sub-sector is facing many challenges in light of strong competition in air transport services, which requires reconsidering the existing legislation and modernizing airport facilities and services.

Ground services are inadequate and expensive due to absence of competition as well as lengthy procedures in cargo operations and passenger travel, while the national carrier needs to sharpen its competitive position.

The SFYP acknowledges the importance of air transport in linking Yemen with the outside world and in boosting trade and passenger movements. The Plan aims at establishing the country as an international traffic controller and a transit station for air navigation. It also targets an average increase of 4% in the number of domestic and international passengers, and by 10% in air cargo.

#### **6-4-5 Telecommunication and Postal Services**

Investment in telecommunication increased considerably over the FFYP exceeding its planned targets. Self-financing constituted 83% of total investment, while the rest was financed through foreign assistant especially loans. Those investments have helped in technology transfer through introducing many modern telecommunication and information techniques and equipment. The central telecommunication operating units in all governorates have become 100% digital, and capacities have been upgraded and expanded to reach 460,736 lines in 2000 compared with 242,499 lines in 1995, achieving an average growth of 14.1%. Installed telephone lines have multiplied during the Plan period, increasing from 188,348 to 346,709 lines at an average growth of 11.4%. Capacity utilization has also risen to 80% and to two lines per 100 people, which remained below the target of three lines per 100 people.

Yemen International Telecommunication Company has been providing all international services in telephones, cable and telex, in addition to international telephone services for the regional project. It has been also providing international telephone calls to the public as well as mobile phones and Internet services. There are 50 Internet cafes in Yemen, 30 hosts and around 4 thousand subscribers in 2000, which reflect the limited services and Yemen's remaining behind in this field. On the other hand, the Government has already finalized an agreement with the private sector to establish public telephones.

Many other telecommunication projects have not reached the implementation phase because of lack of financing, especially the rural telecom projects, hence telecom services are mainly concentrated in the cities. Moreover, Internet, mobile phones and international calls are very expensive, which impede its widespread, and the status of a sole operator prevents its development. Also, a large demand for the fixed lines is still unmet, besides the long waiting time that could extend to two years and a half to install the service.

The developments in telecommunications have been associated with modest growth in postal services. Post office boxes increased over the FFYP by 8,120 boxes, reaching a total of 42,229 in 2000. A further 59 post offices were built or renovated in many governorates and furnished by modern equipment to facilitate its services and improve its work and efficiency. In addition, 49 small and medium size vehicles have been added to enhance the postal network. This has been reflected in improving overall postal services and especially the Excellent Mail Services (EMS), which achieved an average growth of 17%. Local postal cash services also grew by 26% and international by 44%, while pension services expanded by 62% and collection of



utility bills on behalf of utility companies by 26%. Although postal agencies in rural areas have reached 86, the service is still limited in distribution with variances in coverage between rural and urban areas, in addition to difficulties in house delivery because of incomplete street naming and house numbering in cities.

For Yemen to catch up with regards to rapid developments in telecommunication and information technology, the SFYP aims at doubling the capacity of telephone lines to more than one million line by 2005, at an average growth of 16.7%, which would raise telephone density to four lines per 100 people. The Plan also seeks to reconsider the tariff structure through expanding the subscribers' base, improving collection methods, benefiting from new technology including digital integration, establishing new internet services to serve the trade and banking sectors, expanding the mobile phones to all cities and populous areas by adding 400 thousand GSM subscribers to the net. As for postal services, the Plan aims at expanding its services in urban and rural areas by establishing 186 post offices and granting 81 postal agency to enable an average growth of 10% in postal services, 20% in the EMS, and 30% in bill collection.

## **6-5 Human Resources Development**

Yemen's Strategic Vision 2025, in its social development path, aims at preparing a productive individual while upgrading his living, intellectual and cultural standards, as he represents the goal and the means of comprehensive development. To achieve this goal, emphasis should be directed to building human capacities and expanding available choices, in addition to involving communities and individuals in political, economic and social decision making. Also, security and stability should prevail, a justice system that guarantees freedoms and equality and a natural environment that maintains its sources and renewability need to be created.

### **6-5-1 Population**

The population factor, in terms of growth, structure and distribution vis-à-vis the available as well as potential resources is posing a serious challenge to the development process in Yemen. During the FFYP, population policies via health and education policies as well as increased awareness among the public, have made observed improvement in the overall demographic features including raising life expectancy to 60.5, lowering fertility rate from 6.5 to 5.9 live births per woman and reducing crude death rate to 9.8 per 1000 live births.

The SFYP intends to continue pursuing the same population policies, slowing down population growth to around 3% by 2005, which should be compatible with the prerequisites of sustainable development as well as fulfil the national population policy targets. Therefore, the Plan directs its interventions towards reducing fertility to 5.2 live births per woman through many of its elements such as expanding reproductive health programs and family planning, increasing female enrolment in basic and secondary education, and raising women's participation in the labor force and social activities. Also, the Plan seeks to enhance multi-dimensional awareness programs to have a behavioral impact on early, late and inseparable child bearing, and to spread basic social services and family planning with priority to poor and deprived regions. On the same vein, the Plan works to discourage internal migration from rural

areas while enhancing a balanced development and encouraging population mobility towards economically promising sectors such as the coastal strip.

### **6-5-2 Health**

While public expenditure on health has been very low, fluctuating between 3% and 4% during the period of the FFYP, the Government managed to increase the number of hospitals from 81 in 1995 to 116 in 2000, health units from 927 to 1,821, primary health centers from 375 to 574 and child and maternal centers from only two to 216. Consequently, the number of beds increased from 8,500 to 11,000, doctors from 3,300 to 4,700 and nurses from 7,500 to 9,800. Other achievements have materialized in terms of establishing several preventive and curative centers such as the national center for monitoring epidemics, the national center for combating malaria, the quarantine center, the national center for emergency services, the center for artificial kidneys and the center for heart diseases. However, most of those centers are suffering from shortages in equipment, funding and medical and technical staff. Also, during the same period the private sector expanded its role in financing and managing several general and specialized hospitals as well as many health units, which ultimately led to achieving relative progress in health services and indicators.

Likewise, health services witnessed improvement in immunization programs particularly polio eradication among under 5 children, which covered more than 4 million child, in addition to health programs that combat epidemics where TB vaccination covered 77% of the targeted group, DTP 68%, measles 66%, and immunization of children aged 12- 23 months against the six killing diseases 60%. Furthermore, progress has been made in combating hepatitis, measles, diphtheria, and tetanus. Nonetheless, health services' coverage is still limited, reaching only 50% of total population and 25% in rural areas. Moreover, the health situation has been exacerbated by the spread of some epidemics such as malaria, bilharziasis and diarrhea. Consequently, the health sector still faces considerable challenges and difficulties in order to meet the growing demand resulting from the high population growth coupled with shortages of resources, deteriorating health environment and the low level of health awareness.

Therefore, the SFYP aims at increasing the health services coverage to 65% of total population through undertaking a set of programs to improve the vital indicators such as expanding immunization programs, reproductive health services, family planing and child health. The Plan also seeks to combat epidemics, malnutrition and provide safe medicine at affordable prices.

### **6-5-3 Education and Training**

The education system in Yemen includes literacy and adult education programs, the nine grades of basic education, two to three post basic education years of vocational training, three years of secondary education, two to three post secondary years in teachers institutes or technical education, and finally community colleges and higher education. The 1994 population census showed that the number of illiterate people in the age of 15 years and above exceeded 4.6 million representing around 62.7% of the population in that age group. Wide disparities were found between urban and rural

areas (40.5%: 70.8%), and between females and males (82.8%: 43.1%), increasing further among rural females to 90.5%.

Because of limited capabilities and shortage of resources, literacy programs during the FFYP were not able to enroll beyond 290 thousand adults at an annual average of 57 thousand, and graduated a mere 4,400 trainees vis-à-vis a target of 1.6 million to be liberated from illiteracy. This highlights the modest achievement and the widening gap due to increased numbers joining the illiterates, where the 1999 Poverty Survey has shown that their number have increased to 5.1 million, irrespective of the decline in its rate to 55.7%, in addition to continuing biases against females and rural areas.

Yemen's Strategic Vision 2025 has emphasized combating illiteracy as a priority to reduce its rate to less than 10% by 2025, through drying up its sources represented in low basic education enrolment and high drop out, especially among girls. Thus, the SFYP targets upgrading adult literacy programs to absorb 345 thousand during the Plan period. It has been also observed that during the FFYP female enrolment in basic education increased from 838 thousand in 1995/6 to 1.14 million in 2000/01. Again, basic education enrolment rate for the age group 6-14 years went up from 56.6% to 61.4% (from 71.6 % to 77.2% for males and from 39.3% to 43.9% for females). This improvement reflects an average 4.9% increase in basic education enrolment, where the total number of enrolled pupils reached 3.3 million. Consequently, secondary education registered an average growth in enrolment of 8.8%.

Waste in the general education system resulting from dropping out and repetition represents another challenge that stands against achieving the sector's goals and objectives. The education system also faces many difficulties including incomplete school mapping in many governorates, enrolment still marked by gender and geographic disparities, weak school administration and unqualified teaching staff, lack of regular maintenance for existing school buildings on one hand and unfinished school constructions on the other, especially in rural regions.

Yemen's Strategic Vision 2025, the general education strategy and the girl's education strategy, all envisage generalizing basic education and enacting a structural change in the education system to enable the sector to match the technical and scientific developments and to be more responsive to future development needs. At the same time, those strategies aim at ensuring the provision of education for all girls and especially in rural areas that will bridge the gender gap in education, in addition to upgrading the quality of education. Consequently, net enrolment to grade one is expected to increase by 12% during the period of the SFYP, and gross enrollment in basic education will rise to 69% (82.4% for boys and 55% for girls with emphasis on rural areas), whereas gross enrollment in secondary education will reach 41.3%.

Technical education and vocational training have increased its' institutions from 34 to 37 and its enrollment from 7,789 to around 11 thousand, where the female share is very low not exceeding 12% and 14%, respectively. Thus, this subsector is way below its presumed position as its enrollment is only 2.5% of enrollment in general secondary education. The subsector is still constrained by many obstacles and difficulties that limit its growth horizontally and vertically, not to mention reducing its role in enhancing socioeconomic development through providing skilled and semi-skilled manpower. These difficulties are attributed to limited number of training

institutes and centers, low absorptive capacities, shortages and low qualification of instructors and training staff, deficient applied courses and field training, unavailability of special female classes, and the inferior societal recognition towards technical education and vocational training.

The national strategy for technical education and vocational training seeks to achieve a balance between general and university education on one side and technical education and vocational training on the other. In the coming five years, the SFYP aims at establishing 60 institutes and centers in addition to rehabilitating the out of service ones, hence raising the adsorptive capacity to more than 25 thousand students of whom 17 thousand in technical education and vocational training and eight thousand in community colleges, taking into consideration the geographical distribution and diversity of fields, in particular those suitable to the nature and tendencies of females.

Despite the increase in the number of institutions and graduates of higher education during the FFYP, the subsector endures structural imbalances. Graduates of Arts and Education make up 63% of all graduates in addition to 24% for teachers' institutes, against 9% for sciences and applied sciences and around 4% for technicians. The Government has recently approved establishing community colleges starting by opening some departments in each of Sana'a and Aden, starting the 2000/01 academic year. Based on this experience, expansion can take place in other governorates. Community colleges aim at attracting secondary school graduates to the fields of engineering and computer science, electronics, construction and project management, hotels and tourism, marketing and advertising, and other technical specialization that would create a balance between supply of labor on one hand and development needs and demand for labor on the other.

Generally, the situation of higher education reflects many shortcomings, most important are vague education philosophy, absence of a clear admission policy, unresponsive curriculum to the continued developments especially in sciences, quantitative and qualitative weaknesses in the teaching staff particularly in certain fields of study, low administrative efficiency, and finally absence of scientific research as well as scattered institutional responsibilities. Therefore, the SFYP seeks to introduce adjustments in its mechanisms that will assist in upgrading and modernizing higher education to respond to the developments in science and progress in knowledge as well as to absorb around 282 thousand students in public universities, while increasing the share of female students to 27% and the share of science faculties to 16%, hence raising the share of sciences and applied science graduates to 13%.

## **6-6 Social and Information Sectors**

### **6-6-1 Youth and Sport**

Despite the apparent sports, educational and cultural developments, yet this sector, as other sectors, could not overcome the many hardships and obstacles leading to limited and weak youth activities and programs, particularly in small towns and rural areas. This emanates from insufficient sport establishments and youth centers and its total absence in many of the regions, in addition to low level of maintenance and

restoration of existing ones. Moreover, unresponsive society and lack of awareness toward the importance of youth activities is a major impediment in this sector.

Thus, perceiving the significance of the sector and its positive impact on the youth's capabilities and creativity that can accelerate the process of socioeconomic development, the SFYP aims at upgrading sports and youth activities to build into the young generations strong personalities with self integrity, hence successfully integrating them more in development activities.

### **6-6-2 Culture**

Based on the comprehensive plan for the Yemeni culture as a framework for cultural activities, the process of institutional building and organizing the physical structure of the sector continued during the FFYP. Many projects were completed such as establishing culture centers and museums and preserving historical cities and sites. Also, campaigns were launched to restore monuments and manuscripts, rehabilitate old buildings, fortresses and palaces, build public libraries, publish books and organize cultural events in the various governorates.

However, the cultural sector has been facing many difficulties and obstacles pertaining to lack of a clearly defined policy, absence of coordination among the several institutions that are undertaking cultural activities, and low appreciation of the economic value and the importance of cultural activities. Moreover, lack of enforcement of laws and regulations relating to the sector adds on the difficulties and leads to demolishing the material heritage, besides the harm resulting from destruction, negligence and natural and disaster factors. Hence, the SFYP comes with a complete understanding of the importance and status of culture, and translating that in its time span through seeking to integrate culture into development, lifting the standards of culture and arts as a comprehensive goal for society, enriching the personality of the Yemeni and enhancing appreciation of identity, culture and values.

### **6-6-3 The Media**

Estimates indicate that the radio's General Program (Radio Sana'a) reaches to almost 80% of the population, while Program Two (Radio Aden) covers around 70%. Channel One of television broadcasting reaches 78% of the population and Channel Two to almost 58%. Also, and irrespective of unfavorable technical conditions surrounding the press establishments, daily printed newspapers arrive at 45 thousand copies in 2000, while Saba News Agency releases 231,210 pieces of news and media report. In relation to documentation and media information, the Center for Information Documentation has been set out to prepare and draft strategies and future plans to organize and administer information. The Center also collects, classifies, translates, stores all media related information, and then provide them to decision makers in the media establishments and the various government agencies.

The media strategy seeks to emphasize values of democracy, general liberties and human rights, which have become necessary to economic liberalization path. On the same vein, the SFYP aims at disseminating culture among citizens, protecting the cultural and religious fundamentals of society, completing TV, radio, newspapers and

Saba News Agency coverage to all parts of the country, in addition to establishing a consolidated and integrated information and media network.

#### **6-6-4 Endowment and Guidance**

The SFYP regards the endowment sector with a wider development perspective including the management of endowment funds through improving its investments in agriculture, housing, trade and services, together with mobilization of surpluses in the various development projects. However, and despite the difficulties facing the Ministry of Endowment and Guidance resulting from its traditional system of administering its affairs and the large urbanization taking place in the country that puts pressures on the endowment and guidance sectors, the SFYP aims at restructuring the Ministry, modernizing the administration, improve work performance in order to lift up the guidance message, protecting the endowment property, and paying attention to the development and investment role of endowment.

#### **6-6-5 Emigrants**

Over the last three decades and particularly during 1975 –1986, remittances from Yemeni emigrants have greatly contributed to the socioeconomic development, growth of GDP, and increasing incomes and employment. Yemeni emigrants have also participated in transferring to their home country the skills acquired in host countries. This role can continue and be enhanced if the conducive investment environment and the necessary government facilities and incentives are provided.

In 1999, the First General Conference for Yemeni emigrants was convened in Sana'a attended by many Yemeni emigrants from 25 host countries. The Conference was the first of such large gathering that discussed the various emigrants' concerns in the home country as well as in the host countries. That conference has certainly formed the basis for the SFYP to tackle Yemeni emigrants' concerns, where the Plan seeks to strengthen ties between the emigrant and his homeland, enhancing the role of Yemeni emigrants in investment and transferring skills and technologies that contribute to achieving the comprehensive socioeconomic development.

#### **6-6-6 Statistics and Information**

Statistical activities tend to establish a database to serve the needs for data and information. Such database is crucial for preparing development plans and programs. Statistical output has been employed in integrating population indicators in the FFYP, reclassifying the administrative units as well as in the elections. Also, during the FFYP many activities have been undertaken to establish a statistical database and to improve means and methods of data collection, classification, documentation and retrieval. Several specialized surveys were undertaken, a LAN has been established, a unified data system has been developed, a training center has been established and made operative and several important studies were prepared. Nonetheless, the situation in this field is still below the desired level due to lack of a comprehensive national system for statistics and information. Also, statistics are being published by various institutions with weak or even no coordination mechanism in this regard, and often after a period of delay. Finally, the low level of awareness on the importance of statistics in society and among the civil servants impedes the progress in the sector.

In 1994, the National Center for Information was established with the mandate of developing information systems and databases in several of the information fields relating to the Center's activities. A service information network was developed to provide information from the Center's website through LAN and Internet. The Center also sought to develop its sources of information and has succeeded in establishing a satisfactory database. Furthermore, the Center has provided technical and advisory assistance to several government and public institutions based on their needs, in addition to providing training to the Center's staff and to those working in other institutions in the field of information technology.

The Center still suffers from facility shortages and staff shortcomings. Weak coordination in implementing information technology projects leads to wasting resources and creating obstacles in establishing an integrated national information system. Inconsistent data and statistics also represent another obstacle. Therefore, the SFYP aims at establishing that system as well as a national information network, in addition to improving data and statistics and make them available to users at the right time.

## **Introduction**

Preparing the labor force, arming laborers with the necessary competencies and skills and empowering them to make a dignified living have many significant implications for the individual's future and form the basis for achieving sustainable economic growth. Moreover, it would serve as a strategic approach to alleviate poverty.

## **7-1 Population and the Labor Market**

The high population growth in Yemen has consistently led to increasing the population in the working age group (15 years and above) from 7.6 million in 1995 to 9.3 million in 2000. The number of workers also increased at an average of 3.8% per annum due to higher female participation, rising from 17.9% to 22.7% over the same period, at an annual growth of 8.2%. The ratio of male workers to total labor force declined from 79.7% to 74.3% during the period as a result of higher unemployment, lower male participation and more female tendencies toward work.

Agriculture is the main source of livelihood for the majority of the population. During the FFYP, the number of workers in the sector witnessed a net increase of around 639 thousand laborers, where agriculture's share was 61.2%, trade 19.1% and government services 12.4%. The high share for agriculture led to increasing sector's employment from 51.7% of total labor in 1995 to 53.3% in 2000. Employment in other sectors like electricity and water, communication and transportation, real estate, banking and financing, and social and personal services has shown stability or decline, hence bringing the share of services down to 34.6% of total labor force in 2000 compared with 36.1% in 1995. Female workers increased by 331 thousand in the agriculture sector, comprising 90.6% of that increase.

While the share of top line and medium level professions of legislatures, specialists and clerks declined from 13.8% in 1995 to 12.7% in 2000, the ratio of technicians and vocational job holders almost doubled, which indicates the direction of the national economy to employ more of the latter occupations. However, illiterate labor and those who only read and write still constitute the largest group of the employed, although with a smaller share falling from 80.5% in 1995 to 72.3% in 2000. The vocational labor and technical labor did not show significant change in their shares, and their combined share remained at 1.8% of total labor force in 2000.

## **7-2 Unemployment and its Characteristics**

The 1999 Labor Survey indicates that explicit unemployment has reached 11.5% of the total labor force in the age group of 15 years and above. Accordingly, the unemployment rate was reconsidered and estimated at 9.3% in 1994, 9.7% in 1995, and 11.9% in 2000. Hence, the number of unemployed increased from 336 thousand in 1995 to 509 thousand in 2000. The FFYP estimated unemployment at 25% in 1995, of which 9.7% is explicit and the rest represents the underemployment. Underemployment refers to labor working usually in the informal sector in urban or



rural areas, with low productivity and hence cannot afford a dignified livelihood. In 2000, it is estimated that 37% of the labor force is unemployed in the general sense, of which 11.9% is explicit and 25.1% is underemployed.

Those who acquire basic education and below constitute 78% of the unemployed, of which 61% are illiterate or can only read and write. Following this group is those with secondary school qualification making up 14.1%, followed by diploma holders and university graduates (6.2%), and finally vocational and technical certificate holders (1.7%). The percentage of the unemployed that have not attended a training course in the last three years prior to the Labor Survey was 96.6% of the total unemployed. Also, the percentage of those remaining unemployed for more than six months was 77.3%, of which 34.5% remained jobless for more than a year, 30.5% for a period of 10 months to a year, and 12.3% for a period between seven and nine months.

### **7-3 Wages and Productivity**

Average wages have reached YR 13 thousand per month, while ranging between YR 17,700 for technicians, YR 17,200 for high ranking officials and managers, YR 15,200 for mechanical and operation workers, YR 13,600 for sales and service persons, YR 13,100 for clerks, YR 12,200 for vocational work, and YR 11,400 for skilled labor in agriculture and fishing. In the government and public sector, the average monthly salary and wage was estimated at around YR 9,700 in 1995, which gradually increased to YR 22,800 in 2000.

The above salaries and wages reflect low living standards, where the daily average starts from YR 430 for wage earners and YR 760 for the civil servants, bearing in mind that the economic dependency ratio is between four to five. Also, the share of a worker in non-oil GDP in 2000 ranged between the lowest level of YR 32,300 in the social and personal services sector and YR 58,100 in agriculture, and the highest at YR 583,700 in manufacturing and YR 576,600 in telecommunication and transportation. On the other side, the low levels of education and training, the deficient institutional structure of the private sector, the limited domestic market, and the outdated means of production, all led to low labor productivity in the non-oil economy, which hardly registered a positive average growth of 1.3% during the FFYP.

### **7-4 Difficulties and Development Challenges**

Demand for labor is characterized by institutional and organizational weaknesses in light of large informal sector, high percentage of non-wage workers, absence of sectoral surveys, and inaccurate data and information on firms and demand for labor. It is worth mentioning that the world has been witnessing drastic changes in the concepts, activities and orientations towards economic development, human development and the labor market. As far as Yemen is seeking to keep abreast with these developments in more than one area, including increasing public expenditure on education and training, which ranged between 17% and 22% of total expenditure during the FFYP; still a very small portion is directed to spending on scientific research, technical education and vocational training. Moreover, while production and service sectors are moving more than ever to employ qualified and experienced labor,

the unskilled manpower is confronted with declining demand, low wages and widespread unemployment, hence constituting the largest group of the poor.

## **7-5 Objectives, Policies and Measures**

Achieving the objectives of the labor market requires adopting development strategies based on identifying the promising sectors that acquire strong comparative advantage, and to focus on these sectors as pillars for economic growth. It is also vital to direct education and training policies to match the needs of these sectors. Poverty reduction, ensured universal basic education and improved quality of education and training would not only expand job opportunities, but will also qualify Yemen's manpower to deal with the requirements of the 21st century, as well as empower them to create job opportunities rather than just take them.

### **7-5-1 Objectives**

#### 7-5-1-1 The Labor Force and Employment

Population projections (excluding technical considerations) based on lowering the population growth to 3% per annum by 2005, indicate that population in the age group 15 years and above will increase from 9.3 million in 2000 to almost 11.1 million in 2005. It is also expected that the participation rate in this age group will increase slightly from 46% to 46.4% during the same period due to the impact of education and the reduction in drop out rates among students especially males, thus leading to lower male participation ratio from 69.2% to 68.8%. Moreover, it is expected that the number of workers would rise from 3,765 thousand to 4,661 thousand, achieving a net increase of 896 thousand at an average growth of 4.4% per annum.

The SFYP aims at reducing explicit unemployment from 11.9% in 2000 to 9.5% in 2005, and underemployment from 25.1% to 12.5%, thus overall unemployment would retract from 37% to 22%. The Plan also seeks to continue the implementation of the civil service modernization program, including a limited increase of 35 thousand in the number of civil servants over the Plan's period. The private sector is expected to take an additional 861 thousand worker, which is equivalent to 96.1% of the net increase.

#### 7-5-1-2 New Entrants to the Labor Market

Net growth in the labor force during the SFYP is estimated at 876 thousand workers, of which 88 thousand represent replacements resulting from retirement and substituting Yemenis for expatriates, thus raising total employment opportunities to 964 thousand. These opportunities are distributed according to qualification as follows: 13.9% university graduates, 12.6% high school graduates, 12.2% basic education qualification and finally 4.7% for graduates from teachers' institutes and formal technical and vocational training centers. Hence, basic education drop outs and those who have not been enrolled in the education and training systems will still represent 56.6% of the total new entrants.

### 7-5-1-3 Distribution of the Employed

The SFYP expects that agriculture and fisheries will remain the largest employer, absorbing the highest share of the net increase in employment, although their combined share of labor shall decline to 51.6% in 2005 compared with 53.3% in 2000. On the other hand, employment in construction will increase from 248 thousand to 382 thousand as a result of the Plan's policies to expand and maintain the infrastructure. It is also expected that employment in trade will achieve an average growth of 5.2% per annum, increasing its share to 12.6% of total employment. Transportation and telecommunication will have an additional 39 thousand jobs, while real estate and financing will have 15 thousand. Furthermore, the civil service reform will restrict the increase in government recruitment, thus bringing down its share to 9.9% of total employment.

### 7-5-1-4 Labor Productivity

The SFYP aims at increasing the labor productivity of the non-oil sectors at an average of 3.5% per annum against a 1.3% during the FFYP. Labor productivity hinges on improving the quality of education and training and on the rehabilitation of the workers and the new comers to the labor market. It also depends on the type of job opportunities provided by the economic sectors, the size of expected investments and the means of production that will be used. Hence, improving productivity requires certain policies and programs that seek to develop skills, apply technological means of production, modernize management and the organization, in addition to expanding internal markets and opening external markets.

## **7-5-2 Policies and Measures**

### 7-5-2-1 Supply-side Policies and Measures

Supply-side policies and measures aim at promoting the quality of education and training for the employed, the unemployed and the new comers alike through focusing on upgrading the internal and external efficiencies of the education and training systems. This will enable outputs of the system to meet the requirements of science and technology. The most important of those policies and measures include the following:

- Activate the strategy and the policies of combating illiteracy and adult education.
- Reduce the number of the new comers to the labor market with low skills by generalizing basic education and controlling drop out especially during basic education.
- Link education with production, and develop the concept of comprehensive schooling in light of the needs for development and market requirements.
- Expand the absorptive capacity of technical education and vocational training institutes as well as of community colleges and polytechnics, and update curriculum, provide materials and training and education techniques.
- Modernize university education systems, and introduce new fields and disciplines while restricting the expansion of Arts and Social studies.

- Encourage the Yemeni labor to emigrate to neighboring countries, while at the same time coordinate with those countries to absorb the skilled and qualified labor.
- Encourage the private sector to establish and operate training centers, including those that train Yemenis wishing to emigrate on the occupations and skills required in foreign markets.

#### 7-5-2-2 Demand-side Policies and Measures

Demand-side policies and measures are aimed at creating and expanding job opportunities to accommodate the unemployed and those newly entering the labor market, hence achieving the growth objectives through concentrating on the promising economic sectors of labor-intensity nature. The most important policies and measures are:

1. Provide conditions that are prone to investment and economic growth and encourage the establishment of large and medium size firms and corporations.
2. Empower higher education graduates and those with skills to initiate their small projects and create job opportunities, through:
  - a. Encouraging lending policies to individuals and small businesses especially small producers' cooperatives.
  - b. Directing the social safety net funds and mechanisms toward enhancing the base of small investments and supporting local community projects and income generating rural development programs.
3. Integrate the informal sector into the national economy through the following:
  - a. Encouraging the establishment of small producers' cooperatives.
  - b. Providing facilities and necessary services to develop the activities of the informal sector.
4. Replace expatriate labor with qualified Yemenis through:
  - a. Applying the labor law with regards to job replacement and employing expatriates.
  - b. Restricting the employment of expatriates to very technical and rare fields of specialization.

#### 7-5-2-3 Policies and Measures for Institutional Systems and Frameworks

Policies and measures relating to institutional systems and frameworks include the followings:

- Establish employment offices in all governorates, and activate its role in linking between job seekers and the employers.
- Encourage the establishment of employment agencies to deal with recruiting Yemenis abroad.
- Establish a national center for labor market information and data.
- Restructure the public administration and limit new employment to the basic needs in the education and health sectors and to enhance the local authority, while making a gradual transition to a new wage and salary scale that would

reflect job classification and performance, given the available financial resources.

- Formulate wage policies that consider the relation between wages, prices and productivity, and which ensure a decent livelihood as well as attract the required skills and competencies.

## **Introduction**

The FFYP has been set out to enhance the social safety net and to undertake measures that alleviate the negative impacts of the EFARP on the poor. However, the modest non-oil economic growth failed to prevent deterioration of the poverty indicators as the per capita GDP remained at low levels. Therefore, the GoY reiterates its strong commitment to resolve the causes behind poverty and to alleviate its impact through drafting and implementing a poverty reduction strategy, which aims at accelerating economic growth in those sectors prone to the poor in terms of providing job opportunities and basic services.

## **8-1 Poverty**

Among 85 countries, Yemen ranked 76 in 2000 in relation to the human poverty index. Also, according to the 1999 Poverty Survey, 27.3% of total households are suffering from food poverty, while 34.9% live below the upper poverty line. Poverty is also concentrated in rural areas, and poverty incidence varies according to governorates, ranging between 10.1% in Sana'a city and 38.3% in Hadramout.

### **8-1-1 Poverty Determinants**

Poverty is attributed to some determinants as well as to social, economic and cultural factors, which altogether deepen or alleviate the severity of poverty. The following are the most important:

- Dispersed population and high population growth (3.5%), total fertility (5.9 live births to a woman), economic dependency (477), and illiteracy (55.7%), particularly among females.
- Limited cultivable land, which represents only 3% of total area.
- Scarcity of water resources, its misuse and mismanagement, thus worsening the spread of disease and epidemics.
- Limited production base, weak labor qualification and habilitation, and low wages and productivity, hence leading to higher unemployment.
- Insufficient basic services, where health services cover only 50% of total population, 38.6% of children in the age group of 6-15 are outside basic education, 30% of total population have access to the public electricity grid, and 6.2% to the sewage system.
- Weak women participation in the labor market, education systems and decision-making structures.
- Loss of large amount of remittances resulting from the forced return of 800 thousand Yemeni expatriates from the Gulf countries after the Second Gulf war.
- Deterioration of macroeconomic indicators, which led to higher inflation and declining real per capita GDP in the first half of the 1990s.

- Limited coverage and impact of the safety net including the social securities and pensions.
- Increased consumption of qat, particularly among the low-income group and the poor.
- Environmental degradation due to excessive exploitation of natural resources.

### **8-1-2 Characteristics of Poverty**

Poverty is linked to some characteristics, which are themselves outcomes of its causes and determinants as well as reflect its dimensions and severity. The most prevalent of those characteristics according to the 1999 Poverty Survey and the 1998 HBS are the following:

- An average poor household has one additional member compared to the non-poor household (7.9 against 6.9 members).
- Food spending makes up 83% of the poor household expenditure.
- Under employment is estimated at 25.1%, and is widespread in the informal sector.
- The poor are often employed or work within a family activity.
- A rural household is more exposed to poverty by 50% compared to an urban one.
- A female-headed household is 20% more likely to fall in poverty.
- Almost 50% of the under-five children are underweight due to malnutrition.

### **8-1-3 Challenges and Difficulties**

Poverty is associated directly and strongly with unemployment, social and economic marginalization, young population structure, high fertility, large family size and high dependency ratio, low education levels of the labor force, and lastly low wages and productivity together with soaring prices and declining purchasing power. Also, while achieving high economic growth would be the basis for generating jobs, raising incomes and alleviating poverty, yet, the nature of growth and the fair distribution of its fruits stand as the determinants of success or failure of the social and economic policies.

### **8-1-4 Objectives, Policies and Measures**

The SFYP confirms the significance of directing all policies and measures toward achieving economic growth, expanding job opportunities to alleviate poverty and raising the living standards of citizens. Therefore, the Plan seeks to integrate the poverty reduction strategy into the Plan's objectives, policies and measures in order that efforts to combat poverty and reduce its domain and severity become national objectives. Also, Yemen's Strategic Vision 2025 aims at reducing food poverty to 21.7% by 2005 and halving it by 2015, while at the same time reducing the upper

poverty incidence to below 10% by 2025. Hence, to achieve such objectives, the following are prerequisites:

- Achieving sustainable economic growth capable of expanding job opportunities, distributing incomes and wealth on equitable basis, and providing more economic opportunities to the poor and those near the poverty line.
- Increasing social expenditure on basic services while improving efficiency, and directing those services in principal to the poor, especially in rural areas.
- Assessing the social safety net programs, reconsidering their structures, improving performance and expanding coverage, especially those targeting the empowerment of poor families and enhancement of their capacities.
- Applying the remaining policies of the EFARP Program at a high momentum, while creating a conducive environment for investment through promoting civil service efficiency and a fair and effective justice system.

Hence, the Poverty Reduction Strategy includes the following policies and measures:

1. Slowing the population growth and giving priority and more concern to the implementation of the Population Strategy.
2. Developing the promising economic sectors through increasing their investments and providing their needs, in addition to encouraging small and micro enterprise for their potential to alleviate poverty.
3. Upgrading the social safety net to become more effective, providing the minimum levels of free health care to the poor and ensuring universal basic education.
4. Expanding and enhancing the development approach through productive competition, elimination of monopoly and furthering the opening up of the economy to external markets.
5. Enhancing human and capital resources of the poor through education, training, health services and technology transfer, as prerequisites for the improvement of their situation.
6. Increasing and expanding economic opportunities for the poor in agriculture and rural activities in general.
7. Improving the systems of the social safety net and enacting central reforms to include health insurance and unemployment benefits.
8. Upgrading the infrastructure that would raise productivity, improve incentives for investment, break the isolation of rural areas, expand markets and create job opportunities.
9. Rationalizing water exploitation and combating desertification and environment degradation.



10. Supporting measures to bridge the gender gaps in all economic, political and social aspects.
11. Increasing people and Civil Society Organizations' participation in the preparation, drafting, implementation, monitoring and assessing.
12. Revising legislation to make compatible with the strategy and policies of poverty reduction.
13. Establishing an effective system for information, monitoring and follow up of the implementation of the Poverty Reduction Strategy, its policies and programs.
14. Resolving poverty and its causes through establishing a practical partnership between the government and the donor community based on specifying priorities according to timely phases.

## **8-2 Social Safety Net**

Understanding the adverse impacts of the EFARP, the Government has worked toward establishing a social safety net to alleviate the short-term negative effects on incomes, employment and the living standards. Also, despite the importance of the net and its development programs, there are other policies, measures and programs that are undertaken by the government to improve the socioeconomic conditions of citizens, on top of these are education and health services, which draw around 25% of total public expenditure.

### **8-2-1 Components and Achievements of the Social Safety Net**

#### **8-2-1-1 Development and Financing Funds and Programs**

- The Social Welfare Fund was established in 1996, with a total number of beneficiaries increasing to 102 thousand cases in 1997 and to 450 thousand in 2000, at a cost of YR 7.2 billion.
- The Social Development Fund was established in 1997 to finance development projects in remote and less developed areas. The SDF has implemented 1,233 projects during 1997-2000 creating three million temporary job opportunities (man/day) at the cost of YR 12 billion. Education and health services took up 64% of the total budget, water and sanitation and road projects 25%, and income generating projects and institutional building 11%.
- The Agriculture and Fisheries Promotion Production Fund started in 1996 executing a total of 3,054 projects up to end of 2000. The total cost of these projects amounted to YR 12.6 billion distributed among dam construction and irrigation schemes (46.8%), agriculture production and storage facilities and providing inputs and accessories (36.4%), and finally establishing small fishing anchor platforms and collection points (16.8%).
- The Public Works Project initiated in 1996 completed 734 development projects by the year 2000. Those projects are characterized by labor intensity in the fields of education, health, roads, water and sanitation, at

the cost of YR 6.7 billion, and which provided 2.4 million temporary job opportunity (man/day).

### **8-2-1-2 Social Security and Pension Programs**

Social security and pension programs have extended their coverage to 380,490 employees in 1995, of which 348 thousand with the General Authority for Securities & Pensions responsible for civil service, public and mixed sectors, and only 32,490 with the General Corporation for Social Security caring for private sector companies. In the year 2000, the numbers have increased to around 460 thousand (415 thousand with the Authority and 45 thousand with the Corporation. Also, the number of beneficiaries from pensions increased to 41,593 in 2000 divided between the Authority (40,473) and the Corporation (1,120), against a total of 28,134 in 1995 (26,946, and 1,188 with both institutions, respectively).

### **8-2-1-3 Policies, Programs and Other Activities**

The Government has been directing a large portion of its activities toward establishing and providing basic social services, which benefit the population in general. Hence, those services and the related projects and programs are considered within the scope of supporting directly the poor as they contribute to their protection within the limits of having access to those services or to the associated jobs created from providing them. Also, the rural development projects, which have been adopted by the consecutive governments for more than three decades, the community development programs, the productive families and the social care services represent good examples of this type of activities.

### **8-2-2 Challenges and Difficulties**

Irrespective of the achievements accomplished by the funds and programs of the Social Safety Net during their short period of establishment, they have been basically oriented toward financing constructing projects in the sectors of health, education, water and roads, compared to allocating around 7% of total spending to small and micro projects. Expansion in small and micro projects is confronted by many obstacles relating to loan collateral and repayment as well as settling disputes. Moreover, it has been obvious that funds allocated to the SDF and the PWP are not sufficient to make substantial impact on the poor, neither from the viewpoint of per capita share nor from its contribution to rapid and temporary solutions to unemployment, especially in light of increasing poverty amongst households.

Furthermore, increasing the number of targeted beneficiaries from the Social Welfare Fund to 450 thousand in 2000 reflecting a coverage rate of 68% remains far below the estimated 660 thousand poor households. The Fund finds difficulty in implementing the income criteria for specifying and targeting the poor due to a considerable percentage of them being close to the poverty line, in addition to the dispersion of the majority in rural areas that are hard to reach. Likewise, the security and pension programs suffer from clear weaknesses and imbalances in terms of their situation as well as performance. Pension payments cannot even keep living standards close to the poverty line, while also lacking schemes for protection against unemployment and health risks.

### **8-2-3 Objectives, Policies and Measures**

A comprehensive role for the Social Safety Net requires a pioneering role for the security and pension systems, provision of health insurance for all employees, offering unemployment benefits to the unemployed, in addition to expanding social care services. The SFYP has translated these directions in the following quantifiable objectives:

- Increasing the number of employees enjoying subscription to the security and pension schemes from 460 thousands in 2000 to 529,635 in 2005, and that of beneficiaries from 41,593 to 68,056.
- Increasing the number of beneficiaries from the Social Welfare Fund by an annual average of 50,000 and to reach 600,600 by 2005.
- Establishing, furnishing and operating 75 new centers for societal development and productive families activities.
- Implementing a number of projects by the SFD at a total cost of YR 28 billion, distributed among societal development (82%), institutional building (10%), and small and micro enterprise development (8%).
- Implementing several projects in agriculture and fisheries by the Agriculture and Fishery Production Promotion Fund at a total cost ranging between YR 18-22 billion.
- Implementing 1,659 development projects by the PWP until 2004 at a total cost of YR 15.3 billion equivalent to \$ 87.2.
- Establishing six vocational training centers for the disabled, which brings the total number of centers to 15 and the targeted disabled to be trained during the Plan's period to 5,430 persons.

To achieve those above-mentioned objectives, the following policies and measures should be taken in three major domains:

#### **Institutional Set up and Expanding Securities & Social Care**

- Completing the institutional and legislative set up and upgrading technical and managerial competencies in the Social Safety Net services in order to ensure comprehensiveness and to end duplication, overlapping and multiplicity of organizational and financial mechanisms.
- Completing the data and information base and enhancing the Poverty Monitoring System and the Labor Information System.
- Expanding coverage of the securities and social protection together with the consolidation of the system to include health insurance and unemployment benefits, while also linking the system to establishing hospitals as well as undertaking projects that generate job opportunities.
- Extending the social welfare umbrella to include the needy in all governorates and districts, while improving the payment and entitlement

schemes and increasing the amount of cash assistance according to the food poverty line and the inflation rate.

- Expanding programs of societal development and productive families.
- Expanding the social care facilities and homes and the social rehabilitation centers.
- Increasing financial allocations for social care projects and programs.
- Protecting children against all forms of exploitation and rights' violation.

### **Loans, Training and Job Opportunities**

- Providing a legal framework to facilitate granting loans to low income groups and employment generating projects, and orienting the financing funds and programs toward small and micro enterprises and cooperatives.
- Expanding the soft loans net, particularly to productive families and rural women while linking these loans to training and skill acquisition schemes, and encouraging local communities and the poor to own the assets as well as to establish revolving funds such as a bank for the poor.
- Raising government's contribution in financing those projects in order to reduce reliance on external financing.
- Financing and implementing the maximum number of projects that are labor-intensive and geared toward the most poor regions.

### **Social Solidarity and Popular Participation**

- Launching intensive media campaigns to promote charity, cooperative, and voluntary efforts while also strengthening all forms of social solidarity and consolidating family and societal values of social cohesiveness.
- Supporting the role of charity organizations and cooperatives, improving popular participation, and building the capacities of societies, government and non-government organizations.
- Encouraging the civil society to establish and operate social development and social care centers.
- Mobilizing capacities and local resources through local councils and cooperatives, investing in public facilities, employing rural labor and productive families and the poor, and encouraging small industries and traditional craft work.

## **Introduction**

The EFARP has been aiming at redefining the role of the state and establishing an effective partnership between the government and the private sector through emphasizing the role of the state in ensuring security and law enforcement, enhancing its institutional set up, maintaining economic stability, setting up the necessary infrastructure and providing public services. The Program has been also seeking to encourage the private sector to lead the economic development process and to break the state's monopoly in some sectors, in addition to investing in education and health services.

## **9-1 Development of the Private Sector's Role**

During the previous stage, the private sector's performance was distinguished by diversity and expansion in manufacturing, agriculture, fisheries and construction. The sector has been also investing in trade and in financial and banking services. At the same time, it has kept pace with economic progress and developments in technology, productivity and competition. Consequently, the sector has contributed a significant share to GDP and has absorbed the largest portion of the labor force, in addition to enhancing economic growth.

### **9-1-1 The Private Sector's Set Out**

The FFYP has been the basis for turning toward granting the private sector a larger role. The Plan provided the foundations and the policies for that change and for moving toward new horizons regarding the Government and the private sector partnership to achieve socioeconomic development. Those bases can be inducted from the general economic objectives of the FFYP, which can be summed up in the following:

- Enhancing the existing economic approach, which relies on a leading role for the private sector in the economic life.
- Improving the investment environment and providing the necessary requirements for a friendly investment environment.
- Extending more interest and encouragement to the private sector, and orienting it toward investing in manufacturing and exporting activities.
- Reforming the financial sector, improving the performance of the banking system and expanding its services, and encouraging shifting commercial banks into comprehensive banking ventures.
- Reforming the tax and customs systems with a focus on simplifying their procedures.
- Undertaking the privatization program, activating investment and developing the financial market.
- Attracting foreign investments to the country and technology.

- Supporting complementarity and integration among small and personal enterprises.
- Enhancing the participation of private sector representatives in government supreme committees and in board of directors of public enterprises and funds, in addition to involving them in official negotiation with brethren and friendly countries and in negotiations to join the WTO.

### **9-1-2 Impact of the EFARP on the Performance and Role of the Private Sector**

The positive results of the EFARP have been generally linked to the liberalization of the economy and the transformation to a market economy. Such orientation included liberating the exchange rate, which has been the basis for correcting imbalances in the money market, achieving stability and raising the competitive capacity of the economy. However, freeing the exchange rate led to higher import prices including those of machinery and equipment, intermediate goods and production inputs. This in turn increased production costs and imposed severe limitations on private sector's competitiveness and investments, as the percentage of the foreign component in domestic product may rise to 70% of the production cost.

However, the inflation rate has been reduced considerably to settle at below 10%. Also, despite the fact that the Government has avoided deficit financing through issuing new money, hence limiting the growth of money supply and controlling inflation, yet directing part of personal savings to finance the budget deficit has shifted the investment norms from productive ventures to financial investment. Furthermore, the high interest on deposits and on treasury bills has led to high interest on loans. Also, the stringent fiscal and monetary policies have reduced the components of aggregate demand and public expenditure, particularly investment resulting in economic recession.

While acknowledging the fact that freeing trade has relatively improved the various activities of internal and external trade, still the accelerated and comprehensive implementation process of liberating external trade has severely limited domestic production and capacity utilization in light of incompetent domestic production. Also, the deficient infrastructure and the shortcomings of general services have imposed higher costs and more risk on the investors. Thus, investments become less attractive and investors turn to financial investments such as treasury bills or even invest abroad. Other obstacles pertaining to deficiencies in the justice system and the civil service have limited foreign direct investments to the oil sector, except for a small number of projects in other sectors.

### **9-1-3 The Private Sector's Role in Achieving Socioeconomic Development**

The private sector's contribution to the non-oil GDP amounted to an average share of 78.2% during 1995-2000, which once again proves that it is at the heart of the development process. This share increased over the period 1995-97 as it went up from 76.6% to 80.5% at the expense of a declining contribution from the government and the public sector, which was reduced to 19.5% due to the implementation of the

EFARP and its stringent policies. In later years, the private sector's contribution started to decline reaching a low 77.6% in 1999 and 2000, which is explained by the following factors:

- Low growth rates in economic sectors where the private sector is quite active and prominent such as manufacturing, transportation, storage and trade.
- Liberation of external trade in addition to smuggling led to underutilization of existing capacities, and hence to slow growth in investment and production.
- Shifting to non-productive investments such as treasury bills.

The ratio of total investment to GDP declined to 19.2% in 2000, due to falling non-oil private and mixed sectors' investments, resulting in negative growth rates of real total investments during the last two years of the FFYP. Private investment is a sensitive indicator to the investment environment in general and to the policies promoting investments in particular. The ratio of non-oil private and mixed sectors' investment to total investment averaged 46.1%, while it fluctuated between 34.7% and 62.2% during the Plan period. As noted above, such investment situation reflects the following set of features of the investment environment:

- Stringent policies aiming at controlling inflation and ceasing the economic deterioration have restricted private sector's investments and productive capacities.
- The decline of oil investments from 27.7% to 12.9% of total investments during the Plan period reflects the need for higher investments during the initial phases of exploration and exploitation.
- The private sector's share in investment is far below its capability and capacity, especially in light of its role in developing economic sectors and the production base.
- The relative improvement in the investment climate has been reflected in higher rates of project implementation from 35.1% of total licensed projects to 65.8%, which has been attributed to the policies adopted by the EFARP.

The private sector's efforts in enhancing and diversifying exports have been acknowledged as a focal issue relating to its role and position in the national economy. However, the non-oil private sector's exports have averaged 5.8% of total exports, and have not been able to exceed 8.8% in any one year, which reflects limitations and modest export capacities of the sector as a result of the small size and inefficient enterprises as well as the low quality of products.

## **9-2 Challenges Facing the Private Sector**

The private sector confronts many obstacles and difficulties, which limit its development and the growth of its production capacities, raise its production costs and weaken its competitiveness. Those obstacles and difficulties can be summed up in two groups. The first is the internal constraints comprising weaknesses and imbalances in

the administrative, legislative and the judiciary aspects, in addition to insufficient infrastructure and basic services as well as other constraints pertaining to the fragile private sector organizational structures. The second group represents the external factors, of which the most prominent are the requirements for globalization and the challenges relating to the production technology, marketing methods and accessibility to foreign markets.

## **9-3 Directions to Enhance the Private Sector's Role**

### **9-3-1 Policies of the SFYP**

The path of future activities forces a change in the directions of the private sector toward a new dynamism based on open competition in a fast changing world, moving to markets that surpass regional borders, relying on marketing and advertising methods, dealing with technological developments and modern telecom means, and free mobility of capital. Such dynamism requires redefining the bases for the private sector, its objectives and instruments that will be capable of achieving qualitative leaps and high growth rates.

#### **9-3-1-1 Enhancing the Conducive Environment for Investment**

Reforming laws and regulations with respect to ensuring their supremacy especially those pertaining to property rights and enforcement of contracts should not be delayed. Similarly, the need arises to combat corruption, and to improve the performance of the public administration in order to purify the investment environment and create a favorable climate capable of attracting foreign capital.

#### **9-3-1-2 Developing and Diversifying the Private Sector's Productive Capacities**

Development strategies and the SFYP seek to direct private sector investments toward the promising sectors of manufacturing, mineral resources, fisheries, and tourism. These sectors form the basis for a new take-off of the economy and represent stimulating factors for the growth of private sector's capacities, diversifying the economy's production base, increasing production and income, creating job opportunities, promoting sources of foreign currency earnings, and diversifying exports. Furthermore, the SFYP seeks to encourage the private sector to invest in the infrastructure according to the BOT schemes and in the ICT projects.

#### **9-3-1-3 Developing Competitive and Exporting Capacities**

The national economy provides vital domains and economic opportunities that allow the exploitation of the private sector's comparative advantage and promote its competitive capabilities as well as enhance its export potentials. Hence, to develop the sector's export potential, the following policies and measures will be adopted:

- Completing the exporting infrastructure including the cooling warehouses, cargo villages, port services, and introducing competition among agencies working at the ports.
- Giving more consideration to quality, packaging, and marketing, while supporting the establishment of private sector marketing agencies.
- Surveying potential export markets and establishing a data base about these markets.



- Organizing intensive promotional campaigns in regional and international markets through trade exhibitions, businessmen conventions, and Yemeni embassies and commercial attachés activities.
- Supporting the establishment of specialized financing firms to finance export activities.
- Promoting trade partnership with the various economic blocs in order to enhance trade exchange and accessibility to those markets.
- Benefiting from partnership with foreign firms to access new foreign markets.

#### **9-3-1-4 Human Resources Development**

Human resources development has gained more importance in light of the changes in the national economy toward market mechanisms and competition, in addition to the progress resulting from the information revolution and the drastic developments in the field of technology. Hence, the significance of enhancing technical and vocational training emerges, with the ultimate aim of assimilating the utilization of technological advancements. Within this context, the Government together with the private sector need to adopt a science and technology policy that would provide the required skills, establish the infrastructure for scientific research and support it in universities and research centers, and encourage creativity and innovation. In this vein, the SFYP works toward implementing the following policies and measures:

- Assessing and identifying actual and future needs of all professions and skills in the labor market.
- Designing and implementing various intensive training programs for the unskilled manpower, with the participation of all concerned parties including the private sector.
- Bearing some partial costs of training and rehabilitation of the private sector's labor force by the government via the vocational training fund.
- Supporting the private sector to establish and operate training centers to match its needs of the various professions.
- Linking higher education, technical education and vocational training outputs to the development needs.

#### **9-3-1-5 Attracting Foreign Capital**

Direct foreign investment is concentrated in the oil sector, while its share in other economic sectors is quite negligible. Net private capital increased remarkably from YR 6,085 million in 1995 to YR 59,506 million in 2000, at an annual average of 57%. The SFYP seeks to promote foreign investments through the following policies and measures:

- Improving the investment climate and providing the necessary requirements for an attractive business environment.
- Strengthening the state's institutional structure, completing the administrative and judicial reforms, and enhancing security and stability.

- Highlighting and disseminating the incentives and privileges cited by the Investment Law, especially among Yemeni emigrants and communities abroad.
- Developing the financial sector, while imposing adequate controls to avoid any financial crises.

Also, promoting partnership between the Yemeni private sector and its foreign counterpart through joint investments would assist in bridging the financing gap, especially in large capital industries. Similarly, it would solve the skills' shortages by providing the appropriate training to the human factor and in adequate numbers. In addition, it would lead to transferring new managerial methods and technologies as well as pave the way for its adaptation and development. Thus, efforts are focused on supporting the national private sector to establish joint investment projects with neighboring countries, encouraging joint investments between national, foreign and multinational investors and firms, and providing all facilities to reach joint manufacturing contracts, assembly operations and managing contracts.

#### **9-3-1-6 Establishing a Stock Exchange**

The importance of establishing a stock exchange rises from its role in mobilizing resources and savings and vitalizing investments in the various economic sectors. Hence, due to the expected increase in the private sector's investment, the sector's need for financing shall grow, moving toward non-traditional sources such as the stock exchange, which opens up new channels that would be more effective in accumulating personal savings including the small ones as well as attracting foreign capital and emigrants' remittances. Hence, the SFYP seeks to establish the stock exchange according to the following steps:

- Completing the legislative provisions and the required institutional structures.
- Providing the adequate requirements for the success of the stock exchange, particularly the administrative and judicial reforms as well as ensuring economic and foreign exchange stability.
- Transforming family and closed firms into share holding companies, and adopting transparency in their activities and financial records.

#### **9-3-2 Privatization and Activation of the Private Sector**

Privatization has been an important component of the EFARP, which came to redefine the roles of the participating parties in the development process. Privatization is very instrumental in upgrading financial allocation and utilization of economic resources, expanding the scope of ownership and promoting competition in the economy. Thus, privatization is based on a coherent and integrated set of solid principles and practical controls that ensure its proper implementation and reaching the designated objectives. The Privatization Law no. 45 of 1999 has clarified the concept and objectives of privatization as follows:

- Affirming the role of the State in managing the economy in accordance to the principles of a market economy.

- Reducing the state's financial burdens as a consequence of subsidizing public enterprises.
- Upgrading and improving performance of public enterprises on the basis of competition.
- Supporting private ownership and investment on competitive basis, while avoiding monopoly through wider ownership and public offering.
- Ensuring the flow of new investments and modern technology, which is not hazardous to the environment.
- Supporting the establishment of a stock exchange.

Moreover, the aforementioned law has also stated that privatization operations, partially or totally, should be undertaken through one of the following methods:

- Public offering of shares.
- Employees' participation through a labor share (total or partial) in the public enterprise.
- Shared contracts in capital and operation.
- Management and leasing contracts.
- Selling assets of the publicly owned enterprises.
- Selling the state's shares in the mixed sector's units.
- Restitution of the nationalized economic units.

Although the FFYP included an ambitious privatization program, its implementation witnessed considerable delays because of the postponement of issuing the privatization law until 1999. However, the SFYP seeks to accelerate the privatization program starting with the qualification of 61 units from different economic sectors that will offer investment opportunities to enhance the role of the private sector, expand its production capacities and vitalize economic activities.

## **Introduction**

Assessing Yemen's overall economic and development situation has shown severe disparities among governorates and districts in poverty incidence, income distribution, accessibility to services and norms of capacity utilization. Hence, it has been perceived that achieving the objectives of socioeconomic development cannot be realized without empowering local communities and involving them in the preparation, implementation and the following up of the development plans and programs. Such approach has been reflected in the government's commitment and steps taken recently to accelerate the issuing of the Local Authority Law and the election of the Local Councils. Within this context, the SFYP document has dedicated a whole chapter to cover issues relating to developing governorates and local communities and to present features and characteristics of each of the 19 governorates and the capital city, in addition to highlighting major obstacles facing their development as well as the appropriate policies for overcoming those obstacles.

## **10-1 Disparities in Development**

Economic and social disparities among governorates reflect many factors and causes, which are linked to the centralization of decision-making, unbalanced development, the potential and availability of natural resources in each governorate, the geographic location and transport accessibility. Those factors are influential in achieving a faster development in some governorates compared to others. Also, disparities are manifested in various forms such as inequality in the per capita share of social services as well as in income and living standards.

### **10-1-1 Economic Activity**

Yemen's population is distributed among 20 governorates including the capital city Sana'a, with an average density of 40 persons per km<sup>2</sup>. Population distribution varies greatly among governorates, where Taiz governorate alone has 12.6% of total population, followed by Ibb (11.1%) and Alhodeidah (10.6%). Those three governorates, together with Sana'a governorate and the Capital City include almost 50% of the total population, although they occupy only 9.4% of the country's total area. Furthermore, the national economy is dominated by the agriculture sector, which spreads across most governorates particularly in Hajjah, Sa'dah, Aljawf, Sana'a, Ibb, Alhodeidah, Taiz, Aldale, Almahweet, Hadramut, Dhamar, Abyan and Amran. Also, agriculture employs the majority of the labor force in most governorates compared with other major sectors such as industry (in the wider sense) and services. Its share reaches around 54.1% against 11.1% for industry and 34.8% for services.

Hajjah is ranked first in respect to agriculture employment with 77.2% of total employment in the governorate, followed by Sa'dah, Aljawf and Sana'a, with 73.1%, 72% and 70.5%, respectively. These high ratios reflect limited economic activities in other sectors. However, the industrial sector is active in certain governorates where the major industries are concentrated, thus leading to higher employment rates in the sector despite remaining low in absolute numbers compared to those of agriculture and services. Hadramut governorate is top in terms of industrial employment (21.6%),

followed by Albeida (20.7%), Aden (19.2%) and then Shabwah (17.5%). Also, despite the fact that the Capital City has the largest share in terms of industrial output, yet it ranks fifth with 16.8% of the governorate's employment. Employment in services exceeds 50% in the Capital City and the governorates of Aden, Lahej, Hadramut, Shabwah, Abyan, Almaharah and Albeida as a result of low agriculture and fisheries activities.

### **10-1-2 Social Services**

Available data indicate clear disparities in social services' coverage among governorates, particularly in health and education and an obvious bias manifested by higher coverage in governorates enjoying better economic and social conditions. Despite improved basic education enrolment over the last decade reaching an average of 58.8% in 1999-2000 wide disparities remain, where Aden governorate achieved the highest rate of enrolment (83%) followed by Taiz (73.2%). Aljawf and Hajjah reserved the bottom of the list with very low enrolment rates that do not exceed 23.2% and 39.5%, respectively. Also, disparities relating to gender gaps are high among governorates, where it is very high in Ibb (basic education male enrolment 81.4% against 44.6% for females). Such disparity narrows down in Aden where male enrolment is 87.7% against 78.2% for females. Moreover, class density varies, although in an opposite direction to the enrolment rate. This indicator falls below the national average of 28 pupils in basic education in governorates with low enrolment rate as a result of weak demand for education services, such as in Aljawf where average class density is 17 pupils, followed by Sa'dah and Hajjah (19), whereas in the Capital City of Sana'a it reaches as high as 54.

Similarly, the public health system suffers from clear disparities and from misdistribution of health facilities and the cadre at the governorate level as well as among the various regions, especially in the Capital City of Sana'a, Hadramut, Shabwah, Hajjah and Aldale. A health center in those governorates serves an average of over 75 thousand persons, compared to other governorates like Sana'a governorate, Albeida, Almahrah and Marib where a health center serves less than 25 thousand persons.

Furthermore, misdistribution of health personnel and medical staff makes things worse. Ratios between the health cadre and population vary greatly. While at the national level each doctor serves on average 4,810 persons, this ratio falls to 634 persons in Aden and to 1,500 persons in the Capital City of Sana'a. It shoots up to 21,327 and 25,256 persons in each of Sana'a governorate and Amran, respectively, and is highest in Aljawf with 82,453 persons per doctor. Also, while the national average of nursing staff to doctor ratio is 2.1, it declines to 1 in the Capital City of Sana'a, rises to between 2.2 and 5.4 in most governorates and reaches its peak at 6.9 in Almaharah. Similar disparities are found in relation to other health cadres in light of scarcity of some professions in some governorates and their availability in the others.

### **10-1-3 Internal Migration Trends**

Disparities in development lead to achieving further benefits and gains by some regions at the expense of others, which become repulsive to capital and labor due to

low standards of living and lack of job opportunities. Such disparities expand and extend to show the former as being developed and progressive vis-à-vis the others that reflect underdevelopment and backwardness.

Hence, internal emigration to urban areas picked up over the last few years as more population continued to pour into the major cities. Furthermore, it has started to take the form of a social problem as a result of its expansion among governorates. Nine governorates have been attracting internal emigration, which are the Capital City of Sana'a, Aden, Alhodeidah, Sa'dah, Marib, Hadramut, Almahrah, Aljawf and Shabwa. The Capital City of Sana'a is the most attractive, and receives the largest share of emigrants from other governorates. The ratio of arrival emigrants to its population rises to 107%, which is explained by the large number of civil servants moving in to Sana'a as the Capital of the unified country, and also for being a large and important market in the economy. Aden ranks second with a ratio of 24.5%, reflecting its importance as the economic and commercial capital of Yemen, besides having a relatively improved services. Repulsive governorates remain the same over the years vis-à-vis internal emigration, as the causes for emigration and the driving out factors have not changed, reflected in drought and low rainfall as well as in limited job opportunities. Data show that Almahweet is at the top of this group, with 7.9% of its population having left to other governorates.

## **10-2 Local Authority and Enhancement of Development**

By issuing the Local Authority Law, development efforts in Yemen enter a more progressive phase and reflect a transformation process in the lives of citizens. It also opens up new development horizons, allows the enhancement of participation and the consolidation of efforts, capacities and resources in a more efficient and effective way, across governorates and districts and throughout the country.

### **10-2-1 Development Initiatives in Governorates and Regions**

Many development initiatives have been undertaken at the local level during the past decades, in addition to the local cooperatives for development movement that represented in the 1970s and early 1980s another model for development initiatives at the regional and local level. However, the SFYP adopts a new initiative by presenting a strategy and an integrated plan to develop governorates and districts. This strategy is based on approaching the region as a social integrated entity that tackles all concerns of development within the context of the local community in a coordinated effort between official and community participation.

### **10-2-2 Present Situation of Decentralization and Authority Delegation**

The Public Administration in Yemen is still based on administrative and fiscal centralization, despite the state's inclination toward implementing decentralization at the governorate level and encouraging local authorities to prepare and execute local development projects and programs. The Yemeni Constitution has affirmed the move toward decentralization and the importance of the local authority in the governorates. Clause no. 117 of the Constitution ascertained that the country is to be divided into distinguished administrative units that are inseparable of the state's authority, while exercise their role through the local councils.

The political perspective of local authority emanates from its complementarity with strengthening democracy, enhancing peoples' participation in political, economic and social decision-making at the national and local levels, and managing their affairs through elected local councils. On the same vein, the Government stresses on the importance of fair distribution of investments in accordance with norms that consider governorates' needs and their comparative advantage in relation to location, population and availability of natural resources. Certainly, such approach of decentralization would achieve qualitative developments in the governorates, support self-reliance, and create collective responsibility and the necessary efforts to develop the remote and less developed regions.

### **10-2-3 The Local Administration Law**

The Local Administration Law no. 4 for 2000 forms the base and principal step to empower and rehabilitate the local councils in the governorates and districts to hold their responsibilities and perform their tasks specified by the Law. Those tasks are centered mainly on actual transformation to administrative and fiscal decentralization that helps achieve population stability and upgrade levels and quality of the provided services. A governorate local council is designated by law to perform the following functions and responsibilities:

- Assess and approve all governorate's projects incorporated in the socioeconomic development plan, as well as supervise its' execution according to development priorities.
- Direct, supervise and monitor the work of the executive branch in the governorate, as well as evaluate its performance and the level of execution of plans and programs, holding it accountable and withdrawing confidence on case of grand violation or misconduct.
- Direct, supervise and monitor work and activities of the local councils in the districts.
- Support the establishment of investment projects in the governorate, while taking necessary measures to sort out investment obstacles including simplification of administrative procedures.

Moreover, the Local Authority Law is not limited to granting mandates to each governorate and district, but also to ensure availability of sufficient financial resources in order to undertake its development functions, create job opportunities, increase income and alleviate poverty.

### **10-2-4 Development Directions under Local Authority**

Development activities have become, as set forth by the Local Authority Law: "based on the principal of administrative and fiscal decentralization, as well as on the expansion of peoples' participation in decision-making and in managing the local affair through elected local councils". The Government aims at starting the implementation of the Local Authority Law by forming the local councils in the governorate and the districts, in addition to establishing and training the specialized

committees, designated by the Law in the development and planning committee, the finance committee, the services committee and finally the social affairs committee”.

In this new system, the SFYP seeks to draft the laws and regulations that organize the various levels of authority and relations amongst them. It will also revise the planning system and develop its mechanisms to reach a comprehensive system for development across the whole of the country and at all levels (governorate and district), including providing information and other means to assist in preparing development plans at the local level and selecting the right projects. This system will also identify procedures and links among the various planning levels.



# **Annex**

**Table 1-1**  
**Distribution of Population by Age (%)**

<b>Age Group</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>
0 – 15 years	52.2	49.7	48.8
16 – 64 years	43.6	46.4	48.1
65 and above	4.2	3.9	3.1
<b>Total population (million)</b>	<b>12.8</b>	<b>15.4</b>	<b>18.3</b>
<b>Male</b>	<b>6.3</b>	<b>7.7</b>	<b>9.2</b>
<b>Female</b>	<b>6.5</b>	<b>7.7</b>	<b>9.1</b>

**Table 1-2**  
**Education and Training Enrollment Structure (in thousand)**

<b>Description</b>	<b>1990/1991</b>		<b>2000/2001</b>		<b>Average Annual Growth %</b>
	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>	
<b>Basic Education</b>	<b>2,199</b>	<b>89.7</b>	<b>3,348</b>	<b>83.8</b>	<b>4.3</b>
Males	1,520	87.4	2,203	82.5	3.8
Females	679	95.4	1,145	86.6	5.3
<b>Technical Education and Vocational Training</b>	<b>9</b>	<b>0.3</b>	<b>11.1</b>	<b>0.3</b>	<b>3.4</b>
Males	8	0.4	9.6	0.4	3.2
Females	1	0.1	1.5	0.1	4.8
<b>Technical Education</b>	<b>4</b>	<b>0.2</b>	<b>6</b>	<b>0.2</b>	<b>4.1</b>
Males	3	0.2	5	0.2	5.2
Females	1	0.1	1	0.1	0.0
<b>Secondary Education</b>	<b>199</b>	<b>8.1</b>	<b>444</b>	<b>11.1</b>	<b>8.4</b>
Males	175	10.1	315	11.8	6.1
Females	24	3.4	129	9.8	18.3
<b>Qualification of Teachers</b>	<b>4</b>	<b>0.2</b>	<b>24</b>	<b>0.6</b>	<b>19.6</b>
Males	3	0.2	13	0.5	15.8
Females	1	0.1	11	0.8	27.1
<b>University Education</b>	<b>42</b>	<b>1.7</b>	<b>184</b>	<b>4.6</b>	<b>15.9</b>
Males	35	2.0	139	5.2	14.8
Females	7	1.0	45	3.4	20.5
<b>Total</b>	<b>2,457</b>	<b>100.0</b>	<b>3,993.2</b>	<b>100.0</b>	<b>5.0</b>
<b>Males</b>	<b>1,744</b>	<b>70.9</b>	<b>2,671.6</b>	<b>66.9</b>	<b>4.4</b>
<b>Females</b>	<b>713</b>	<b>29.1</b>	<b>1,321.6</b>	<b>33.1</b>	<b>6.4</b>

**Table 1-3**  
**Cultivable Area with Main Crops**

<b>Description</b>	<b>Area</b>	<b>Ratio of Qat Area (%)</b>
<b>Arable Land</b>	1,668,858	-
<b>Cultivated Area</b>	1,132,910	8.8
<b>Wheat</b>	86,112	115.7
<b>Other Cereals</b>	589,480	16.9
<b>Total Cereals</b>	675,394	14.8
<b>Vegetables</b>	62,498	159.4
<b>Cash Crops (excluding Qat)</b>	93,086	107
<b>Fruits</b>	88,104	113.1
<b>Fodder Grass</b>	114,197	87.2
<b>Qat</b>	99,631	100.0

**Table 3-1  
GDP Structure**

Sector	million Rials		Average growth %	Share of GDP (%)	
	1995	2000		1995	2000
Agriculture, forestry and fisheries	99162	133113	6.1	19.4	20.0
Agriculture and forestry	90330	117357	5.4	17.7	17.6
Fisheries	8832	15756	12.3	1.7	2.4
Mining Industries	70756	102022	7.6	13.9	15.3
Mining Industry (excluding oil)	1640	1768	1.5	0.3	0.3
Extraction of Oil and Gas	69116	100254	7.7	13.5	15.1
Manufacturing	72932	82821	2.6	14.3	12.4
Manufacturing (excluding oil refining)	64287	74771	3.1	12.6	11.2
Oil Refining	8645	8050	-1.4	1.7	1.2
Electricity and Water	3111	4162	6.0	0.6	0.6
Building and Construction	17988	32748	12.7	3.5	4.9
<b>Goods Producing Sectors</b>	<b>263949</b>	<b>354866</b>	<b>6.1</b>	<b>51.6</b>	<b>53.3</b>
Wholesale & Retail Trade, Restaurants & Hotels	61136	81308	5.9	12.0	12.2
Wholesale and Retail Trade	49634	66166	5.9	9.7	9.9
Restaurants and Hotels	5208	7604	7.9	1.0	1.1
Repair and Maintenance	6294	7538	3.7	1.2	1.1
Transportation, Communication and Storage	64618	71973	2.2	12.6	10.8
Finance, Insurance, Real Estate and Business Services	48942	66637	6.4	9.6	10.0
Finance and Insurance	18828	25950	6.6	3.7	3.9
Real Estate and Business Services	30114	40687	6.2	5.9	6.1
Personal and Social Services	6174	8537	6.7	1.2	1.3
<b>Productive Services Sectors</b>	<b>180870</b>	<b>228455</b>	<b>4.8</b>	<b>35.4</b>	<b>34.3</b>
<b>Total of Production Sectors</b>	<b>444819</b>	<b>583321</b>	<b>5.6</b>	<b>87.0</b>	<b>87.6</b>
Government Services	65777	86624	5.7	12.9	13.0
Non-Profit Organizations	302	604	14.9	0.1	0.1
Custom Fees	16804	15052	-2.2	3.3	2.3
Less: Calculated Banking Services	16644	19340	3.1	3.3	2.9
<b>Total GDP at Market Price</b>	<b>511058</b>	<b>666261</b>	<b>5.5</b>	<b>100</b>	<b>100</b>
<b>Non-Oil GDP</b>	<b>441942</b>	<b>566007</b>	<b>5.1</b>	<b>86.5</b>	<b>85.0</b>

**Table 3-2**  
**Resources and Uses of GDP**

Description \ Year	million Riials		Average Growth (%)	Ratio to GDP	
	1995	2000		1995	2000
Total GDP	511,058	1,379,812	22.0	100.0	100.0
Imports of goods & services	215,921	571,942	21.5	42.2	41.5
<b>Total Resources</b>	<b>726,979</b>	<b>1,951,754</b>	<b>21.8</b>	<b>142.3</b>	<b>141.5</b>
1. Total Final Consumption	502,445	991,329	14.6	98.3	71.9
- Government Consumption	74,017	194,133	21.3	14.5	14.1
- Private Consumption	428,428	797,196	13.2	83.8	57.8
2. Gross Investment	112,713	264,274	18.6	22.1	19.2
- Fixed Capital Formation	106,227	251,684	18.8	20.8	18.2
- Change in Stocks	6,486	12,590	14.2	1.3	0.9
3. Exports of goods & services	111,821	696,151	44.2	21.9	50.5
<b>Total Uses</b>	<b>726,979</b>	<b>1,951,754</b>	<b>21.8</b>	<b>142.3</b>	<b>141.5</b>

**Table 3-3**  
**Public Revenues and Components**

Description	Million Riials		Average Growth %	% Total	
	1995	2000		1995	2000
I. Current Revenues	89,267	584,868	46	95.7	99.8
1. Tax Revenues	42,662	102,611	19	45.7	17.5
a) Direct Tax	11,544	44,025	31	12.4	7.5
b) Indirect Tax	31,118	58,586	13	33.3	10.0
2. Oil Revenues	23,296	446,038	80	25.0	76.1
a) Crude Oil Exports	15,102	306,783	83	16.2	52.4
b) Local Market Sales	7,844	135,384	77	8.4	23.1
c) Gas Sales	350	3,871	62	0.4	0.7
3) Other Current Revenues	23,309	36,219	9	25.0	6.2
II. Capital Revenues, Loans & Grants	4,047	875	-36	4.3	0.1
1. Capital Revenues	380	550	8	0.4	0.1
2. Grants	1,762	198	-55	1.9	0.0
3. Received Loan repayment	5	127	91	0.0	0.0
4. Loans (external)	1900	0	-	2.0	0.0
<b>Total</b>	<b>93314</b>	<b>585743</b>	<b>44</b>	<b>100</b>	<b>100</b>

**Table 3-4**  
**Public Expenditure and Components**

Description	Million Riials		Average Growth %	% Total	
	1995	2000		1995	2000
I. Current Expenditure	99,401	383,231	31	82.9	78.5
1. Salaries and Wages	63,729	141,576	17	53.2	29.0
2. Goods and Services	8,811	46,645	40	7.3	9.6
3. Maintenance	720	9,786	69	0.6	2.0
4. Current Transfers and Aid	8,984	141,579	74	7.5	29.0
5. Profits Payments	15,298	35,683	18	12.8	7.3
6. Unclassified Current Expenditure	1,859	7,962	34	1.6	1.6
II. Capital Expenditure	13,798	76,421	41	11.5	15.7
III. Equity Participation in Companies	4,993	16,653	27	4.2	3.4
IV. Loans Repayment	1,688	11,947	48	1.4	2.4
<b>Total</b>	<b>119880</b>	<b>488252</b>	<b>32</b>	<b>-</b>	<b>-</b>

**Table 3-5**  
**Percentage Distribution of Public Expenditure According to Functional Classification**

Description	1995	2000	Percentage change %
<b>1) Public Government Services</b>	<b>47.5</b>	<b>42.7</b>	<b>-10</b>
Public Services	8.5	17.2	102.4
Defense	29.9	18.2	-39.1
Public Security and Order	9.1	7.4	-18.7
<b>2) Social and Community Services</b>	<b>31.9</b>	<b>33.8</b>	<b>6.0</b>
Education	19.2	21.9	14.1
Health	3.8	4.7	23.7
Social security and Welfare	0.9	0.5	-44.4
Housing and Community Services	5.8	5.0	-13.8
Religious, Cultural and Recreation	2.2	1.6	-27.3
<b>3) Economic Services</b>	<b>6.4</b>	<b>12.4</b>	<b>93.8</b>
Fuel and Energy	2.9	6.6	127.6
Agriculture, forestry and Fisheries	2.6	2.4	-7.7
Mining and mineral Resources	0.2	0.2	0.0
Transportation and Communication	0.4	0.4	0.0
Others	0.3	2.8	833.3
<b>4) Public Debt Services</b>	<b>12.8</b>	<b>8.6</b>	<b>-33.1</b>
<b>Total Functional Expenditure</b>	<b>98.6</b>	<b>97.4</b>	<b>-1.2</b>
<b>5) Loan Repayment</b>	<b>1.4</b>	<b>2.6</b>	<b>85.7</b>

**Table 3-6**  
**Some Monetary Indicators (%)**

Description	1995	1996	1997	1998	1999	2000
Interest on Saving Deposits	20	25-20	20-11	15	17-18	15-13
Interest on Commercial Loans	25-30	25-32	32-15	14-20	22-28	27-15
Inflation Rate	54.5	30.8	2.5	6.0	8.7	3.9
Saving Deposits (million Rials)	9,333	14,747	18,122	20,705	25,681	34,652
Private Sector Loans (million Rials)	26,449	27,056	37,907	54,205	62,426	75,747
Treasury Bills (million Rials)	1,987	11,984	54,955	91,359	119,778	118,366

**Table 3-7**  
**Balance of Payment's Basic Indicators (million Rials)**

Description	1995	2000	Average Growth (%)	Ratio to GDP %	
				1995	2000
<b>Current Account</b>	<b>4,746</b>	<b>181,348</b>	<b>107.2</b>	<b>0.9</b>	<b>13.1</b>
Balance of Trade and Services	-72,713	204,345	...	14.2	14.8
Balance of Services	-28,780	-80,135	-22.7	5.6	5.8
Balance of Income	-22,535	-185,294	-60.8	4.4	13.4
Unrequited Transfers	128,774	242,433	13.5	25.2	17.6
<b>Capital Account</b>	<b>-47,182</b>	<b>-14,103</b>	<b>17.7</b>	<b>9.2</b>	<b>1.3</b>
including:					
Debt Installments	30,254	29,597	-4.4	5.9	2.1
Debt Withdrawals	2,151	31,861	71.4	0.4	2.3
Oil Companies Investment	12,393	34,448	22.7	2.4	2.5
Errors and Omissions	32,333	69,319	16.5	6.3	5.0
<b>Overall Balance</b>	<b>-10,103</b>	<b>231,824</b>	<b>...</b>	<b>2.0</b>	<b>16.9</b>

**Table 3-8**

### Trend of Foreign Debt

Description	1995	1996	1997	1998	1999	2000
Foreign Debt (million Dollars)	10,530	10,691	4,483	4,765	4,995	4,943
% of GDP	250	186	65	76	69	58
Debt Service as a Ratio to Exports	41.9	33.0	7.3	11.0	10.5	8.3

**Table 3-9**  
**Growth of Net Foreign Assets of the Banking System (million Rials)**

Year	Foreign Assets of Commercial Banks	Foreign Assets of CBY	Foreign Assets of the Banking System	Foreign Assets of the Banking System in million Dollars
1995	19,115	19,784	38,899	319.7
1996	15,830	87,514	103,344	806.2
1997	51,540	93,636	145,177	1,123
1998	57,743	54,789	112,532	828.2
1999	63,743	136,286	200,029	1,284
2000	93,982	393,331	487,313	3,013
<b>Average Annual Growth</b>	37.5	81.8	65.8	56.6

**Table 5-1**  
**Growth of Real GDP**

Sector	2000		2005		Average Annual Growth (%)
	million Rials	% Share	million Rials	% Share	
Non-Oil Economy	914,343	66.3	1,346,500	74.3	8.0
Oil Sector	465,469	33.7	465,500	25.7	0.0
<b>Total GDP</b>	<b>1,379,812</b>	<b>100.0</b>	<b>1,812,000</b>	<b>100.0</b>	<b>5.6</b>

**Table 5-2**  
**Real GDP and Its Sectors**

Sector	million Rials		Average Growth %	% Share	
	2000	2005		2000	2005
Agriculture, Forestry and Fisheries	195,892	263,000	6.1	14.2	14.5
Fisheries	15,828	29,180	13.0	1.1	1.6
Manufacturing (without Oil Refinery)	67,608	108,900	10.0	4.9	6.0
Oil Refinery Industry	35,470	51,000	7.5	2.6	2.8
Mining Industries (without Oil)	1,487	2,400	10.0	0.1	0.1
Electricity and Water	9,157	14,200	9.2	0.7	0.8
Construction	58,642	98,820	11.0	4.2	5.5
<b>Goods Producing Sectors</b>	<b>384,084</b>	<b>567,500</b>	<b>8.1</b>	<b>27.8</b>	<b>31.3</b>
Wholesale and Retail Trade	99,203	152,640	9.0	7.2	8.4
Restaurants and Hotels	9,758	16,200	10.7	0.7	0.9
Repair and Maintenance	10,384	15,500	8.3	0.8	0.9
Transportation, Storage & Communication	142,657	220,500	9.1	10.3	12.2
Financing and Insurance	39,412	69,460	12.0	2.9	3.8
Real Estate and Business Services	68,081	100,000	8.0	4.9	5.5
Personal and Social Services	11,328	15,500	6.5	0.8	0.9
<b>Services Sectors</b>	<b>380,823</b>	<b>589,800</b>	<b>9.1</b>	<b>27.6</b>	<b>32.5</b>
<b>Total Production Sectors</b>	<b>764,907</b>	<b>1,157,300</b>	<b>8.6</b>	<b>55.4</b>	<b>63.9</b>
Government Services	149,287	188,000	4.7	10.8	10.4
Non-Profit Organizations	940	1,200	5.0	0.1	0.1
Customs	28,348	34,000	3.7	2.1	1.9
Less – Calculated Banking Services	29,139	34,000	3.1	2.1	1.9
<b>Non-Oil GDP</b>	<b>914,343</b>	<b>1,346,500</b>	<b>8.0</b>	<b>66.3</b>	<b>74.3</b>
<b>Crude Oil Production</b>	<b>465,469</b>	<b>465,500</b>	<b>0.0</b>	<b>33.7</b>	<b>25.7</b>
<b>GDP at Market Price</b>	<b>1,379,812</b>	<b>1,812,000</b>	<b>5.6</b>	<b>100.0</b>	<b>100.0</b>

**Table 5-3**  
**Real GDP According to Ownership**

Sector	2000		2005		Average Annual Growth (%)
	Million Rials	% Share	Million Rials	% Share	
Non-Oil GDP	914,343	66.3	1,346,500	74.3	8.0
- Government Sector	149,287	10.8	188,000	10.4	4.7
- Public Sector	159,925	11.6	185,368	10.2	2.9
- Private Sector	605,131	43.9	973,132	53.7	9.1
Oil Sector	465,469	33.7	465,500	25.7	0.0
<b>Total GDP</b>	<b>1,379,812</b>	<b>100.0</b>	<b>1,812,000</b>	<b>100.0</b>	<b>5.6</b>

**Table 5-4  
Expenditures on GDP**

Description	million Rials		Average Annual Growth %	Ratio to GDP	
	2000	2005		2000	2005
GDP at Market Price	1,379,812	2,285,150	10.6	100.0	100.0
Imports of Goods and Services	571,942	802,180	7.0	41.5	35.1
<b>Total Resources</b>	<b>1,951,754</b>	<b>3,087,330</b>	<b>9.6</b>	141.5	135.1
<b>Total Final Consumption</b>	<b>991,329</b>	<b>1,655,470</b>	<b>10.8</b>	<b>71.8</b>	<b>72.4</b>
Government Final Consumption	194,133	342,130	12.0	14.1	15.0
Private Final Consumption	797,196	1,313,340	10.5	57.8	57.5
<b>Total Investment</b>	<b>264,274</b>	<b>653,960</b>	<b>19.9</b>	<b>19.2</b>	<b>28.6</b>
Fixed Capital Formation	251,684	622,630	19.9	18.2	27.2
Change in Stock	12,590	31,330	20.0	0.9	1.4
<b>Exports of Goods and Services</b>	<b>696,151</b>	<b>777,900</b>	<b>2.2</b>	<b>50.5</b>	<b>34.0</b>
<b>Total Expenditure</b>	<b>1,951,754</b>	<b>3,087,330</b>	<b>9.6</b>	<b>141.5</b>	<b>135.1</b>

**Table 5-5  
General Budget: Public Revenues and Expenditures (million Rials)**

Description	2000	2005	Average Growth %	Ratio to Total Public Expenditure	
				2000	2005
Oil and Gas Revenues	446,038	378,835	-3.2	91.4	76.4
Direct Taxes	44,025	109,550	20.0	9.0	9.2
Indirect Taxes	58,586	128,450	17.0	12.0	12.1
Other Current Revenues	36,219	82,860	18.0	7.4	7.5
<b>Total Current Revenues</b>	<b>584,868</b>	<b>699,695</b>	<b>3.7</b>	<b>119.8</b>	<b>105.2</b>
Capital Revenue	875*	110,000	-	0.2	9.0
<b>Total Revenues</b>	<b>585,743</b>	<b>809,695</b>	<b>6.7</b>	<b>120.0</b>	<b>114.2</b>
Salaries and Wages	141,575	238,560	11.0	29.0	28.4
Expenditure on Goods & Services	46,645	71,770	9.0	9.6	9.2
Maintenance Expenditure	9,786	18,030	13.0	2.0	2.0
Current Transfers	141,579	272,600	14.0	29.0	28.4
Interest Payments	35,683	45,540	5.0	7.3	6.7
Other Current Expenditure	7,962	12,820	10.0	1.6	1.6
<b>Total Current Expenditure</b>	<b>383,231</b>	<b>659,320</b>	<b>11.5</b>	<b>78.5</b>	<b>76.2</b>
Capital Transfers	30,661	35,000	2.7	6.3	5.6
Investment Expenditure	74,360	170,120	18.0	15.2	18.2
<b>Total Public Expenditure</b>	<b>488,252</b>	<b>864,440</b>	<b>12.1</b>	<b>100.0</b>	<b>100.0</b>
Total Surplus/Deficit	97,492	-54,745	0.0	20.0	14.2
<b>Surplus/Deficit Ratio to GDP</b>	<b>7.1</b>	<b>-2.4</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*Low estimate since noting that it amounted to more than YR 39 Billion in 1999.



**Table 5-6**  
**Expenditure Priority in the General Budget**

Description	2000		2005	
	Million Rials	%	Million Rials	%
<b>Government Public Services</b>	<b>208,971</b>	<b>42.8</b>	<b>358,743</b>	<b>41.5</b>
- Public and Comprehensive Services	83,979	17.2	142,633	16.5
- Defense	88,862	18.2	151,277	17.5
- Security and Order	36,131	7.4	64,833	7.5
<b>Community and Social Services</b>	<b>164,052</b>	<b>33.6</b>	<b>316,385</b>	<b>36.6</b>
- Education	106,927	21.9	198,821	23.0
- Health	22,460	4.6	51,866	6.0
- Social Security and Welfare	2,441	0.5	8,644	1.0
- Housing and Community Services	24,413	5.0	43,222	5.0
- Religious, Cultural and Recreation	7,812	1.6	13,831	1.6
<b>Economic Services</b>	<b>60,543</b>	<b>12.4</b>	<b>109,784</b>	<b>12.7</b>
- Fuel and Energy	32,225	6.6	58,782	6.8
- Agriculture, Forestry and Fisheries	11,718	2.4	24,204	2.8
- Mining and Mineral Resources	977	0.2	1,729	0.2
- Transportation and Communication	1,953	0.4	2,593	0.3
Others	13,671	2.8	22,475	2.6
<b>Public Debt Service</b>	<b>41,990</b>	<b>8.6</b>	<b>60,511</b>	<b>7.0</b>
<b>Total Functional Expenditure</b>	<b>475,556</b>	<b>97.4</b>	<b>845,422</b>	<b>97.8</b>
<b>Debt Repayment</b>	<b>12,695</b>	<b>2.6</b>	<b>19,018</b>	<b>2.2</b>
<b>Total</b>	<b>488,251</b>	<b>100.0</b>	<b>864,440</b>	<b>100.0</b>

**Table 5-7**  
**Growth of Money Supply and the Inflation Path**

Description	2001	2002	2003	2004	2005	Average Growth (%)
<b>GDP Deflator</b>	4.6	3.8	3.7	4.1	3.5	3.9
<b>Inflation (CPI)</b>	5.7	5.0	4.6	4.9	4.3	4.9
<b>Money Supply (billion Rials)</b>	528.6	582.0	638.5	697.8	766.2	10.1

**Table 5-8**  
**Balance of Payments Components (million Rials)**

Description	2000	2005	Average Annual Growth (%)
<b>Current Account</b>	181,348	135,500	-5.7
<b>Balance of Trade</b>	204,345	14,300	-41.3
<b>Exports</b>	662,155	656,400	-0.2
- Crude Oil	592,580	503,300	-3.2
- Others	69,575	153,100	17.1
<b>Imports</b>	-457,810	-642,100	7.0
<b>Balance of Services</b>	-80,135	-105,250	5.6
<b>Unrequited Transfers</b>	242,433	325,130	6.0
<b>Capital Account</b>	-14,103	-62,943	34.9
<b>Overall Balance of Payments</b>	231,824	72,557	-20.7

**Table 5-9**  
**Balance of Trade (million Rials)**

Description	2000	2005
<b>GDP</b>		
Exports	1,379,812	2,285,150
Imports	662,155	656,400
Balance of Trade	457,810	642,100
<b>% of GDP</b>		
Balance of Trade	14.8	0.6
Exports	48.0	28.7
Imports	33.2	28.1

**Table 5-10**  
**External Debt (million dollars)**

Description	Base Year	Years of the SFYP					Average Growth (%)
	2000	2001	2002	2003	2004	2005	
Debt Balance	4,943	4,936	4,927	4,907	4,889	4,854	-0.4
Net Medium and Long-Term Debt	-7.7	-23.6	-8.9	-19.6	-17.9	-35.2	35.5
Withdrawals	255.2	166.0	241.0	259.0	285.0	323.0	4.8
Repayments	262.9	189.6	249.9	278.6	302.9	358.2	6.4
GDP at Market Price	8,531	8,821	9,173	9,664	10,303	11,039	5.3
Ratio of Debt to GDP	<b>57.9</b>	<b>56.0</b>	<b>53.7</b>	<b>50.8</b>	<b>47.5</b>	<b>44.0</b>	<b>-5.4</b>

**Table 5.11**  
**Labor Force Growth (in thousands)**

	Labor Force		Net Increase	Average Growth (%)
	2000	2005		
Males	3,220	3,784	564	3.3
Females	1,054	1,366	312	5.3
<b>Total</b>	<b>4,274</b>	<b>5,150</b>	<b>876</b>	<b>3.8</b>

**Table 5-12**  
**Work Force According to Major Grouping (in thousands)**

Sector	2000		2005		New Job Opportunities	Average Growth (%)
	Number	%	Number	%		
Production Sectors	2,449	65.3	3,065	66.1	616	4.6
Service Sectors	874	23.3	1,109	23.9	235	4.9
Government Services	428	11.4	463	10.0	35	1.6
Non-Oil Economy	3,751	100.0	4,637	100.0	886	4.3

**Table 5-13**  
**Improvement in Productivity According to Major Grouping (%)**

Sector	Output	Employment	Productivity
Production Sectors	8.1	4.6	3.4
Service Sectors	9.1	4.9	4.2
Government Services	4.7	1.6	3.1
<b>Total Non-Oil Economy</b>	<b>8.0</b>	<b>4.3</b>	<b>3.5</b>

**Table 6-1**  
**Trend of Oil Indicators during FFYP**

Year	1995	2000
Planned Production (Thousand Barrels/Day)	-	331
Actual Production (Thousand Barrels/Day)	344	436
Achievement Ratio (%)	-	121
Total Oil Production (Million Barrels/Year)	126	160
Value of Oil Exports (Billion Rials)	87.6	594.6
Government Share in Oil Exports (Billion Rials)	15.1	306.8

**Table 6-2**  
**Major Mineral Explorations**

Exploration Fields	Location	Total Area
Basic and Precious Minerals	North and Western Highlands	38,000 km <sup>2</sup> (excavation) 3,334 km <sup>2</sup> (exploration)
Zinc, Lead, Silver	Al-Jabali area – Sana'a	1,089 km <sup>2</sup> (exploration)
Gold	Wadi Madan – Hadramout	340 km <sup>2</sup> (exploration and mining)
Copper, Nickel, Cobalt	Hamoura – Taiz	37.5 km <sup>2</sup> (exploration)
Strontium, Aluminum, Magnesium	Al-Mukalla –Hadramout	17,100 km <sup>2</sup> (excavation)

**Table 6-3**  
**Reserve Estimates of Some Mineral and Construction Resources**

Raw Material	Reserve	Number of Locations
Lime Stone and Dolomite	10 billion m <sup>3</sup>	32
Gypsum	160 million ton	14
Marble	690 million m <sup>3</sup>	12
<b>Volcanic Glass:</b>		13
Bio-mass	34.5 million m <sup>3</sup>	
Burlit	300 million m <sup>3</sup>	
Granite	316 million m <sup>3</sup>	25
<b>Building Stones:</b>		15
Tuff	31 million m <sup>3</sup>	
Basalt	58 million m <sup>3</sup>	
Rock Salt	337 million ton	11
Glass Sand	157 million m <sup>3</sup>	11

**Table 6-4**  
**Foreign Trade Indicators as Percent of GDP**

Description	Year	
	1995	2000
Total Exports	19.6	48.0
Crude Oil	17.1	43.1
Imports	33.8	33.2
Trade Balance	14.2	14.8
Economic Exposure	64.1	91.9
Exports / Imports (%)	58	145

**Table 6-5**  
**Development of the Electricity Sector during the FFYP**

Indicator	1995	2000		Average Annual Growth (%)
		Planned	Actual	
Installed Capacity (megawatt)	693	734	886	13
Generated Power (g.w.h.)	2,369	2,844	3,166	6.0
Transmitted Power (g.w.h.)	2,104	2,645	2,771	5.6
Sold Power (g.w.h.)	1,505	1,977	2,055	6.4
Maximum Load (megawatt)	478	549	610	5.0
Power waste (%):	34	32	38	
Power Stations	10	8	10	
Distribution	24	24	28	

**Table 6-6**  
**Situation of the Electric Power in 2000**

Indicator	Megawatt
Available Capacity in the Public Network	469
Available Capacity in the Independent Network	128
<b>Total Available Capacity</b>	<b>597</b>
Demand for the Independent Network	92
<b>Total Demand</b>	<b>610</b>
Public Network Deficit	(49)
Independent Network Surplus	36

**Table 6-7**  
**Targeted Indicators for the Electricity Sector**

Indicators	2000	2005
Installed Capacity (megawatt)	886	1,266
Generated Power (g.w.h.)	3,166	4,999
Transmitted Power (g.w.h.)	2,771	4,599
Sold Power (g.w.h.)	2,055	3,219
Maximum Load (megawatt)	610	904
Power Waste (%):	38	33
Power Stations	10	8
Distribution	28	25
Number of Subscribers (thousand)	800	1,298
Number of Beneficiaries (million)	5.3	8.7
Coverage (%)	30	40

**Table 6-8**  
**Water Supply from the Public Network in Urban Areas**

Indicator	1995	2000	Average Growth (%)
Water Production (million m <sup>3</sup> )	76	103	6.3
Water Consumption (million m <sup>3</sup> )	57	70	4.2
Water Waste (%)	25	32	...
Number of connections (thousand)	330	409	4.4
Number of Beneficiaries (thousand)	2,074	2,863	6.7
Average Individual Consumption (liter/day)	74	101	6.4

**Table 6-9**  
**Coverage of the Public Sewerage Network in the Major Cities (%)**

City	1995	2000
Sana'a City	20	50
Aden	85	90
Taiz	50	60
Al-Hodeidah	60	62
Mukalla	65	70
Average	56	66

**Table 6-10**  
**Water Supply in Rural Areas**

Indicator	1995	2000	Average Growth %
Water Consumption (million m <sup>3</sup> )	270	306	2.5
Average Individual Consumption (liter/day)	40	40	...
Number of Beneficiaries (million persons)	6.8	7.7	2.5
Coverage Ratio (%)	55	59	...

**Table 6-11**  
**Basic and Secondary Education Indicators**

Indicator	1995/96			2000/01		
	Male	Female	Total	Male	Female	Total
Admission to Basic Education	254,927	171,994	426,921	295,838	217,900	513,738
Admission to Secondary Education	91,732	22,943	114,675	123,299	51,679	174,978
Enrollment in Basic Education	1,762,668	837,516	2,600,184	2,202,996	1,144,513	3,347,509
Enrollment in Secondary Education	231,108	56,949	288,057	314,613	128,608	443,221
Graduates from Basic Education	81,181	32,441	113,622	144,072	51,869	195,941
Graduates from Secondary Education	27,793	18,416	46,209	80,177	29,654	109,831
Basic Education Teachers	95,499	20,585	116,084	100,079	42,587	142,666
Secondary Education Teachers	12,307	3,091	15,398	20,301	5,228	25,529
Percentage share of General Education from Government Expenditure	-	-	17.2	-	-	18.8

**Table 6-12**  
**Targets for Basic and Secondary Education**

Indicator	2000/01			2005/06		
	Male	Female	Total	Male	Female	Total
Admission to Basic Education	295,838	217,900	513,738	372,764	318,432	691,196
Admission to Secondary Education	123,299	51,679	174,978	168,824	86,271	255,095
Enrollment in Basic Education	2,202,996	1,144,513	3,347,509	2,787,529	1,701,724	4,489,253
Enrollment in Secondary Education	314,613	128,608	443,221	436,360	226,849	663,209
Graduates from Basic Education	144,072	51,869	195,941	191,874	73,112	264,986
Graduates from Secondary Education	80,177	29,654	109,831	88,521	37,521	126,042
Basic Education Teachers	100,079	42,587	142,666	114,020	65,664	179,684
Secondary Education Teachers	20,301	5,228	25,529	30,049	7,759	37,808

**Table 6-13  
Higher Education Outputs**

	1995/96		2000/01		Average Growth (%)
	Number	%	Number	%	
Sciences & Applied Fields Graduates from Public Universities	1,356	9.8	2,467	7.3	12.7
Sciences & Applied Fields Graduates from Private Universities	-	-	521	1.5	-
Total Graduates in Sciences and Applied Fields	1,356	9.8	2,988	8.9	17.1
Graduates in Theoretical Fields from Public Universities	8,209	59.2	19,362	57.0	18.7
Graduates in Theoretical Fields from Private Universities	-	-	2,086	6.1	-
Total Graduates in Theoretical Fields	8,209	59.2	21,448	63.1	21.2
Graduates from the Various Technical Institutes	803	5.8	1,456	4.3	12.6
Graduates from Teachers' Institutes	3,500	25.2	8,100	23.8	18.3
Total Higher Education Graduates	13,868	100	33,992	100	19.6

**Table 7-1  
Population and Labor Force\***

	1995	2000	Average Growth (%)
Total Population (thousand)	15,100	17,944	3.5
Population of 15 years and above (thousand)	7,560	9,290	4.2
Participation Rate (%)	45.8	46.0	--
Labor Force (thousand)	3,462	4,274	4.3
Employed (thousand)	3,126	3,765	3.8
Economic Dependency (per 100 employed)	483	477	--

\* Excluding the technical factors.

**Table 7-2  
The Labor Force and Employment (15+ years)**

	1995		2000		Average Growth (%)
	Thousand	%	Thousand	%	
<b>Population</b>	<b>7,650</b>	<b>100.0</b>	<b>9,292</b>	<b>100.0</b>	<b>4.2</b>
Male	3,814	50.4	4,654	50.1	4.1
Female	3,746	49.6	4,638	49.9	4.4
<b>Labor Force</b>	<b>3,462</b>	<b>100.0</b>	<b>4,274</b>	<b>100.0</b>	<b>4.3</b>
Male	2,793	80.7	3,220	75.3	2.9
Female	669	19.3	1,054	24.7	9.5
<b>Employed</b>	<b>3,126</b>	<b>100.0</b>	<b>3,765</b>	<b>100.0</b>	<b>3.8</b>
Male	2,490	79.7	2,798	74.3	2.4
Female	636	20.3	967	25.7	8.7
<b>Participation Rate (%)</b>	-	<b>45.8</b>	-	<b>46.0</b>	-
Male	-	73.2	-	69.2	-
Female	-	17.9	-	22.7	-

**Table 7-3**  
**The Employed by Economic Activity and Gender (000)**

Economic Activity	1995				2000				Average Growth (%)		
	Male	Female	Total		Male	Female	Total		Male	Female	Total
			No.	%			No.	%			
<b>Agriculture</b>	1,078	539	1,617	51.7	1,169	839	2,008	53.3	1.6	9.3	4.4
<b>Fisheries</b>	22	0	22	0.7	32	0	32	0.8	7.8	0.0	7.8
<b>Mining</b>	9	1	10	0.3	20	1	21	0.6	17.3	0.0	16.0
<b>Manufacturing</b>	108	18	126	4.0	118	23	141	3.7	1.8	5.0	2.3
<b>Electricity and Water</b>	12	1	13	0.4	12	1	13	0.3	0.0	0.0	0.0
<b>Construction</b>	209	1	210	6.7	247	1	248	6.6	3.4	0.0	3.4
<b>Total Production Sectors</b>	<b>1,438</b>	<b>560</b>	<b>1,998</b>	<b>63.9</b>	<b>1,598</b>	<b>865</b>	<b>2,463</b>	<b>65.4</b>	<b>2.1</b>	<b>9.1</b>	<b>4.3</b>
<b>Trade, Restaurants and Hotels</b>	322	11	333	10.7	442	13	455	12.1	6.5	3.4	6.4
<b>Transportation and Communications</b>	135	2	137	4.4	123	1	124	3.3	-1.8	-12.9	-2.0
<b>Finance and Real Estate</b>	30	2	32	1.0	29	3	32	0.8	-0.7	8.4	0.0
<b>Personal and Social Services</b>	261	16	277	8.9	244	19	263	7.0	-1.3	3.5	-1.0
<b>Government Services</b>	304	45	349	11.2	362	66	428	11.4	3.6	8.0	4.2
<b>Total Services Sectors</b>	<b>1,052</b>	<b>76</b>	<b>1,128</b>	<b>36.1</b>	<b>1,200</b>	<b>102</b>	<b>1,302</b>	<b>34.6</b>	<b>2.7</b>	<b>6.1</b>	<b>2.9</b>
<b>Grand Total</b>	<b>2,490</b>	<b>636</b>	<b>3,126</b>	<b>100</b>	<b>2,798</b>	<b>967</b>	<b>3,765</b>	<b>100</b>	<b>2.4</b>	<b>8.7</b>	<b>3.8</b>

**Table 7-4**  
**Distribution of the Employed by Profession and Gender (%)**

Profession	1995			2000			Average Growth Rate		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Legislative and High Ranking Officials	1.2	0.1	1.0	1.5	0.2	1.2	7.0	20.0	8.0
Specialists and Professionals	8.2	5.3	7.7	4.4	2.1	3.8	-9.9	-9.3	-9.8
Technicians and Assistants	3.7	1.0	3.2	7.0	3.4	6.1	16.0	38.0	17.9
Clerks	1.9	1.7	1.9	1.8	0.9	1.6	0.4	-4.4	-0.3
Services and Sales	9.7	1.5	8.2	14.5	1.6	11.3	10.5	9.2	10.4
Skilled Work in Agriculture & Fisheries	40.1	83.1	48.4	39.3	83.5	50.2	1.7	9.0	4.3
Hand crafts	13.0	2.7	11.0	8.8	2.5	7.2	-5.5	6.6	-4.8
Machinery Operators	6.4	0.3	5.3	5.9	0.3	4.6	0.5	8.4	0.6
Unskilled Workers	15.7	4.1	13.5	16.8	5.5	14.0	3.5	15.3	4.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>2.1</b>	<b>8.9</b>	<b>3.5</b>

**Table 7-5**  
**Distribution of the Employed by Work Status and Gender (%)**

	1995			2000			Average Growth %		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Wage Labor	48.3	13.9	41.7	50.8	13.9	41.7	3.0	8.7	3.4
Employer	1.8	0.5	1.6	2.8	0.4	2.2	10.8	5.9	10.5
Self-Employed	42.4	16.5	37.4	33.3	23.4	30.9	-2.6	16.9	-0.3
Family work or without pay	7.5	69.1	19.3	13.1	62.3	25.2	14.4	6.6	9.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>2.1</b>	<b>8.9</b>	<b>3.5</b>

**Table 7-6**  
**Distribution of the Employed by Education Level and Gender (%)**

	1995			2000			Average Growth %		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Illiterate	51.6	86.8	58.3	36.9	83.3	48.3	-4.5	8.0	-0.3
Read and Write	26.2	5.2	22.2	29.1	8.2	24.0	4.3	19.5	5.2
Basic Education	11.6	2.6	9.9	15.1	2.3	11.9	7.5	7.0	7.5
Training Institute	0.8	0.5	0.8	1.2	0.5	1.0	9.9	5.9	9.4
Secondary Education	5.6	2.6	5.0	9.6	2.1	7.8	14.4	5.9	13.6
Technical Institute	0.5	0.0	0.4	1.0	0.4	0.8	6.7	-	9.0
Secondary Diploma and Higher	3.6	2.4	3.4	7.1	3.2	6.2	17.1	15.7	16.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>2.1</b>	<b>8.9</b>	<b>3.5</b>

**Table 7-7**  
**Explicit Unemployment (15+ years)**

	1995		2000		Average Growth %
	Thousand	%	Thousand	%	
<b>Employed</b>	3,126	100.0	3,765	100.0	3.8
Male	2,490	79.7	2,798	74.3	2.4
Female	636	20.3	967	25.7	8.7
<b>Unemployed</b>	336	100.0	509	100.0	8.7
Male	303	90.2	422	82.9	6.8
Female	33	9.8	87	17.1	21.4
<b>Unemployment Rate %</b>	-	9.7	-	11.9	-
Male	-	10.9	-	13.1	-
Female	-	4.9	-	8.3	-



**Table 7-8**  
**Labor productivity in the Non- Oil Sectors (in 1995 prices)\***

Sector	1995					2000					Average Growth %		
	Output		Workforce		Productivity	Output		Workforce		Productivity	Output	Workforce	Productivity
	value	%	No.	%	value	value	%	No.	%	value			
Agriculture	90.4	20.5	1,617	51.8	55.9	116.6	20.6	2,008	53.5	58.1	5.2	4.4	0.8
Fisheries	8.8	2.0	22	0.7	400.0	15.6	2.8	32	0.9	487.5	12.1	7.8	4.0
Mining (excluding Oil)	1.6	0.4	3	0.1	533.3	1.8	0.3	7	0.2	257.1	2.4	18.5	-13.6
Manufacturing	73.0	16.5	126	4.0	579.4	82.3	14.5	141	3.8	583.7	2.4	2.3	0.1
Electricity and Water	3.1	0.7	13	0.4	238.5	4.1	0.7	13	0.3	315.4	5.8	0.0	5.8
Construction	18.0	4.1	210	6.7	85.7	32.5	5.7	248	6.6	131.0	12.5	3.4	8.9
<b>Total Production Sectors</b>	<b>194.9</b>	<b>44.1</b>	<b>1991</b>	<b>63.8</b>	<b>97.9</b>	<b>252.9</b>	<b>44.7</b>	<b>2449</b>	<b>65.3</b>	<b>103.3</b>	<b>5.3</b>	<b>4.2</b>	<b>1.1</b>
Trade, Restaurants and Hotels	61.2	13.9	333	10.7	183.8	80.8	14.3	455	12.1	177.6	5.7	6.4	-0.7
Transportation and Communication	64.7	14.6	137	4.4	472.3	71.5	12.6	124	3.3	576.6	2.0	-2.0	4.1
Finance and Real Estate	49.0	11.1	32	1.0	1351.3	66.2	11.7	32	0.9	2068.8	6.2	0.0	6.2
Personal and Social Services	6.2	1.4	277	8.9	22.4	8.5	1.5	263	7.0	32.3	6.5	-1.0	7.6
Government Services	65.8	14.9	349	11.2	188.5	86.1	15.2	428	11.4	201.2	5.5	4.2	1.3
<b>Total Services Sectors</b>	<b>246.9</b>	<b>55.9</b>	<b>1128</b>	<b>36.2</b>	<b>218.9</b>	<b>313.1</b>	<b>55.3</b>	<b>1302</b>	<b>34.7</b>	<b>240.5</b>	<b>4.9</b>	<b>2.9</b>	<b>1.9</b>
<b>Grand Total</b>	<b>441.8</b>	<b>100</b>	<b>3119</b>	<b>100</b>	<b>141.6</b>	<b>566.0</b>	<b>100</b>	<b>3751</b>	<b>100</b>	<b>150.9</b>	<b>5.1</b>	<b>3.8</b>	<b>1.3</b>

\* Output in billion Rials, Labor in thousands, and productivity in thousand Rials per worker.

**Table 7-9  
Population Projections, Labor Force and the Employed (15+ years)**

	2000		2005		Net Increase (thousand)	Average Growth (%)
	Thousand	%	Thousand	%		
<b>Population</b>	9,292	100.0	11,100	100.0	1,808	3.6
Male	4,654	50.1	5,500	49.5	846	3.4
Female	4,638	49.9	5,600	50.5	962	3.8
<b>Labor Force</b>	4,274	100.0	5,150	100.0	876	3.8
Male	3,220	75.3	3,784	73.5	564	3.3
Female	1,054	24.7	1,366	26.5	312	5.3
<b>Employed</b>	3,765	100.0	4,661	100.0	896	4.4
Male	2,798	74.3	3,377	72.5	579	3.8
Female	967	25.7	1,284	27.5	317	5.8
<b>Unemployed</b>	509	100.0	489	100.0	(20)	(0.8)
Male	422	82.9	407	83.2	(15)	(0.7)
Female	87	17.1	82	16.8	(5)	(12)
<b>Unemployment Rate</b>	-	11.9	-	9.5	-	-
Male	-	13.1	-	10.8	-	-
Female	-	8.3	-	6.0	-	-
<b>Participation Rate</b>	-	46.0	-	46.4	-	-
Male	-	69.2	-	68.8	-	-
Female	-	22.7	-	24.4	-	-

**Table 7-10  
Labor Force in the Government and Private Sectors**

Sector	Employed (thousand)		Net Increase	
	2000	2005	Thousand	%
Private Sector	3,337	4,198	861	96.1
Public Sector	428	463	35	3.9
<b>Total</b>	<b>3,765</b>	<b>4,661</b>	<b>896</b>	<b>100.0</b>

**Table 7-11**  
**New Entrants to Labor Market and their Education Level (15+ years)**

Education Level	Male		Female		Total	
	Thousand	%	Thousand	%	Thousand	%
University	85	13.8	49	14.0	134	13.9
Teachers' Institutes	13	2.1	3	0.9	16	1.7
Technical Institutes	7	1.1	2	0.6	9	0.9
Secondary School	85	13.8	36	10.3	121	12.6
Vocational Centers	18	2.9	2	0.6	20	2.1
Basic Education	94	15.3	24	6.9	118	12.2
Below Basic Education	313	50.9	233	66.8	546	56.6
<b>Total</b>	<b>615</b>	<b>100.0</b>	<b>349</b>	<b>100.0</b>	<b>964</b>	<b>100.0</b>

**Table 7-12**  
**Distribution of the Employed According to Economic Sector**

Economic Sector	2000		2005		Average Growth (%)	Net Increase	
	Thousand	%	Thousand	%		Thousand	%
Agriculture	2,008	53.3	2,403	51.6	3.7	395	44.1
Fisheries	32	0.8	50	1.1	9.3	18	2.0
Mining Industry	21	0.6	37	0.8	12.0	16	1.8
Manufacturing	141	3.7	194	4.2	6.6	53	5.9
Electricity and Water	13	0.3	23	0.5	12.1	10	1.1
Construction	248	6.6	382	8.2	9.0	134	15.0
<b>Total Production Sectors</b>	<b>2,463</b>	<b>65.4</b>	<b>3,089</b>	<b>66.3</b>	<b>4.6</b>	<b>626</b>	<b>69.9</b>
Trade, Restaurants and Hotels	455	12.1	587	12.6	5.2	132	14.7
Transportation and Communication	124	3.3	163	3.5	5.6	39	4.4
Finance and Real Estate	32	0.8	42	0.9	5.6	10	1.1
Social and Personal Services	263	7.0	317	6.8	3.8	54	6.0
Government Services	428	11.4	463	9.9	1.6	35	3.9
<b>Total Services Sectors</b>	<b>1,302</b>	<b>34.6</b>	<b>1,572</b>	<b>33.7</b>	<b>3.8</b>	<b>270</b>	<b>30.1</b>
<b>Grand Total</b>	<b>3,765</b>	<b>100.0</b>	<b>4,661</b>	<b>100.0</b>	<b>4.4</b>	<b>896</b>	<b>100.0</b>

**Table 7-13**  
**Labor Productivity in the Non-Oil Economic Sectors (in 2000 prices) \***

Sector	2000					2005					Average Growth %		
	Output		Workforce		Productivity	Output		Workforce		Productivity	Output	Workforce	Productivity
	value	%	No.	%	value	value	%	No.	%	value			
Agriculture	195.9	21.4	2,008	53.5	97.6	263.0	19.5	2,403	51.8	109.4	6.1	3.7	2.3
Fisheries	15.8	1.7	32	0.9	493.8	29.2	2.2	50	1.1	584.0	13.1	9.3	3.4
Mining (excluding oil)	1.5	0.2	7	0.2	214.3	2.4	0.2	13	0.3	184.6	9.9	13.2	-2.9
Manufacturing	103.1	11.3	141	3.8	731.2	159.9	11.9	194	4.2	824.2	9.2	6.6	2.4
Electricity and Water	9.2	1.0	13	0.3	707.7	14.2	1.1	23	0.5	617.4	9.1	12.1	-2.7
Construction	58.6	6.4	248	6.6	236.3	98.8	7.3	382	8.2	258.6	11.0	9.0	1.8
<b>Total Production Sectors</b>	<b>384.1</b>	<b>42.0</b>	<b>2,449</b>	<b>65.3</b>	<b>156.8</b>	<b>567.5</b>	<b>42.2</b>	<b>3,065</b>	<b>66.1</b>	<b>185.2</b>	<b>8.1</b>	<b>4.6</b>	<b>3.4</b>
Trade, Restaurants and Hotels	119.3	13.0	455	12.1	262.2	184.3	13.7	587	12.7	314.0	9.1	5.2	3.7
Transportation and Communication	142.7	15.6	124	3.3	1150.8	220.5	16.4	163	3.5	1352.8	9.1	5.6	3.3
Finance and Real Estate	107.5	11.8	32	0.9	3359.4	169.5	12.6	42	0.9	4035.7	9.5	5.6	3.7
Personal and Social Services	11.3	1.2	263	7.0	43.0	15.5	1.2	317	6.8	48.9	6.5	3.8	2.6
Government Services	149.3	16.3	428	11.4	348.8	188.0	14.0	463	10.0	406.0	4.7	1.6	3.1
<b>Total Services Sectors</b>	<b>530.1</b>	<b>58.0</b>	<b>1,302</b>	<b>34.7</b>	<b>407.1</b>	<b>777.8</b>	<b>57.8</b>	<b>1,572</b>	<b>33.9</b>	<b>494.8</b>	<b>8.0</b>	<b>3.8</b>	<b>4.0</b>
<b>Grand Total</b>	<b>914.2</b>	<b>100.0</b>	<b>3,751</b>	<b>100.0</b>	<b>243.7</b>	<b>1345.3</b>	<b>100.0</b>	<b>4,637</b>	<b>100.0</b>	<b>290.1</b>	<b>8.0</b>	<b>4.3</b>	<b>3.5</b>

\* Output in billion Rials, Labor in thousands, and productivity in thousand Rials per worker.

**Table 9-1**  
**Private Sector Contribution to Non-Oil Gross Domestic Product**  
**(Billion Rials)**

Sector	1995	1996	1997	1998	1999	2000
Private Sector	338.5	426.8	518.3	558.6	623.6	709.5
%	76.6	78.3	80.5	78.5	77.6	77.6
Public Sector and Government	103.4	118.3	125.6	153.0	180.0	204.8
%	23.4	21.7	19.5	21.5	22.4	22.4
Non-Oil GDP	441.9	545.1	643.9	711.6	803.6	914.3

**Table 9-2**  
**Structure of Manufacturing Industry**

Description	Large	Medium	Small	Total
Private Establishments	207	1,091	30,169	31,467
% of Total Establishments	57.0	91.6	95.8	94.5
Labor in Private Establishments	28,033	6,767	51,066	85,866
% of Total Labor	57.0	91.6	95.7	78.1
Total Value Added (million Rials)	44,602	5,151	22,163	71,916
Private Sector Share (%)	57.0	91.6	95.7	71.4

**Table 9-3**  
**Private Sector's Contribution to the Construction Sector**

Sector	1995	1996	1997	1998	1999	2000
Private Sector (million Rials)	7,411	11,760	17,368	18,720	25,568	24,278
%	41.2	40.5	42.3	42.0	48.4	41.4
Government Sector (million Rials)	10,577	17,278	23,692	25,851	27,259	34,364
%	58.8	59.5	57.7	58.0	51.6	58.6
Total (million Rials)	17,988	29,038	41,060	44,571	52,827	58,642
% of GDP	3.5	3.9	4.6	5.3	4.7	4.3

**Table 9-4**  
**Private Sector's Contribution to Gross Investment (Million Rials)**

Sector	1995	1996	1997	1998	1999	2000
Non-oil Private and Mixed Sectors' Investments	50,911	65,136	84,068	171,838	147,213	91,799
% of Total Investments	45.2	38.1	38.0	62.2	52.9	34.7
Government and Public Sectors' Investments	24,676	58,756	76,571	70,155	83,893	125,437
% of Total Investments	21.9	34.4	34.6	25.4	30.1	47.5
Oil Investments (Private and Mixed)	30,640	34,124	31,027	25,817	34,265	34,448
% of Total Investments	27.2	20.0	14.0	9.3	12.3	13.0
Change in stock	6,486	12,863	29,549	8,655	13,122	12,590
Gross Investment	112,713	170,879	221,215	276,465	278,493	264,274
Gross Investment (constant prices)	112,713	125,461	145,440	199,470	156,281	127,978
Rate of Growth %	-	11.3	15.9	37.1	-21.7	-18.1

**Table 9-5**  
**Licensed Investment Projects during the Period 1996-2000**

Sector	No. of Projects	%	Investment Cost (mn. Rials)	%	Number of Workers	%
Industry	1,054	49.8	177,679	36.5	26,728	40.3
Agriculture	210	9.9	20,167	4.1	5,654	8.5
Fisheries	61	2.9	8,476	1.7	1,968	3.0
Services	452	21.3	198,312	40.7	19,823	29.9
Tourism	341	16.1	82,690	17.0	12,212	18.4
Total	2,118	100	487,324	100	66,385	100

**Table 9-6**  
**Rate of Completion of Licensed Projects**

Sector	March 1992 – June 1997			June 2000		
	Licensed Projects	Completed Projects	Rate of Completion	Licensed Projects	Completed Projects	Rate of Completion
Industry	1120	361	32.2	545	372	68.3
Agriculture	85	31	36.5	30	10	33.3
Fisheries	31	15	48.4	1	1	100
Tourism	226	101	44.7	128	84	65.6
Health	200	125	62.5	110	73	66.4
Education	34	21	61.7	47	26	55.3
Housing	68	13	19.1	6	5	83.3
Services	289	54	18.7	47	30	63.8
Total	2053	721	53.1	914	601	65.8

**Table 9-7**  
**Foreign Direct Investment (Billion Rials)**

Sector	1995	1996	1997	1998	1999	2000
Private Capital (Net)	6,085	10,256	32,984	32,643	52,505	59,506
Inflows (Oil Sector)	37,289	34,127	31,032	25,821	34,276	34,442
Foreign Investment/ Total Investment (%)	38.5	26.0	28.9	21.2	31.2	35.6

**Table 9-8**  
**Economic Units under Privatization**

Sector	Number of Units
Industry	13
Agriculture	15
Trade	8
Transportation	5
Fisheries	17
Oil Refining	1
Banking	2
Total	61

**Table 10-1**  
**Relative Distribution of Population by Governorates in 2000**

<b>Governorate</b>	<b>Population</b>	<b>Distribution (%)</b>	<b>Governorate</b>	<b>Population</b>	<b>Distribution (%)</b>
Sana'a City	1,488,108	8.1	Haja	1,361,084	7.5
Sana'a	1,352,389	7.4	Al-Baida	562,851	3.1
Aden	503,794	2.7	Hadramout	873,119	4.8
Taiz	2,295,990	12.6	Saadah	596,334	3.3
Al-Hodeidah	1,942,251	10.6	Al-Mahweet	451,624	2.5
Lahej	650,044	3.6	Al-Mahrah	70,318	0.4
Ibb	2,018,878	11.1	Mareb	226,488	1.2
Abyan	420,243	2.3	Al-Jawf	433,235	2.4
Dhamar	1,199,998	6.6	Al-Dhaleh	403,488	2.2
Shabwah	454,786	2.5	Amran	955,977	5.2

**Table 10-2**  
**Manpower Distribution in Governorates According to Economic Activity (%)**

<b>Governorate</b>	<b>Agriculture</b>	<b>Industry</b>	<b>Services</b>	<b>Total</b>	<b>Governorate</b>	<b>Agriculture</b>	<b>Industry</b>	<b>Services</b>	<b>Total</b>
Sana'a City	2.3	16.8	80.9	259,850	Hajja	77.2	3.0	19.8	251,100
Sana'a	70.5	6.3	23.2	325,856	Al-Bidha	45.6	20.7	33.7	91,151
Aden	2.4	19.2	78.4	95,668	Hadramout	37.4	21.6	41.0	170,019
Taiz	50.1	15.1	34.9	440,863	Saadah	73.1	8.9	18.0	124,280
Al-Hodeidah	50.3	11.2	38.5	447,840	Al-Mahweet	66.2	11.4	22.4	85,685
Lahej	39.3	12.4	48.3	94,964	Al-Mahrah	41.4	8.9	49.7	13,746
Ibb	67.7	9.4	22.9	450,713	Mareb	56.4	10.9	32.7	29,817
Abyan	45.9	5.8	48.3	71,928	Al-Jawf	72.0	6.1	21.9	67,089
Dhamar	65.0	8.6	26.4	272,263	Dhala	66.9	4.0	29.2	64,140
Shabwah	33.7	17.5	48.9	52,109	Amran	68.0	8.6	23.4	212,595

**Table 10-3**  
**Education Indicators in Governorates (1999/2000)**

<i>Governorate</i>	<i>Enrollment Rate in Basic Education</i>			<i>Class Density</i>	<i>General Education Schools</i>	<i>Ratio of Buildings to schools</i>
	<i>Females</i>	<i>Males</i>	<i>Total</i>			
Ibb	44.6	81.4	63.6	34	1308	88.8
Abyan	50.9	83.3	67.8	28	321	76.9
Sana'a City	65.2	70.5	67.9	54	270	*
Al-Baida	38.3	63.8	52.0	26	447	87.2
Taiz	59.7	86.3	73.2	37	1235	89.1
Al-Jawf	17.7	27.5	23.2	17	297	86.9
Hajja	24.7	52.0	39.5	19	1241	81.5
Al-Hodeidah	35.4	56.5	46.4	28	1181	64.4
Hadramout	52.2	81.3	67.2	35	509	88.2
Dhamar	31.0	82.2	57.4	23	1161	71.0
Shabwah	31.7	73.5	53.9	27	327	82.0
Sa'adah	20.5	70.3	46.6	19	611	80.9
Sana'a	32.8	79.9	57.5	21	1456	82.2
Aden	78.2	87.7	83.0	49	102	83.3
Lahej	51.1	88.0	70.1	29	514	87.9
Mareb	41.9	60.0	52.1	16	366	79.0
Al-Mahweet	36.9	75.0	56.4	21	471	83.9
Al-Mahrah	50.0	66.7	57.9	31	71	88.7
Amran	31.2	76.9	55.7	23	957	81.0
Al-Dhaleh	43.9	92.1	69.2	29	317	94.6
<b>Total</b>	<b>42.6</b>	<b>73.5</b>	<b>58.8</b>	<b>28</b>	<b>13,162</b>	<b>81.6</b>

\* Sana'a City has been excluded due to inappropriate buildings for private schools.

**Table 10-4**  
**Disparity in Health Indicators**

<i>Governorate</i>	<i>Population per health unit</i>	<i>Population per health center</i>	<i>Population per bed</i>	<i>Governorate</i>	<i>Population per health unit</i>	<i>Population per health center</i>	<i>Population per bed</i>
Sana'a City	-	105,710	904	Hajja	10,339	96,501	2,415
Sana'a	7,744	16,895	6,847	Al-Baida	8,478	22,721	2,525
Aden	-	32,981	372	Hadramout	4,235	149,638	677
Taiz	18,175	28,528	1,706	Sa'adah	8,892	50,388	2,812
Al-Hodeidah	9,866	48,861	2,521	Al-Mahweet	6,108	62,822	4,398
Lahej	5,435	49,331	754	Al-Mahrah	2,131	22,903	347
Ibb	20,613	37,337	4,806	Mareb	3,718	13,501	1,914
Abyan	4,532	74,490	3,472	Al-Jawf	9,162	49,472	8,245
Dhamar	11,779	28,155	2,719	Amran	11,829	35,941	7,188
Shabwah	6,642	106,273	3,207	Al-Dhaleh	5,743	75,798	1,832



**Table 10-5**  
**Poverty Indicators at the Governorate Level in 1999**

Governorate	Population in thousand (2000)	Pop. Density	Labor Force to Population %	Employment %	Unemployment %	Household Monthly Expenditure (YR000)	Food Poverty (% Household)	Upper Poverty (% House holds)	Illiteracy Rate (15+ years) %			Enrollment in Basic Education %			Class Room Density in Basic Education	Access to Electricity	Access to Safe water	Access to Sanitation Network
									Male	Female	Total	Male	Female	Total				
Sanat'a City	1,488	3,912.0	21.5	7.2	11.6	63	10.1	20.8	13.3	42.1	27.9	70.5	65.2	67.9	54	98.0	82.0	98.0
Sana'a	1,352	97.6	27.3	9.0	7.2	44	23.8	28.4	40.2	87.1	63.9	79.9	32.8	57.5	21	36.0	25.0	18.0
Aden	504	678.9	27.7	2.6	27.8	40	16.6	32.0	13.7	34.4	24.2	87.7	78.2	83.0	49	96.0	98.0	97.0
Taiz	2,296	229.4	23.2	12.2	13.3	30	32.9	41.1	28.3	68.3	50.9	86.3	59.7	73.2	37	32.0	29.0	34.0
Al-hodeidah	1,942	151.3	26.2	12.4	7.5	23	33.6	39.4	48.2	77.4	63.2	56.5	35.4	46.4	28	28.0	46.0	33.0
Lahj	650	51.4	19.8	2.6	23.3	34	26.2	30.2	27.2	73.0	51.6	88.0	51.1	70.1	29	40.0	33.0	30.0
Ibb	2,019	318.3	25.5	12.4	8.2	33	28.1	35.1	36.5	78.5	57.7	81.4	44.6	63.6	34	37.0	33.0	33.0
Abyan	420	25.6	21.2	2.0	15.3	36	30.1	34.9	25.8	66.0	46.4	83.3	50.9	67.8	28	50.0	40.0	30.0
Dhamar	1,200	158.2	25.9	7.5	8.2	37	21.4	28.3	42.0	86.2	65.1	82.2	31.0	57.4	23	33.0	25.0	20.0
Shabwa	455	11.7	17.3	1.4	30.4	48	25.2	34.8	29.1	83.3	57.7	73.5	31.7	53.9	27	67.0	53.0	35.0
Hajja	1,361	165.0	21.6	6.9	10.1	33	33.6	37.5	56.3	87.9	71.9	52.0	24.7	39.5	19	16.0	12.0	13.0
Al-Baida	563	60.7	19.7	2.5	13.7	38	35.1	42.1	40.2	79.4	61.0	63.8	38.3	52.0	26	51.0	49.0	45.0
Hadrामout	873	5.6	23.1	4.7	12.2	30	38.7	50.1	23.2	59.6	42.3	81.3	52.2	67.2	35	74.0	81.0	54.0
Sa'adah	596	48.2	23.9	3.4	8.4	38	23.3	27.5	47.6	91.1	69.1	70.3	20.5	46.6	19	25.0	18.0	26.0
Al-mahweet	452	193.7	22.9	2.4	13.2	32	23.2	28.8	42.8	86.7	65.6	75.0	36.9	56.4	21	25.0	18.0	16.0
Al-maharah	70	1.0	23.1	0.4	10.9	52	15.9	19.7	45.2	65.9	56.1	66.7	50.0	57.9	31	58.0	61.0	40.0
Marab	226	13.0	18.3	0.8	24.2	75	15.4	21.8	36.1	81.6	58.0	60.0	41.9	52.1	16	39.0	33.0	30.0
Al-jawf	433	11.0	19.1	1.9	14.7	34	31.4	37.1	61.9	89.2	76.0	27.5	17.7	23.2	17	14.0	4.0	9.0
Amran	956	245.1	25.9	5.9	8.8	43	19.1	24.1	34.0	84.7	59.4	76.9	31.2	55.7	23	25.0	20.0	22.0
Al-dhaleh	403	101.0	18.4	1.8	9.1	53	20.9	24.2	29.2	77.4	53.6	92.1	43.9	69.2	29	35.0	15.0	25.0
<b>Total</b>	<b>18,261</b>	<b>40.1</b>	<b>23.6</b>	<b>100.0</b>	<b>11.5</b>	<b>41</b>	<b>27.1</b>	<b>34.0</b>	<b>36.0</b>	<b>74.1</b>	<b>55.7</b>	<b>77.2</b>	<b>43.9</b>	<b>61.4</b>	<b>28</b>	<b>41.0</b>	<b>36.0</b>	<b>35.0</b>