Yemen Economic Update

The Yemen Economic Update is a quarterly report that consists of four sections. The first section highlights key political, major economic and policy developments. The second section provides “flash indicators” for key economic variables that are available on a monthly or quarterly basis by the Government of Yemen. The third section uses different data sources to compare one development indicator in Yemen with other countries in the MENA region and countries with similar GDP per capita and population. The final section summarizes new legislation, publications, data, conferences, and donor activities. Occasionally, special topics will be featured in the Update.

Political and Economic Developments

Recent Political Developments

Yemen’s relations with the GCC countries and the US witnessed remarkable improvement since September 2001. Relations with Saudi Arabia and other Gulf countries continued to strengthen. This culminated with the acceptance of Yemen to partially join GCC affiliated bodies and agencies as a first step towards full accession to the GCC.

Yemen’s political relations with the US have also improved since September 11th with the visits of several senior US officials; the latest one was by the Vice President, Mr. Dick Cheney, on March 14th. The meetings focused on bilateral relations and joint cooperation, mainly in fighting terrorism and poverty reduction in Yemen.

Security cooperation between Yemen and US, which started following the bombing of USS Cole in Aden port in October 2000, was further enhanced after September 11th 2001. Over the first quarter of 2002, Yemen embarked on military operations against suspected individuals affiliated with Al-Qaida network. Recently, the US offered Yemen military training and resources.

The government reiterated, on several occasions, that there is no external military presence in Yemen and stressed that the US is offering limited training expertise. Around 200 military officers are expected to provide training to the Yemeni special forces in combating terrorism.

Following President Saleh’s meeting with the President of the World Bank in November 2001, the Bank’s Vice President for the Middle East and North Africa region, Mr. Jean-Louis Sarbib, visited Yemen in February 2002. He met senior government officials, including President Saleh, and discussed with the officials ways of enhancing the partnership between the Bank and the government to achieve the country’ socio-economic development objectives. The meetings focused on government efforts in finalizing its poverty reduction strategy as well as the implementation of the projects financed by the Bank.

President Saleh spent most of the first quarter of this year in visits to Aden and other governorates. The focus of his visits was to accelerate work in development projects in various governorates, particularly in the Aden Free Zone and the southern governorates. The president inaugurated, and laid the foundation stones for, a number of projects in the southern governorates. In his speeches, the President urged citizens and officials to gear up efforts for development work in Yemen and made new concessions to attract foreign investment to Yemen.

Many military and civilian leaders who left Yemen after the separation war in 1994 have recently returned including a prominent figure, Mr. Salem Saleh Mohammed, former member of the presidential council. The media speculates that the presidential pardon may be extended to other persons sentenced for 1994 war. The President also instructed the return of some of the confiscated property to the Socialist Party and urged other leaders still abroad to return home.
**Economic Policy:**

In 2001 and the first quarter of 2002, the Government of Yemen focused on finalization and approval of important strategy and development plans which will guide government programs in the short- and long-terms. The joint meeting of the Parliament and the Shura councils approved the Government’s **Strategy Vision 2025** and the **Second Five-Year Plan 2001-2005** (SFYP) in January. Currently, the Government is finalizing its **Poverty Reduction Strategy Paper (PRSP)** [see special topic in this Update]. The SFYP represents the first phase of implementing the long-term Strategy Vision 2025. The PRSP is expected to be approved by the cabinet in late March.

The General Sale Tax (GST) law, which was approved by the Parliament in November 2001, is expected to be implemented in September 2002. The law was intended to support government efforts to diversify its revenues resources.

A number of new initiatives and policies were recently adopted to attract private, foreign and domestic, investment into Yemen. First, President Saleh issued instructions to exempt Yemeni immigrants and GCC investors from land fees if their investment exceeds US$ 10 million. Second, the government relocated the Land Registry Authority to the Ministry of Justice to enhance its operations and to expedite land registration in Yemen. Third, the government is currently considering the amendment of trade and customs laws (e.g., proposals to cancel customs on imported cars and raising gasoline price). Finally, the General Authority for Specifications and Standards has adopted 138 new specifications and updated others related to commodities and products with the aim of improving standards of Yemeni products in the international markets.

Two new authorities were established by cabinet decrees in the last quarter. First, the Rural Projects Authority is established to provide clean water to the inhabitants of rural areas and islands. Second, the General Authority for Tourism Development is established to improve tourist sites and facilities and to attract new investments and projects in the tourism sector.

A joint Yemeni-Bahraini bank was inaugurated in March (with a paid up capital of YR 2 billion). The new bank, together with the Yemen-Gulf bank, is expected to enhance the flow of investments between Yemen and the Gulf States.

**Economic Developments:**

The Central Statistical Organization (CSO) released the **national accounts for 2001**, estimating a real GDP growth of about 1.8% in 2001 compared with 5.1% in 2000. All economic sectors experienced deceleration in output growth during 2001 (see Flash Indicators). The government attributes the weak performance in 2001 to the repercussions of the September 11th events which resulted in lower oil prices and declines in tourism and transportation activities.

The Central Bank of Yemen (CBY) continues to allow a modest **depreciation of the Yemeni Rial** against the US dollar. Despite worldwide reduction in interest rates, however, the CBY did not change domestic interest rates in the last quarter with the aim of encouraging local currency deposits and reducing pressure on the exchange rate regime.

**Inflation rate** increased sharply in the second half of 2001, reversing the trend of declining inflation rates, which started in 1995. Inflation rate (year-to-year) increased to 22.35% by the end of year 2001 up from 11% in 2000. The annual average inflation rate for 2001 is 11.9%. The recent increases are attributed to the dramatic increase in the prices of Qat and food commodities due to weather and reduction in the diesel subsidy. Inflation rates, nevertheless, started to decline in the first quarter of the current year again due to decline in the prices of Qat, vegetables and fruits (see the next section).

**Oil and Gas:** Ministry of Oil and Mineral Resources (MOMR) expects oil production to reach 475,000 barrels per day (bpd) by the end of this year (currently production level is 465,000 bpd), mainly because of expected increases in production from block 53 (run by the British Dove Oil Company). The total number of oil companies working in Yemen field has now reached 27.

The cabinet recently approved joint production agreements in blocks No. 73, and 93. MOMR agreed with US and Saudi companies on exploration of oil and gas in blocks No. 57 and 58. It also signed an agreement with RNGS of Russia for oil exploration. Moreover, the government approved the establishment project of the first private oil refinery in Mukalla costing US$ 150 million.

**Trade and WTO:** The National Committee for Negotiations with the WTO has completed its draft of the memorandum of the foreign trade regime which will be presented soon to the WTO. The memorandum provides a detailed description of the trade system, regulations, and performance.

**Communications and Transportation:** The Ministry of Communications is planning to add 500,000 telephone fixed lines by the end of 2002. A GSM mobile company **SabaFon** is expected to buy 27% of the shares owned by foreign partners. The other mobile company, **Spacetel**, is planning to increase its coverage service to 90 towns with a total cost of US$ 40 million by the end of year.

The International Marketing Organization (IMO) has recently awarded Aden Free Zone (AFZ) the Global Marketing Quality Award for achieving remarkable progress in providing successful trade and marine services. AFZ also celebrated this month the third anniversary of Aden Container Terminal.

Upgrading of Sana’a airport is currently underway (with a total cost of US$ 27 million). Yemenia started flights to Jakarta and Kuala-Lumpur.
Flash Indicators

(i) GDP:
A new set of national accounts for 2001 has been recently released by CSO. It shows that real GDP growth in 2001 declined to 1.76% down from 5.12% in the previous year (Table 1). Output growth of all economic sectors decelerated in 2001. Four major sectors witnessed major declines: construction from 8.2% to 4%, mining & quarrying from 7.2% to –0.2%, manufacturing from 6.1% to 0.9% and gas, electricity and water from 6.5% to 1.7 %. As a result, growth of value-added of the industrial sector declined from 7% to merely 0.7% in 2001. Value-added of the mining and quarrying sector recorded a negative growth rate for the first time in the 1990s. The overall growth rate of non-oil GDP also decelerated from 4.7% in 2000 to 2.1% in 2001.

The services sector (which includes government services) grew by only 2.2% in 2001 compared with 4.3% in 2000. During the year, the transport sub-sector recorded a modest growth while financial services contracted. The growth rate of the wholesale and retail trade sub-sector declined strongly from 8.3% in 2000 to 3% in 2001.

<table>
<thead>
<tr>
<th>TABLE 1: SECTORAL GROWTH RATES, 1993-2001</th>
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<tbody>
<tr>
<td>-------------------------------------------</td>
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<tr>
<td>Agricultural Sector</td>
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<tr>
<td>Industrial Sector</td>
</tr>
<tr>
<td>Construction</td>
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<tr>
<td>Gas, Electricity &amp; Water</td>
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<tr>
<td>Mining &amp; Quarrying</td>
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<tr>
<td>Manufacturing</td>
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<tr>
<td>Services Sector</td>
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<tr>
<td>GDP</td>
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<tr>
<td>Non-Oil GDP</td>
</tr>
</tbody>
</table>

* Estimate.  
Source: CSO.

(ii) Inflation:
Inflation rate increased markedly in the second half of 2001. There has been a steady rise in the general consumer price index (CPI) since May of 2001, but it has dramatically increased since August. Nonetheless, and as shown in the figure below, the inflation rate started to decline in the first quarter (from 24% in December 2001 to 17.4% in February 2002). The main reason behind the increase in inflation rate in late 2001 was the sharp rise in the prices of Qat, fruits and vegetables. Price movements of Qat, fruits and vegetables are usually affected by weather and rainfall in particular. The reduction in the diesel subsidy since August 2001 was another factor behind price hikes. Similarly, the recent declines in the prices of Qat and food commodities were the main reason of the recent declines in the overall index. The seasonal demand for food and non-food commodities was halted after the months of Ramadan, and two Eids.

MONTHLY INFLATION RATES

Source: CSO.
(iii) Government Finance:

The Ministry of Finance has recently released monthly and quarterly figures on actual revenues and expenditures for the year 2001. As shown below, actual revenues were more than what has been estimated in the budget by 19% for the whole year. The difference, however, varied from one quarter to another. For example, actual revenues exceeded planned targets by 20% in the first quarter, increased further to 32% in the second quarter, declined to 14% by the end of September 2001, and further declined by 9% by the end of 2001. The decline in actual revenues over the last quarter is attributed mainly to the decline in the oil prices which followed the incidents in the US in September 2001. Yet, actual revenues for the whole year exceeded expectations and the planned targets. On the other hand, the overall actual expenditures for the year 2001 fell short of planned targets by 8% (including 75% of supplementary budget approved for the last quarter – see Yemen Update issue No.7). Total actual expenditures fell short of planned levels for the whole year and during all quarters with the exception of the second quarter which witnessed 3% increase over planned spending levels. Fiscal surplus for the whole year was about YR 29 billion (about 2% of GDP).

DIFFERENCE BETWEEN BUDGETED AND ACTUAL EXPENDITURES AND REVENUES FOR THE YEAR 2001

![Graph showing revenues and expenditures]

Source: Ministry of Finance.

(iv) External Sector:

The Central Bank of Yemen (CBY) has recently released preliminary figures of the balance of payment (BOP) for 2001. Based on the latest data (which are likely to be revised), the current account achieved a surplus in 2001 of US$ 770 million compared with a record surplus in 2000 in the order of US$ 1.9 billion (62% decline from last year’s surplus). The current account surplus accrued due to the surplus achieved in the trade and unrequited transfers accounts. The decline in the surplus of the trade account is mainly attributed to the 15% decline in oil exports as well as a 71% decline in non-oil exports. Workers remittances also declined in 2001 by about 9% (due to uncertainties after the September events). Oil exports, nonetheless, still account for 94% of total merchandise exports. The services and income balances remained negative as was the case in the previous years. Yet, while the deficit in the service balance increased by 3% over 2000, the deficit of the income balance declined by 9% in 2001. Import levels remained unchanged at US$ 2.5 billion.

CURRENT ACCOUNTS 2001 (IN US$ MILLION)

<table>
<thead>
<tr>
<th>Current Account</th>
<th>1862.4</th>
<th>769.5</th>
<th>-59%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Balance</td>
<td>1609.4</td>
<td>608.9</td>
<td>-62%</td>
</tr>
<tr>
<td>Exports</td>
<td>4093.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude Oil</td>
<td>3448.2</td>
<td>2936.8</td>
<td>-15%</td>
</tr>
<tr>
<td>Non-oil exports</td>
<td>645.6</td>
<td>179.0</td>
<td>-72%</td>
</tr>
<tr>
<td>Imports</td>
<td>-2484.4</td>
<td>-2506.9</td>
<td>1%</td>
</tr>
<tr>
<td>Services balance</td>
<td>-598.5</td>
<td>-614.5</td>
<td>3%</td>
</tr>
<tr>
<td>Income balance</td>
<td>-548.0</td>
<td>-497.9</td>
<td>-9%</td>
</tr>
<tr>
<td>Unrequited transfers</td>
<td>1399.5</td>
<td>1273.0</td>
<td>-9%</td>
</tr>
</tbody>
</table>

Source: Central Bank of Yemen.
(v) Monetary Aggregates:

Broad money grew by 19.8% over the last twelve months (February 2001-February 2002). Money growth gradually declined during the first half of 2001 from 24% in January 2001 to 21% in June 2001 (with an average growth rate of averaging at 23% during the period). Then, it quickly declined during the second half from 21% in June 2001 to 16% in November 2001 before it increased to 19% in December 2000, reflecting government efforts to curb inflationary pressures that were experienced during the second half of 2001. The composition of money supply changed slightly during the same period. In February 2001, narrow money constituted 50% and quasi money constituted 50% of the broad money supply (and foreign currency deposits 32% of the total). By end of February 2002, these ratios changed to 49%, 51%, and 33%, respectively, reflecting some shift in holdings of currency outside the banking system in 2001 to foreign currency deposits in 2002.

**GROWTH RATES OF MONETARY AGGREGATES (y-on-y)**

Source: CBY and staff calculations.

(vi) Interest Rates:

Interest rates on saving deposits have remained fixed at 13% since July 2000. The gap between high and low interest rates on commercial loans remains 5 percentage points since October 2000. The yield on three-month T-bills declined from 13.21% in November 2001 to 12.56% in February 2002. The rediscount rate was also reduced from 15.80% in November 2001 to 15.1% in January. The CBY is likely to maintain interest rates at current level to curb inflationary pressures.

Source: CBY.
(vii) Exchange Rate:

The nominal exchange rate stabilized at about YR 173 per US dollar after experiencing gradual depreciation in the second half of 2000 (monthly average of YR 168.59/US$ in June 2001 and YR 173.27/US$ in December 2001). The CBY attributed the rapid depreciation during the last quarter of 2001 to the events of September 11th. Despite seasonal demand for foreign currencies for pilgrimage (Hajj) during January and February of 2002, the depreciation of the exchange during the period was minimal. Average exchange rate reached YR/US$ 173.36.

Source: CBY.

(viii) Foreign Reserves and Domestic Credit:

Yemen’s foreign reserves also stabilized at about US$ 3.64 billion since October 2001, covering more than 13 months of imports. The decline in oil prices following the September 11th events resulted in lower oil revenues in the last quarter of 2001. Domestic credits slightly increased between November and December and then declined during January 2002. Net foreign assets remained stable since September of 2001. The net central government position with the banking system increased from YR 49 billion in December 2001 to YR 64 billion in January 2002 reflecting an increase in government deposits. Further, claims on non-government sector increased from YR 96 billion in December 2001 to YR 98 billion in January 2002.

Source: CBY. (DC stands for Domestic Credit, FA for Foreign Assets and DA for Domestic Assets).
Yemen’s Poverty Reduction Strategy and Development Plans

1. INTRODUCTION

Over the last three decades, North and South Yemen have been classified by international organizations as low income countries (LICs). However, in comparison with other LICs, both of them achieved significant progress in social and economic development. Both countries also made good progress in establishing basic governance and economic systems for modern states. Table 1 summarizes these achievements and the momentous evolution in the quality of life between 1970 and 1997 compared to what other LICs accomplished.

<table>
<thead>
<tr>
<th>TABLE 1: SELECTED SOCIAL INDICATORS</th>
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<tbody>
<tr>
<td>Indicators</td>
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<tr>
<td>Infant Mortality rate (per 1,000 live births)</td>
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<tr>
<td>Life expectancy (years)</td>
</tr>
<tr>
<td>Adult illiteracy (%)</td>
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<tr>
<td>Female illiteracy (%)</td>
</tr>
<tr>
<td>Gross primary enrollment rate (%)</td>
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<tr>
<td>Access to safe water</td>
</tr>
</tbody>
</table>

Source: Yemen’s CAS 1999.

After the unification of the former republics and the establishment of the Republic of Yemen in 1990, social indicators have either slightly improved or stabilized during the first half of 1990s. However, the economic indicators have deteriorated during this period. Yet, this deterioration resulted from political developments rather than from government’s tardiness on its development commitments. In fact, it resulted from Yemen’s political stand during the second Gulf crisis that put an end to foreign aid and led to returning of several hundred thousand of Yemeni expatriates from the Gulf states. In addition, local political turmoil between 1990 and 1994, which culminated to a civil war in mid 1994, exacerbated the situation.

This section of the Update reviews Government efforts to address the development challenges. These include a review of achievements under the First Five-Year Plan (FFYP) and a highlight of current development strategies and plans (Strategy Vision 2025 and the Second Five-Year Plan). Special emphasis is placed on government efforts to reduce poverty in Yemen.

2. FIRST FIVE YEAR PLAN (1996-2001)

As soon as the civil war ended in mid-1994, the government resumed its commitments to foster economic development in Yemen and consequently started the preparation of the First Five Year Plan (FFYP) to cover the period 1996-2000. The FFYP aimed to increase economic growth and to accelerate social development in order to raise the standards of living for all Yemeni citizens. The FFYP also coincided with an intensive stabilization and economic reforms program (ERP) during 1995-2000 supported by the World Bank and the International Monetary Fund. The ERP aimed to enhance the foundations of a market-based and private sector led economy. It focused on stabilization, price and trade liberalization, strong fiscal adjustments and reform of the exchange rate regime.

The ERP was utilized by the government as an engine to implement and achieve the goals of the FFYP. The outcomes of the FFYP were impressive particularly with regard to the significant improvement in the macro-economic indicators. The budget deficit declined remarkably during 1995-1998 and achieved a surplus during 1999-2001. Inflation has been brought down from 54% in 1995 to only 2.5% in 1997 and only increased to an average of 12% in 2000/2001. GDP growth recovered to an average of 8.3% during 1995-1997. However, it decelerated to 4.6% during 1998-2000 because of the collapse of oil prices in 1998. High oil prices in 2000 and 2001 improved macroeconomic indicators further and stabilization indicators continued to improve.

During evaluation of the FFYP, however, the government realized that while overall economic growth targets have been achieved, the standard of living for most Yemeni citizens deteriorated over the FFYP period. Based on 1998 budget survey’s data, the government estimated the population under food poverty line to be 17.5% and the population
under the total poverty line to be 31.5%. Therefore, the government decided to adopt new economic policy approach to mitigate Yemen’s current economic problems and to address poverty reduction in a comprehensive way.

3. NEW DEVELOPMENT STRATEGIES AND PLANS

By early 2000, the preparation of the Second Five Year Plan (SFYP) was launched with: (i) establishment of supervision committees and working teams; and (ii) evaluation of the outcomes of the FFYP. However, as an early step in the process, discussions among working teams led to the preparation of a long-term plan (Strategic Vision) to deal with challenges requiring longer interventions and continuous revisions through medium-term plans. Coincidentally, the government’s plan on preparing SFYP came on the time when the international community (the Development and Interim committees in particular) completed discussions on identifying the best policies to promote economic growth and poverty reduction in low-income countries. In December 1999, the Boards of the World Bank and the IMF approved a new approach to the challenge of reducing poverty in low-income countries based on country-owned poverty reduction strategies. These strategies were expected to foster domestic and external partnerships in line with the principles that underpin the Comprehensive Development Frameworks (CDF). They were to be embodied with a Poverty Reduction Strategy Paper (PRSP), which was expected to serve as a framework for development assistance beyond the operations of the Fund and the Bank. This implied, in the case of Yemen, simultaneous preparation of the PRSP, the Strategic Vision and the SFYP.

3.1. Strategic Vision 2025

The strategic vision is a long-term plan which is subject to revisions every five years. It will be implemented through several five-year plans. The current strategic vision was prepared during the period from May to August 2000. It was discussed with a broad constituency in Yemen through series of workshops and meetings. It was formulated to serve three objectives: (a) development of long-term solutions to deal with challenges that require longer interventions and continuous revisions through medium-term plans; (b) mobilization of all social and economic resources to address difficulties and constraints; and, (c) combination of traditional and innovative interventions based on social and economic realities.

In general, it aims to upgrade human resources and to improve the living standards through enhancement of health services, eradication of illiteracy, increase in enrollment ratios for basic education, and raising per capita income to the levels of middle-income countries through diversification of the economy, export promotion and job creation.

3.2. Second Five Year Plan

The SFYP covers the period from 2001-2005 and was prepared to be the first medium-term development plan within the framework of the Strategy Vision 2025. It was approved by the cabinet in July 2001 and by the Parliament and Shura Councils in January 2002. During the preparation of the SFYP, the government launched a constructive dialogue with all government agencies, civil society, private sector and donor community for attainment of the SFYP’s objectives. UNDP through its regional and strategic planning program helped the government in preparing the SFYP. Also, the government received logistic support from German and other donors.

The main objectives of the SFYP include poverty alleviation, raising income and living standards as well as capabilities and skills of the Yemeni people. The targets of the plan include: (1) achieving real GDP growth of 5.6% per annum; (2) attracting private and foreign investment to raise total private investment to 58% of total investment; (3) increasing the contribution of commodity sectors from 6.1% to 13%; (4) reducing underemployment to 22%; (5) reducing poverty to 21.7% by the end of the plan; (6) achieving a balanced budget; and (7) curbing inflationary pressures to an average rate of 4.9%

4. POVERTY REDUCTION STRATEGY PAPER (PRSP)

Yemen had its own poverty reduction program since 1997 within the framework of ERP. This program included; (i) local communities development; (ii) poverty alleviation and safety net; (iii) micro credit; and (iv) poverty information monitoring system (PIMS). The government planned for the preparation of a poverty eradication plan (PEP). A technical committee consisting of representatives of the government, civil society and academia was first established in early 2000 by a cabinet decree to oversee the preparation of PEP. The committee prepared background papers on
poverty issues, held four workshops covering all governorates, and conducted field surveys to listen to the voices of the poor in Aden, Al-Mahweet and Taiz governorates.

Following the international commitment to the PRSP process, Yemen started the preparation of an Interim-PRSP (IPRSP) as step towards the preparation of a fully developed PRSP in 2001. The IPRSP was intended to outline the nature of poverty problems and government plans for its reduction.

4.1. Interim PRSP (IPRSP)

A ministerial committee to supervise the preparation of the interim PRSP was established in March 2000. In addition, given the similarity of the objectives of the PEP and PRSP, the government held a meeting with representatives of the World Bank and the IMF and agreed to consolidate the preparation of PEP with the PRSP. In April 2000, the IPRSP was prepared and submitted to the Cabinet for approval. A number of workshops (thematic and regional) and consultation meetings were organized during the period July-November 2000 to discuss the IPRSP. The IPRSP was then sent to World Bank and the IMF in October 2000 to have their views on its contents before sending it officially to their respective Boards. Boards of both institutions discussed and endorsed the IPRSP in February 2001. Both agencies highly appreciated efforts of the Yemeni government in the field of poverty reduction and accepted the interim PRSP as a basis for the preparation of the final PRSP.

4.2. The Full PRSP

The PRSP preparation has been characterized by strong government ownership and broad consultations. After the approval of I-PRSP and before the preparation of the full PRSP, the government established a national committee for the organization of a PRSP workshop in collaboration with the World Bank and the IMF. The PRSP workshop was held during 25-27 July 2001 and was widely attended by government officials, members of parliament, private sector and civil society representatives, the media and the donors community. During the workshop the government outlined the board development objectives of the SFYP, its strong commitment to poverty reduction and the approach it will follow in the preparation of the PRSP.

In September 2001, the government formed the National Committee for the Preparation of the PRSP. The 20-members committee is chaired by the Vice-Minister of the Ministry of Planning and Development. It includes senior officials from six central ministries (Planning and Development, Finance, Labor and Social Affairs, Health and Population, Tourism and Environment, and Education); representatives of the Central Statistical Organization (CSO), National Committee for Human Rights, National Women Committee, universities and specialized institutes, NGOs, strategy and planning consultants and a representative of the civil society.

To ensure adequate donors’ participation in PRSP preparation, they were called for round-table meeting on December 10, 2001 in the Ministry of Planning and Development. During this meeting the Minister of Planning and Development re-confirmed the government’s commitment to the cause of poverty reduction. There has been also wide consultations and discussions within Government line ministries and affiliated agencies through a series of roundtable meetings and forums during January and February 2002. Consultations with other stakeholders such as academicians, representatives of the private sector and the civil society, local and international NGOs, and a number of bilateral and multilateral donors took place through series of workshops in the governorates of Aden, Taiz, Hodeidah (in March 2002) and Hadhramout (planned to take place in early April). A number of international organizations provided inputs to the process based on the government requests for technical assistance in many aspects of the strategy (e.g., poverty analysis, sources of economic growth, evaluation of the social safety net’s efficiency; private sector and its role in poverty alleviation; civil society organizations’ role in poverty alleviation; voices of the poor; mainstreaming environment in the PRSP; and, women and poverty). The full PRSP is expected to be finalized next month.
Yemen Compares: Governance Indicators

The World Bank Institute recently published an updated report on governance indicators (2000/1). The report consists of statistical information on the perceptions of quality of governance, compiled from different variety of sources including large number of enterprises, citizens and expert survey respondents as well as non-governmental organizations, commercial risk rating agencies, and think-tanks. For details on the data source, methodologies, and caveats, see full report at http://www.worldbank.org/wbi/governance/.

Six indicators corresponding to six basic governance concepts were constructed for 175 countries: (i) voice and accountability; (ii) political stability/violence; (iii) government effectiveness; (iv) regulatory quality; (v) rule of law; and (vi) control of corruption. Each indicator is measured by a percentile rank which indicates the percentage of countries worldwide that rate below the selected country.

The percentile ranks of governance indicators for Yemen are 29%, 14%, 25%, 33%, 8% and 27% respectively for each above indicator as shown in Table 1. This means, for instance, 29% of total countries were worse than Yemen in terms of voice and accountability indicator. In comparing Yemen with MENA countries, Yemen is better than Egypt, Bahrain, Saudi Arabia, Libya and Syria in terms of voice and accountability indicator. However, it is only better than Algeria in terms of political stability, better than Syria, Libya, Algeria in terms of government effectiveness, better than Syria, Libya, and Iran in terms of regulatory quality, better than Syria and Libya in terms of control of corruption. In terms of the rule of law, Yemen ranks the worst among MENA countries.

<table>
<thead>
<tr>
<th>Voice and Accountability</th>
<th>Political Stability</th>
<th>Government Effectiveness</th>
<th>Regulatory Quality</th>
<th>Rule of Law</th>
<th>Control of Corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>SYRIA 6.9</td>
<td>40.7</td>
<td>23.8</td>
<td>20.1</td>
<td>37.1</td>
<td>23.0</td>
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<td>LIBYA 9.2</td>
<td>37.0</td>
<td>11.9</td>
<td>4.1</td>
<td>15.9</td>
<td>19.3</td>
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<td>ALGERIA 12.6</td>
<td>9.9</td>
<td>23.8</td>
<td>16.6</td>
<td>14.1</td>
<td>32.3</td>
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<td>SAUDI 14.4</td>
<td>68.5</td>
<td>51.9</td>
<td>41.4</td>
<td>60.0</td>
<td>46.0</td>
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<td>BAHRAIN 18.4</td>
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<td>74.4</td>
<td>81.7</td>
<td>67.6</td>
<td>58.4</td>
</tr>
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<td>EGYPT 28.7</td>
<td>56.8</td>
<td>62.5</td>
<td>50.3</td>
<td>60.6</td>
<td>52.8</td>
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<td>YEMEN 29.3</td>
<td><strong>14.2</strong></td>
<td><strong>25.0</strong></td>
<td><strong>33.1</strong></td>
<td><strong>8.2</strong></td>
<td><strong>27.3</strong></td>
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<td>TUNISIA 29.9</td>
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<td>88.8</td>
<td>82.8</td>
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<td>80.1</td>
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<tr>
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<td>85.3</td>
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<td>55.6</td>
<td>72.2</td>
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<tr>
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<td>35.2</td>
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<td>69.8</td>
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</tr>
<tr>
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<td>56.9</td>
<td>40.2</td>
<td>84.1</td>
<td>74.5</td>
</tr>
<tr>
<td>JORDAN 56.9</td>
<td>53.7</td>
<td>68.1</td>
<td>81.1</td>
<td>73.5</td>
<td>59.0</td>
</tr>
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</table>


The figures below compare Yemen’s performance with the average performance of countries in the MENA region and those in the same income category. The statistical range of the governance indicators are shown as a thin black line. For instance, the length of the voice and accountability bar of Yemen is 29% with the thin black lines extending from 25% to 45%. This indicates that 29% of the countries are worse performers than Yemen on this indicator and the rest 71% of the countries outperformed Yemen for the same indicator. However, at the 90% confidence level, only 25% of the countries rate worse, while 55% of the countries rank better then Yemen. In general, higher values imply better governance ratings.

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1 Generally, this section relies on external sources of data and information. The World Bank does not necessarily endorse the methodologies, views or findings of these databases.

2 These indicators do not reflect the official position of the World Bank, its Executive Directors, or the countries they represent.
The color pattern indicates how good the countries on the governance indicators. The green color corresponds to best quartile (over 75th percentile) and the dark green represent the top 10% best quartile. The Yellow color corresponds to the second best (over 50th) and orange corresponds to (over 25th). The lower level represented by red color. Yemen’s governance indicators are generally lower than the regional average of MENA as shown in Figure 1. In relation to income category, Yemen’s performance is below the average of other low income countries for all indicators except on the regulatory quality indicators (Figure 2).

For black and white printed versions of the Update, please note the colors are all shades of gray. The green color is represented by the lightest shade and the red color is the darkest shade.
What’s New

Laws and Decrees (January-March 2002)

- Budgets of central government, local authority, autonomous agencies, special funds and public enterprises for 2002 ratified by the President (Laws No. 3-9, 2002).
- Establishment of Rural Water Projects Authority (Republican Decree No. 60).
- Ratification of a bilateral cooperation agreement between Yemen and China (Republican Decree No.51).
- Ratification of an agreement between Yemen and China with regard to “Protection and Encouragement of Mutual Investments” signed in Beijing on 16 February 1999 (Republican Decree No.50).
- Ratification of the Stockholm Agreement concerning Pollution Control (Republican Decree No. 47).
- Ratification of a protocol agreement with Jordan on postal services, sport activities, justice, ministers councils offices, and export promotion councils (Republican Decrees No. 42-46).
- Establishment of the Financing Fund for Small Industries and Establishments (Republican Decree No. 39).
- Yemen and Iraq signed an agreement on canceling custom duties and taxes.
- Yemen and Algeria signed an agreement to reschedule Yemen’s debt.
- Yemeni-Algerian Joint Committee signs 17 agreements in different spheres.
- Yemen and Turkey signed an agreement on bilateral cooperation in the spheres of oil, gas and trainings.
- Yemeni-Sudanese Committee signed an agreement and protocol of cooperation covering fishing, education, higher education, media, youth, sports, business and other areas.
- The cabinet endorsed a new article of the Nationality Law No. 6 for 1999, regarding Yemeni women’s right to get divorced from a foreign husband and amendments to existing law related to women prisoners’ rights when they are pregnant.
- The cabinet agreed to improve article No. 47 of the Personal Status Law No. 20 for 1992 to give the right to both spouses to terminate the marriage contract in special cases.
- The cabinet authorized the Foreign Minister to re-consider amendments on the Political Corps Law so that female and male employees get equal rights.

{Once a proposed law is approved by Cabinet, it is submitted to Parliament. After Parliamentary ratification, the President signs the bill and it becomes a law. A Republican decree by the President has the force of law. Prime Ministerial and Cabinet decrees are legally binding decisions that usually deal with administrative matters).

Publications

- “The First War in the Third Millennium” – new documentary profile published by the Saba News Agency.
- “Demographic Studies” was issued by the Population Training and Studies Center.
- A 12-volume Cultural Atlas for Hadhramout produced by MEMAR Italian Company in cooperation with the World Bank.
- Two stories for the children in order to polish their talents and skills were published by the Child Department of the Culture Bureau in Aden governorate.
- A new book on “Yemeni Dialects” was published by the Studies and Research Center of Aden University.

Data and Statistical Information

- The outcomes of the first survey of birds preservation indicated that more than 50 types of dwelling immigrating birds inhabit the north of Al-Hodeidah governorate.

Conferences and Workshops (January – March 2002)

- PRSP Workshops in Aden (9 March), Taiz (10 March) and Hodeidah (14 March).
- Training course for Violence Against Women coordinators held by OXFAM on January 5-16 in Sana’a.
- A seminar on “Personal Status Law” was organized by the Ministry of Social Affairs and Labor and the Higher Council for Motherhood and Childhood in Sana’a in early January.
• Symposium on settling commercial disputes related to high technologies organized by the Trade Arbitration Center of the GCC and Yemeni Center for Reconciliation and Arbitration.
• Workshop on the role of women in political and social life in Mahra held during the first week of January.
• First Human Rights Seminar in Taiz conducted by the Human Rights’ Information and Training Center from December 29, 2001 to January 3, 2002.
• “Book in a Newspaper” International Conference held in Sana’a on January 5-8, 2002.
• Consultation meeting to develop a “Communication Strategy” funded by the EU was held by the Strengthening Priority Areas of Vocational Training Project and the Ministry of Vocational Training in Sana’a on January 5-6, 2002.
• Workshop on “Empowering Women and Participation” was organized by the Supreme Council for Women Affairs in January.
• Training Course for Social Workers organized by the Regional Human Rights Foundation in cooperation with the US Embassy started on 21 January 2002.
• The Yemeni Calligraphers Society held the foundation meeting on January 17, 2002.
• “Administrative Assessment Symposium of Yemeni Universities” was organized by Taiz University in January 2002.
• Workshop under the title “Partners of Political Participation” organized by the National Democratic Institute took place by the end of January 2002.
• Second meeting of the National Committee for Preparing the 2nd Conference for the Earth Summit on Environment Protection was held in Sana’a.
• 20 mother and child care workers attended a training course organized by GTZ.
• The Information Resource Center, US embassy, held a three-day workshop on “Internet for Journalists” in early February.
• Conference on Combating Revenge and Terrorism organized jointly by the UNDP Office in Sana’a and Humanitarian Solidarity Organization inaugurated on 17 February 2002.
• A workshop on management and marketing skills inaugurated in Sana’a on March 2, 2002 for 46 trainees from 25 Yemeni industrial companies.
• The Human Rights Information and Rehabilitation Center in cooperation with the Canadian Program for Development organized a training workshop for police officers on International Human Law and human rights on March 3-4, 2002.
• Strategic Forum for Poverty Alleviation held in Aden on March 8th, in Taiz on March 9th, and in Hodeidah on March 13th.
• A Workshop on International Criminal Court held in Sana’a on March 5-6 by the International Committee for Humanitarian Law and the International Red Cross Committee under the auspices of the Prime-Minister.
• International Women’s Day celebrated by the OXFAM and Yemeni gender NGOs.
• General Department of Forestry and Combating Desertification held a training course on March 3rd.
• Civic Democratic Initiatives Support Foundation organized 12 workshops in governorates for training of 625 local councils’ trustees on 17 March 2002.
• First refreshing course for the “Judicial Inquisition Judges” was organized by the High Judicial Institute in Sana’a.
• The Human Rights National Supreme Committee in cooperation with the Semitic Legation Office for Human Rights organized a workshop on “Human Rights and Laws Approval” on March 12-13, 2002.
• The Development of Local Societies Program launched the first training course on monitoring and evaluation.

Donor Activities

• The Dutch Government suspended support to Dhamar Reproductive Health Program.
• WHO donated 16 cars to the Ministry of Health and Population.
• Japanese Debt Grant Aid amounting to US$1.9 million was signed and exchanged with the Ministry of Planning and Development on 13 January 2002.
• The Dutch Government donated US$ 5 million to the Ministry of Human Rights for finalizing prison database.
• A project for combating blindness was inaugurated by Prince Abdel Aziz bin Ahmed Al-Saud.
• Japan granted US$ 52,000 to the Physically Disabled Women’s Association in Sana’a and US$ 29,992 to the Al-Salkhana Mother and Child Hospital and will grant US$ 36,339 to the Al-Qabaitah District Society in Lahej.