

NATIONAL INDICATIVE PROGRAMME

2005-2006

YEMEN

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YEMEN:
DRAFT NATIONAL INDICATIVE PROGRAMME (NIP) 2005 – 2006

1. PREAMBLE

1.1 Introduction

1.1.1 The ALA Regulation

The Council Regulation (EEC) N° 443/92 of 25 February 1992 on financial and technical assistance to, and economic co-operation with the developing countries in Asia and Latin America (“ALA Regulation”), indicates that five-year programming is to be established for financial and technical assistance and for economic co-operation. The Regulation also provides that the indicative multi-annual guidelines that apply to the main partner countries are to be adopted in co-ordination with a committee composed of EU Member State representatives.

The multi-annual strategic planning is based on a Country Strategy Paper (CSP) covering a period of five years and containing the priority areas where the Commission intends to implement its co-operation. The CSP is translated into operational guidelines, laid down in multi-annual National Indicative Programmes (NIPs).

The Council ALA Regulation applies to Yemen. The focus is on strengthening the co-operation framework and on making an effective contribution, through institutional dialogue, economic and financial co-operation, to sustainable development, social and economic stability and democracy.

1.1.2. The Country Strategy paper 2002-2006

The 2002-2006 Country Strategy Paper for Yemen was prepared in the framework of the EC-Yemen Co-operation Agreement of 1997 and in consultation with the Yemeni Government and EU Member States. It was adopted by the Commission on 23 April 2002. The document provided an analysis of Yemen’s political, economic and social developments and defined the framework for Commission’s intervention, in line with the government’s agenda and previous EC co-operation experiences. As a result, the following priority areas were identified for EC co-operation over the period:

- Facilitation of business development and strengthening of economic institutions.
- Food security;
- Poverty reduction in the framework of the – at that time, draft – Yemeni poverty reduction strategy;
- Good governance, democracy and respect of human rights.

1.1.3 The National Indicative Programme 2002-2004

The first National Indicative Programme (NIP) established in the framework of the CSP identified actions to be launched in the 2002/2004 period within a total budget of €61 million–€70 million. In line with the objectives identified in the CSP, the NIP 2002-2004 focused on the following actions.

Priority 1: Development of economic institutions

Support for WTO accession: in line with the Commission's policy to facilitate third countries' accession to the WTO and Yemen's application (in 2000) for membership, a programme was launched to provide technical assistance to the government so as to facilitate the accession negotiations. The project was launched in 2002 following approval by the ALA Committee; actual work began in 2003. The duration of the project is five years.

A programme to support the creation of a Business Centre and/or the reinforcement of local business capabilities was planned. However, a pre-identification mission advised the Commission not to advance with the programme given the lack of maturity of the private sector and the consequently little impact any intervention would make at this stage. As suggested by the identification mission, it was decided to concentrate resources on the programme devoted to support Yemen's negotiating capacity for WTO accession.

Priority 2: Food security assistance

Since 1996 Food Security programmes have been one of the key areas of intervention for the EC. Under the 2002-2004 NIP several interventions were planned for a total amount of €33 million. Key objectives of such interventions were to develop local food supply infrastructures, institutional capacity-building in the relevant Ministries and governmental bodies, and technical assistance. These included actions to support co-ordination between ministries, government agencies and other donors involved in Food Security interventions, as well as actions to support studies and information gathering and dissemination. As for interventions on the field, the programme finances various food security related investment projects targeted at community-based initiatives (feeder roads, small dams, food processing, water management, etc.).

Extremely low levels of disbursements under previous Food Security Programmes discouraged the Commission from entering into new commitments in 2002 and 2003. The situation is, however, slowly improving due to efforts to conclude a Memorandum of Understanding between the Commission and the government of Yemen. Allocations are now planned in 2004 for a total of €5 million. An additional €2 million will be allocated through a call for proposals for NGOs launched in February 2004, to support projects in the field of food security. The focus of this programme will be assistance to improve Yemen's absorption capacity and food security operations.

Priority 3: Poverty reduction

Two projects were programmed to help reduce poverty. The project for health sector and demography support was adopted by the ALA Committee at the end of October 2003. The implementation will start in mid 2004. The overall objective is to improve the quality and the provision of basic health services and further develop family planning related

activities. The Programme has been identified and formulated in close consultation with all EU Member States which fielded a parallel mission with the EC in the preparatory stage to review the sector and dovetail interventions.

Support to the Social Fund is the second initiative and is to be launched in 2004. The objective is to reduce poverty by improving living conditions and providing income-generating opportunities. This objective will be pursued through the provision of development services to poor communities and through the support of income-generating activities and the further development of small and micro-enterprises. Despite a weak level of disbursement of the present project, a new commitment in 2004 as provided for in the NIP is fully justified. We are now in the identification phase for the new project which will be designed bearing in mind the experiences from the previous phase, particularly concerning slow consumption of the micro-credit component.

Priority 4: Strengthening of pluralism and civil society

Promotion of democracy and human rights. The overall objective was to provide support to the organisation of the 2003 Parliamentary elections. The project was carried out through UNDP and focused on supporting the activities of the Supreme Elections Committee in charge of the organisation of 2003 parliamentary elections.

Support to civil society: project to be launched in 2004 to enhance the capacities of Yemeni civil society organisations and improve the legal environment for their operations. An identification mission has been already carried out and the financing proposal will be submitted to the PVD-ALA Committee in 2004.

Outside the NIP 2002-2004, the Commission has supported interventions through other programmes such as **humanitarian aid** and **NGOs co-financing**. ECHO has focused its interventions on relief and emergency actions addressing needs of disaster victims, refugees and marginalised populations. The main sectors covered are health, water and sanitation and shelter. Five projects have been implemented in 2002/2003, including support to Yemeni returnees, combating and controlling malaria, combating measles, rural water supply rehabilitation. There are also four NGO co-financing projects in the social sector, providing assistance to less favoured people, and to the rehabilitation of handicapped people and of people in conflict with the law.

1.2 THE MID-TERM REVIEW

The General Affairs and External Relations Council (GAERC) of March 2003 defined four criteria against which the validity of the Country Strategy Papers were to be assessed permitting changes if need be. A formal Mid-Term Review (MTR) was carried out during 2003 and concluded that despite changes which had occurred in the international arena and/or new EU policies, priorities identified under the CSP were still valid for EC co-operation in the medium term. Furthermore, the Commission reached the same conclusion through the country review exercise carried out in September 2003. Finally, in October 2003, the EC-Yemen Joint Co-operation Committee confirmed the need to maintain the strategic focus of EC co-operation assistance as identified in the CSP.

1.2.1 Main Political, economic and social developments

The present stable political situation of Yemen is not being affected by the prevailing fragile situation in the Middle East in general. Despite the terrorist events in neighbour countries and the war in Iraq, the country has made progress in improving the security situation and in undertaking efforts to improve democracy and encourage respect for human rights. The Yemeni authorities are seeking to provide more security to its people and to the international Community, and to enhance the severely affected trade and investment climate and tourism sector; in this regard the government has extended its governance to a growing number of more remote areas, has improved border control and has showed its willingness to combat terrorism even in a difficult political environment. However, security will remain a major task for the Yemeni authorities in the long term: tribal loyalties are still strong in a country where civil population is heavily armed and poverty is widespread. Furthermore, alleged infiltration of Islamic terrorist groups and arms smuggling through the country's porous borders represents a major concern.

Since September 2001, the Yemeni government has shown a general commitment to co-operate with the US in order to uproot the al-Qaeda network and to flush out elements of Islamic fundamentalists on its territory. This enhanced co-operation has won praise in Western capitals and has translated into increased presence and co-operation by external actors such as the US and several EU Member States. However, a large-scale US presence risks galvanising hostile public opinion and boosting the popularity of extremist groups and organisations. President Ali Abdallah Saleh has struck a delicate balance, cooperating with counter-terrorism activities but recognising domestic opposition. At the same time, he has tried to deflect domestic criticism by being sharply critical of US policies towards Iraq and the Israeli-Palestinian conflict.

Yemen's relations with the Gulf Co-operation Council (GCC) have progressively improved as Yemen has been accepted as member of some GCC sectoral institutions in the field of health, education and labour. However, full membership does not seem an option at this stage. The war in Iraq did not have a major impact on the internal situation and on the policy of the Yemeni government, whose position is in line with that of the majority of Arab States in favour of the end of the US occupation and of the quick transfer of sovereignty to an Iraqi authority.

Particular emphasis should be given to the efforts of democratization and the respect of human rights. The Yemeni authorities have shown important interest in this subject also through the establishment of a Ministry for Human Rights (headed by a woman) and the organization of a worldwide attended conference in Sana'a on democracy, human rights, the rule of law and the role of the International Criminal Court. The conference, sponsored by the EU, led to the signature of the final Sana'a declaration by government representatives of about 30 Islamic countries on the implementation of these principles. The third general parliamentary elections, which were qualified by local and international observers as fair and free in spite of a number of incidents, took place on 27 April 2003, as programmed. The ruling party - the General People's Congress - won the elections receiving 58% of the votes and getting 226 seats out of 301. The second party, the Islamic Congregation for Reform - Islah, got 23% of the votes and 47 seats, the remaining seats were divided between minor parties and independent candidates. Since

its re-unification in 1990, Yemen has remained one of the few countries in the Arab world where there are free parliamentary elections open to all the political forces.

Yemen's economic situation has not improved since the adoption of the CSP. It remains one of the poorest countries in the world with a level of development similar to the sub-Saharan African countries, making it by far the poorest country in the wider Middle East (rank 148 according to the UNDP World Development Report). GDP per capita is only USD 440 (constant over the last 7 years). Indeed, in recent years poverty has increased in Yemen. After three years of recorded budget surpluses, the government's budget is expected to record a deficit in 2003 amounting to YER 12.6 billion (0.7% of GDP) and a deficit of 3 % of GDP in 2004.

The government of Yemen has stepped up efforts to tackle these problems. It is still committed to the economic and administrative reforms launched with the support of the World Bank and the IMF in the mid 90s, though lagging behind in implementation. The government's economic reform policy is driven by the Poverty Reduction Strategy Paper (PRSP), endorsed in summer 2002 and supported by the international donors' community at the Consultative Group meeting held in Paris in October 2002. The PRSP defines the objectives, orientations, areas and modalities of intervention the Yemeni government will deploy in order to reduce poverty in the country. The key strategic objective of the PRSP is to reduce poverty by 13.1% through interventions in four areas: economic growth (especially in the non-oil sectors), human resources development, the improvement of infrastructures and the reinforcement of the social protection system.

Yemen's medium to long-term challenge is to develop other, non-energy-related and more labour-intensive sources of economic activity and growth. Fisheries, tourism and transport through Aden are avenues for this growth. As for oil resources, which represent 90% of total export revenue and 60-70% of government revenue, prudent management and spending of revenue is required to ensure financial reserves in the future when oil revenue will decline, due to lower prices or the depletion of oil resources. Three other major challenges are the high population growth rate of 3.5%, the increasing scarcity of water combined with inefficient irrigation techniques and an ever growing need to address the problem of corruption. The fight against Corruption ranks high in the official government policy, there is however some doubt within the donor community and the World Bank whether the fight against corruption in Yemen finds the necessary political support in order to be successful.

An additional challenge is represented by environmental degradation in the country. Thorough information on environmental questions remains weak; according to UNDP, environmental degradation coupled with demographic pressure represents a real problem for Yemen. The most alarming environmental issue is water scarcity and continuous water depletion due to over-consumption and to the great expansion of groundwater pumping. The situation is particularly dramatic in the western part of the country, where the rate of water extraction exceeds rain precipitation by 70%, with the risk of drying up within fifty years. Also main urban areas such as Sana'a and Taiz suffer water shortage. The government has ratified a number of international conventions (biodiversity protection, fight against desertification, flora and fauna protection).

Regarding trade, Yemen has a fairly open regime, with one of the highest openness indices in the area. In 2000 Yemen applied to join the WTO, an initiative in line with the government's efforts to undertake administrative, economic and structural reforms. The EU was Yemen's first trading partner in 2002 (first exporter but only 8th in the list of importing countries) though trade flows are far from being balanced: in 2002 the ratio of imports to exports was 1 to 12.

1.2.2 New EC/EU Policy Objectives and Commitments

Following discussions in the Council and a specific request made by the Yemeni government, the EU finally decided to establish a political dialogue with Yemen. This dialogue will provide an opportunity to discuss issues of common interest such as democracy, human rights, security, counter-terrorism, justice and home affairs. The Yemeni government has already made progress in all these areas, also through the Sana'a conference and the subsequent final declaration.

The CSP was analysed in the light of new priorities in external EU/Community policies: trade related technical assistance and justice and home affairs related matters such as counter-terrorism, conflict prevention. Some of these new areas have already been integrated in to EC co-operation with Yemen, e.g. trade related technical assistance, while others, e.g. counter-terrorism or non-proliferation, could be tackled through the informal EU-Yemen political dialogue, to be held for the first time in 2004.

Trade related technical assistance. The EC is providing international expertise for the preparation and co-ordination of Yemen's WTO accession process. Furthermore, Yemen became eligible for the Integrated Framework, a programme aimed at enhancing the capacity of the Least Developed Countries to integrate in the global economy and mainstream trade in national development policy and PRSP. A team of international and local experts has prepared a Diagnostic Trade Integration Study (DTIS), which defines a strategy for addressing critical issues regarding mainstreaming trade into the national development policy of Yemen, and identifies a Technical Assistance matrix of projects and programmes that need to be undertaken to achieve that objective. It is critical that the findings of the DTIS are incorporated in the Poverty Reduction Strategy Paper of Yemen, in order to ensure full support from all relevant Ministries. It is important to ensure that the project under the 2002-2004 NIP regarding "Support for WTO accession" is kept fully in line with the findings of the DTIS, and that the Fisheries project proposed under the 2005-2006 NIP also takes into account the conclusions of the DTIS.

Regarding counter-terrorism co-operation, the limited available resources do not allow specific interventions in this area under the NIP 2005-2006. Nevertheless it is important to underline that a counter-terrorism dialogue will take place in the framework of the EU-Yemen political dialogue to be launched in 2004, and that the Yemeni government is carrying out remarkable efforts to fight terrorism. In this regard, Yemen was identified as one of the potential pilot countries for EC assistance under the Rapid Reaction Mechanism (RRM) to help the implementation of UN resolution 1373 on counter-terrorism. It would be therefore necessary to explore the possibility to launch a pilot

project in Yemen, keeping into account that the sustainability and continuity of any RRM action are essential conditions for a successful intervention. On the basis of the results coming from a possible future RRM project and of the considerations that will emerge in the political dialogue, we will be able to consider whether further intervention can be planned in the future programmes. In any case any meaningful co-operation and synergy with EU Member States interventions in this area would represent an essential condition for the continuity and the final success of any community intervention.

1.2.3. Results, performances, lessons learned and quality improvement.

Implementation of the NIP is fully on track except for the Food Security provisions, for which commitments will have been limited to €7million under the 2002-2004 NIP due to Yemen's weak absorption capacity. Until the 2002-2004 NIP, EC cooperation had been characterised by a large number of projects launched, a good part of them with limited budget. This approach had created difficulties in the implementation of the programmes and provoked low disbursement rates. Today, there are still about 60 ongoing projects, 17 of which are funded by the budget line for bilateral co-operation (B7 432). The Commission, through the delegation in Amman and with the agreement of the Yemeni government, has engaged in a review of dormant commitments and is in the process of closing projects that are no longer producing results. Implementing difficulties arise from Yemen's weak absorption capacity, from the EC's own administrative complexities as well as from the EC's own problems attracting high quality of technical assistance to Yemen with the same fees applied to other countries in the region and from the fact that until now the EC was not sufficiently represented in Yemen.

Possible improvements in the bilateral programme with Yemen refer essentially to the implementation rather than to the strategic phase. The more focused approach already followed in the previous NIP will be further pursued also in the new NIP 2005-2006. To do so, and to ensure a more coherent approach with the Yemeni Poverty Reduction Strategy, the Commission will reduce the priority areas for co-operation to two strategic objectives: Strengthening Pluralism and Democracy and Poverty Reduction. Interventions to be launched will be considered under these key areas.

An additional difficulty for EC co-operation relates to the lack of an EC presence in the country – it has become clear that success can only be assured with closer involvement of the Yemeni authorities. The decision to transfer the management of co-operation to the Delegation in Jordan as part of the de-concentration process should thus contribute to improve and speedier implementation of projects. Furthermore, the decision to open an EC Office in Yemen should further facilitate the follow-up of projects and permit a closer involvement of both the EC and the Yemeni government.

The implementation of the Food Security Programme (FSP) was hindered by factors at the local governmental level, and financial allocations were more limited compared to what indicated in the NIP 2002-2004. The programming capacity of the relevant government departments and the level of implementation and disbursement of funds remain weak, and there is a need to improve the coherence and integration of food security projects under a PRSP perspective. Projects included in the Government Investment Programme lacked feasibility studies, and governmental procurement and budgetary procedures are lengthy and deficient in transparency and adequate monitoring

or evaluation mechanisms. All these issues were highlighted in a Court of Auditor's report at the end of 2001 and in the mid-term evaluation of the 1998 programme, which was conducted in 2002. For these reasons, the Commission decided to slow down disbursements until a better framework of intervention was agreed upon with the authorities.

In order to improve the implementation, the GoY and the EC in 2002 signed a Letter of Understanding to provide better definition of the framework of intervention and the commitments of both parties. Since June 2002 the key line ministries have been supported with an EC TA Food Security Management Unit which has been instrumental in furthering the programme implementation, speeding up disbursement and improving the programme management and financial procedures. The first results of such action became visible only as from 2003 while building capacities within the target government departments should be seen as long-term objective of the Food Security programme funded in cooperation with the GoY. As following step, GoY submitted a new Memorandum of Understanding, including elements that can help improving the programming, monitoring and evaluation capacity of the relevant Ministries. The possibility to use the Food Security budget to contribute to the Social Fund for Development may also be considered in case that level of disbursement remains low, as far as the activities targeted are consistent with the objectives and the principles of the programme.

Regarding the financing of rural infrastructure projects, these can only be pursued if there is sufficient capacity for development action, real participation by the intended beneficiaries in the rural areas, and the formulation of food security projects under the PRSP. Including these elements will necessarily entail a further restriction in the geographical focus of the EC funded Programme.

The Commission has supported projects through humanitarian aid, NGOs co-financing and decentralised co-operation programmes, further to the activities launched in the framework of NIP 2002-2004. Rehabilitation in health, water and sanitation, and support to less favoured people are the main areas of interventions. The implementation of the activities provided for in the NIP 2005-2006 should be coherent and linked with ECHO funded operations and NGOs projects whenever possible.

1.3. CONCLUSIONS

1.3.1. CSP's priorities are still valid

The basis on which the CSP was designed in 2001-2002 is still valid. The political and economic situation of the country has not changed to the extent that priorities identified at that time would need to be revisited today. Although the EU has adopted a certain number of new policies in areas of interest to the Yemeni government, the limited availability of community resources for co-operation with the country points towards a continued focus on a limited number of strategic sectors. Furthermore, priorities identified in the CSP are now fully integrated within the objectives and actions agreed in the Poverty Reduction Strategy.

1.3.2. A new focus on the priorities

In line with the above indications and experience gained through the implementation of the previous NIP, the NIP 2005-2006 will continue to focus on a limited number of priorities so as to ensure efficient implementation, swift absorption and the value-added of Community support. The future NIP will concentrate operations on two key areas: poverty reduction – in particular supporting Yemen's efforts in the context of its Poverty Reduction Strategy – and strengthening pluralism and civil society. The key new element of this new strategic focus will be represented by the integration of any Food Security intervention within the framework of the poverty reduction priority. The Food Security programme will also integrate activities in the water sector. In this regard, the launching of the "Water For Life initiative" should open up possibilities to develop actions in this area with a focus on capacity building.

Another new element compared with the previous programme is the integration of business development aspects in the Poverty reduction priority area, through the Fishery development project. This initiative is coherent with the liberalisation of Yemeni trade regime, and addresses the important issue of economic diversification, which represents a major challenge for Yemen as also underlined in the CSP.

Besides these priority areas of intervention, attention will be paid to the possibility of funding activities through horizontal programmes, as it was done up to now in the previous phase. These activities could cover among others areas such as humanitarian aid, rehabilitation, human rights, de-mining and fight against terrorism. Funding will depend from the priorities identified in the horizontal programmes and from the proposals submitted under the different calls. Modalities of intervention should be examined at a later stage.

Poverty reduction and support to the Poverty Reduction Strategy:

Poverty reduction is probably Yemen's most important short and medium-term challenge. Yemen is among the 49 least developed countries with 42% of its population below the poverty line. Through the adoption of a Poverty Reduction Strategy Paper, the Yemeni government has demonstrated its commitment to eliminating poverty on a wide scale. This strategy constitutes the key reference for the government's development policy and hence for the wider donor community, and needs to integrate the findings of the Diagnostic Trade Integration Study, which was undertaken under the Integrated Framework. By focusing on poverty reduction, the NIP 2005/2006 will support the implementation and overall coherence of the PRSP through three focused interventions in the areas of food security, family planning and fishery development.

The total financial support for co-operation with Yemen reflects the present difficulties of the Yemeni government to disburse the budget allocated under the previous programmes, especially in the area of Food Security. The Commission will explore possibilities to review the financial envelop for the bilateral co-operation with Yemen in the framework of the next financial perspectives, also in the light of possible future improvements in the implementation of the programme.

Strengthening pluralism and civil society:

Since its unification in 1990, Yemen has made remarkable progress in the field of democratisation and respect of human rights; these achievements are even more noteworthy when taking into account the very difficult conditions under which the Yemeni government has been operating (extreme poverty, illiteracy, very traditional tribal society, rooted fundamentalism). Two relevant signs of the progress made by Yemen are the creation of the Ministry of Human Rights (headed by a woman), and the upcoming ratification of the Rome Statute of the International Criminal Court. Yemen represents an interesting case in a regional context, which is characterised by a relatively low level of democratisation. Under the previous NIP, the Community supported the Electoral Commission in the organisation of the 2003 legislative elections. Appropriate continuity should be given in view of the 2006 Presidential and local elections.

1.4. CONSULTATION

The NIP 2005-2006 has been agreed with the government of Yemen and with EU Member States in Sana'a. At the October 2003 Joint Cooperation Committee, the Commission and Yemen discussed priority areas for co-operation in 2005-2006 and agreed to focus on key strategic sectors and a limited number of interventions. The Yemeni government confirmed that the Commission's approach was fully coherent with the objectives set out in the PRSP. Furthermore, in December 2003 following the formal transmission of the document, the Yemeni government agreed formally with the NIP.

A first round of consultation with EU Member States representatives took place on December 2003 in Sana'a. Following Commission's internal consultation, the document was revised and submitted to Member states representatives who came up with further suggestions. Subsequently, a new round of consultation with the Member States representatives was held in Sana'a on the 16 and 19 of May 2004, in order to finalise the document.

Sufficient complementarity with the activities supported by other donors is ensured through good co-ordination. Germany and Netherlands remain the EU main donors in Yemen, while UK, France and Italy are increasing their bilateral contribution. Health, water, education, support of the private sector are the main areas of intervention of EU Member States. The main donor remains the World Bank which is active in sectors, such as health, water and sanitation, education, infrastructures, governance, rural development.

2 SUMMARY OF THE NIP 2005-2006

Based on the CSP, the findings of the MTR and the dialogue with the Yemenis and Member States, it has been decided that the NIP 2005-06 will focus on two priority areas of intervention: (1) poverty reduction, (2) strengthening pluralism and democracy. These two priorities will be implemented through the following concrete interventions:

1. Priority 1: Poverty reduction and support to the Poverty Reduction Strategy
 - a. Activity 1: Food security: actions will focus on food supply infrastructures, institutional capacity-building and technical assistance.
 - b. Activity 2: Reproductive health and population support programme by embarking on a service provision programme for population and reproductive health.
 - c. Activity 3: Support to the sustainable development of fishery sector, to increase Yemen's integration into global market and trade capabilities.
2. Priority 2: strengthening of pluralism, and democracy
 - a. Activity 4: Support to the Supreme Election Committee, with a view to Presidential and local councils elections scheduled in 2006.
 - b. Activity 5: Support to local NGOs/civil society and media sector, aimed at supporting democratisation and at increasing the role of civil society as essential actors in the decision making process.

Commitments

The total budget for the two-year period is estimated at € 21-27 million. The amount is subject to the annual budget appropriations made available to the budget lines financing interventions in Yemen, namely budget lines 19-08-06, bilateral cooperation with other Middle East developing countries (activities 2, 3 and 4) and 21-02-02, food security (activity 1). During the period 2005-2006 additional actions can be supported through specific thematic and horizontal budget lines. These thematic and horizontal budget lines include reproductive health, co-financing with NGOs, human rights and democracy, gender, uprooted people. Additional resources may be mobilised through the European Community Humanitarian Office (ECHO). Specific instruments like the Rapid Reaction Mechanism (RRM) could also be mobilised as emergency responses if the situation so requires.

3 PRIORITIES AND ACTIONS

3.1. POVERTY REDUCTION AND SUPPORT TO THE POVERTY REDUCTION STRATEGY

Poverty reduction remains Yemen's main challenge. Yemen is by far the poorest country in the Middle East and its level of development is comparable to African sub-Saharan countries. With a GDP per capita of \$ 440 (constant over the last 7 years), Yemen is one of the 49 Least Developed Countries, and in recent years poverty has worsened. Yemen is ranked 148 out of 174 on the Human Development Index and 76 out of 85 on the Human Poverty Indicator. The government's economic reform policy will be driven by the Poverty Reduction Strategy, agreed in autumn 2002, and supported by all main donors. Population growth (current growth rate is 3.5%), water shortage, diversification of the economy and management of oil resources are the most relevant challenges for Yemen

The Yemen PRSP is built on the basis of Yemen's Second Five-Year Plan 2001-2005 and the Strategy Vision for Yemen 2025. The PRSP analyses the main causes and effects of poverty, identifies the objectives to be met, illustrates the main axes of intervention and finally looks at the mechanisms for implementing the strategy. The key PRSP goal is to reduce poverty by 13.1% over the 2003-2005 period via a 4.7% increase of real GDP and a decrease of population growth rate from 3.5% to 3% by 2005. The PRSP identifies four key areas of intervention: promoting economic growth (especially in sectors other than oil), enhancing human resources development, improving infrastructures and ensuring social protection. Furthermore, the PRSP identifies the lists of programmes and projects (new or ongoing) necessary to meet the objectives to be pursued. Under the poverty reduction objective, the Commission has identified a certain number of interventions that are fully in line with the PRSP objectives and means of implementation.

3.1.1. FOOD SECURITY

3.1.1.1. Context and justifications

The latest Household Budget Survey (HBS 1998) indicates that food insecurity is affecting half of the Yemeni population and is a direct consequence of the poverty prevailing in the country. Approximately three million persons [18%] are living under the food poverty line (insufficient income to meet the basic essential food requirements) and seven million persons [43%] are living under the absolute poverty line (insufficient income to meet the requirements of food and non food needs, such as clothing, housing, education, health and transport services).

These figures contributed to the Commission's decision to include Yemen among the priority countries for Community food security support. The country has been benefiting from this aid since 1996 with a break in 2002 and 2003 due to low disbursement levels of the previous food security programmes. Disbursements were delayed due to weak project management capacity by the relevant government implementing departments. The establishment of the programme management unit at the central level of the administration permits the easy mobilisation of technical assistance. The Letter of

Understanding signed between Yemen and the EC in 2002 has already provided better definition of the framework of intervention and the commitments of both parties. A further Memorandum is currently under negotiation.

An allocation of € 5 million has been decided for the budget 2004, together with a specific contribution of € 2 million for NGOs to implement gender-oriented food security projects. An allocation of € 6 million is foreseen in 2005. A further € 6 million allocation will become available in 2006, conditional to a tangible improvement of the implementation of the programme, in terms of absorption capacity and projects' quality. In this regard, a particular attention should be given to capacity building, in order to support the Government of Yemen in improving its absorption capacity. The integration of food security into the poverty reduction strategy is therefore of particular importance. Improving the population's access to food markets and to water resources is an essential component of the strategy aimed at reducing widespread poverty, especially in rural areas, and fully matches the priorities outlined in the PRSP. Furthermore, the programme will also focus on the management of scarce water resources and water supply which require particular attention, since water remains a first priority for Yemen.

3.1.1.2. Overall Objective

- To contribute to reduce poverty, and to improve living conditions of the population, through an improved access to food and water resources.

3.1.1.3. Specific Objective

- The food security situation of the most vulnerable groups (population living under the food poverty line) is improved in the targeted provinces.
- Water management practices among rural dwellers are improved with a view of enhancing practices and water use methods in line with the national water management laws and regulations.

3.1.1.4. Expected Results

- Food Security Policy is mainstreamed into the Poverty Reduction Strategy and relevant sector policies,
- Quality of the food security projects, including the management of water resources at central and community levels, is improved,
- Technical capacities of line ministry officials and community representatives are improved.

3.1.1.5. Indicators

- FSP and PRSP: qualitative indicators will be defined, such as integration of the three dimensions of food security (access, availability and food use) into the four phases of the PRSP (poverty profiling, strategy design, implementation and monitoring/evaluation),
- Food security projects (including water management projects): combination of various quantitative indicators such as reduction of the population living under the food and absolute poverty line, reduction of the food poverty gap index, increase of the population with access to safe water, etc.

- Capacity development: combination of quantitative and qualitative indicators. Quantitative indicators refer to numbers and percentages (number of officials trained in their specific field of competence) while qualitative indicators refer to perceptions and experiences.

3.1.1.6. Short Description of the Programme

The food security programme is based on a three-legged framework within a medium term outlook.

- Institutional support to the Government's effort to make the national food security strategy operational in the framework of the PRS and the National Five Year Plan (including support to the Social Welfare Fund institutional capacity)
- Support to information (institutional support to the Central Statistics Office for the Agricultural census and institutional support to the Market Information Services)
- Field interventions (food security projects, water management projects and community development projects).

Other donors: World Bank, the Netherlands, the UN system (WFP; FAO, UNDP), Germany and Japan.

Specific Conditions: Commitment of the GoY to mainstream the Food Security Policy into the Poverty Reduction Strategy, commitment of the GoY to improve project-management (identification, prioritisation, linking FSP with PIP and PRSP)

3.1.1.7. Indicative budget (2005-2006)

€ 6 million in 2005, plus € 6 million in 2006, conditional to an increased disbursement of the financial resources currently available for Yemen in the Food Security budget line.

3.1.2 REPRODUCTIVE HEALTH, POPULATION SUPPORT PROGRAMME

3.1.2.1. Context and Justifications

Ill health has been recognised as an important causal factor in maintaining poverty. The very high fertility levels in Yemen (TFR 7.0) are particularly detrimental to the health of women and to the social and economic well being of families. Reproductive health care services are still very under-utilised and do not deliver their potential in the fight against poverty. Yemen's population growth (3.5% per year) is one of the highest in the world. This is a major factor holding back social and economic development, and reducing the impact of economic growth. Tackling these issues is also central to the "Poverty Reduction Strategy", where as objective it is envisaged by the government to reduce the population growth rate to 3.0% by 2005: the Yemeni Government is fully committed to addressing these issues but lacks manpower and resources. The Commission has already intervened in this field through a specific project supporting the National Population Council activities, and raising government and population awareness. Furthermore a demography support component has also been included in the health sector project launched in 2003, in the framework of NIP 2002/2004.

3.1.2.2. Overall Objective

- The overall objective is to reduce the fertility rate per woman in Yemen and to improve the health status of mother and child in Yemen.

3.1.2.3. Specific Objective

- Improved utilisation of reproductive health care services by Yemeni population.

3.1.2.4. Expected Results

The exact results to be attained by the project are to be defined in the programme's feasibility study, as precise reasons for low utilisation are still poorly understood. Possible results could be:

- Users' expectations of reproductive health services are known.
- Obstacles to effective utilisation of reproductive health services are known.
- (Public and private) reproductive health care providers reoriented to users' needs and expectations.
- Religious leadership and public opinion in favour of effective utilisation of reproductive health care services.
- Potential of basic education for improving reproductive health fully used.
- Effective leadership of government in reproductive health enhanced.

3.1.2.5. Indicators

For the overall objective:

- Reduction of population growth rate
- Reduction of Maternal mortality.
- Reduction of Infant mortality

For the specific objective:

- Utilisation of antenatal care services
- Utilisation of family planning services

3.1.2.6. Short Description of the Programme

The programme will support a multi-sectoral plan for population and reproductive health issues. The reasons for the current very low levels of utilisation are not well analysed and agreed upon and hence an in-depth study of the barriers to the utilisation of reproductive health care services is needed. The project design, the appropriate mix of demand and supply-oriented measures, as well as the institutional set up of the programme will be decided in the light of this pre-feasibility study. This will include measures to prepare the younger generation and will involve educational and religious institutions and other institutions involved in shaping public opinion and expressing public demand (e.g. local government, NGOs, etc.). The programme will be based on the implementation of the Yemeni national population and reproductive health policies.

Other donors: World Bank, UNICEF, WHO, UNFPA, Netherlands, Germany, Japan.

Specific conditions: Designation of a high-level structure covering the various sectors as a partner for the conduct of the feasibility stage.

3.1.2.7. Indicative Budget: € 7.5 million.

3.1.3. SUPPORT TO THE SUSTAINABLE DEVELOPMENT OF THE FISHERY SECTOR

3.1.3.1. Context and Justification

Yemen's coastal strip extends from the Yemeni-Omani border in the Arabian Sea to the Saudi border in the Red Sea spanning nine coastal governorates. The coastal strip is around 2,112 km in addition to mountainous and sandy landscape and Wadi terrain pouring into the sea and making an additional 20% of the coastline (the total Yemeni coastline is about 2,500 Km). Yemen's territorial waters are endowed with rich fish resources including pelagic and deep-water fish, shrimp and other shellfish. For this reason, fishery has considerable potential with regard to growth, employment, income generation for small fishermen families, and export revenues. Fish also contributes substantially to local food security, becoming an increasingly important source of local protein nutrition.

The Second Five Year Plan, prepared by the GoY within a framework of a long term strategy, considers fisheries among the most promising sectors for job creation, income generation and export potential, targeting 13% annual average growth in its output. Support to economic growth is also one of the axes of intervention outlined in the PRSP; in this respect the fishery programme provides an important contribution to economic diversification by operating on the development of one of the most promising non-oil sectors.

The fishery sector has grown very rapidly during the last decade. It has developed as a state-controlled sector. Total catch fish and fish exports have increased enormously during this period. However, despite these encouraging trends, the structure of the sector still remains under-developed, and there is a total lack of estimation of existing stocks of fishery resources.

The development of the fisheries sector, identified in the Diagnostic Trade Integration Study, executed under the Integrated Framework as a priority for generating economic growth, is crucial from the perspective of the integration of Yemen in the multilateral trading system and its future access to the WTO, since this sector has concrete potentialities for export. As such, the EC support to the fishery sector is coherent with the initiative launched by the Commission in 2002 to support Yemen's accession to WTO.

In 2002 export of high-value fishery products in the EU amounted to some € 18 million, which represents the largest non-oil export, and potential for further development is particularly high for this sector. However, from 1 July 1998, the EU introduced stricter health requirements for import of fishery products into the EU. This put a stop to import of Yemeni fishery products into the EU, until temporary import authorisation was granted to selected companies in July 1999. The temporary import authorisation will eventually be replaced by a general fishery product export agreement, when a Yemeni quality control mechanism is in place ensuring that the EU health requirements are met. To this end, the Yemeni side requested further support to implement a EU-compliant monitoring and control mechanism.

The Commission has financed a Fishery development programme, which came to end in 2003, aimed at expanding fish catches, and improve fish processing and marketing for domestic and export markets. This activity was followed by the Fisheries Monitoring, Control and Surveillance project, which started in 2002. This action aims at establishing effective fishery governance and at avoiding over-exploitation of the vast Yemeni marine resources, through the support to an appropriate monitoring system, and regulatory framework. A further fishery programme focused on quality control will complement the actions already undertaken and the instruments already developed; the project should therefore help increasing the exports and would offer an important contribution to economic growth, which represents one of the main PRSP objectives. It is important to ensure that the project is fully in line with the findings of the Diagnostic Trade Integration Study and the Technical Assistance Matrix.

3.1.3.2. Overall Objective

The overall objective is to support poverty reduction in Yemen through sustainable increased income of its fishery sector, and contribute to economic diversification.

3.1.3.3. Specific Objectives

The specific objectives of the project are to improve the fisheries resources management and to increase the Yemeni export capability.

3.1.3.4. Expected Results

- sustainable catch
- establishment of cooling and quality control facilities in catching areas
- upgrading of the regulatory and inspection system for fishery exports
- increased fishery exports by meeting quality and marketing standards of import markets (EU, Japan, Asia)

3.1.3.5. Indicators

- catches more stable and increased
- cooling, lab and companies' quality facilities sufficiently established
- compliant health legislation and effective inspection system adopted
- substantial export increase in the medium term
- additional income generated for target population in the fishery sector

3.1.3.6. Short Description of the Programme

The intervention will be axed on the reinforcement of basic infrastructure, on capacity building for the fishery sector, on the upgrading of quality infrastructure and facilities, on the establishment of a compliant regulatory and inspection-control system conducive to increased exports to target markets. Focus will be on compliance with EU regulatory and health requirements in order to qualify Yemen as a fishery exporting country. The programme will mainly consist of technical assistance and, to a lesser extent, equipment provision.

Other donors: IDA, UNIDO, World Bank, IFAD FAO

3.1.3.7. Total Budget: € 5.5 million

3.2 STRENGTHENING PLURALISM AND CIVIL SOCIETY

Yemen has firmly stated its commitment to democracy and has called for people-participation in developing, implementing and reviewing policies, in cooperation with the private sector and other civil society-organisations. Despite this clear political will, there are still many chronic obstacles and deficiencies such as the lack of capacity and experience in relating human rights perspectives to development. Though recent years have witnessed increased freedom of the press and the proliferation of local civil society organisations, but capacities, resources, and performance have been uneven.

The hosting of an international conference on democracy, human rights and International Criminal Court on January 2003 represented an important step forward in Yemen's commitment to democracy and human rights, and proved to be a unique opportunity to illustrate progress already made in this field. The final Sana'a declaration results in a strong commitment by the whole Arab world to move on towards promoting democracy, and offers a framework for international donors to build on agreements entered into by the region (ownership).

3.2.1. STRENGTHENING PLURALISM AND CIVIL SOCIETY:

Support to the Supreme Election committee in view of 2006 elections

Support to local NGOs/civil society and media sector

3.2.1.1. Background and justification

In order to continue supporting Yemen's democratisation process and fragile civil society and Human Rights organisations, since Yemen has not been identified as a priority country to benefit from European Initiative for Democracy and Human Rights (EIDHR) micro-projects support, funding will be made available through bilateral programmes and projects. In addition the EC had already funded the UNDP electoral support project, the main objective of which was to make a significant contribution to the strengthening of the electoral authority capacity to deliver free and fair elections in the parliamentary elections held in April 2003. There is general consensus on the need to continue the electoral reform process so as to support the presidential and local council elections, scheduled for 2006.

In addition, strengthening of civil society represents another important challenge for Yemen; the role and the importance of civil society as support to socio-economic development, and to democracy and human rights are widely recognized. The Sana'a conference on democracy, human rights and International Criminal Court of 10/12 January 2004 saw a large participation of local NGOs. The need to support civil society organisations and to associate them in the decision making process emerged clearly from the debate and was reflected in the final declaration. In the same way as for the support to the Supreme Election Committee, under NIP 2002-2004 the Commission has launched in 2004 a project to support civil society and media organisations. The activity indicated in this programme can be therefore considered as in continuity with the previous initiative, with the objective to enhance pluralism and freedom of these sectors.

3.2.1.2. General objectives

Support democratisation process, and pluralism through the enhancing of the electoral mechanisms and through the strengthening of civil society organisations and media.

3.2.1.3. Specific objectives

- To support the Supreme Elections Committee in the perspective of 2006 local and Presidential elections.
- Promote social development, human rights and media freedom
- Develop a more active and participative civil society
- Increase women's participation

3.2.1.4. Expected results and performance indicators:

- Improved administration and management of the electoral process and increased confidence in the process by the electorate and political parties
- Electoral process closer to international standards
- Improved available and operational mechanisms to protect and to promote human rights, democracy and pluralism
- More effective involvement of civil society in promoting social development and/or human rights
- More pro-active and pluralistic media reporting on social and political life
- Mainstreaming process concerning gender issues

3.2.1.5. Short description of the programme:

The project aims at enhancing the capacity of the Supreme Election Committee to deliver credible free and fair Presidential and local government elections, as a continuation of the project funded in the framework of NIP 2002-2004. It would be useful to consider the possibility to associate the project with initiatives undertaken by other donors, as was the case with UNDP in 2002, in order to optimise the impact. The project should be launched in 2005 in order to prepare the Presidential and local government elections in 2006.

Decentralised, flexible grant funding for civil society organisations' activities and TA/training support for authorities, where appropriate. Procedures of small size funding could be inspired by the micro project facility of the EIDHR.

3.2.1.6. Total indicative budget for priority 4: € 2 million

4. PHASING OF THE PROGRAMME

- 2005: - Support to the sustainable development of fishery sector
 - Food Security Support
 - Strengthening pluralism and civil society
- 2006: - Demography support
 - Food Security Support

5. INDICATIVE BUDGET

YEMEN N.I.P. 2005-2006					
PRIORITY SECTORS	BUDGET LINES	BUDGET (Million EURO)	ENGAGEMENT		% Budget
			2005	2006	
Poverty reductions and support to the Poverty Reduction Strategy					
• Food Security	21 02 02	6 (12)*	6	(6)*	29% (45%)*
• Reproductive health and population support programme	19 08 06	7.5		7.5	36% (28%)*
• Support to the sustainable development of fishery sector	19 08 06	5.5	5.5		26% (20%)*
Strengthening pluralism and civil society	19 08 06	2	2		9% (7%)*
• Support to the Supreme Election Committee					
• Support to local civil society					
TOTAL BUDGET		21 (27)*			

* A further allocation of € 6 million will become available in 2006, conditional to a tangible improvement of the implementation of the programme

The total budget does not include possible further contribution coming from other horizontal programmes/budget lines.