

Yemen - European Community

Strategy Paper

for the period 2007-2013

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1. LIST OF ACRONYMS

BMENA:	Broader Middle East and North Africa
CAS:	Country Assistance Strategy
CSP:	Country Strategy Paper
COCA:	Central Organisation for Control and Auditing
DAC:	Development Assistance Committee
DCI:	Development Cooperation Instrument
DFID:	Department For International Development
DPPR:	Development Plan for Poverty Reduction
DTIS:	Diagnostic Trade Integration Study
EC:	European Commission
ECHO:	European Community Humanitarian Aid Office
EIDHR:	European Instrument for Democracy and Human Rights
EU:	European Union
EUDP:	European Union Development Policy
GCC:	Gulf Cooperation Council
GDP:	Gross Domestic Product
GoY:	Government of Yemen
GPC:	General People's Congress
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH
HDR:	Human Development Report
IMF:	International Monetary Fund
LDC:	Least Developed Country
MDG:	Millennium Development Goals
	Goal 1 Eradicate extreme poverty and hunger
	Goal 2 Achieve universal primary education
	Goal 3 Promote gender equality and empower women
	Goal 4 Reduce child mortality
	Goal 5 Improve maternal health
	Goal 6 Combat HIV/AIDS, malaria, and other diseases
	Goal 7 Ensure environmental sustainability
	Goal 8 Develop a global partnership for development
MHR:	Ministry for Human Rights
MIP:	Multiannual Indicative Programme
MP:	Member of Parliament
MS:	EU Member State
NIP:	National Indicative Programme
NGO:	Non-Governmental Organisation
ODA:	Overseas Development Assistance
OECD:	Organisation for Economic Cooperation and Development
PRSP:	Poverty Reduction Strategy Paper
SFD:	Social Fund for Development

SP: Strategy Paper
SSN: Social Safety Net
UNDP: United Nations Development Programme
WTO: World Trade Organisation
TVET: Technical Vocational Education and Training

2. EXECUTIVE SUMMARY

Yemen is one of the poorest countries in the world and belongs to the Least Developed Countries. High population growth, slow economic development, declining oil resources, depleting water resources, poor standard of public health and education, widespread poverty, poor governance and internal insecurity remain the key challenges for the country. At present, Yemen is unlikely to meet most of the Millennium Development Goals by 2015. The government has shown commitment to democratisation, to economic liberalisation and to political and economic reforms. However, this has not yet resulted in concrete progress. In the absence of reforms, the social and political situation is likely to deteriorate.

The European Commission's Strategy Paper has been formulated within the framework of the EC-Yemen cooperation agreement signed in 1997 and the Strategic Partnership for the Mediterranean and the Middle East, adopted by the European Council in 2004. The strategy has been prepared in close consultation with the government of Yemen, the international community and, in particular, EU Member States, drawing on lessons learnt through the implementation of the previous Country Strategy Paper.

In 2004, Yemen was selected by the UN Millennium Project as one of eight pilot countries to prepare an MDG-based development plan. In response, the government has prepared the Development Plan for Poverty Reduction 2006-2010. This document sets out three major targets: i) to improve human development records, ii) to sustain higher economic growth, and iii) to halve poverty.

The strategy will focus on two main objectives — the promotion of good governance and the fight against poverty — and will be implemented through interventions along a limited number of axes, as follows:

a) Strategic Objective 1: to assist the Yemeni Government to promote good governance by:

1. Supporting democratisation through the strengthening of Yemen's democratic institutions;
2. Promoting human rights and civil society;
3. Supporting Yemeni government reforms in the judicial sector, the civil administration and decentralisation.

b) Strategic Objective 2: in line with the first Millennium Development Goals, to strengthen the Yemeni government's capacities to fight poverty by:

1. Fostering private sector development through support for sustainable development in the agriculture and fisheries sector and for reforms aimed at improving the regulatory framework for investments, business and trade;
2. Contributing to human capital development through support for reproductive health policies and for strengthening the delivery of basic services.

The specific interventions will be set out in detail in the Multiannual Indicative Programme, which will indicate the contents, objectives and expected results of each action. They are defined in accordance with the objectives of the main Commission policies and instruments, in particular the Development Cooperation Instrument (DCI), the Stability Instrument, the EIDHR, and the thematic programmes. Activities in the field of higher education will be considered in the context of a Middle East approach.

3. EC COOPERATION POLICY AND INSTRUMENTS

3.1 The political context

Yemen is a country facing a multiplicity of political, economic, social and environmental problems. In recent years, important efforts have been made by the government of Yemen and by the international donors to address the country's key challenges. Nevertheless, the main economic and social indicators show few signs of improvement. The problems are compounded by the difficulties faced by the government in transforming commitments to reform into operational policy actions.

The fragile condition of Yemen as a state and the complexity of the problems affecting the country have led the EU to place its relations within a broader perspective, with the launch of the political dialogue and the adoption of a joint declaration in 2004. With this approach, the EU aims at pursuing in an integrated manner actions targeting stability, security and good governance, focusing development cooperation within this logic. To ensure continuity of the dialogue, quarterly political dialogue meetings will take place in Sana'a between the Yemeni government and the EU Heads of Mission. The dialogue will enable parties to follow up on commitments taken at higher level, to report on developments and to discuss concrete mechanisms for implementing the measures agreed on the basis of the Sana'a Declaration and the EU-Yemen Joint declaration.

Through the Strategic Partnership with the Mediterranean and the Middle East adopted by the June 2004 European Council, the EU aims at engaging with countries in the region to further the political and economic reform process. The Strategic Partnership looks to:

- continue the political dialogue between the EU and Yemen,
- support Yemeni efforts to undertake the necessary political and economic reforms,
- facilitate the integration of Yemen into the regional and international context,
- foster the democratic process and respect of human rights in Yemen.

It should be noted that Yemen is actively contributing to the G8 efforts to promote democracy and economic development in the region through BMENA and the Forum for the Future.

3.2 The EU Treaty objectives for external cooperation - 2005 EU Development Policy

Development cooperation remains an important component of our bilateral relations with Yemen. The strategy for intervention in development cooperation is aligned with the broad objectives of Article 177 of the EC Treaty, and aims to promote:

- 1) sustainable economic and social development,
- 2) the gradual integration of the developing countries into the world economy,
- 3) the campaign against poverty.

A new EU Development Policy (EUDP) has been defined in the course of 2005 to reflect changed circumstances, i.e. the stronger consensus on the Millennium Development Goals, the security context and the increased impact of globalisation. The EUDP puts poverty eradication at its core and highlights the importance of the partnership with developing

countries, which will be based on poverty reduction strategies. The development policy should also contribute to the general objective of developing and consolidating democracy and the rule of law, and encouraging respect for human rights and fundamental freedoms. EC development policies must also take into account the formulation and implementation of other Community policies affecting the developing countries and need to apply the principle of concentration, focusing on a limited number of areas for action. Priorities will be identified through a transparent dialogue with partner countries and other various actors on the basis of a joint analysis, to ensure harmonisation with other donors.

On 20 December 2005, the EU adopted the EU Development Policy Statement, also known as “the European Consensus”¹, which provides, for the first time, a common vision that guides the action of the EU, both at its Member States and Community levels, in development cooperation. The Statement identifies the eradication of poverty in the context of sustainable development, including pursuit of the MDGs, as the primary and overarching objective of EU development cooperation. The Statement also emphasises that EU partnership and dialogue with third countries will promote common values of respect for human rights, fundamental freedoms, peace, democracy, good governance, gender equality, the rule of law, solidarity and justice and the EU’s commitment to effective multilateralism.

3.3 Objectives set in the applicable Regulation/Agreement governing cooperation and region-specific cooperation objectives²

In anticipation of the forthcoming financial perspective 2007-2013, the Commission decided in September 2004 to replace the existing range of financial instruments for international cooperation. A new financial instrument will enter into force at the beginning of 2007, the **Development Cooperation Instrument (DCI)**, which aims to provide support for all forms of cooperation with developing countries, including Yemen. A number of general principles guide the Regulation, namely consistency, coordination of cooperation policies, coordination with other bi-lateral or multi-lateral donors and respect for human rights, democratic principles and the rule of law.

Beyond the bilateral geographic instrument, Yemen could also be eligible for additional funds under the **thematic programmes** adopted for the new financial period:

- Migration and Asylum;
- Investing in People;
- Environment and Sustainable Management of Natural Resources, including Energy;
- Non-State Actors and Local Authorities in Development;
- Food Security.

Yemen should also be able to benefit from the new **Stability Instrument**, aimed at providing financial, economic and technical assistance to address three key challenges:

- Political insecurity, crises and threats to human rights, democracy and the rule of law;

¹ Joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy: ‘The European Consensus’, signed on 20 December 2005; Official Journal C 46, 24.02.2006, p. 1.

² Note that the various Regulations were still under discussion between the EU institutions while this SP was written.

- Civil security;
- Technological and nuclear threats.

Finally, Yemen should be able to benefit from the **European Instrument for Democracy and Human Rights**, which will focus on the following priorities for 2007-2010:

- To enhance respect for human rights, particularly fundamental freedoms of expression and association, and the protection of human rights defenders;
- to prevent or reduce the prevalence of torture, assist in combating impunity and culture of violence that surrounds it, and to contribute to justice and rehabilitation for its victims;
- to strengthen the role of civil society in promoting human rights and democratic reform, in contributing to conflict resolution and in developing political participation and representation;
- to strengthen the international framework for the protection of human rights, the rule of law and justice, and the promotion of democracy;
- to build confidence in democratic electoral processes through further development of electoral observation.

4. THE POLICY AGENDA OF THE REPUBLIC OF YEMEN

4.1 Background

Yemen is a low-income country with a population of 19.7 million people and a GDP of about \$580 per capita. It belongs to the group of Least Developed Countries (LDCs), and is one of the poorest countries in the world in almost every aspect of human well-being. The UNDP 2005 Human Development Report ranks Yemen 151st among 177 countries on its Human Development Index. It is by far the poorest country in the wider Middle East and seems unlikely to meet almost any of the indicated UN Millennium Development Goals by 2015.

The overall picture presents many worrisome elements, with different issues that the government must tackle seriously and urgently in the coming years. High population growth, slow economic development, declining oil production, high unemployment, depletion of water resources, widespread poverty, security concerns linked to terrorist threats and tribal tensions remain the key obstacles on the way towards sustainable development. All these challenges have to be faced by a weak and inefficient civilian administration and judicial system. Scarcity of resources and low implementation capacity are not the only reasons behind the weak results achieved. The decision-making process is often slow and hampered by specific interests not always compatible with the objective of improving the socio-economic situation and the living conditions of the population.

In order to tackle these different challenges, there is a serious need for the government to engage in deep political and economic reforms in order to improve governance and to create an appropriate framework for progress towards the defined objectives. However, despite the efforts made, the pace of reforms remains too slow to cope with the problems affecting Yemen. The government is facing serious difficulties in implementing other crucial reforms, such as those concerning the civil service, the judicial system and decentralisation. In this regard, the strengthening of relations with the EU, through the launch of the political dialogue and the integration of Yemen in the Strategic Partnership, could represent a window of opportunity to obtain the necessary support and foster the implementation of the reform programme.

4.2 The agenda of the government

For many years now, the government has tried to move forward a reform agenda in order to build a modern and viable state. Following pressure from international donors to increase its efforts in pursuing political reforms, the Government of Yemen has recently adopted a full-fledged “Action Matrix for Comprehensive Good Governance Reforms”, covering the judiciary, human rights, freedom of the press, anti-corruption, democratisation, economic reforms, public finance, civil service and reforms to the business environment in Yemen. The government has already approved the matrix with a view to implementing the set of reforms during the course of 2006-2007. This timeline action matrix outlines a set of policy objectives and practical actions that reflect commitment to advancing the reform agenda in Yemen, including the establishment of the following mechanisms and measures:

- A Good Governance Technical Committee;
- A CPIA and CPPR Technical Committee;
- An independent National Anti-Corruption Commission;
- An independent High Technical Commission for Procurement and Tendering;
- Improvements to the Procurement Law to ensure the further transparency and accountability of procedures for safeguarding public funds;
- Amendments to the Judicial Authority Law aimed at further strengthening the financial and administrative autonomy of the judiciary, including re-structuring of the judicial system, commercial courts, etc;
- Measures for a Business Enabling Environment.

As for economic reforms, the government’s policy is driven by the renewal of the IMF Poverty Reduction and Growth Facility. In the mid-90s, Yemen started a stabilisation and structural adjustment programme, aimed at reducing the state budget deficits, lowering inflation and triggering sustainable investment-led growth, privatising state enterprises, downsizing the civil service and improving its performance. Within this framework, important decisions have been adopted, such as reductions in customs tariffs and in subsidies on oil derivatives.

Since 1996, several plans have been developed to foster development and reduce poverty. In recent years, the government’s economic reform policy has been driven by the Poverty Reduction Strategy Paper (PRSP) 2002-2005, supported by the international donor community at the Consultative Group meeting held in Paris in October 2002. The key objective of the PRSP is to reduce poverty by 13.1% through intervention in four areas: economic growth, human resources development, improvement of infrastructures and reinforcement of the social protection system. Under the PRSP, some important initiatives have been undertaken by the Yemeni government, with the support of the international community, to implement strategies in key areas such as basic education, technical education and vocational training, and the water sector.

According to the progress report released by the government in May 2005, the PRSP has not yielded the expected results, due to the weakness of the analytical base and the overestimation of government capacities to effectively implement the strategy. The process has been often regarded by the government more as a way to access additional resources, and as a mandatory exercise, than as a policy framework for poverty reduction.

The cornerstone of Yemen's government policy for the coming years will be the new Development Plan for Poverty Reduction, based on the Millennium Development Goals (MDGs). In 2004, Yemen was selected by the UN Millennium Project as one of the eight pilot countries to prepare an MDG-based development plan. As a result, the Government recently approved the third Development Plan for Poverty Reduction 2006-2010 (DPPR), prepared on the basis of an MDG-country analysis carried out in 2005 with the participation of various national stakeholders and donors. The DPPR reaffirms Yemen's commitment to pursuing social, political and economic reforms aimed at strengthening democratisation, improving governance, deepening citizens' participation in development processes and enhancing people's standard of living. The DPPR identifies high population growth, water shortages, high unemployment, low human resources development and fragile infrastructures as major challenges. For the long term, the government has set three objectives: to move Yemen from the Low to the Middle Human Development Group[1] by 2025, to sustain higher economic growth (beyond 7%) and to halve poverty by 2015 (from 1998 levels). In the short term, this poverty-oriented plan rests on seven "*strategic pillars*":

- Stimulating economic growth (investing in promising sectors, supporting SMEs and exploiting natural gas reserves);
- Enhancing economic reform (public budget, banking system, tax policy);
- Improving human capital to achieve the MDGs (raising awareness on population issues, education, improving health, water supply/sanitation, environmental sustainability);
- Enhancing good governance (modernising the civil service, enhancing the judicial system, developing institutional capacity, strengthening accountability and transparency);
- Supporting decentralisation for local and rural development (developing institutional capacity, empowering women);
- Integrating with regional and international economies (WTO accession);
- Strengthening partnership with the private sector, civil society and the donor community.

5. ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

5.1 Analysis of the political situation

5.1.1 The political system

Following unification in May 1990, Yemen has evolved as a democratic state based on a multiparty parliamentary system, elected directly by the citizens. The executive branch comprises the President and the Council of Ministers (government). The President is elected by direct popular vote and the Presidential term of office has recently been extended from five to seven years. The Council of Ministers is appointed by the President upon the advice of the Prime Minister. The legislative branch is composed of the *Shura* Council (upper house) and the House of Representatives (lower house). The 111 members of the *Shura* are appointed by

the president. The 301 deputies of the House of Representatives are elected by direct popular vote every six years.

By regional standards, democracy is reasonably well-developed in Yemen. However, progress towards a full democracy has been slow in recent years, as the elections have mainly resulted in the strengthening of the government's power. The ruling General People's Congress (GPC) has also consolidated its position through decisions extending the prerogatives of the executive branch and limiting the powers of the House of Representatives, for example by extending the legislative powers of the Shura Council, appointed by the President. The opposition, and increasingly the ruling party's parliamentary bloc as well, provide a degree of political competition, but the main opposition party, the Islamic Congregation for Reform (*Islah*), has not seriously challenged government policy.

A range of complex interlinked processes and institutions determine patterns of development in Yemen. While many aspects are challenging, there are also positive trends and reform-minded elements. The incentive structures throughout government are not clearly aligned with development needs, since accountability does not create sufficient pressure to deliver. Influential groups consist of overlapping elements of the political leadership, the armed forces, tribal sheikhs, and some top officials, with linkages to the private sector.

The three multi-party elections for parliament in 1993, 1997 and 2003, and the Presidential elections of 1999, were judged to be sufficiently free and fair by international observers, despite some flaws. The last elections in 2003 saw an extended competition with 22 parties participating, and a good participation of voters (turnout was 76.5%). Nonetheless, the result was a further consolidation of the ruling party's power: the GPC won a large majority, gaining 58% of the votes and 76% of the seats, *Islah* got 22% of the votes and 45 seats, and the Yemen Socialist Party 5% of the votes and 7 seats. The elections lacked uniformity in procedures and transparency. The representation of women was reduced to just one MP, demonstrating extremely serious obstacles to women's political participation and representation. Opposition parties suffered from limited access to the media, due to the Government's control of TV and radio, crucial in a country where 50% of the population is not literate. The next parliamentary elections are expected in 2009, while Presidential elections will take place in September 2006, in conjunction with local council elections.

5.1.2 The judicial system

The Constitution guarantees the independence of the judiciary. Despite reform efforts, the judiciary remains the weakest of the three branches of government, severely hindered by inefficiency, corruption and interference from the executive branch. The court system also suffers from a lack of adequate resources, which hampers its ability to train and hire qualified judges and implement its rulings. The law permits a system of tribal adjudication for non-criminal issues, although in practice tribal "judges" often adjudicate criminal cases as well. Persons jailed under the tribal system usually are not charged formally with a crime but stand publicly accused of their transgression. Around 70% of disputes would be settled through tribal arbitration. There are also challenges as regards access to justice, particularly for women and other vulnerable groups. The judicial system is widely perceived as open to abuse, and citizens tend to have contact with the system only as a last resort. Surveys of constraints on the private sector highlight the absence of a functioning commercial judicial system as one of the most important disincentives. A further challenge is posed by the tensions between the constitutional rule of law and tribal rules and practices.

Corruption is widespread. It especially disadvantages those with least power and resources, namely poor people. As regards the impact on the economy, corruption ends up being a "deal-

killer” for many initiatives, and dealing with it will not be easy because of the embedded interests. Prison conditions remain poor, with regular cases of arbitrary arrest and detention and with a large proportion of pre-trial detainees, often imprisoned for years without charge.

5.1.3 Human rights and the media

Over the past couple of years, Yemen has reiterated its commitment to the protection of human rights, as demonstrated by the creation of the Ministry of Human Rights (MHR), the only ministry headed by a woman, in 2003 and by the Sana’a Conference in 2004. Yemen was among the first states in the region to ratify the key international human rights conventions; however, it has not ratified any of the optional protocols.

In spite of these advances, the road ahead remains arduous. A whole range of social, economic and political rights are still denied to large segments of society. Torture and ill treatment are reportedly common, while death sentences continue to be passed, with at least thirty persons executed in 2003 and hundreds remaining under sentence of death³. In addition, the existence of certain customs, traditions, and cultural and religious practices lead to substantial discrimination against women, girls and other vulnerable groups⁴, particularly in family and personal status law, including inheritance law. Discrimination also contributes to their low representation in decision-making bodies. Finally, there is a lack of measures to combat sexual and domestic violence as well as a lack of legislation to criminalise such violence.

There is a strong, politically engaged written press in Yemen. Although the Constitution provides for freedom of speech and freedom of the press ‘within the limits of the law’, journalists face punitive measures, including imprisonment, detentions, fines and suspended prison sentences⁵. A recent draft press law approved by the cabinet brings some improvements, safeguarding journalists from imprisonment on account of their profession, but at the same time increases state control and limits access to the profession. Due to a literacy rate of only around 50% of the total population (men: 70%; women: 30%), the influence of the written media is much smaller than that of TV and radio, which are under the control of the Ministry of Information.

5.1.4 Security

A strategic position and porous borders, together with the government’s inability to control all of the territory, make Yemen a potential safe haven for terrorist groups and a transit point for both militants and equipment. The government joined the US-led war on terror after the 09/11 attacks, cracking down on Islamic extremists, sharing intelligence information with the US and allowing American presence in the country. Its cooperation to flush out Islamic fundamentalists from its soil has won it praise in Western capitals but raised hostility among the population.

The internal dimension of security should not be underestimated: most of the incidents portrayed as linked to international terrorism are more of a domestic nature. Yemeni society

³ Amnesty International Report, 2004.

⁴ Most notably the *Akhdam*, an ethnic minority group numbering some 200 000. The word literally means ‘servants’ in Arabic. The members of this group are the victims of negative public attitudes and are consequently at the very bottom of the social stratum. They are denied intermarriage with all other classes as well as socialisation with others.

⁵ According to the Worldwide Press Freedom Index, Yemen is 135th out of 167 countries.

remains under the strong influence of the tribal structure that has dominated the country throughout history and indeed presents complex and conflict-prone features. Tribal dynamics and religious tensions intermingle with terrorist threats and economic concerns. Rural-urban disparities, widespread poverty, an uneven distribution of resources and popular disenchantment with corruption and with the slow pace of reforms and democratisation fuel public discontent, leaving the country exposed to radical militant Islamist movements. The widespread circulation of weapons⁶, coupled with tenuous government control over vast parts of the territory, heightens the risk of violent upsurge, as happened recently in the northern governorate of Saadha.

5.1.5 International relations and the regional perspective

Yemen has become more active on the international scene, as shown by the organisation in January 2004 of the Sana'a Conference on democracy, human rights, the rule of law and the International Criminal Court, and by its participation in the G8 meeting in 2004. Yemen's engagement in the fight against terrorism and in the democratisation process has drawn the attention of the international community.

After a difficult period following Yemen's failure to support the UN resolution against Iraq during the first Gulf war, relations between Yemen and the Gulf Cooperation Council (GCC) are improving. In particular, the settlement of a border dispute between Yemen and Saudi Arabia in 2000 has triggered political rapprochement between the two countries. Yemen has applied to become a member of the GCC but has until now only been given membership in four committees (health, education, labour and sport). Given the economic disparities, the security concerns and the political differences, a full membership of Yemen in the GCC looks unlikely in the near future. This leaves unsolved the problem of Yemen's isolation. However, Yemen's integration in the EU Strategic Partnership could represent an interesting perspective.

In order to develop regional economic and security links, the Yemeni government maintains close relations with the Horn of Africa, in particular with Sudan and Ethiopia. Yemen is playing an active role as mediator to solve internal disputes in neighbouring Somalia; its commitment is driven by concerns over the increasing number of Somali refugees reaching its coasts. Eritrea has openly criticised the rapprochement between its neighbours and Yemen.

5.2 Analysis of the economic situation

5.2.1 Economic structure

Yemen is a low-income country with an economy that relies heavily on oil and agriculture. In 2004, oil accounted for 72% of government revenue, more than 86% of export earnings and 13,6% of GDP. This dependence leaves Yemen's external and fiscal accounts very vulnerable to fluctuations in international oil prices. But most worrying for the future is the decline of

⁶ If popular estimates put the number of small arms at 50-60 million, research conducted in 2003 indicates that a figure of 6-9 million is more likely (www.smallarmssurvey.org). Though severely reduced, this new figure does not undermine Yemen's status as one of the world's most heavily armed societies when one considers both per capita weaponry and their high level of lethality. [are weapons in Yemen on average more lethal than elsewhere? lethality may be defined not just as the potential, but also in practical terms]

resources⁷. At the present rate of production (400 000 barrels/day), reserves could be depleted in anywhere between five and fourteen years. Yemen has recently boosted the exploitation of its gas sector, with estimated reserves of up to 16 trillion cubic feet, which may give the country more time to diversify its economy.

Despite a continuously declining share in GDP, agriculture (including fisheries and *qat*) remains the mainstay of the domestic economy, employing 53% of the active population, contributing to the livelihoods of two-thirds of the population, and accounting for a 20% share of GDP. It is characterised by market orientation, a reliance on irrigation with resulting self-sufficiency in fruits and vegetables, and an explosion in *qat* cultivation. Production has potential for faster growth, but, in order to be sustainable, increased production must be combined with a rational use of water for irrigation and with investment in water conservation. With its 2500 km coastline, the country is endowed with sizeable and valuable fish resources. The fishing industry is underdeveloped, and production levels amount to a quarter of its capacity; it is estimated that the sector could contribute up to 5% of GDP, compared to the current 0.85%. However, increased use of fish resources, if not managed properly, could lead to their depletion.

The service sector is the largest in Yemen, with 53,8% of GDP, dominated by government services (20.5%) followed by transport (13.2%). Tourism has potential, but will require first and foremost an improved security situation, infrastructure and service levels to attract larger and more stable numbers of visitors. Industry faces various structural problems such as a lack of skilled labour, smuggling and dumping, little access to credit, weak infrastructure and utilities, and an unfriendly legal system. The industrial sector accounts for 27.3% of GDP, including oil, which represents 13.6%. There is a small non-oil industrial sector (11.6% of GDP), mainly involved in food processing and mixed metal products.

5.2.2 Growth and macroeconomic trends

Economic growth and investment levels have faltered since 2000. The GDP growth rate decelerated from 4.6% in 2001 to 2% in 2004, insufficient to offset the 3.0% population growth. GDP per capita is lower than the level reached before the 1990 Gulf War. Oil GDP growth declined from 1.3% in 2001 to -5.9% (projected) in 2004. Non-oil GDP growth has also steadily decreased, along with private investment and public spending. Inflation remains high at around 12%, fuelled by the strong rise in food prices. In 2004, public investment represented 64.2% of GDP, with private investment declining to 31.8% from 66% in 1995. These features are a major cause of concern as private investment boosts future growth and employment, while public spending will decrease as oil production declines. Public spending is allocated 'inefficiently' (public sector salaries, oil subsidies), and a reallocation to activities that can boost the profitability of private investments is needed.

The external debt of Yemen is estimated at \$5.9 billion in summer 2005 (39% of GDP). Foreign exchange reserves can ensure 16 months of imports, and are still increasing, but they are threatened by the negative trend in the current account balance, which may register a deficit in 2005, despite the increase in oil prices. Official unemployment rose from 13.2% in 2002 to 14.8% in 2004, but, unofficially according to estimates, it reached 40%; unemployment may further explode in the near future since some 50% of the population is under 15 and it is estimated that the market will have to absorb no less than 250 000 new job

⁷ The proven oil reserves of Yemen stand at 750 million barrels divided between nine oilfields — the government and oil companies estimate that, including recoverable and possible reserves, this number could reach 1.4 billion barrels.

seekers each year. Agriculture (including fisheries) remains the main sector of employment, accounting for 54% of the labour force, followed by services (23%), industry (12%), and the public administration (11%).

5.2.3 Public sector finances

While Yemen had been able to resolve its fiscal deficit at the end of the 1990s, it again had a negative balance in 2002. The fiscal deficit has increased fivefold since then, as public expenditure has mushroomed. It was estimated at 4.5% of GDP in 2004, compared to 1.2% in 2002 and 5.2% in 2003. Revenues have increased gradually from 2002 to 2004, but mainly due to oil revenues, estimated at 72% of the total in 2004. Direct and indirect taxes constitute the main source of non-oil revenues (7.4% of GDP). Public expenditure has grown in the last two years, but the increase has gone on non-investment public spending, i.e. subsidies, military spending, and salaries for civil servants. Yemen needs to reform monetary and exchange rate policy and to tighten fiscal policy to counter inflation and the level of debt.

5.2.4 Trade structure

Yemen's trade balance was positive between 2000 and 2004, but steadily declined from US\$ 1 170 to US\$ 626 million. The current account may have a small deficit this year, mainly due to declining oil production, which has been only partially offset by the increase in prices. Yemen's foreign trade is dominated by its oil exports, which constituted 86% of earnings in 2004. For the rest, earnings primarily derive from the re-export of food and livestock (4.3%) and machinery and transport equipment (2.2%). The main export destinations in 2004 were China (33.5%), Thailand (31.3%) and Singapore (7.2%); the EU ranks 9th with 1.8% of total exports. Yemen is a net importer in all major categories of products except oil derivatives. In 2003, imports were dominated by machines and transport equipment (26.4% in value) and food and livestock (23.5%). It is worth noting the rapid increase in imports of mineral fuels and lubricants, almost quadrupling since 1999 and representing almost 15% of the total. 22.4% of imports come from the EU and 12.9% from the United Arab Emirates (28.5% from Arab states); other main countries exporting to Yemen are China (9%) and the USA (4.4%).

The EC is providing international expertise for the preparation and coordination of Yemen's WTO accession process, through a programme running until 2008. Yemen has become eligible for the Integrated Framework, a programme aimed at enhancing the capacity of the Least Developed Countries to integrate in the global economy and to mainstream trade in national development policy and the poverty reduction strategy. A team of international and local experts has prepared a Diagnostic Trade Integration Study (DTIS), which defines a strategy for addressing critical trade issues and identifies a Technical Assistance matrix of projects and programmes that need to be undertaken to mainstream trade into national development policies.

5.3 Analysis of social developments

5.3.1 Poverty

Yemen is probably the poorest country in the Middle East and North Africa.⁸ When poverty was last measured in 1998⁹, 41.8% of the population did not have enough money to meet their

⁸ The lack of any appropriate 'purchasing power parity' index makes it impossible to assess whether Iraq has a higher or lower poverty rate. But all other human development indicators are far worse in Yemen.

basic needs. 10.7% of the population were living in severe poverty on less than \$1/day, a proportion unparalleled in the region. Negligible per capita GDP growth makes it unlikely that poverty rates will have fallen significantly. According to recent estimates, absolute poverty dropped slightly during 1998-2003 to 40.1%. Poverty rates in 1998 were higher in rural than in urban areas (45.0% vs 30.8%, respectively), and were around 50% in five governorates in the south-west.² Overall, 78% of the poor live in rural areas, difficult to access because of steep mountains or desert terrain. Limited access to quality education reduces their chances to move to other occupations, while the multiplication of unskilled labour through high reproduction rates remains an important survival strategy. Other groups of poor include urban communities comprising returned workers displaced from the Gulf and families who have moved from rural to urban areas. In 1998, households with ten or more members had a poverty rate of 50%, compared to a rate of less than 1% for households of two persons or less.

Informal and formal safety nets are amongst the main coping strategies used by the poorest, the former playing a significant role. Formal safety nets include: i) government cash transfer programmes, such as the Social Welfare Fund, ii) social security programmes, chiefly consisting of pension funds for civil servants, the police and armed forces, iii) donor-supported employment generation programmes, such as the Social Fund for Development, the Public Work Programme and the Rural Access Programme.

5.3.2 Population and health

Yemen's population reached 19.7 million at the end of 2004 with an annual growth rate of 3.1% (2.3% is the average for LDCs). On a positive note, indicators show total fertility falling from 6.8 children in 1997 to 5.8 children in 2003. But current projections indicate that the population will almost double in 20 years. Almost half of the population is below 15 years of age, implying in the coming years an increased pressure on economic development to provide jobs, food and basic services. The population is unevenly distributed over the 21 governorates and approximately 41 800 villages: 24% live in urban areas, and 74% live in settlements of less than 5 000 people, with a negative impact on the delivery of basic services.

While Yemen has improved the health of its population in the last decade, public expenditure has seen only a modest increase (from 1.4% of GDP in 2002 to 1.9% in 2004). and is still insufficient to provide basic health care, equipment and medical supplies. Yemen ranks better than the LDC average for the infant mortality rate and under-five mortality rate, but trends have worryingly decelerated in the last five years. Child malnutrition figures put Yemen at the level of Sub-Saharan countries. The prevalence of communicable diseases remains high, in particular malaria, tuberculosis, measles and meningitis. In April 2005, for the first time since 2001, poliovirus re-emerged in the Western lowlands on the Red Sea coast.

5.3.3 Education

Educational levels are very low in Yemen. With an enrolment rate of only 65% and an adult literacy rate of only 39%, Yemen is far behind other Arab States and many LDCs. Nevertheless, Yemen has made great strides in improving access to education, with the strong commitment of government and a handful of donors. The latest figures indicate that the adult literacy level has increased during the last decade, from 32.7% in 1990 to 49% in 2002 (still low compared to 54.2% for the LDCs and 64.1% for the Arab states). Nationwide, 69.1% of

⁹ Household Budget Survey, 1998.

females aged 10 years or older, and 27.3% of males, are illiterate.¹⁰ Enrolment in primary education has increased from 25 000 students in 1970 to more than 4 000 000 in 2003, but barely offsets the population growth rate and remains lower than in comparable countries. Women, especially in rural areas, are hugely disadvantaged by their poor educational status: 55% of primary school-aged girls attend schools country-wide and fewer than 30% in rural areas, where female literacy is only 20%.

Education spending as a share of GDP and of budget expenditure in Yemen is relatively high: its overall share expanded from 5% of GDP in 1996 to 7.5% in 2003, and the share in the budget expanded from 17% of public expenditure to 22% in 2004. However, the results are not commensurate with this investment, and expenditure efficiency needs to be improved: significant inadequacies still exist in access, quality, teaching skills, accountability and efficiency, impeding the effectiveness of the educational system.

5.4 Analysis of the environmental situation

Environmental degradation associated with economic development and population growth is one of the principal problems facing Yemen today. Yemen is a rich country in terms of biodiversity and environmental significance, given the wide variations in climate and topography due its location. The Government's concern for this issue is reflected in its ratification of a number of relevant international conventions, including those concerning biodiversity protection, the combating of desertification and the protection of flora and fauna on the verge of extinction.

The huge demographic pressure (3% annual growth rate, with the prospect of a doubling of the population in 20 years) poses the risk of further deterioration of the environment. Yemen's economic advancement depends to a great extent on its natural resources: the depletion or degradation of these resources undermines the sustainability of its economy, imposing a burden on present and future generations. Ignoring environmental issues can have serious repercussions for productivity, health, livelihoods and the overall quality of life, with direct consequences for poverty, employment and social order.

Water depletion and pollution, air pollution, waste, soil degradation, coastal erosion, habitat and biodiversity destruction represent the main environmental challenges in Yemen. Other challenges with impacts on the environment include rapid urban expansion, unbalanced consumption patterns, shortages in basic services, including inefficient waste collection and disposal, and over-exploitation of water resources.

Yemen is one of the most water-scarce regions in the world, lacking rainfall and water surfaces. The situation is dramatically worsening due to over-consumption and to the great expansion of groundwater pumping. The situation is particularly dramatic in the west, where the rate of water extraction exceeds rain precipitation by 70%, with the risk of total depletion within fifty years. Main urban areas also suffer water shortages, while in rural areas water scarcity is exacerbated by ground-water contamination. Water depletion, pollution and inadequate supply are identified as the main issues in the National Water Sector Strategy and Investment Programme released by the government in May 2004. The Water Law of 2002 provides a legal framework for controlling extractions, but its enforcement remains difficult.

¹⁰ Yemen Family Health Survey, 2003.

5.5 Assessing the process of reform

5.5.1 Political reforms

Very little has been achieved to date on the political reform agenda, despite the constructive commitments in the conclusions of the Sana'a Conference in January 2004. The setting up of the Ministry of Human Rights was a major step in the right direction, but the latest discussions on turning the Ministry into some form of National Authority (Ombudsman) are perhaps premature, in the absence of adequate staffing or resources. The reform of the judicial system is also still on hold, with different views held by the Minister of Justice and the judicial authorities. Although the Minister is actively promoting the reform, he lacks the resources or support to implement it. UNDP is assisting the government with a project aimed at setting up two pilot courts and establishing an automated case system. Juvenile courts have been established in the major cities, headed by female judges, but lacking resources.

The civil service reform represents one of the major challenges for the government. The main problem is the bloated size of the public administration, characterised by high costs — due to the large numbers employed — and low efficiency. Yet, attempts to tackle a serious civil service reform have been discouraged by the possible social and political consequences in terms of employment and internal stability, and by the reduced influence of the government in terms of patronage (the public administration has always been seen as a major source of employment). Nevertheless, despite the difficulties the government has adopted a four-phase wage strategy to improve civil servants' performance and reduce corruption. In addition, an automated system with high-tech ID-cards is being set up within the Ministry of the Civil Service to discover "double-dippers" and ghost-workers.

On corruption, a High Commission led by the Prime Minister and with the involvement of the Minister of Finance has been set up, but no concrete action has followed. The direct involvement of the government in the High Commission raises concerns about possible conflicts of interest. The Central Organisation for Control and Auditing (COCA) is one of the pilot agencies for the Civil Service Reform, but little progress has been made so far in increasing its autonomy. There is increasing foreign support for COCA, in particular from the GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit GmbH).

5.5.2 Economic reforms

The government has shown some willingness to implement the reforms, but the pace is slow. Oil revenues have also provided resources for the government, putting back the need to implement unpopular measures for a while; however, as the depletion of oil resources is approaching, the need for reforms is even more critical. The government has introduced macroeconomic indicators and indicative ceilings for public expenditure, in the 2005 budget, but internal controls remain unsatisfactory. In August 2005, the government approved a comprehensive strategy to modernise public finance management.

The disbursement of US\$ 300 million financing from the IMF and the World Bank, attached to the \$2.3 billion package pledged by donors in 2002, has certainly pushed the government to accelerate its reforms. In July 2005, the Yemeni government adopted a package of measures aimed at redressing macroeconomic imbalances, increasing budget revenues and offsetting the effect of declining oil production on the state budget. These measures have been politically and socially contentious. The government's decision to reduce subsidies on oil derivatives has led to the doubling of fuel prices on average. Domestic fuel prices still represent only between 38% and 75% of world prices, but the government plans further reductions in subsidies in order to close the gap. The Yemeni government has also adopted some measures

to lower import tariffs, reducing the average rate from 12.5% to about 7%, in order to integrate the national economy into the world economy, to tackle the smuggling of imported goods, and to harmonise tariff rates with the GCC. Taxation should undergo substantial reform to increase the contribution to budget revenues. However, the introduction of a General Sales Tax in 2005 was postponed by 18 months.

Yemen applied for accession to the WTO in April 2000 and a Working Party to examine its application and, where appropriate, submit recommendations for a Protocol of Accession was set up on 17 July 2000. Yemen has since presented to the WTO Secretariat its Foreign Trade Memorandum, which will constitute the basis for discussions leading to accession, and two meetings of the Accession Working Party were held in November 2004 and in October 2005. Yemen's accession will require substantial reforms to change a number of features of its trade regime and legislation, which may encounter domestic resistance.

5.5.3 Social reforms

The social policy of the Yemeni Government (GoY) has been driven by the different development plans prepared and implemented throughout the last decade: the last plan was the Poverty Reduction Strategy 2002-2005, which set guidelines for intervention to fight poverty and improve the living conditions of the population. In order to compensate for the short-term effects of the economic and financial reforms on the most vulnerable part of the population, GoY adopted in the mid 1990s a Social Safety Net (SSN). The SSN aims to improve the living conditions of poor communities through development projects, infrastructure and delivery of basic services. The Social Welfare Fund is the instrument for delivering direct cash assistance to the poorest population, while the Social Fund for Development is the main tool for delivering services and creating jobs at community level. The government has strengthened the SSN through various interventions, in particular by increasing resources for the social welfare system and by supporting farmers and fishermen through access to soft credit.

5.6 Cross-cutting issues

5.6.1 Gender

In Yemen the gender gap is widening. Women, especially rural women and girls, are worse off than men for almost all socio-economic indicators. In 2004, Yemen ranked 126th out of 144 countries in the UNDP Gender-Related Development Index, the worst performer of the Arab states (UNDP HDR, 2004¹¹). Only 29% of adult females are literate, compared to 69% of males. 52% percent of girls enrolled do not complete primary school, against 18% of boys, the largest gap amongst the Arab countries. The fertility rate in 2003 was 5.8 children per woman (5.1 in the LDCs, 3.8 in the Arab countries). Early marriage is one explanation for these phenomena and represents another big obstacle to gender equity. Women are confined to domestic tasks and agriculture only: over 70% of agricultural work is done by women. Economic decisions and relations with the outside world remain the domain of men. While traditions protect women from violence, evidence shows a growing trend in domestic violence. The lack of female participation in all levels of society will continue to marginalise women despite political commitments.

¹¹ http://hdr.undp.org/statistics/data/country_fact_sheets/cty_fs_YEM.html.

5.6.2 *Qat*

*Qat*¹² is an issue of primary importance for Yemen. Chewing *qat* is considered to be a central element of identity, and, unfortunately, has strongly increased in the past thirty years, among men, women and even children. *Qat* is the main cash crop in Yemen: it occupies 11% of the cultivated area and, in 2003, it represented 32% of agricultural added value and employed around 24% of the agricultural labour force. *Qat* consumption is taxed, but the Ministry of Finance estimates it is collecting revenue on only 5% of all transactions. The crop is estimated to contribute 6% to GDP, but its consumption has several negative effects. *Qat* reduces income available for other consumption, since absorbs 40% of household budgets in low/medium income families in urban areas, diverting resources from other basic needs. *Qat* also contributes to the depletion of water resources as irrigation boosts yields, undermining sustainable agricultural growth. It also does not offer any added value in terms of external trade. *Qat* chewing is said to have a serious impact on productivity, shortening the working day. The net impact of this habit needs further study.

5.6.3 *Civil society*

Tribal affiliation is a key component of identity for many Yemenis, especially in the north and in areas where the state is institutionally weak. The tribal setting is a key component of civil society, which could be part of a system for ensuring a greater degree of social accountability. Civic activism has been an enduring characteristic of recent Yemeni history. There are approximately 2500 civil society organisations in Yemen. Human rights associations operate without serious constraint. In all, such organisations constitute vigorous forms of non-electoral participation in political life. Nevertheless, activists seeking to launch a new civil society organisation complain about the lack of transparency in procedures, and about the regime's over-sensitivity. The Social Fund for Development has become a significant player in developing ground services for local communities: it can foster the development and improve the performance of civil society organisations by building their capacity to manage themselves and to interact with local authorities.

5.6.4 *Environment*

Yemen's economy relies on its natural resources base. The depletion of these resources not only represents a loss of the country's national capital but undermines the sustainability of its economy. Environmental problems are immense and include land degradation, habitat degradation and waste management, but the water situation is particularly alarming.

As already mentioned, Yemen has a water crisis. The main issues facing the water sector are identified in the National Water Sector Strategy and Investment Programme released by the government in May 2004, namely water depletion, pollution and supply. The Water Law enacted in 2002 provides a legal framework for controlling extractions, but its enforcement remains slow. Aquifers are depleting at a very high pace, with groundwater levels dropping between 3-6 metres annually in some cases. Conflicts over depleting resources are likely to increase in the future. The agricultural sector has always been at the forefront. Its share of total water consumption is 90%, but irrigation efficiency is extremely low, at no more than 35%.

¹² *Qat* is a tree grown solely for its leaves, which contain a mild stimulant with a chemical structure similar to amphetamines. *Qat* trees grow to a height of between 2 and 4 metres. Though it can be cultivated in a wider range of environments, it thrives best at altitudes between 1500 and 2000 metres. It is a hardy and drought-resistant plant.

6. OVERVIEW OF PAST AND ONGOING EC COOPERATION, COORDINATION AND COHERENCE

6.1 EU-Yemen relations

Cooperation between the EC and Yemen originally started in 1978. Relations were formalised in 1984 through a Development Cooperation Agreement between the EC and North Yemen, extended in 1995 to cover the entire country following unification in 1990. An extended framework cooperation agreement on commercial, development, and economic cooperation was concluded and signed on 25 November 1997, and came into force on 1 July 1998. The agreement provides the basis for a long-term contractual commitment between the EC and Yemen.

6.2 Overview of past and ongoing EC cooperation

Since 1978, the EC has provided Yemen with more than €20 million of development assistance, financing some 115 projects. Since unification, it has committed more than €180 million, a major part going on food security support (€74 million) and economic and development projects (€60 million). Some 80% of these resources were committed in the last six years: a clear illustration of the EC's increasing support for Yemen's economic and social development. The previous cooperation framework was enshrined in the Country Strategy Paper 2002-2006, which identified four priority areas for EC cooperation with Yemen:

- Food security in accordance with EC policies and the Yemeni food security strategy;
- Poverty reduction as part of the Yemeni poverty reduction strategy;
- Good governance, democracy and respect for human rights;
- Facilitation of business development and strengthening of economic institutions.

The NIP 2005-2006 is fully on track: projects have been already approved in the fields of fisheries and human rights, while a project on reproductive health will be launched in 2006. Additional resources have been allocated from Food Security and other horizontal programmes (De-mining, EIDHR, NGO co-financing). Humanitarian aid is also provided through ECHO. Since 2000, ECHO has allocated more than €9.7 million to Yemen. Ongoing assistance aims at improving the living conditions of the most vulnerable parts of the population, mainly in rural areas, through the rehabilitation of local health services and water supply structures. Additional resources have been allocated, in 2005 and 2006.

6.3 Coherence

6.3.1 Lessons learned

Possible improvements in the bilateral programme with Yemen relate to both the strategic phase and implementation. On the strategic side, the SP puts more emphasis on intervention to ensure good governance compared to previous programmes. This can be explained by the fact that the political framework has evolved with the launch of the political dialogue and the integration of Yemen within the strategic partnership. At the same time, it is unanimously

recognised that improving governance is an important prerequisite for the policies aimed at fostering economic and social development.

The new strategy will follow a focused approach, as previously. In the past, difficulties were encountered in the implementation phase and in disbursement, due to the large number of projects launched, Yemen's weak absorption capacity, and the EC's own administrative complexities. The situation has now improved following the decision of the Delegation to close a certain number of projects, agreed with the Yemeni government, and the devolution of the financial and operational management of projects from Brussels to Amman. A further devolution from Amman to the Sana'a delegation, possibly in 2006, coupled with a reinforcement of the Sana'a delegation, should help to further improve the implementation of the cooperation programme. An evaluation has been carried out only for the Food Security Programme, resulting in sensible modifications. The choice of priority sectors for intervention has been made on the basis of the concrete needs of the country, the priorities outlined by GoY and the complementarity with other donor interventions. Some actions follow on from previous successful initiatives undertaken within other NIPs, with the aim of ensuring continuity and the necessary impact.

6.3.2 *Integration of other EC policies*

The SP takes into full consideration the other EC policies linked with cooperation activities in Yemen. In particular, the SP targets some priorities of EC external relations policy, such as governance, democracy and human rights, as main areas for intervention. Security could also be targeted, according to circumstances and needs, in close cooperation with EU Member States. Trade aspects have also been considered, and should be integrated particularly in those actions aimed at fostering private sector development. Another important policy taken into consideration is humanitarian aid. In this regard, humanitarian initiatives can still be funded alongside the bilateral programme. However, certain projects (notably food security) will take into account the experience with ECHO-funded projects, and particular attention will be paid to the LRRD (Linking Relief, Rehabilitation and Development) mechanisms, in order to ensure the take-up of some humanitarian actions and find a way to integrate them within other programmes. Environmental concerns will be carefully addressed in the formulation of programmes to support food security, agriculture and fisheries, with a particular accent on sustainable development. Actions in the fishery sector will also focus on quality aspects and sustainability and will avoid any support that will lead to an indiscriminate increase in catches.

6.4 Information on programmes of EU Member States and other donors

6.4.1 *Donor harmonisation and alignment*

The donor community in Yemen is relatively small. According to OECD figures, total ODA amounted to US\$ 243 million in 2003. This was a 58% cut compared to 2002, and a reduction of 47% compared to 2001. The decrease in financial aid is mainly due to the weak capacity of the Yemeni government to disburse and implement the programme.

A new impetus has been given to harmonisation and alignment. On 30 January 2005, the government and major donors signed a declaration aiming at implementing the commitments on harmonisation made by the donor community in Rome in 2003. As a follow-up, Member States and the Commission have embarked on formulating an EU Road Map towards harmonisation. In March 2005, the Ministry of Planning and International Cooperation also set up an Aid Harmonisation and Alignment Unit. Alignment will be ensured with actions undertaken by EU Member States and other donors. In particular, the aim will be to align with the good international engagement initiative (DAC, Fragile States Initiative, agreed in Paris

on March 2005), in which Yemen is piloting key principles of aid effectiveness supported by the donor community in Sana'a with DFID and UNDP as co-leads.

EC intervention will complement that of other donors, in particular EU Member States. Accordingly, the Multiannual Indicative Programme will not target important sectors, such as education and water, where other donors (World Bank, Netherlands and Germany) are already fully engaged, since EC added value will be very limited given the resources available. In contrast, the Commission will target other areas such as agriculture/food processing, fisheries, reproductive health and justice, where not many donors are active.

6.4.2 EU Member States

Germany and the **Netherlands** have traditionally been the main EU donors. With €3 million, Germany is the third-largest donor in Yemen, followed by the Netherlands with €28.4 million. They concentrate on crucial sectors such as water, health, education, support for economic reforms and governance. The Netherlands is also active in the field of justice and public finance management. The **UK** has rapidly increased its financial support to Yemen from around €3 million in 2003/4 to about €18 million in 2005/2006; its activities are also focused on basic education, maternal health, support for the Social Fund for Development, public financial management and corruption. **France**, in addition to its leading role in the European project for training police forces, focuses on rural development, civil society, cultural heritage, the integration of youth, and governance (security, decentralisation, justice and financial management). **Italy** has increased its cooperation with Yemen in recent years. The project portfolio includes interventions in primary health care, the environment, support for elections, de-mining, decentralisation, refugees, maritime security (support for the coastguard), food aid and cultural heritage. **Denmark** has started cooperation activities in democratisation, decentralisation, human rights, women's empowerment and media. The **Czech Republic** identified Yemen as one of the eight priority countries for long-term development cooperation in 2004. Its projects are focused on two sectors - the power and the water management. Annually 5 Yemeni students are granted scholarships to study at Czech universities.

6.4.3 Other donors

USAID reopened its office in 2003, following 7 years of closure. A new strategic plan was released in April 2003 for the period 2003-2006. It focuses exclusively on "*the five remote and very poor, rural governorates most at risk of generating political, social and economic instability*". Objectives are reproductive, maternal and child health, basic education, income opportunities and food security, democracy and governance. Total assistance will have more than doubled between 2004 (\$11.4 million) and 2006, when it is projected to reach \$30 million. A 2-year US\$ 10-15 million package aiming at improving land tenure legislation, strengthening the judicial system and fighting corruption is currently under discussion. However, Yemen has now been suspended from the US programme Millennium Challenge Account, due to Yemen's poor governance.

The World Bank is the main donor in Yemen, with \$420 million allocated under the Country Assistance Strategy (CAS) 2003-2005. This amount could be reduced for the next period to \$280 million, following the poor performance of GoY in terms of efficiency and the fight against corruption. The CAS focuses on the following objectives: 1) improving governance through better policy formulation and building capacity for decentralisation and for improved service delivery; 2) improving the investment environment to generate job opportunities through better regulation, the predictable application of laws and adequate infrastructural

support; 3) improving human capital by supporting basic education, technical and vocational training, access to health care; 4) ensuring environmental sustainability through policies and investments for water sustainability, watershed and soil conservation, sustainable fish stocks.

UNDP is another important donor, providing support for governance (human rights, justice and electoral support) and poverty reduction, through direct assistance to community-based initiatives and small/micro enterprises, as well as support for de-mining and the environment. **UNICEF** is also present in Yemen, and its main activity is supporting the Yemeni government with the implementation of the Basic Education Development Strategy. UNICEF is also active in the field of health, water and sanitation, targeting in particular vulnerable groups such as women and children.

Japan is particularly active as a donor in Yemen, focusing on basic human needs sectors such as water, health and education, along with agriculture and the environment. Japan is now showing an interest in cooperating in the new field of governance, such as democratisation and human rights, and in gender as a cross-cutting issue. Other important donors for Yemen are various **Arab financial institutions**, which provide contributions in the form of loans; the main sectors of intervention are infrastructures, business development and social services. The most important donor institutions are the **Saudi Fund for Development** (EUR 16.4 million committed to the Social Fund for Development), the **Islamic Development Bank** (US\$ 72.1 million between 2001-2005), the **OPEC Fund**, with total loans of US\$ 191.67 million (181 million to the public sector and 10.65 million for private sector and business development), and the **Arab fund** with \$640 million in loans committed between 1998 and 2004.

7. THE EC RESPONSE STRATEGY

7.1 Rationale

Poverty remains the key issue to address in Yemen. The main factor behind poverty is the massive population growth combined with bleak economic prospects. As illustrated in the previous chapters, the overall economic and social framework is not encouraging. Decelerating GDP growth (below the growth rate of the population), an increasing non-oil fiscal deficit, high inflation, and declining oil production, combined with a persistently weak public sector and economic management, characterise the gloomy picture of the Yemeni economy. On the social front, the picture is also challenging: limited access to basic services, 41% of the population below the poverty line, high illiteracy rates, high unemployment, significant gender inequality and gaps on a number of development indicators, all against a background of dwindling non-renewable water resources.

About 50% of Yemen's population is aged 15 years or below. A 3.2% population growth will lead to a population of about 40 million inhabitants in approximately 20 years. In the face of these figures, anything that Yemen may undertake will be in vain and lead to continued instability unless the economic and social pressure produced by a massively growing population is not significantly reduced. It is likewise important to secure the incomes of the existing population over the years to come through growing job opportunities created by the private sector. Private sector development, however, requires investment in the Yemeni economy, but investments depend on domestic and foreign investors' confidence in the economic and political situation. They can only be attracted by security, stability and predictability, conditions that at the moment the Yemeni government is unable to guarantee.

In order to achieve these objectives and to ensure internal stabilisation, good governance is a prerequisite, in particular in the areas of democracy, respect of human rights, and the rule of law in the administration and judiciary, including the fight against corruption. Only good

governance can lead to a favourable investment climate, ensure the better management of financial resources and the effective implementation of measures aimed at improving living conditions, and generate support among the population for government policies.

The Yemeni government has encountered difficulties in implementing the necessary reforms, in terms of political constraints and the lack of implementing capacity. International donors could play an important role by providing political and technical support to the government in this difficult task. Consequently, support for governance is a key element in any strategy aimed at reducing poverty and fostering social and economic development in the country, and would stimulate the Yemeni government to accelerate the pace of reforms.

7.2 Strategic objectives and priority sectors for EC-Yemen cooperation

Against this background, the European Commission will focus its strategy on actions contributing to the stabilisation of the country and to poverty reduction, in line with the objectives established in the EU Strategic Partnership for the Mediterranean and the Middle East and with the Yemeni government's own policy reform agenda. This should be done by increasing support for democracy, human rights, the rule of law, economic development and human development, in close liaison with the rest of the donor community.

The main reference for the Commission's response strategy is the Yemeni Government's Development Plan for Poverty Reduction 2006-2010 and the recently adopted Good Governance Reform Agenda 2006-2007. As already underlined, the political, economic and social components are closely interrelated, given the importance of governance for the general objective of poverty reduction and for the socio-economic development of the country. Accordingly, and in conjunction with the Yemeni strategy documents, the EC cooperation strategy will aim to help the government make progress on both the political and socio-economic fronts, through a comprehensive approach, integrating interventions aimed at improving governance and at fostering economic growth and human development. The humanitarian aid provided by the Commission creates opportunities for "Linking Rehabilitation, Reconstruction and Development", and building on those opportunities will be one way to support the strategy at local level.

The strategy will focus on two main objectives — promotion of good governance and the fight against poverty — and will be implemented through intervention along a limited number of axes. The cooperation strategy for 2007-2013 will therefore be structured as follows:

a) Objective 1: to assist the Yemeni Government to promote good governance by:

1. Supporting democratisation through the strengthening of Yemen's democratic institutions
2. Promoting human rights and civil society
3. Supporting Yemeni government reforms in the judicial sector, the civil administration and decentralisation.

b) Objective 2: in line with the first Millennium Development Goals, to strengthen the Yemeni government's capacities to fight poverty by:

1. Fostering private sector development through support for sustainable development in the agriculture and fisheries sector and for reforms aimed at improving the regulatory framework for investments, business and trade.

2. Contributing to human capital development through support for reproductive health policies and for strengthening the delivery of basic services.

The specific interventions will be set out in detail in the Multiannual Indicative Programme (MIP), covering the period from 2007 to 2010. The MIP will indicate more concretely the contents, objectives and expected results of each action. In its intervention, the Commission will follow a dual-track approach: delivering essential social and economic services in a cost-effective manner through specific instruments, while at the same time working on institutional development and capacity building, linked to the reform agenda of the Yemeni government. The Commission's strategy and programme will focus on those sectors where, in the light of the experiences gained, it can offer a comparative advantage and complement other donors' interventions. EC intervention will aim in particular at boosting government capacity and improving accountability mechanisms at all levels.

The interventions under the Multiannual Indicative Programme are without prejudice to activities under the specific thematic programmes, in particular in the fields of food security and of non-state actors. Activities in the field of higher education will be considered in the context of a Middle East approach.

7.3 Analysis of priorities

7.3.1 Promotion of good governance

The promotion of governance will be the first strategic objective, which will align with the indications emerging from the Yemeni strategy and from other donors' plans. The initiative under this item will address some specific elements included in the EU Strategic Partnership with the Mediterranean and the Middle East, such as support for democratisation, human rights and the rule of law, and for political and economic reforms.

Promoting democratisation. Commission interventions will aim at supporting the democratisation process by providing assistance for *ad hoc* activities linked to the electoral calendar. In line with the previous programmes, the Commission should continue to provide support for elections in order to continue fostering democratisation through the different phases of the process. The next Parliamentary elections will take place in 2009, and the next Presidential elections will be in 2013.

While supporting the election system is vital for democracy in Yemen, the democratisation process goes beyond this particular aspect. In particular, the Parliament and political parties play a central role, as legislator and mediator between citizens and governmental institutions, in giving effectiveness to the democratisation process by controlling the activities of the government. In the light of the difficulties encountered by parliament in counter-balancing the power of the government in recent years, members of parliament and political groups can be targeted by Commission interventions.

Particular attention will be given to the media sector: actions may be explored to develop independent media in coordination with other donors' activities (in particular Denmark); an action may be launched in conjunction with the next Parliamentary elections to help regulate the activities of the media and promote their role in guaranteeing pluralism in that phase.

Promotion of human rights. The Commission will also build on its ongoing support for the Ministry of Human Rights, broadening the scope of its support to cover the whole civil society spectrum. Human rights issues will be mainstreamed across relevant sectors such as justice, police, security and prisons. Attention will be paid to protecting the human rights of

vulnerable groups and in particular women. The Commission will explore ways to support civil society, targeting aspects such as capacity building, the interface with government institutions, internal organisation, and the capacity to deliver services to local communities. Women should be targeted as specific beneficiaries in order to encourage their participation in civil society organisations and to improve women's knowledge and awareness of their socio-economic rights.

Support for GoY reforms. The Commission will expand its efforts to mainstream good governance issues, critical to improving the delivery of basic services to the population, and to develop key sectors in this area. Assistance will focus in particular on the judicial reform and the civil service reform.

The judicial sector has a key role in the entire institutional system. The application of the rule of law is the basis for the correct functioning of any democracy: there is no democracy without effective law enforcement. Judiciary institutions in Yemen are seriously hampered by corruption and inefficiency. The EC will build on the ongoing programme carried out by the UNDP to support GoY's judiciary reform, extending the actions at both geographical and thematic level. A particular focus will be on commercial courts, in order to enhance the development and application of a regulatory framework to facilitate foreign investment. For the protection of human rights, penal courts will also be targeted.

The civil service reform is another key initiative, since the public administration is characterised by huge size, high costs and low efficiency. The Commission is already involved in supporting the civil service reform through a project targeting specific sectors such as public health, social welfare support, and air safety. The World Bank is also engaged in supporting the civil service reform. The EC should continue supporting the Yemeni effort to strengthen the institutional and administrative capacity of the government and to develop a professional, efficient and non-partisan public administration. Future assistance should be targeted at political level and should aim at maximising the efficient use of human and financial resources. Attention should be given to those public services that would be delivered better at local rather than at national level. If deemed more efficient for the reforms, the decentralisation of specific actions could be envisaged.

Promotion of security efforts: institutional building (training of police forces, custom officials and coastguards). In the context of the Commission's support for good governance, security is a decisive factor in order to achieve more stability in the country. Good governance in the security field and the strengthening of human and institutional resources must be consistent with overall democratic consolidation in a fragile state like Yemen, given the prevailing weaknesses. Improving security sector governance may seem a second- or third-order issue in the light of the other challenges. However, since poor security governance has already contributed in no small measure to the decline of economic and political governance in Yemen, it is impossible to strengthen overall governance without attention to the security sector. Such an approach perfectly complements the actions planned in the field of the judiciary and human rights.

It is, more generally, essential to support efforts by both civil society and the government in the fight against trafficking and the spread of illicit small arms and light weapons, in dealing with contamination by explosive remnants of war and antipersonnel landmines, in combating the proliferation of weapons of mass destruction and their means of delivery, as well as in endeavouring to fulfil international obligations in the fight against terrorism (implementation of relevant UN Security Council resolutions and international conventions).

Although security was specifically mentioned in the NIP 2005-2006, the limited resources available did not allow for specific interventions. Since 2001, the Yemeni government has also been making efforts to fight terrorism with the assistance of some Member States. Security and counter-terrorism were on the agenda of the two EU-Yemen political dialogue meetings. Yemen was also identified as one of the potential pilot countries for EC assistance under the Rapid Reaction Mechanism (RRM) to help with the implementation of UN Resolution 1373 (2001) on counter-terrorism, but no initiative has been taken under this instrument. Among the various security problems, border control is the first priority due to the fact that Yemen has 2200 km of sea coast and about 2000 km of porous land borders, very difficult to control with the limited capacity of the Yemen government. The trafficking and smuggling of people (e.g. refugees, terrorists and children), arms, goods and money over the border with Saudi Arabia and, across the sea, with Somalia is progressively increasing, fuelling terrorism and instability in Yemen. The EC might consider whether interventions could be planned under the present SP where necessary, also in the light of the strong interest expressed by the Yemeni government to receive assistance in this sector. The training of police forces and coastguard, which is at present undergoing an important upgrade for border control, could be a priority for a possible EC/EU initiative, together with the training of customs officials. Such an approach would also be welcomed by the majority of EU MS represented in Yemen, and any action should be carried out in close collaboration with those MS already engaged in the security sector.

7.3.2 Poverty reduction

Poverty reduction is the second strategic objective of the EC in Yemen, in line with the Millennium Development Goals and with the GoY's strategy. This objective is articulated along two axes of intervention: private sector development and human development. Interventions will be driven by an integrated approach, and will be complemented by actions in the field of food security, focusing on specific aspects of poverty, social and economic development in line with the previous EC programmes in targeted rural areas.

Private sector development. With the depletion of its oil resources, Yemen must boost its economy and in particular develop its non-oil sector if it wants to reverse current trends. Hence, the cooperation strategy will aim at fostering sustainable development in other sectors that offer a good potential for growth, job creation, and external trade. These include agriculture, fisheries, tourism and the development of free-zone areas. Commission intervention will focus on agriculture and fisheries. Support in both sectors should also cover aspects to facilitate trade: in particular, quality control and sanitary and phytosanitary standards, vital for the access of products to the world market and for exploiting the potential for trade. A specific attention will be provided to the capacity building of custom and tax administrations, in order to foster external trade also in the light of Yemen's future access to WTO. The improvement of the business environment and the enhancement of the regulatory framework are prerequisites for investment in the private sector; in this respect, the development of free zone areas, according to international standards should be also supported.

The agriculture sector remains a pillar of the Yemeni economy. Its importance stems from the fact that it provides employment to 53% of the labour force and contributes to the livelihoods of more than two thirds of the population. The potential of the sector in terms of production for internal consumption and exports is good, as is also underlined in the Diagnostic Trade Integration Study finalised in 2003. Market opportunities in the Gulf countries and in the EU may also widen, should Yemen succeed in guaranteeing stable flows of products and improving quality standards. The development of the agriculture sector should be linked to the development of the food processing industry in order to enhance the potential for growth and job creation. The impact of agriculture on the environment will be carefully assessed.

Particular attention will also be given to water resources in order to promote water-efficient irrigation systems and environmentally sustainable agricultural production.

The Commission is already involved in supporting the fishery sectors to promote the sustainable exploitation of resources. In line with existing actions, and in the light of the potential of the sector in terms of growth and trade and also as an important source of livelihoods and food security, the Commission will extend its assistance with quality control, marketing and export facilities.

Food Security. Until now, the Food Security programme has made an important contribution to alleviating poverty in Yemen, in particular through the provision of basic services facilitating the access of food products to the market and through the development of small infrastructures (road, dams, water supply systems). The EC has contributed annual budget allocations from 1996 to 2006 to food security. An allocation of €12 million (6+6) has been made for a 2-year period (2005-2006). The programmes have financed a number of rural development programmes, an agricultural census, a market information system, institutional capacity building and technical assistance. There is a continuing need to support food security measures in Yemen, in line with other development cooperation activities, such as the contribution to the Social Fund, and with other donors' activities. Activities to support food security could be linked to possible actions to support private sector development in agriculture and food processing. Other activities could be included among the possible initiatives for local community development under the Social Fund for Development.

Human capital development. Human development indicators in Yemen are particularly alarming, as illustrated in the country analysis. Tackling population growth is undoubtedly a priority in Yemen, as is also recognised by government. Bearing in mind the determinants of poverty in Yemen, efforts should be intensified to strengthen the delivery of basic services and develop labour skills. The EC strategy is in tune with the Yemeni Development Plan for Poverty Reduction, based on the Millennium Development Goals, and will focus on two specific fields: human development and reproductive health. The linkage of the EC's humanitarian aid in health and water to other EC, national and international development instruments should be part of a sustainable response to the needs for such services.

The Social Fund for Development (SFD) has been involved since 1997 in providing services to the population in health, education and vocational training for employment, water and roads. Impact evaluations have demonstrated the efficiency of this instrument, and the use of participatory approaches to identify the real needs of the poorest part of the population has proved to be highly effective and sustainable. The Commission already contributed to the previous SFD phases and intends to continue supporting this instrument with the objective of fostering human development, improving the living conditions of the population, and creating job opportunities at community level. As part of the EC contribution to the programme, particular attention will be devoted to gender issues in order to foster women's access to services and their participation in society at community level.

Population growth represents a major challenge for Yemen in the coming years and a priority intervention area for the Commission. The EC has already financed several programmes and projects related to reproductive health and a new project is being launched in 2006, aimed at improving the utilisation of reproductive health care services by the Yemeni population. However, the formulation of a National Population Policy in 2004 now enables the government to embark on a more comprehensive nation-wide approach to demographic and reproductive health issues, with the aim of reducing the high population growth.

8. ANNEXES

8.1 Annex 1: Country at a glance

Republic of Yemen @ a glance

HUMAN DEVELOPMENTⁱ	Yemen		LDC	Arab States
	2002	2003	2003	2003
Human development index value (max.: 1) ¹³	0.482	0.489	0.518	0.679
Human development index rank (of 177)	149	151	-	-
GNI per capita ¹⁴ (Atlas method, US\$)	490	520	-	-
POVERTYⁱⁱ	1998	2003	2003	2003
Human poverty index value ¹⁵ (%)	49.4	40.3	-	-
Human poverty index rank	76 th / 85	77 th / 107	-	-
Poverty (% of population below poverty line)	41.8	40.1	-	-
Rural poverty (% of rural pop. below poverty line)	46	45.7	-	-
Urban poverty (% of urban pop. below pov. line)	30.8	21.1	-	-
Annual labour force growth rate (%)	-	3.7	-	-
DEMOGRAPHIC TRENDS	1975	2003	2003	2003
Total population (millions)	7.0	19.7	-	-
Annual population growth rate (%)	3.7	3.1	2.3	2.0
Urban population (% of total population)	14.8	25.7	26.7	54.7
Population under age 15 (% of total population)	-	47.1	42.2	36.3
Total fertility rate (births per woman)	8.5	6.2	5.0	3.7
HEALTH STATUS	1970-75	2000-03	2003	2003
Life expectancy at birth (years)	39.9	60.3	52.2	66.9
Infant mortality rate (per 1000 live births)	202	82	99	48
Under-five mortality rate (per 1000 live births)	303	113	156	61

¹³ HDI: A composite index measuring average achievement in three basic dimensions of human development — a long and healthy life, knowledge and a decent standard of living.

¹⁴ GNI: The sum of value added by all resident producers in the economy plus any product taxes (less subsidies) not included in the valuation of output, plus net receipts of primary income (compensation of employees and property income) from abroad. Value added is the net output of an industry after adding up all outputs and subtracting intermediate inputs. Data are in current US dollars converted using the World Bank Atlas method.

¹⁵ HPI-1 (for developing countries): A composite index measuring deprivations in the three basic dimensions captured in the human development index — a long and healthy life, knowledge and a decent standard of living.

Maternal mortality ratio ¹⁶ (<i>per 100 000 live births</i>)	-	570	-	-
Population undernourished (<i>% of total</i>)	-	36	33	9
Children underweight for age (<i>% of under 5s</i>)	-	46	-	-
WATER AND SANITATION	1990	2003	2003	2003
Access to an improved water resource (%)	69	69	61	84
Access to sanitation (%)	21	30	35	66
EDUCATION	1990	2003	2003	2003
Adult literacy rate (<i>% ages 15 and above</i>)	32.7	49.0	54.2	64.1
Net primary enrolment ratio (%)	52	72	-	-
Net secondary enrolment ratio (%)	-	35	-	-
Children reaching grade 5 (<i>% of grade 1 students</i>)	-	76	-	-
GENDER	1998	2003	2003	2003
Gender-related development index value ¹⁷ (max.: 1)	0.389	0.448	-	-
Gender-related development index rank	133 th / 143	121 th / 140	-	-
		Men / 2003	Women / 2003	
Life expectancy at birth (<i>years</i>)		59.3	61.9	
Labour force participation rate (<i>% ages 15-64</i>)		83.5	32.2	
Adult literacy rate (<i>% ages 15 and above</i>)		69.5	28.5	
Primary completion rate (<i>% of relevant age group</i>)		82	48	

¹⁶ Adjusted figure based on reviews by UNICEF, WHO and UNFPA.

¹⁷ GDI: A composite index measuring average achievement in the three basic dimensions captured in the human development index — a long and healthy life, knowledge and a decent standard of living — adjusted to account for inequalities between men and women.

MACROECONOMIC INDICATORSⁱⁱⁱ

PRODUCTION AND PRICES	2001	2002	2003	2004¹⁸
GDP (<i>US\$ millions</i>)	9,533	9,985	11,211	12,904
Per capita GDP (<i>in US\$</i>)	528	537	585	653
Real GDP at market prices (<i>change in %</i>)	4.6	3.9	3.1	2.7
Real non-oil GDP (<i>change in %</i>)	5.2	4.6	4.0	4.1
Real oil GDP (<i>change in %</i>)	1.3	0.4	-1.8	-5.9
Core consumer price index (<i>annual average</i>) ¹⁹	10.7	6.8	11.9	12.0
Crude oil production (<i>1000 barrels/day</i>)	434	433	425	400
STRUCTURE OF THE ECONOMY	2001	2002	2003	2004
<i>(% of GDP)</i>				
Agriculture	21.2	20.5	20.2	20.0
Industry	29.5	29.2	28.4	27.3
<i>Oil</i>	16.3	15.8	14.9	13.6
<i>Manufacturing</i>	9.4	9.4	9.5	9.4
<i>Construction</i>	2.0	2.1	2.2	2.2
Services	51.5	51.8	52.6	53.8
<i>Government services</i>	20.2	20.4	20.4	20.5
<i>Transport, storage, communication</i>	11.9	12.2	12.5	13.2
Private consumption	65.1	64.1	63.6	
General government consumption	13.9	16.7	17.6	
<i>(Average annual growth)</i>				
Agriculture	5.9	-0.1	3.8	
Industry	1.9	3.5	0.4	
Services	4.8	6.3	4.7	
Private consumption	15.9	2.2	2.2	
General government consumption	10.9	10.9	8.4	
Gross domestic investment	2.8	1.7	5.7	
GOVERNMENT FINANCE	2001	2002	2003	2004
Total revenue and grants (<i>in billions of YR</i>)	568.4	588.8	672.9	836.9
Oil and gas revenue	406.2	391.2	480.2	602.8

¹⁸ Preliminary estimates.

¹⁹ Core CPI is defined as CPI excluding *qat*.

Non-oil revenue	157.2	169.6	184.3	228.4
Grants	5.0	28.0	8.4	5.7
Total expenditure (in billions of YR)	527.1	609.5	778.2	942.7
Current expenditure	406.0	485.0	581.2	707.7
<i>Of which: civilian wages and salaries</i>			143.2	171.6
<i>defence</i>			148.1	155.0
Development capital expenditure	121.1	124.5	197.0	210.0
Net lending	0	0	0	25.0
Overall balance (in billions of YR)	41.3	-20.7	-105.3	-105.8
<i>In % of GDP</i>	2.6	-1.2	-5.2	-4.4

TRADE	2001	2002	2003	2004
Exports, fob (in millions of US\$)	3,302	3,584	3,923	4,510
<i>Of which: Crude oil</i>	2,895	3,134	3,417	3,893
Imports, fob (in millions of US\$)	2,771	3,083	3,422	3,884
Trade balance (in millions of US\$)	531	501	501	626
Overall balance (goods and service)	761	752	583	685

DEBT, ODA AND PRIVATE CAPITAL	2001	2002	2003	LDC / 2003
Total debt				
Total (US\$ millions)	5,087	5,352	5,394	-
As % of GDP	3.1	1.7	1.6	2.1
Official development assistance received (ODA)				
Total (US\$ millions)	425.9	583.7	243.1	-
Per capita (US\$)	22.8	30.2	12.7	33.4
Net foreign direct investment inflows (FDI)				
Total (US\$ millions)	-205	39	-131	
As % of GDP	-2.2	1.1	-0.8	3.6

ⁱ **Sources:** 2005 Human Development Report, UNDP, September 2005. Except for [1] “GNI”: World Bank, [2] “Poverty”, “Rural poverty” and “Urban poverty”: 2003-2004 PRS Progress Report, Ministry of Planning and International Cooperation, March 2005; [3] “Gender / Labor force participation rate”: 2005 World Development Report, World Bank, 2005.

ⁱⁱ **Sources:** 2005 Human Development Report; 2003-2004 PRS Progress Report.

ⁱⁱⁱ **Sources:** *Republic of Yemen - Staff report for the 2004 IV Consultation*, World Bank, February 2005. Except for [1] “Structure of the economy”: Central Statistics Office; [2] “Debt”, “ODA” and “FDI”: *2005 Human Development Report*.

8.2 Annex 2: Millennium Development Goals

Millennium Development Goals

	1990	1994	1997	2000	2003
Goal 1: Eradicate extreme poverty and hunger					
<u>Percentage share of income or consumption held by poorest 20%</u>	..	..	7.4	..	..
<u>Population below \$1 a day (%)</u>	..	..	15.7	..	..
<u>Population below minimum level of dietary energy consumption (%)</u>	..	..	36.0	..	36.0
<u>Poverty gap ratio at \$1 a day (incidence x depth of poverty)</u>	..	..	4.5	..	..
<u>Poverty headcount, national (% of population)</u>	..	..	41.8	..	..
<u>Prevalence of underweight in children (under five years of age)</u>	..	39.0	46.1	..	..
Goal 2: Achieve universal primary education					
<u>Net primary enrolment ratio (% of relevant age group)</u>	51.7	..	57.4	67.1	71.8
<u>Primary completion rate, total (% of relevant age group)</u>	..	..	57.8	57.9	65.5
<u>Proportion of pupils starting grade 1 who reach grade 5</u>	..	..	..	74.5	..
<u>Youth literacy rate (% ages 15-24)</u>	..	..	..	..	67.9
Goal 3: Promote gender equality and empower women					
<u>Proportion of seats held by women in national parliament (%)</u>	4.0	..	1.0	1.0	1.0
<u>Ratio of girls to boys in primary and secondary education (%)</u>	..	..	50.0	55.6	60.8
<u>Ratio of young literate females to males (% ages 15-24)</u>	..	..	..	..	60.3
<u>Share of women employed in the non-agricultural sector (%)</u>	9.3	8.0	7.4	6.7	6.1
Goal 4: Reduce child mortality					
<u>Immunisation, measles (% of children aged 12-23 months)</u>	69.0	31.0	46.0	71.0	66.0
<u>Infant mortality rate (per 1000 live births)</u>	98.0	89.0	..	84.0	82.0
<u>Under 5 mortality rate (per 1000)</u>	142.0	126.0	..	117.0	113.0
Goal 5: Improve maternal health					
<u>Births attended by skilled health staff (% of total)</u>	..	..	21.6	..	..
<u>Maternal mortality ratio (modelled estimate, per 100 000 live births)</u>	..	..	..	570.0	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
<u>Contraceptive prevalence rate (% of women aged 15-49)</u>	9.7	..	20.8	..	23.0
<u>Incidence of tuberculosis (per 100 000 people)</u>	137.6	121.8	111.1	101.4	92.5
<u>Number of children orphaned by HIV/AIDS</u>	..	..	..	..	..
<u>Prevalence of HIV, total (% of population aged 15-49)</u>	..	..	..	..	0.1
<u>Tuberculosis cases detected under DOTS (%)</u>	..	..	30.0	54.3	43.3
Goal 7: Ensure environmental sustainability					
<u>Access to an improved water source (% of population)</u>	69.0	..	..	..	69.0
<u>Access to improved sanitation (% of population)</u>	21.0	..	..	..	30.0
<u>Access to secure tenure (% of population)</u>	..	..	..	..	..
<u>CO2 emissions (metric tons per capita)</u>	0.7	0.7	0.8	0.5	..
<u>Forest area (% of total land area)</u>	1.0	..	..	0.9	..
<u>GDP per unit of energy use (PPP \$2000 per kg oil-equivalent)</u>	2.8	3.4	3.6	3.7	3.7
<u>Nationally protected areas (% of total land area)</u>	..	..	..	..	..
Goal 8: Develop a global partnership for development					
<u>Aid per capita (current US\$)</u>	34.1	11.5	22.2	15.1	12.7
<u>Debt service (% of exports)</u>	7	4	4	5	4
<u>Fixed line and mobile phone subscribers (per 1000 people)</u>	11.0	12.4	14.1	20.6	48.9
<u>Internet users (per 1000 people)</u>	..	..	0.2	0.8	..
<u>Personal computers (per 1000 people)</u>	..	..	1.2	1.9	7.4
<u>Unemployment, youth female (% of female labour force aged 15-24)</u>	..	..	..	..	..

<u>Unemployment, youth male (% of male labour force aged 15-24)</u>	..	..	..	..	..
<u>Unemployment, youth total (% of total labour force aged 15-24)</u>	..	..	..	..	..

Source: World Development Indicators database, April 2005

Figures in italics refer to periods other than those specified.

Page: Country: Yemen, Rep. **Row:** Series **Column:** Time

8.3 Annex 3: Country Environmental Profile

1. State of the environment in YEMEN:

1.1. Main issues

Environmental degradation associated with economic development and population growth is one of the principal problems facing Yemen today. Yemen is a rich country in terms of biodiversity and environmental significance, given the wide variations in climate and topography due to its location. However, with a rapidly growing population, changing consumption patterns, urbanisation, transportation, and changed water and land use management systems, the task of managing the environment has become increasingly complex.

Yemen's economic advancement depends to a great extent on its natural resources: the depletion or degradation of these resources undermines the sustainability of its economy, imposing a burden on present and future generations. Ignoring environmental issues can have serious repercussions for productivity, health, livelihoods and the overall quality of life, with direct consequences for poverty, employment, and social order.

Water depletion and pollution, air pollution, waste, soil degradation, coastal erosion, habitat and biodiversity destruction represent the main environmental challenges in Yemen. Other challenges with impacts on the environment include rapid urban expansion, unbalanced consumption patterns, shortages in basic services, including inefficient waste collection and disposal, and the over-exploitation of water resources.

The huge demographic pressure (3% annual growth rate), with the prospect of a doubling of the population in 20 years, poses the risk of further deterioration of the environment. Most of the natural resources that could be used to build sustainable livelihoods have been over-exploited, depleted or polluted. This is also due to the widespread poverty affecting the population, especially in the rural areas. In addition to the pressures of human activity, Yemen's climatic conditions also call for careful natural resource planning.

1.2. The water emergency

The most alarming environmental emergency in Yemen is a water crisis of unprecedented proportions. Yemen is one of the most water-scarce regions in the world. This is largely attributable to a dry climate, affecting 90% of Yemen's area, high evaporation rates, over-consumption and the great expansion of groundwater pumping. The over-extraction of groundwater has been supported not only by the availability of pumping technology but also by policies that make investments in groundwater profitable. The annual decline of aquifer levels in most water basins averages 1-8 metres.

All over the country, current water quantities pumped are estimated at 138% (2.8 billion m³) of the annual renewal, estimated at around 2.1 billion m³. This means that Yemen consumes 700 million m³ over and above its renewable water resource, resulting in water depletion. The situation is particularly dramatic in the western part of the country, where the amount of groundwater used was estimated at 1.8 billion m³ in 1994, compared with an annual precipitation of 1.1 billion m³. This means that the rate of water extraction exceeds rain precipitation by 70%. It is projected that, at current levels of extraction, the water reservoirs in this region will dry up in a period of fifty years. Water shortages already exist in major cities such as Sana'a, Taiz and Sa'adah, as aquifers are falling between 4-8 metres every year. In the

high mountains, extraction is as much as five times the quantity of precipitation. Water scarcity will have a major effect on both agriculture and industry. In rural areas, water scarcity is exacerbated by ground water contamination.

Water pollution is an additional problem affecting the environment in Yemen. Despite the insufficient data available, it is evident that water quality is deteriorating, especially in urban areas, while in coastal areas aquifers are subject to saline intrusion. Water resources are contaminated by industrial and residential waste, seepage and wastewater.

1.3. Other environmental challenges

Soil conservation is also a major requirement for the sustainability of the rural economy. Yemen's soil resources are extremely limited. 90% of the country has an arid or hyper-arid climate with high rainfall evaporation rates. Total agricultural area is estimated at 1.6 million hectares, with only 1.2 million effectively cultivated (WB). Arable land constitutes only 2% of the total land surface area. 40% of the land comprises rangelands, forests and wooded areas. The deterioration of soil resources therefore poses a serious environmental threat, due to the high salinity of soil and desertification, which threatens approximately 97% of the land.

The expansion of urban areas in recent years has led to widespread soil erosion, sand encroachment, deforestation, and deterioration of agricultural and range land. In addition, deforestation and desertification are becoming real threats to sustainable human development. Statistics show that each family in Yemen consumes between 1 to 2 tonnes of wood per year. Moreover, considerable agricultural land is lost due to desertification and dune encroachment, particularly along the coastal areas.

Yemen's natural habitats in the coastal areas are seriously threatened by factors such as urban development, over-exploitation of coastal resources, and pollution from oil spills. Degradation of the coastal environment threatens the country's fishery wealth, which if appropriately conserved could constitute a valuable asset. Coastal fisheries are a rich source of income and employment for poor families, but as a "commons" they are at serious risk of being depleted in the same way as groundwater, and need extraordinary management measures to stabilise valuable stocks.

2. Environment policy and its implementation, international conventions

2.1. The evolution of environment policy

The protection of the environment in Yemen is relatively new, but the government of Yemen has managed to promulgate several environmental decrees, plans and strategies, most recently in the period 2003-2005. Attention to environmental issues has increased since the 1980s, with such vital issues being brought to the attention of officials and the public at large. The government is aware that the conservation of the environment is not an issue of the day but rather one of a lasting, long-term nature, affecting the resources of future generations.

In recent decades, however, with a rapidly growing population, changing consumption patterns, urbanisation, transportation, and changed water and land use management systems, the task of managing the environment has become increasingly complex. In parallel with the environmental destruction, environmental concerns have risen and the government of Yemen has taken an increasingly active management role, in particular since the unification of 1990. Official attention to the environment is reflected in the establishment of the Environmental Protection Council (EPC). The EPC is a supervisory and coordinating body entrusted with

designing environmental policies, legislation and standards, following up changes in environmental conditions, proposing remedies for environmental problems and training and strengthening public awareness. The Environmental Protection Law of 1995 confirmed this mandate, giving the EPC additional responsibility for environmental surveying and for monitoring and follow-up of the implementation of environmental legislation.

In 1995, the EPC, in cooperation with UNDP and later the World Bank, developed a National Environment Action Plan (NEAP) to determine priority issues and priority actions in the main environment fields. The plan was developed with the participation of relevant agencies and on the basis of a common consensus on the priorities regarding environmental problems and policy instruments for tackling them. The environmental action priorities may be summarised as strengthening water management, curbing soil degradation and regulating waste management. The plan also includes some policies, a sub-plan for combating desertification in coordination with the Ministry of Agriculture, and other national action plans on public health, population and water.

Since 2001, the government of Yemen has taken two important steps: (1) the creation in 2001 of a Ministry of Tourism and Environment (MOTE) and an Environmental Protection Authority (EPA) with the mandate of developing and implementing environmental policies and legislation. (2) the amendment in 2001 of Article 35 of the Constitution: *“The protection of the environment is the responsibility of the state and society, and it is a national and religious obligation for every citizen.”*

2.2. Environmental priorities of the Yemeni government

Although the preparatory work in this field seems promising, major obstacles are still present mainly because of the lack of experience in this field, the lack of coordination among relevant institutions and the contradictory and overlapping roles of these institutions. Poverty remains an important factor shaping the work on conserving the environment.

At national level, water depletion and pollution is the prime concern. While the Ministry of Tourism and Environment and the Environmental Protection Authority are not the only agencies responsible for managing the issue, the Ministry has a clear mandate and line responsibility for habitat and biodiversity conservation. Any successful implementation of habitat and biodiversity conservation will have a positive impact on the other targets. The priorities identified by the Ministry are:

- (1) Habitat and biodiversity conservation;
- (2) Sustainable land management;
- (3) Sustainable water management;
- (4) Sustainable waste management;
- (5) Sustainable energy management.

Biodiversity conservation is an important element, since Yemen has an especially rich biodiversity: a strategic step has been taken by finalising the National Biodiversity Strategy and Action Plan. This includes the establishment of Terrestrial Protected Areas and some special marine biodiversity measures:

- Identification of protected sanctuaries on the Red Sea and at Al-Mahara (Houf) and Hadramout (Gitmon)

- Integrated Management Plan for the Aden Coast
- National Action Plan on Marine Environment Protection
- General Authority for Marine Affairs

Socotra Island, the most important bio-diversified region in Yemen, has several unique endemic species only found in Yemen. Efforts have been launched to conserve this unique place and several surveys have been conducted, resulting in a Socotra Development Master Plan.

2.2. International conventions

The Government's concern for environmental conservation is reflected in its ratification of a number of relevant international conventions — including those concerning biodiversity protection (1995), combating desertification (1996), and the protection of flora and fauna on the verge of extinction (1997). Additionally, the State has made a strong commitment to protecting the rich biodiversity of the Socotra archipelago, which is reputed to be the “Galapagos of the Indian Ocean.”

Being a member of the international community and party to several international accords, the Republic of Yemen observes its commitments under such agreements, including the strengthening of relevant international and regional cooperation of all forms. The broad framework regulating the work in this field is provided by the spirit, principles and goals of the World Charter on Nature (endorsed by the United Nations General Assembly in 1983), as the ethical base for the conservation of the human environment and the maintenance of natural resources. Among the conventions that Yemen is part of are the following:

- The Framework Pact on Climatic Change;
- The International Convention on Biodiversity;
- The Montreal Protocol on Substances That Deplete the Ozone Layer;
- The London-Copenhagen Amendment;
- The Vienna Convention for the Protection of the Ozone Layer;
- The Basel Convention on the monitoring and disposal of hazardous wastes;
- The International Convention on Combating Desertification;
- The International Convention for the Conservation of Endangered Wild Animals and Plants.
- The Kyoto Protocol
- The Stockholm convention on persistent organic pollutants

3. Environment and Development

3.1. The environment and the Poverty Reduction Strategy

Both the Poverty Reduction Strategy Paper (PRSP) and the Vision 2025 programme support the need for environmental action, as environmental destruction affects the poor and hampers the further development of Yemen. In Vision 2025, the government of Yemen clearly states that the increase in population has a negative impact on the natural resources and environment

of the country. Water resources in particular are threatened by over-exploitation and pollution. Land degradation and desertification is increasing due to deforestation, unsustainable livestock management and irrigation practices. Coastal and marine environments are affected by over-fishing as well as by land-based activities such as the dumping of industrial waste on the shores. Urban expansion and the absence of a nationwide waste management programme, e.g. for hazardous waste, cause major pollution. Gaseous emissions from industrial activities, oil refineries, power stations and vehicles cause air pollution, which also affects the environment and health of people in Yemen.

The Poverty Reduction Strategy Paper (PRSP) takes account of the role of the environment in the living standards of people in Yemen. The poor are primarily reliant on the environment for their livelihoods. They are directly affected by the methods used to exploit environmental resources. While poverty does not necessarily lead to environmental deterioration, the effects of poverty on the environment are clearly evident today in Yemen.

For example, water scarcity and water pollution particularly affect children, women and the elderly, besides leading to the loss of agricultural land and livestock when severe droughts occur. Since women are the providers of water for domestic use, they have to cross long distances for this purpose. Water pollution affects the health of their families, thus decreasing their productivity and exposing them to severe poverty.

3.2. Other measures linked to environmental conservation:

In terms of outreach, Yemen has managed to introduce environmental awareness clubs in more than 40 schools now, which is considered a good step towards including environmental protection in school curricula in the near future.

Also linked with the environment is the gender issue: giving women the opportunity to become involved in sustainable development and environment resources management, especially in rural areas, where people are highly dependent on natural resources for their livelihoods. As for the involvement of NGOs, several environmental NGOs have been established: they work mainly to raise awareness, but have started to take on more specific roles, with, for example, the NGO WILDLIFE Yemen working closely with BirdLife International and the environment ministry to ensure bird conservation.

Another initiative for NGOs in conjunction with international agencies was the start of the GEF (Global Environment Facility) small grants scheme. This mainly involves NGOs in rural areas, where the need to conserve the environment is high, with the stress on the socio-economic element and the development of local communities. So far, 35 NGOs have received funds under this initiative. The EIA (environmental impact assessment) is a new element in Yemen, managed through the General Environment Authority. The Yemeni government is working to enforce this important element: it is finalising a legislative framework for this purpose and is working on introducing a fee-based evaluation of these assessments to ensure some financial sustainability for the relevant governmental institutions. Other issues include work on ozone damage control and the finalisation of the State of the Environment report.

3.3. Conclusions and recommendations

The environment is an important sector to support, with a view to helping the Yemeni Government overcome the main obstacles, implement current strategies and plans and ensure the integration of the environment within national policies. Linking environment protection to the poverty reduction efforts in Yemen is crucial: the combination of sustainable development

and socio-economic development would help national efforts to achieve the objectives in these areas, in compliance with MDGs.

A great need for capacity building at institutional, staff and procedural level in order to manage this sector is clearly evident. As for biodiversity in particular, unplanned development in Yemen needs to stop, and land use planning needs to be introduced, to ensure the socio-economic development of local communities on one hand and the sustainable use of natural resources on the other.

Socotra remains a unique island in terms of biodiversity, one of the ten most important in the world, with great potential for development based on this biodiversity, touching upon poverty reduction themes, infrastructure development, civil aviation development and fisheries development. It can become a world eco-tourism destination provided it gets the needed support (financial and technical).

The introduction of environmental protection in school and university curricula is very important in order to help reshape the Yemeni population's perception of the environment and its relevance to their livelihoods. Special awareness campaigns need to be launched among different sectors of the Yemeni community. The involvement of women in this field is important, covering environmental awareness, the conservation of natural resources and socio-economic development, especially in rural areas. Potential support can be provided for the following:

1. Sustainable environmental management
2. Updating and enforcement of environmental protection law
3. Monitoring the environmental impact of agriculture
4. Comprehensive development plan for Socotra

8.4 Annex 4: Table of ongoing projects of the European Commission

Fisheries Monitoring and Surveillance	€ 3.000.000	2001-2006
Health Sector and Demography Support	€ 8.000.000	2004-2010
Social Fund for Development	€ 15.000.000	1998-2004
Strengthening and expansion of the DOT activities (Global Fund)	€ 1.992.717	2005-?
Strengthening Priority Areas of Vocational Training in Yemen	€ 7.000.000	2001-2006
Support for Aden NWSA Restructuring	€ 6.000.000	2001-2006
Support for Administrative Reform in Yemen	€ 6.000.000	2000-2007
Support for the Aden Free Zone Public Authority	€ 880.000	2000-2005
Support of Yemen's Accession to the World Trade Organization (WTO)	€ 7.000.000	2003-2009
Support to Health Sector Reform in Yemen	€ 6.700.000	1999-2005
Support to the Sustainable development of the Fisheries Sector	€ 5.500.000	2005-2009
Support to the Social Fund for Development Phase III	€ 8.000.000	2004-2008
Yemen Civil Aviation Support	€ 2.500.000	2001-2007
Food Security Programme in favor of Yemen 2004	€ 5.000.000	2004-2007
Food Security Programme Support 1997	€ 11.000.000	2000-2006
Food Security Programme Support 1998	€ 12.000.000	1999-2006
Food Security Programme Support 2000	€ 11.000.000	2001-2006
Food Security Programme Support 2001	€ 12.000.000	2001-2006
Agricultural Statistics (component of Food Security Programmes)		2000-2005
Support to Social Welfare Fund (component of Food Security Programmes)		2002-2006
Hajja governorate food security and women empowerment project	€ 914.763	2004-2006
Improvement of food security through women economic empowerment and capacity building in the governorates of Taiz and Lahej	€ 953.838	2004-2006
Market Information Systems Phase II	€ 864.920	2004-2006
Capacity Building and Networking - Strengthening civil society in Yemen	€ 496.087	2003-2006
Community Based Primary Health project in Hadramaut	€ 697.500	2004-2009

Improve health of low-income women of reproductive age and their families in Aden, Sana'a, Taiz and Seiyun	€ 999.670	2002-2007
Last Chance to Freedom - re-integration into civil society of women, children and minors in conflict with the law	€ 749.000	2003-2006
Programme d'assistance et d'integration des populations defavorisees en ville de Taiz	€ 614.550	2003-2005
Support for the creation of a rehabilitation center in Aden	€ 1.000.000	2002-2005
Western Highlands Community Development Project	€ 740.000	2004-2006
Consolidation de l'etat de droit et des institutions democratiques au Yemen	€ 395.845	2002-2005
Sharaka - supporting Government and NGO partnerships for the promotion and protection of human rights	€ 2.000.000	2005-2009
Alimentation en eau potable et amelioration des conditions sanitaires (ECHO)	€ 388.000	2004-2005
Assistance for water supply, sanitation and flood mitigation (ECHO)	€ 460.050	2004-2005
Basic service provision for marginalized communities in Sana'a (ECHO)	€ 223.321	2005-2006
Construction of shelters in Kharaz refugee camp (ECHO)	€ 450.000	2004-2005
Emergency assistance for water supply in al-Gorafy and al-Zukeria Area (ECHO)	€ 387.250	2004-2005
Extension of water services to 4 rural population settlements in 3 districts within Amran and Ibb governorates (ECHO)	€ 771.400	2005-2006
Increased water safety for vulnerable communities in the Yemeni western highlands (ECHO)	€ 312.908	2004-2005
Protection des enfants des rues contre les abus au Yemen (ECHO)	€ 262.317	2005-2006
Rehabilitation and restoring of health units and maternal and child health care services (ECHO)	€ 326.000	2004-2005
Strengthening of PHC services, focused on the promotion of safe motherhood (ECHO)	€ 518.000	2004-2005
Survey of the water and sanitation situation within vulnerable communities (ECHO)	€ 50.000	2005-2006

8.5 Annex 5: Table of EU Member States' projects

EU Member State	Project name	Total Budget	Timeframe
Denmark	Decentralisation and local participation	€ 1.350.000	2005-2007
	Democratisation and participation	€ 800.000	2005-2007
	Human Rights protection	€ 1.350.000	2005-2007
	Media and freedom of expression	€ 800.000	2005-2007
	Women's Rights	€ 800.000	2005-2007
	Yemen Red Crescent Society and Danish Red Cross	€ 500.000	2005-2007
Netherlands	Financial support to MAI	€ 3.000.000	01-JAN-2003 -31-DEC-2007
	Impr. Market Al Husainiah	€ 422.139	01-JAN-1998- 31-DEC-2005
	Removal of Pesticides	€ 429.581	01-DEC-1998 -31-DEC-2005
	Res. Study for Land Use	€ 5.530.555	01-JAN-1994- 31-DEC-2005
	Rural Women DGD II/Finan.	€ 988.841	01-MAY-2000 -31-DEC-2005
	Rural Women DGD II/Tech.	€ 880.158	16-NOV-2000 -31-DEC-2005
	RWDGD/Investment Programme	€ 719.016	01-JUL-2002 -31-DEC-2005
	Shabwah Projects/Tash	€ 5.622.427	01-OCT-1997 -31-DEC-2005
	Sup. Coop/Agric Cred. Bank	€ 2.500.000	01-OCT-2002 -30-SEP-2005
	Watershed/Waste Water	€ 5.107.655	01-NOV-1997 -31-DEC-2005
	Basic Education Improv.	€ 10.291.735	01-DEC-2001 -31-DEC-2006
	Impl. Partnership Decl.	€ 350.000	01-MAR-2004 -30-APR-2006
	Key Women Pr. Aden/Sana'a	€ 216.694	01-SEP-2002- 31-DEC-2006
	Overcrowded Urban Schools	€ 8.492.555	01-DEC-2000- 31-DEC-2005
	PhD in Women's Studies	€ 110.360	01-AUG-2002- 01-MAR-2005
PWP1 Selected Districts	€ 12.840.000	01-OCT-2001- 30-JUN-	

		2005
PWP2 supp. poor districts	€ 11.435.261	15-NOV-2001 -30-JUN-2005
BEDP	€ 22.000.000	01-OCT-2004 -31-DEC-2011
SFD education	€ 5.500.000	01-NOV-2004 -30-JUN-2007
NWSA Spare Parts Project	€ 3.973.800	01-APR-1999- 31-DEC-2005
RWS&S/WB Technical Ass.	€ 1.563.966	01-SEP-2002 -31-DEC-2005
CFAA support	€ 30.334	06-DEC-2003 -31-DEC-2005
Harmonisation Workshop	€ 12.600	15-NOV-2004- 31-JAN-2005
Forum of Arab Women	€ 64.826	01-NOV-2004 -30-JUN-2005
Amiriya Mosque, phase III	€ 525.000	01-OCT-2001- 31-DEC-2005
COCA staff training	€ 258.041	01-JAN-2001- 31-DEC-2005
Cultural Heritage Program	€ 1.995.543	01-NOV-2000 -01-NOV-2005
Democracy&Good Governance	€ 1.021.319	01-AUG-2002- 31-DEC-2005
Drivers of Change Study	€ 100.000	01-JUL-2004 -01-MAR-2005
Fase 2 Support to SCER	€ 1.570.500	01-JUL-2004- 31-DEC-2006
Local Gov. Fund 2004	€ 100.000	01-JUN-2004- 31-DEC-2005
Local Women Fund 2004	€ 100.000	01-JUN-2004- 31-DEC-2005
National Museum Project	€ 2.268.901	01-DEC-1997- 31-DEC-2005
Prep. Phase for HR-support	€ 70.000	03-JUL-2002 -31-DEC-2005
Procurement Procedures	€ 171.200	01-SEP-2003 -30-JUN-2005
SFD/Poverty Alleviation II	€ 24.957.912	16-NOV-2001- 31-DEC-2005
Shabwah Support/financial	€ 6.900.000	01-JAN-2002 -31-DEC-2007
Shabwah/technical Ass.	€ 6.080.000	01-AUG-2002- 30-JUN-

	<p>Socotra Biodiversity Proj.</p> <p>Support EPA - Int. Period</p> <p>Support to HRITC</p> <p>Support to MHR</p> <p>Support to the YWU</p> <p>WEEA Plan of Act. 2001-04</p> <p>Strengthening Parliament</p> <p>Training program MOCSAI</p> <p>Aden Primary Health Care</p> <p>Commun. Midwives Training</p> <p>Contraceptive Commodity</p>	<p>€ 1.193.945</p> <p>€ 306.559</p> <p>€ 181.512</p> <p>€ 1.044.000</p> <p>€ 1.370.744</p> <p>€ 418.660</p> <p>€ 99.000</p> <p>€ 347.000</p> <p>€ 1.953.467</p> <p>€ 5.174.709</p>	<p>2007</p> <p>01-MAY-2001 -31-DEC-2005</p> <p>01-NOV-2001- 31-DEC-2005</p> <p>01-SEP-2000- 31-DEC-2005</p> <p>31-MAY-2003- 31-MAY-2006</p> <p>01-AUG-2002- 31-JUL-2007</p> <p>01-NOV-2001- 31-MAR-2005</p> <p>01-OCT-2004- 30-SEP-2006</p> <p>01-NOV-2004- 01-MAY-2005</p> <p>01-OCT-1997 -31-DEC-2005</p> <p>01-NOV-1997 -31-DEC-2005</p> <p>01-OCT-2002 -31-DEC-2006</p>
France	<p>Small agriculture projects (Food Aid counterpart funds)</p> <p>Support to livestock areas of Yemen (PADZEY)</p> <p>Support to Vocational Training</p> <p>Veterinary and water management</p> <p>Girls Education</p> <p>Rural Water (drinkable and agricultural)</p> <p>Cultural Heritage</p> <p>Democratic Governance and internal Security</p> <p>Strengthening Media</p> <p>Support to Yemeni Civil Society</p> <p>Support to Yemeni Civil Society</p> <p>Youth and Sport</p> <p>Capacity Building for Koweit Hospital Emergency Service</p> <p>Mother and Child Health Care</p>	<p>€ 2.000.000</p>	<p>2006-2010</p>

Germany	Basic Education development Project BED	\$12.140.000	2004-2007
	Basic Education Improvement	€ 10.292.000	2002-2006
	Basic education improvement programme (BEIP)	€ 11.500.000	2002-2011
	Construction and rehabilitation of Primary Schools (BEIP component 3 as continuation of previous project)	€ 17.400.000	1998-2006
	Construction and rehabilitation of Primary Schools (BEIP component 3 as continuation of previous project)	€ 17.400.000	1998-2006
	Developing an ICT Policy and Institution Master Plans for the Yemeni Higher Education System	€ 700.000	2004-2005
	MBA\MPA Programme	€ 1.900.000	2004-2008
	Reform and development of Problem-Based learning Approach at Medical College	€ 400.000	2004-2007
	Strengthening Basic Science Education in Yemen	€ 3.400.000	2004-2008
	Strengthening the Higher Education Project management unit)	€ 400.000	2004-2007
	Strengthening Women's Research and Training Centre	€ 1.800.000	2004-2008
	Water and Environment centre	€ 2.000.000	2004-2008
	Aden Sewerage Project	€ 40.000.000	1998-2006
	Advisory Services to the "Water Supply and Sanitation Sector"	€ 10.150.000	1994-2007
	Decentralization of Solid Waste Management	€ 6.600.000	1995-2006
	Extension of Ibb Sewage Treatment Plant	€ 4.850.000	2001-2006
	Integrated Water Resources Management Program (IWRM)	€ 1.500.000	2004-2014
	Introduction fo a GIS-based Operations Management System in Urban Water Supply and Sanitation Utilities	€ 1.250.000	2003-2008
	IWRM - Advisory Services on Development and Use of Geo-Environmental Information	€ 1.700.000	2004-2007
	Personnel Development in the "Water Supply and Sanitation Sector"	€ 3.280.000	2000-2009
	Provincial Towns Water Supply and Sanitation (PTP)	€ 60.770.000	1995-2004
	Provincial Towns Water Supply and Sanitation II (PTP II)	€ 35.200.000	2004-2010
	Sa'ada Water Supply and Sanitation	€ 16.100.000	2004-2007
	Sanitation Bajil and Bait al-Faqih	€ 15.850.000	1998-2006
	Study and Expert Funds	€ 4.000.000	1993-open

	Support to the Technical Secretariat for Water Supply and Sanitation Sector Reform	€ 3.600.000	1996-2005
	Training in Geological and Thematic Mapping	€ 1.500.000	2000-2004
	Waterloss Reduction	€ 400.000	
	Zabid Sewerage Project	€ 6.600.000	2001-2005
	Equal Chances - Women in development	€ 2.270.000	1998-2006
	Institutional Capacity Development of the Ministry of Planning & International Cooperation (MoPIC)	€ 4.140.000	1999-2007
	Strengthening of the Central Organization for Control and Auditing (COCA)	€ 2.550.000	2000-2009
	Component 1: Support to health sector Reform and Management at District Level		
	Component 2: Support to reproductive health services and relevant basic health services		
	Component 3: Social marketing of contraceptives and behavioural change related to reproductive health and HIV/AIDS prevention		
	Family Health / Family Planning	€ 11.400.000	1994-2004
	Health Sector Advisory Services (HESAS)	€ 7.300.000	1993-2004
	Yemen Family Health and Family Planning Program 1	€ 3.990.000	2000-?
Italy	Data Management System for the Yemeni National Museum of Sanaa	\$250.000	
	DLDSP Decentralisation and local development support programme	€ 300.000	
	Food Aid	€ 1.000.000	
	Implementation of the Vessel Traffic Service Project (incl. soft loan of EUR 20 million)	€ 164.000	
	Inventory and restoration of the manuscripts collection of Dar Al Mathtutat	\$212.000	
	Poverty and Natural Resources on the island of Socotra	€ 2.500.000	
	Restauration of Rada'a Mosque		
	Reproductive Health and Women Empowerment	€ 847.000	
	Strengthening of the operational capabilities of Taiz Hospital	€ 766.000	
	Support to Primary Health Care and District Health Care	€ 1.396.700	
United Kingdom	Basic Education Development Project (BEDP)	£15.000.000	
	Water		

	Customs Modernisation Programme (ASYCUDA)	£570.000	2003-2005
	Civil society		
	Decentralisation		
	GCPP Projects		
	GoF EIW / GCPP & DFID planned		
	GoF EIW in the pipeline/regional		
	Good Governance	£55.266	
	Harmonisation and alignment		
	PFM		
	SSR / SSAJ / RoL		
	Statistics		
	Women's rights	£53.377	
	Women's rights	£58.157	
	Maternal Health		
	Programme for Improving Access to Family Planning and HIV/AIDS Prevention	£337.000	2004-2005
	Social Fund for Development Phase 3	£12.000.000	
	Poverty Reduction Strategy and Gender Monitoring	£450.000	2003-2006
	Support to 2004 Census	£300.000	2004-2005
	Support to development of 5yr PRSP – UN Millennium project	£250.000	2004-2005
	Support to PRS communications strategy	£250.000	2004-2005
	Support to the PRS Monitoring Unit	£600.000	2004-2005
Czech Republic	Lamb production optimisation	€ 360 000	2005-2010
	Assistance in wastewater disposal and recycling in the Hadibo hospital	€ 450 000	2005-2007
	Supply and treatment of drinking water in the Socotra Archipelago region	€ 430 000	2005-2007
	Modernisation of Al Hiswa Power Station	€ 1 760 000	2006-2010

8.6 Annex 6: Projects of other donors

Donor	PROJECT NAME	MJSECTOR 1	MAIN LOAN CREDIT #
World Bank	RY-RURAL ELECTRIFICATION & REN. EGY DEV	Energy and mining	
World Bank	Second Rural Access Project	Transportation	41210
World Bank	RY-THIRD PUBLIC WORKS	Education	38590
World Bank	RY-SOCIAL FUND FOR DEVELOPMENT III	Education	38610
World Bank	Yemen: Basic Education Development Program	Education	39880
World Bank	Higher Education Project	Education	36740
World Bank	Groundwater and Soil Conservation Project	Agriculture, fishing, and forestry	38600
World Bank	Rural Access Project	Transportation	35140
World Bank	Taiz Municipal Development and Flood Protection Project	Water, sanitation and flood protection	35750
World Bank	Port Cities Development Program	Public Administration, Law, and Justice	37290
World Bank	Sana'a Basin Water Management Project	Agriculture, fishing, and forestry	37740
World Bank	IRRIGATION IMPROVEMENT PROJECT	Agriculture, fishing, and forestry	34120
World Bank	Urban Water Supply and Sanitation Project	Water, sanitation and flood protection	37000
World Bank	Civil Service Modernization Project	Public Administration, Law, and Justice	33350
World Bank	Child Development Project	Health and other social services	33260
World Bank	Basic Education Expansion Project	Education	34220
World Bank	Health Reform Support Project (HRSP)	Health and other social services	36250

World Bank	Yemen RURAL WATER SUPPLY AND SANITATION PROJECT	Water, sanitation and flood protection	34500
World Bank	SOUTHERN GOVERNORATES AGRICULTURAL PRIVATIZATION	Public Administration, Law, and Justice	29980
UNDP	Microstart Project-Phase II		263.700
UNDP	Strengthening the electoral process		4.700.000
UNDP	Modernization of the Justice Sector In Yemen		2.200.000
UNDP	Promoting Human Rights and Justice		2.200.000
UNDP	Decentralization and Local Development Support Programme (DLDSP)		5.053.332
UNDP	National Programme on Integrated Water Resource Management		3.150.000
UNDP	Water Resources Management and Community Water Supply and Sanitation in Masila-Hadhramout		2.000.000
UNDP	Sustainable Natural Resources Management Programme		1.900.000
UNDP	Sustainable Development and Biodiversity Conservation for the People of Socotra Island		5.383.000
UNDP	National Recovery and Recycling Programme for refrigerants in the commercial and MAC Sectors in Yemen		1.472.730
UNDP	National Adaptation Programme of Action (NAPA)		220.000
UNDP	Strengthening National Capacity for Mine Action in Yemen — Phase II		3.339.825
UNDP	Disaster Preparedness, Management & Recovery		1.519.372

UNDP	Capacity Building of National AIDS Programme and Mainstreaming HIV/AIDS Issues into Poverty and Human Rights Projects		744.000
UNDP	Support for the implementation of the National Cultural Strategy and Cultural Development Projects in Yemen – Phase I		350.000

8.7 Annex 7: Consultation on SP/MIP

The preparation of the SP Yemen 2007-2013 has been characterised by a wide consultation with other stakeholders (EC services, Government of Yemen, EU Member States, other donors, NGOs). The result of this exercise can be summarised as follows:

EC services

Other interested Commission services were identified from the very start of the drafting process; considering the limited volume of our co-operation with Yemen and the limited political implications of our bilateral relations with this country, only few services have been consulted directly, namely RELEX/B, AIDCO, ECHO, TRADE, ENV, ENTR, AGRI and JAI, as of summer 2005. A second consultation round was made in October 2005, after a programming mission in Yemen, and a third round was launched in late November 2005, specifically on the MIP. Substantial comments have been formulated by TRADE, ENV and AIDCO. The formal interservices consultation on the SP took place in March 2006, with a subsequent second consultation on the revised MIP 2007-2010 in October 2006.

Government of Yemen

The SP and MIP have been shared with the GoY at very early stages, followed by a meeting in occasion of a programming mission (October 2005). GoY (Ministry of Planning and International Co-operation) agreed substantially with the objectives and the priorities identified in the document; minor comments have been incorporated in the text. Further exchanges took place at the February 2006 Joint Cooperation Council in Sana'a and during a further mission to Sana'a in June 2006. .

EU Member States

A wide consultation with EU MS representatives took place in Sana'a. A preliminary meeting was held in July 2005. A first draft was delivered in September 2005, and a second round of consultation took place in October. Reaction from Member States was in general positive, the SP objectives could be agreed upon. The analysis is also fully shared by the Member States, although some elements needed to be further clarified. MS provided written comments in October 2005. Contributions were incorporated in a new version which has been re-submitted on mid-November 2005, followed by the MIP. Further consultations on the revised MIP 2007-2010 took place in June 2006.

Other donors (US-AID, Japan, UNDP, UNICEF, World Bank)

Other donors were consulted in the same way (separate meeting in October 2005). All donors shared the SP analysis and illustrated their priorities of intervention in Yemen. They also provided their specific written comments on the SP, comments which have been taken into consideration in the redrafting of the document.

NGOs

In November 2005, the Commission Delegation in Sana'a held a meeting with some major NGOs, to illustrate the SP and to collect their comments; the document had been previously distributed to them by e-mail. No major objections were formulated by NGOs on the strategy document.