

Republic of Yemen

Poverty Reduction Strategy

First Progress Report
2003-04

Executive Summary

Introduction

The Government of Yemen's Poverty Reduction Strategy Paper was prepared in May 2002. It recognized a number of critical problems facing the country, and which inhibited the efforts to reduce poverty. These included declining incomes and weak prospects for economic growth, high population growth, poor development of human resources and infrastructure; and weak levels of social protection. To address these concerns, the PRS laid out a strategy centered around four pillars:

- Achieving Economic Growth
- Developing Human Resources
- Improving Infrastructure
- Ensuring Social Protection.

The PRS also recognized the need to improve governance and public management in order to carry out the strategy, and the need to broaden participation and collaboration. A major emphasis was to improve the status of women and increase their involvement in economic development efforts.

This report provides an update of progress during 2003 and 2004, where it has been slow and short of PRS targets in many respects. Growth has been below expectations, and barely able to keep up with population growth. Foreign and domestic investment has not responded sufficiently to meet the PRS objectives. The improvement in social programs has resulted, however, in better health indicators such as infant and maternal mortality. There has been also some improvement in other social indicators. Numerous conferences, workshops and seminars on the PRS have been held, and this has served to increase the degree of participation of people in the process. However, Yemen is not on track to meet the Millennium Development Goals without a sharp improvement in performance.

The reasons for this disappointing performance can be traced to several factors:

- The events of September 11 and the ensuing war in Iraq has dampened investor interest in the region, and increased transport and other costs;
- Acts of terrorism in Yemen have also dampened investment interest in the country, and security improvements have not changed that image;
- Economic reforms slowed with the elections of April 2003, and led also to a rise in government consumption expenditures;

- Returns from membership in the Gulf Cooperation Council (GCC) have been much less than expected, especially in terms of economic integration and the opening of labor markets; and
- A large portion of the civil service still lacks enough knowledge of the PRS, and is not committed to carrying out its goals.

Pillar 1: Economic Progress

Economic Development

During the period 2003-2004, total GDP grew at an average of 3.5% per annum, barely ahead of a population growth rate of **3.0 to 3.2% in those same years**. Non-oil GDP grew slightly faster, at 4.5%, but the overall rate was pulled down by declining output in the petroleum sector. These trends are likely to continue into 2005, with overall growth now expected to be 2.9% and a resulting decline in per capita GDP, rather than the growth of 2.5% in per capita income anticipated as the PRS target. However, growth in the non-oil sector is expected to be 4.1% in 2005.

Oil production continues to decline. Production in 2005 is running at about 380 thousand barrels per day, compared to a level of over 430 thousand in 2002. Offsetting this lower production has been the benefits of higher prices since 2003. Prices for oil exports averaged \$36.60 in 2003, compared with \$20.40 expected in the PRS. While oil accounts for a little more than 13% of GDP, and is a major source of revenue, it does not provide the economy with much employment.

Agriculture, however, employs 50% of the population, and is the mainstay of 74% of the rural population. Favorable weather in 2003-2004 resulted in good outcomes in the sector, and real growth of output averaged 3.6% per year compared to 5% PRSP target, offsetting the decline in output during the drought year of 2002. Over 70% of agricultural land is rainfed, and therefore highly vulnerable to weather-induced fluctuations. The use of primitive and traditional production techniques, combined with limited and scattered agricultural areas, continues to inhibit the rapid modernization of the sector.

Average growth in the manufacturing sector was 4.3% in 2003-2004, compared to a target of 6.2% in the PRS. This sector, which constitutes only about 10% of GDP, is still very important for employment. About 155,000 people are employed in manufacturing, compared to only 17,000 in the oil sector which represents 13% of GDP. In an attempt to expand manufacturing, improvements have been made in the regulations for export, and financial incentives developed to encourage investment. So far, these steps have not borne fruit, and have not been able to overcome a weak investment climate and poor infrastructure. The government continues to adopt various measures to encourage small enterprises and labor-intensive manufacturing, given their ability to generate employment and reduce poverty.

Weak economic growth and little change in per capita income have meant little or no reduction in income poverty as conventionally measured. Indirect estimates of poverty

suggest that the overall poverty rate of about 40.1% in 2003, little changed from a level of 41.8% in 1998. Poverty in rural areas remains high at about 45%.

Providing employment opportunities remains one of the major challenges facing the government. Unemployment appears to have risen from 13.2% in 2002 to 14.8% in 2004. The Yemeni labor market is characterized by a high degree of segmentation, with disparities in wages between males and females, and locals and expatriates. About 60% of the labor force is in the informal sector.

The private sector's contribution to total investment is expected to average 40% during the period 2001-2004, compared to a target of 58% for the period 2001-2005. Statistics indicate a retreat in private sector investment compared to the levels achieved in the years preceding the implementation of the reform programs, because the business and investment climates have not improved. However, the World Bank's CPIA rating for Yemen stood at 3.3 points out of 6.0 for 2004, compared to 3.6 points in 2003. Whilst the overall assessment of 2003 has been about equal to the average of countries in the sample (3.5 points), macro economic indicators, public sector management, governance and structural policies recorded some decline in 2004. This reflects such factors as the delay in implementing reforms and governance measures that has had a negative impact on the goal of improving the investment climate.

The government is currently working with the private sector on developing a strategic plan to enhance the business and investment environments. It aims at providing more incentives than those provided by the Investment Law, accelerating Yemen's accession to the WTO, executing free trade agreements with the West, and encouraging privatization, particularly in the fields of telecommunication and infrastructure. Plans for restructuring Yemen mobile are underway as a prelude for its privatization.

Conserving and Protecting the Environment

The PRSP highlighted the significance of strengthening management of natural resources, including increased involvement of beneficiaries, employment of the poor in environmental projects, and enhancement of the role of women and youth. Measures taken during 2003 included strengthening the institutional structure and technical capacity of environmental management. Several decrees have been issued; most significant is the Republican Decree for establishing Ministry of Water and Environment (MWE), cabinet decrees concerning the institutional, legislative and technical conditions of the ministry, and setting up the new Directorate of Environmental Tourism in the General Tourism Authority (GTA). In 2004, a cabinet decree established the General Environment Authority (GEA), and the creation of a biological Safety Unit in the GEA. A proposal was prepared for setting up GEA branches in the Governorates of Shabwa, Hodeida and Ta'ez. Other departments were also newly set up to adopt and carry out mechanisms for marine protection and prevention of pollution. Nonetheless, there is still a need to complete the institutional structures and identification of tasks and responsibilities of the MWE, to avoid duplication with regional development authorities, rural development projects and the bilateral projects.

Water Resources

Water resources problems are manifested in water scarcity and the need to ration its use. Inequitable distribution and poor management compound the problem. Excessive pumping of groundwater and random drilling of wells are the most significant factors causing water depletion. Some water basins are being depleted at a rate of 250 400%. Moreover, water quality has declined and salinity has increased. The Government has issued new water policies, addressing aspects of sustainable management of water and stressing the need for environment protection. Participation of both public and private sectors as well as local communities has become essential, through adopting approaches responding to demand and ensuring cooperation and coordination between sectors. The executive by-law for the Water Law was prepared in 2003. The Cabinet also issued resolutions relating to Water Quarantines in affected water basins in Sa'ada and Ta'ez. They aim at regulating exploitation of water resources within each water basin, executing surface water harvesting projects and programs, constructing cisterns and dams in suitable locations. They also sought to stress the need for rationalizing water use and curtailing expansion of irrigated agriculture.

In 2004, the Water Law was amended and the National Water Sector Strategy was prepared along with its investment program. Regulations for issuing drilling permits were revised and a mechanism was put in place to monitor drilling rigs.

Assessing the Budget.

The budget represents one of government's major instruments to achieve economic and social objectives, especially in Yemen's case where the budget forms 30-35% of GDP. Since the PRS mechanism was only fully developed in the second quarter of 2003, it did not influence the preparation of the 2004 budget. PRS subunits were not effectively involved in the preparation of budgets of ministries and government agencies. Likewise, the lack of key databases and a poverty monitoring system weakened the role of the PRS in its early stages.

Oil revenues made up 72% of total government revenues in 2004, compared to 61% in 2002, reflecting a high dependence on this source of revenue. Rising oil prices have offset lower production levels, resulting in a net increase in revenue. A sharp decline in oil prices, however, could have a major impact on development spending in the future. In general, fiscal and monetary policies are designed to lead to economic stability, fair distribution of income, stability in the exchange rate and low inflation. Thus, net deficits remain constrained, reaching 4.3% of GDP in 2003 and dropping to 1.9% in 2004.

Non-oil tax revenue remained constant at about 7.4% of GDP in 2004, well below the PRS target of 9.5%. The main problem has been the deferment of the enforcement of the general sale tax (GST), which has caused wide criticism and objections by businessmen and industrialists. Improved enforcement is planned for 2005.

The PRS aimed at an increase of development spending (investment and capital) of about 13% per year. This was more than met, as development spending increased by almost

78% in 2003 and 4.7% in 2004. However, 68% of this increase accrued to central accounts of the Ministry of Finance, in particular to transfers and subsidies which grew by 59% in 2003. Share of government financed projects from such increase was YR 65,675 mn; allocated to roads, electricity and others. Development spending in 2004 equaled 8.7% of GDP, above the PRS target of 7.4%. While spending in education, health and social welfare grew somewhat and reached 8.2% of GDP, it fell substantially short of the PRS target of 12.8%. The majority of this spending is for education (6.8% of GDP) and health (1.6%). Social protection spending is very limited, amount to only 0.16% of GDP. Spending on the social sectors also takes place through the Social Fund for Development and the Public Works Project. The SFD executed 1,309 projects in 2003-04, estimated at a total cost of \$123.3 million and about 5% of GDP; whereas the PWP undertook 362 projects costing \$26.5 million.

A substantial proportion of the budget goes to subsidize oil derivatives and electricity, mostly diesel. These subsidies have risen in recent years from 3.1% of GDP in 2002 to 63 % in 2004. In 2005, the Government intends to start reducing these subsidies on a gradual basis in order to free up resources for poverty reduction.

The Local Authority Law of 2000 initiated comprehensive reforms in the direction of administrative and fiscal decentralization. This law granted local authorities the right to prepare and execute their own budgets, as a means of enhancing basic social services and reaching the poor. While the task of budget preparation and execution has successfully been transferred to local authorities, financial resources for local authorities continue to be modest, with insignificant improvement in recent years. The Government plans to increase these resources in the coming years.

Pillar 2: Developing Human Resources

Population Growth

The high rate of population growth at 3.02% in 2004 remains a serious problem and a constraint on development despite falling from 3.5% in 2000. Total fertility has fallen from 6.8 children in 1997 to 6.2 in 2003, and the average age of first marriage for women has increased. Better awareness of reproductive health as well as expanded family planning programs have contributed to these improvements. Modern family planning methods are being used by 23.1% of women in 2003 compared to 20.8% in 1997 and 23% a 2004 target. In 2005, a National Strategy for Media and Population Education and Communication will be implemented.

Health

The PRS considers health care, especially primary health care, a high priority for reducing poverty. Services are provided on the basis of the needs of the people rather than their ability to cover its costs. During the last two years, many health facilities were completed, including a one major hospital, 28 health centers and 105 health units. Many of these were in rural areas, and helped to narrow the deficits in health service provision. Despite this progress, accessibility by the poor is hampered by having a population dispersed among thousands of settlements, and the long distances required to reach the health services.

Public expenditures on health rose from 1.4% of GDP in 2002 to 1.8% in 2003 and 1.9% in 2004, against a target of 2.1%. Such share is still considered low by international standards, even when compared to countries of similar socio economic status. The Government is reviewing its public expenditures priorities and attempting to find ways to increase the budget share allocated for health, particularly for primary health care.

Progress in recent years presents a mixed picture. Reproductive health is available in 63% of the public health facilities. Maternal care witnessed noticeable improvement and the percentage of mothers who obtained prenatal care rose from 26% in 1997 to 45% in 2003. Tetanus immunization rose from 27% of pregnant women in 1997 to 32% in 2003, and more children are being treated for diarrhea. Nevertheless, mortality for new born and infant children rose over the same period. New born mortality rose from 33.6 to 35.7 per 1,000 births, and infant mortality from 75 per 1,000 to 84.3 compared to 61.5 PRSP target. This set back is attributed to continued malnutrition, especially in poor and remote areas that lack health services.

Yemen realized significant achievements in controlling endemic and contagious diseases that represent major reasons for continued poverty. Malaria incidence declined from about 34.9% in 2001 to 25.5% in 2003. This is attributed to intensification of community health awareness programs and the mobilization and coordination of efforts by relevant entities. Yemen is now very close to meeting the international goal of providing full coverage for combating tuberculosis, with population coverage reaching 98% by end 2004 in 263 districts. Yemen has only a limited number of cases of HIV/AIDS. Nonetheless, a national strategy for preventing and combating HIV/AIDS was drafted in 2003, and its implementation began in 2004.

The most significant factor leading to unsatisfactory health services is poor health management at all levels and lack of clear structures and frameworks for regulating sector activities. In addition, there is weak follow up and monitoring of sector's strategies and plans and lack of coordination between entities providing government services and the private sector and NGOs. Hence, Ministry of Health needs to be quickly restructured drawing on the experiences of other countries with similar conditions. Creation of a coordination mechanism between ministerial entities is essential, as is the creation of a General Directorate for Quality Control.

Education

Education and training are among the most important development objectives for poverty reduction. PRS objectives and policies have focused on the need of the poor to have access to education, to combat illiteracy, and to narrow the gender gap.

Reducing illiteracy, especially for females, is a key instrument for poverty reduction. In 2003/04, the Government expanded literacy services in 945 illiteracy and adult education centers, of which 646 are in rural areas. Total enrollment has risen to 50,663 students during school year 2003/04, with females constituting 88%, compared to 45,270 in the previous year and the target of 73,520. However, these figures and the target are small relative to the magnitude of the problem.

The share of the education sector in the budget has been expanded from 17% of public expenditures in 2003 to 22% in 2004. The Government has begun implementation of the Basic Education Strategy, which includes the objectives and policies for raising enrollment and narrowing geographical disparities as well as gender gaps. The Government's program of improving basic education includes constructing new schools and rehabilitating existing schools. More than two-thirds of the new school buildings were in rural areas. The increase in schools and classrooms led to higher enrollment in basic education, rising to 69% for both sexes in 2004 against 67.6% target and 53% for females compared to 52.7% target. Negative attitudes against girl's education continue despite commitment to waive education fees for children of poor families, especially female students, in compliance with the social welfare law.

Ministry of Education undertook measures, besides constructing school buildings and classrooms, to reduce classroom overcrowding. These measures included reorganizing school hours and allocating morning shifts in rural areas for basic education and afternoons for secondary schooling. In segregated basic and secondary education schools, the morning shift goes to girls while afternoons are allocated for boys. More classrooms have been opened for girls and additional specialized female teachers have been provided.

Almost \$120 million is being allocated to support the Basic Education Strategy for the years 2005-09. This amount includes \$65 million in foreign financing. The target is to build schools and increase enrollment, especially for girls. It also aims at reduced overcrowded classrooms and to improve efficiency of basic education teachers, as well as upgrading curricula and its prompt delivery to students early in the school year. Preparations have been completed for drafting both the Secondary Education Strategy and the Public Education Strategy, as the latter would include basic education, technical education, literacy programs, and kindergartens. The target is to reach over 90% enrollment by 2015 through the implementation of these strategies and the Fast Track Initiative.

Technical Education and Vocational Training

The PRSP focused on technical education and vocational training (TEVT), due to its direct relationship toward reducing poverty and unemployment. The PRS targeted an increase of enrollment in technical and vocational institutes, expansion of vocational training institutes, and their development in accordance with labor market needs. In addition, emphasis has also been on establishing new fields suitable for women and for opening up job opportunities. During the last two years, 15 technical institutes were constructed, seven of which were built in 2003 at a total cost of YR 225.6 million.

TEVT is targeted towards low income people, the unemployed and those covered by the Social Welfare Law. Despite difficulties facing the TEVT sector, the Ministry of TEVT has introduced new programs such as a two-year vocational program offered at the existing institutes, along with pursuing continued learning programs that accommodates the largest number of trainees possible.

The current training institutions capacity is still unable to accommodate all applicants. To achieve the objective of upgrading the technical and vocational institutes and centers, and to meet the needs of the labor market, the Ministry of TEVT has increased its coordination with employers in the private sector. The private sector has been involved in the preparation of training curricula and evaluation of TEVT graduates to assure their suitability in the labor market. In addition, the private sector participates in TEVT local councils that draw up the practical policies of TEVT.

Pillar 3: Improving the Infrastructure

Water and Sanitation

Potable water supply witnessed noticeable improvement in recent years, especially in urban regions where coverage reached 62% of the population in 2004 against a 68% PRS target. Quantity of water produced amounted to 118.4 million m³ in 2004, compared to 114.5 million m³ in 2003. Local water corporations carried out major maintenance work for water and sanitation networks, replacing worn-out lines and faulty meters. Committees were also formed to resolve administrative losses and violations. Hence, quantity of water used increased to 64% of produced water in 2004, compared to 62% in 2003. Number of beneficiaries reached about 3.2 million exceeding the 3.1 million target.

In rural regions, potable water coverage remains low and is growing only slowly. Coverage rose over the last two years by 4%, reaching 34% of rural population in 2004 compared to a target of 32%. Likewise, sanitation services expanded in the major and secondary towns, where coverage reached 38% in 2004. The number of beneficiaries of the public sewerage networks also rose from 1,135 thousand people (203 thousand connections) in 2003 to 1,629 people (215 thousand connections) in 2004.

Electricity

Electricity coverage remained at around 40% of total population, who receive service from the unified grid of the Public Electricity Corporation (PEC) or from rural electricity projects managed by local councils. Installed capacity increased to 922 Megawatt (MW) in 2004, compared to 856 MW in 2002. Efforts have focused on the implementation of a broad maintenance program for the existing stations; in addition to constructing new power plants. Technical and administrative measures adopted by PEC have also helped reduce waste to 25.8% in 2004 compared to 27% in 2002. Measures aimed at facilitating collection and imposing fines for delinquents led to increasing revenues to 81% of operating cost compared to 76% in 2000. However, a sizeable gap remains which must be covered from the Government budget. Phasing out this subsidy is a key goal for the future.

The Government is working to complete a Power and Rural Electrification Strategy, which looks into the possible alternatives for providing power to rural population. It takes advantage of efforts exerted within the framework of cooperation with the World Bank. Rural electrification projects in 2003 and 2004 covered most governorates benefiting about one million inhabitants. However, returns and impact of those projects indicate that

they are not cost effective, due to low customer density and lack of standards on how to manage them.

Roads

Roads sector occupies a leading position among infrastructure sectors. It helps make essential services accessible to the poor and strengthens the links between urban and rural regions. The sector represented the largest share of the investment budget during 2003-04, with a share of 18%. Nonetheless, the sector succeeded in reaching only 70% of its targets in road asphaltting and paving.

The PRSP and the SFYP emphasized the completion of the coastal strip roads and those linking internal regions of the country. This high priority stems from the potential socio-economic impact of road construction, and the realization of regional integration from linking Yemen with Saudi Arabia in the North and Oman in the East. This distance extends to 1,760 km cutting across 9 governorates, where around 500 km remain to be asphalted in 2005 and 2006.

The Government has set up a Rural Road Development Program, aiming at breaking the isolation of rural areas and facilitating transport of rural products to markets and to the cities. The program also aims at increasing economic returns to rural population by 12%, by means of implementing 33 road projects that benefit about 3,512 thousand people in 13 governorates.

Pillar 4: Social Protection.

The Government adopted the Social Safety Net (SSN) as an integrated package for poverty reduction, by means of increasing productivity of local communities and focusing on poverty pockets. The SSN improves the living conditions in poor regions through development projects and activities, especially infrastructure, health and education. The SSN activities encompass projects of integrated intervention, cultural heritage and work with groups having special needs.

The SSN's goal was to redress the adverse effects of implementing the Economic, Financial and Administrative Reform Program (EFARP). The cash assistance scheme by the Social Welfare Fund (SWF) continues to grow, reaching 650 thousand cases in 2004, an increase of 100 thousand over the previous year and exceeding the target by over 80 thousand. Distribution of cases by district is based on using various poverty indicators. Improvements have been made in the past year in targeting and in improving the criteria for selection. The Government is reviewing the adequacy of the level of cash payments. Eighty percent of distribution now occurs through post offices, which helps to decrease abuses. Nevertheless, SWF mechanisms still require further revision in terms of targeting, the cases covered and the possibility of converting some recipients to alternative SSN mechanisms.

Besides the SSN, other projects exist which help provide assistance to marginalized and less fortunate groups and those of special needs. In 2004, 65 different schemes were

carried out at a cost of \$3.8 million, including 13 projects for training and institutional support for associations and institutions caring for groups with special needs. Another 18 projects supported educational activities focusing on merging handicap education schemes and the concept of comprehensive education, 9 projects for protecting and improving residential conditions, 3 projects supporting health services including psychiatric health, and finally 2 projects for developing strategies and policies.

Gender

The government's strategy to reduce poverty includes the goal of mainstreaming women and gender issues in all economic, social, political and cultural fields. The Republican Decree No. 25 for 2003 reorganized the Higher Council for Women chaired by the Prime Minister. The Council members now include a wider range of ministers, NGO representatives, the chairwoman of the National Women's Committee (NWC), and the Committee Coordinators in the Capital Secretariat and governorates. The Council is responsible for integrating gender issues in the mainstream of development. In 2003, the Cabinet approved the Strategy for Women Development, which aims at promoting the role of women according to Beijing Agenda through integrating gender in major development pillars.

Despite efforts to support women political participation in parliamentary and local council elections, and in senior government positions, such participation is still limited. This is due to poor awareness among society members and inability of women to overcome traditional biases. The NWC is continuing its dialogue with political parties to ensure that women have at least 10% of the parliamentary seats and 10-20% of local council seats.

Some laws containing discriminatory stipulations against women have been amended and improved. The most significant of these are the Law of Personal Identity, the Law of Naturalization, the Law Regulating Prisons, and the Civil Conditions & Civil Registry Law. The Constitution and the Laws now confirm the full equality between men and women in public employment, work and wages, and in obtaining qualification, promotion and vacations. However, women are still entitled to certain special privileges, in terms of working hours and vacations.

Pillar 5: Good Governance

Measures and policies of good governance are hard to quantify and evaluate, as a result of data scarcity. Achievements have been realized in these areas during 2003 and 2004, focusing on legal, institutional and infrastructure frameworks. However, these achievements did not bring about noticeable and direct changes. As a result, World Bank CPIA ratings show no change in governance in the past few years.

The Judiciary

The proper enforcement of law and order serves all people, especially the poor. It also ensures the protection of public property and deters corruption, thus contributing to directing economic resources and development towards poverty reduction. During the

last two years, 8 buildings for courts and prosecution offices were completed in several governorates. Another 16 premises were taken over by the judiciary and 16 projects were completed. There are 160 courts operating in rented or unsuitable premises.

Training and rehabilitation programs for judges and administrators were limited to training only 146 personnel in 2003 and 317 in 2004. This reflects lack of clear training plan, coupled with deficient coordination between multiple entities conducting training. Suspension of admissions to the Higher Judicial Institute for seven years led to severe shortage of qualified judges. The Rehabilitation Program for Judges was reinstated in 2003, which aims at rehabilitating around 500 judges during 2003-09. The Higher Judicial Institute needs to be restructured to transform it into an academic institution that keeps pace with local and global developments, including latest advances in trade, telecommunications and information technology.

The Government is exerting major efforts towards developing and modernizing judicial agencies, which suffer from obvious deficiencies including prolonged procedures and rulings. Only between 32-50% of cases filed during the Judicial Year 1425 AH were duly processed.¹ With regards to legislation relating to the poor, the Republican Decree No. 253 for 2003 was issued for establishing and defining responsibilities and duties of the Higher Council of Zakat Trustees. A Zakat Law was drafted to replace Law No. 2 for 1999, to cope with the mission expected from Zakat in alleviating poverty at the community level.

Combating Corruption and Safeguarding Public Property

In 2003, the President of the Republic issued his instructions to form a Supreme Committee entrusted with issues relating to public property and combating corruption. This committee is chaired by the Prime Minister and having as members the Director of the Presidency Office and the Chairman of the Central Organization for Control and Audit (COCA). This committee drafted a matrix addressing problems in the management of public property and combating corruption, which was presented to the Cabinet in April 2003.

As a result, the Cabinet issued several resolutions and orders, including the formation of ministerial committees led by a Higher Committee for Coordination (HCC) between control and audit agencies and the judiciary. The HCC is responsible for setting appropriate coordinating mechanism and overseeing its implementation. It also works to support the role of the Public Property Courts, and activates functions of the Judicial Inspection in Public Property Courts and Prosecutions.

Civil Service and Administrative Reform

Restructuring of administrative units of the government is a major component of the administrative reform. The PRS aims at creating a lean and efficient administrative system. Although Cabinet resolution No 291 for 1998 was issued to start restructuring some administrative units, practical measures were only manifested in the last two years. Preparations began for restructuring 7 administrative units including COCA in mid 2004.

¹ Annum Hegira, which is the Moslem Lunar Calendar.

In 2003, the Ministry of Civil Service and Pensions (MCSP) took steps to eliminate employees that were either not working, or taking two jobs in the public sector. Thus, 4,520 “double dippers” were eliminated during 2000-04, which is very small compared to an estimate of 9% of total civil service. A further 6 thousand were transferred to the civil service fund of 14,431 comprising the first batch, in addition to 2,690 employees referred to retirement in 2003 and 2,520 in 2004.

Enhancing Human Rights

The most significant development in human rights, was establishing a Ministry of Human Rights in 2003. The MHR became responsible for all human rights issues. Cabinet Order No. 49 for 2004 stipulated proposing executive procedures and coordination work of MHR with other ministries and government agencies. During the last two years, and in confirmation of Yemen’s commitment to international treaties and conventions, the Government put for discussion the First National Report on the implementation of the International Convention on Economic, Social and Cultural Rights, the National Report on the International Treaty Against Torture, and the periodical National Report on Yemen’s implementation of the International Agreement on the Rights of Children. In addition, the Fourth National Report on the implementation of the International Convention on Civil and Political Rights was presented to the concerned committee in Geneva, where it is expected to be discussed in July 2005.

Decentralization and Local Authority

Provision of basic and human structures for Local Authority is of top priority in the PRSP. The Government turned to completing construction of government complexes to accommodate local authority offices, including local councils. This enables authorities to take on their responsibilities and carry out their duties, not to mention facilitating processing citizen's requests. During 2003 and 2004, there were 32 complexes built and 84 furnished. In 2003, the Ministry of Local Administration drafted a national plan for training and rehabilitation, targeting more than 16.6 thousand senior officers and staff of local authorities. MoLA was unable to carry out the plan due to lack of financial resources on one hand, and the impact of undertaking the Parliamentary Elections of April 2003 on the other.

The Republican Decree No 264 was also issued for the formation of a Higher Committee under the chairmanship of the Prime Minister, to support and enhance decentralization. A technical committee has been also established as a technical secretariat to the Higher Committee. The mandate is to accelerate transferring authorities to local administrative units. However, both committees have not drawn clear and specific action plans, hence were not able to carry out their functions in the desired manner.

In respect of decentralization, the concerned authorities continue to draft a national strategy for decentralization, which would form the main framework to guide government policies and activities, as well as donor support. The government also plans to expand the current decentralization programs across the 8 districts of Taiz and Hadhramout to include other districts in Amran, Hodaidah, Taiz, Abian & Al Jawf; bringing total number

to 28 pilot districts in 2005. The government aims at expanding the experience across all districts.

Development Challenges and Future Directions

Although PRS goals have not been entirely achieved during the first two years, a good start has been made in linking financial resources to development plans, and in establishing monitoring and evaluation mechanisms. Part of the failure to reach the PRS goals reflects the adverse impact of regional and world events, including terrorism and the Iraq War, as well as local factors.

The government currently is moving in three tracks. The first track focuses on general economic policies designed to enhance the investment climate, based on measures outlined in the Policy Matrix. The objective is to enhance the private sector's role in accelerating economic growth and providing more job opportunities, particularly in rural areas. Special attention will be paid to the need to adopt policies to empower women economically and include them in the growth process.

The Government has already taken measures to lift the subsidy on oil derivatives and enforcing the GST (to be effective in July 2005). Other policy challenges that will be tackled this year include mitigating the impact of the decline in oil production, diversifying the economic base, WTO accession, creating employment opportunities, and the growing water shortage in a number of basins.

The second track is concerned with upgrading the planning process. There has been some duplication between the second five year plan and the PRSP. Since preparation of the third five year plan and second PRSP are both scheduled for 2005, the government intends to merge the two documents into one framework to cover the period 2006 to 2010. The new document will be a Poverty Reduction Strategy and socio-economic development plan, and shall address deficiencies in the current PRSP. It will also be more directly linked to the attainment of the MDGs. Yemen has been selected as one of eight countries for the Millennium Project, which will provide technical assistance to ensure greater integration between the PRSP and the MDGs.

The third track aims at expanding participation of the private sector, supporting civil society organizations, and enhancing internal consultations especially with local authorities. The new strategy for development and poverty reduction will be oriented toward encouraging private investments, including local and Yemeni expatriate investments, in light of limited foreign investment. The strategy will consider expanding current investments and/or initiating new ones through setting up shareholding companies, activating the role of the banking sector, focusing on economic growth poles, and supporting small and medium businesses. The new plan will also aim at utilizing abilities of civil society organizations to understand the needs and opinions of society, as well as addressing them.

The existing PRS mechanisms shall be utilized to support coordination among the thematic working groups, and improve monitoring and coordination of the PRS subunits

in line ministries, government agencies and governorates. Amendments can be made to establish new groups or adjust current subunits to ensure their effectiveness in the remaining period of the current PRS and in drafting the new one. The mechanisms shall try to ensure the correct timing of decisions in 2005, and effective participation in budget committees, in addition to involve the various sectors of both Ministry of Finance and Ministry of Planning & International Cooperation in all activities.