

Goal: 8



**Develop a Global
Partnership for
Development**

Target 11

Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction at the national and internationally

Target 12

Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term

Indicators	1990	2000
Proportion of deficit (surplus) in the balance of payments as a % of GDP	-1.97	16.4
Proportion of foreign debt as a % of GDP	114	65
Proportion of debt service as a % of total exports of goods and services	12.4	1.8

Source: Central Statistical Organization and Central Bank of Yemen

1 Current status and trends

Since 1990, Yemen has been facing great internal and external shocks, which have greatly affected the performance of the national economy, thus leading to remarkable shortfalls in the various economic balances. To address these shortfalls, the government has prepared the First Five-Year Development Plan (1996/2000) and Second Five Year Development Plan (2001/05). At the same time, the government has adopted Economic, Financial and Administrative Reform Programme in 1995, which includes several policies and measures, including:

1. Reform the central budget and tax and customs systems;
2. Reform the monetary sector (the central bank, other banks and financial market);
3. Reform of the foreign trade (exchange rates system, customs tariff, importation and exportation transactions); and
4. Improve management of foreign and domestic debt.

The government efforts yielded positive results, including: stability of the financial situation after bringing the budget deficit under control and maintaining it at an acceptable 3% level of GDP. The Yemeni currency's exchange rate against other

currencies has stabilized as a result of floating of exchange rate thereof. The average annual change in the exchange rate stabilized between 4-5%. Inflation rates have been contained at acceptable rates ranging between 3-10% during the reform period. Lastly, a surplus in the balance of payments has been achieved, coupled with accumulation of international reserves.

In another development, a number of laws and legislations have been amended with a view to giving more independence to the Central Bank. The Banks' Law has also been amended to ensure an efficient banking system and to provide efficient financial brokers services. The Banking sector has been developed and equipped with modern payment systems. Banks and financial institutions activities have also been expanded, through the strengthening of their financial positions and removing restrictions on capital movement, especially restrictions on current accounts and capital accounts, as well as currency conversion.

The foreign trade structure has also undergone major changes. The trade system has become more open after removing all restrictions on commercial transactions; and customs tariffs have



been reconsidered. Free competition was further enhanced. All these positive developments have made the trade sector more responsive to external and internal changes.

In preparation for accession to World Trade Organization (WTO), Yemeni government has adopted several measures.

A national committee, mandated with the task of making preparations for negotiations with WTO, has been formed. In 1999, Yemen has acquired an observer status in this organization. Foreign trade regulation memo is currently under review, in preparation for the full accession to the organization.

No sooner had government initiated action on the preparation of its development plans in the early 1970s, then it resorted to external borrowing to finance most of its projects. By the end of 1995, Yemen's total foreign debt amounted to \$9,984 million or 176% of its GDP. The proportion of debt burden to exports of goods and services was about 73.7%.

With adoption by government of Economic, Financial and Administrative Reform Programme, Yemen has qualified to reduce and reschedule its foreign debt with Paris Club of Creditors, in accordance with terms of Napoli Convention. As a result of this, foreign debt has become approximately 65% of GDP, while proportion of debt burden was reduced to less than 17% of total value of exports of goods and services. Yemen did not benefit from Highly-Indebted Poor Countries (HIPC) initiative, which qualifies beneficiary countries to enjoy longer grace period, longer repayment period and low interest rates on loans. With improvements in economic performance, International Finance Institutions (IFIs), in cooperation with government, embarked on the preparation and implementation of a programme of technical cooperation, providing loans and aid to support government's efforts in economic and social development. For this purpose, government, in cooperation and coordination with the World Bank, has worked out and implemented strategies for country assistance covering the periods 1996/98,

1999-2002, and 2003/05. Moreover, the International Monetary Fund (IMF) loan programmes have been adopted to help to stabilize balance of payments. Yemen's foreign debt from International and Regional Organizations account for approximately 40% of gross current debt, while bilateral debt and trade facilities account for remaining 60%.

2 Challenges

1. Using foreign aid to finance infrastructure projects and basic services in a manner set to address development challenges;
2. Removing all restrictions and risks facing the flow of foreign aid and enhancing the capacity of the institutions responsible for its management and utilization;
3. Maintaining trade and payment balances at safe levels, through increasing and diversifying non-oil exports;
4. Attracting foreign capital through joint investments to enhance export activities; and
5. Utilizing bilateral and multilateral agreements, as well as Arab and regional economic blocs to establish free trade and on industrial area.

3 Supportive environment (policies and programmes)

To face up to the challenges limiting the participation of donors in solving many development problems, government, through the implementation of Five-Year Development Plans, Economic and Financial Reform Programme, and through the preparation of the Poverty Reduction Strategy (2003/05), has clearly demonstrated its commitment to improve Yemen's economic of social situation and to upgrade the performance of its institutions to stimulate economic growth and accelerate the pace of development. Government also committed itself to increasing its investments in projects' infrastructure, creating the right environment for increasing private sector investments, pursuing market mechanisms, through liberalization of prices, removing of government subsidy on several goods and services, and removing all restrictions limiting trade flows.

To facilitate integration of Yemeni economy into regional and international markets,



government has adopted a number of programmes and projects, such as the Export Promotion Programme, the Small Businesses (Enterprise) and Handcrafts Promotion Programme, the Port Cities Development Programme. It has also adopted strategies and policies related to promising economies, and establishment of industrial areas and compounds, in addition to free zones.

Moreover, government has committed itself to applying policies and measures designed to enhance restructuring efforts, and establish Yemeni financial market as an additional instrument to mobilize local and foreign savings to finance small development projects.

4 Priorities for development assistance

1. Improve government performance and enhance the capacity of government

institutions to maximize proper utilization of foreign aid to reach secure borders and win donor's satisfaction;

2. Continue to remove all obstacles hampering free markets, and encourage local and foreign private sector investments, in accordance with rules and regulations in force; and
3. Channel foreign aid towards creation of a proper environment that will facilitate Yemen's accession to the WTO, through financial aid, technical and technological investments and through advantages and exceptions offered to the Least Developed Countries (LDCs).

5 Partnership for Development: Monitoring and Evaluation Environment

Elements of monitoring environment	Assessment		
	Strong	Fair	Weak
Data gathering capacities			
Quality of recent survey information			
Statistical tracking capacities			
Statistical analysis capacity			
Capacity to incorporate statistical analysis into policy, planning and resource allocation mechanisms			
Monitoring and evaluation mechanisms			





Existing Capacity for:

Goal	Existing Capacity for:					
	Data-gathering	Statistical tracking	Statistical analysis	Statistical Policy	Monitoring & Evaluation	Quality of Survey Information
Extreme Poverty	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak
HIV/AIDS	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak
Hunger	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak
Safe Water	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak
Primary Education	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak
Gender Equity	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak
Under-5 Mortality	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak
Reproductive Health	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak
Environment	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak	Strong Fair Weak



