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ESCWA

YEMEN COUNTRY BRIEF



Key population groups who were instrumental in the transitional period, have yet to be included in the process of national dialogue

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As of April 2012 internal conflicts have lead to the displacement of around 477,000 people

I. SUMMARY: A PROMISING YET TURBULENT TRANSITION

Yemen today is experiencing a tumultuous, yet consistent political transition from authoritarian rule to democratically elected government. This follows the departure of former President Ali Abdallah Saleh as a result of a popular uprising, the successful mediation by the Gulf Cooperation Council and a supporting intervention by the UNSC via Resolution 2014. The Gulf Cooperation Council (GCC) mediated initiative provided for the establishment of an inclusive national dialogue process and the identification of key action areas including transitional justice, reform of the security sector, rewriting of the constitution and the holding of elections based on a new electoral law.

At the same time, the plethora of political actors in Yemen today, coupled with existing tribal and sectarian tensions pose significant challenges to the transition and necessitate a carefully considered medium to long term approach to peace building and reconciliation. Major political and security challenges threatening the transition process include the disaffection of the Houthis and the alienation of youth, women and tribal groups, violence in major southern provinces, and secession calls by the South. These have further aggravated the acute development challenges that Yemen was already facing and which include severe poverty, food insecurity, drought and a burgeoning budget deficit and a dependence on rapidly depleting oil and gas reserves.

II. MULTIPLE CHALLENGES LIMITED TOOLS

The recent political turmoil in Yemen has again reshuffled the country's development priorities and its future scenarios. The popular uprisings that Yemen witnessed came as no surprise. Yemeni citizens have been suffering from a severe deficit on both the political and development fronts. While the country had made some gains in the last few decades on social and economic issues, the political process had deteriorated significantly. For the most part, the ten-point reform program initiated by the government in 2010, to boost public services and improve governance remained unimplemented. At the same time, the food, financial and oil crisis further exacerbated the socio-economic challenges Yemen was already facing. Various studies indicate that Yemen has witnessed a reversal in development gains in part as a result of the multiple crises that have impacted it. Currently it is unlikely to meet any of the MDG goals.

In the wake of the popular uprising an effective and inclusive transitional process has become a priority; one that also takes into account worsening social conditions, sluggish growth and environmental degradation. **This process will need to build on vibrant civil society activists who managed to lead a peaceful uprising against all odds while engaging with the main challenges that the country is facing including:**

NEGOTIATING AN INCLUSIVE TRANSITION: NUMEROUS ACTORS, CONFLICTING AGENDAS

The peace process triggered by the GCC mediation suffers from too many detractors whose interests must be dealt with if Yemen is to move from a chaotic to an orderly transition. A stakeholder mapping of Yemen carried out by the Participatory Development and Social Justice Section of ESCWA indicates that the internal tribal/ethnic makeup of Yemeni society

and their vastly differentiated positions toward the process of National Dialogue and even Yemen's territorial integrity poses a significant complication. Important groups such as the Houthis, Salafis, southern secessionists and sizable tribal and youth groups oppose the national dialogue. Even though a multi-faceted effort has been developed to reach out to alienated sectors and groups and include them in the preparation for a national dialogue that is meant to forge a new consensus for a future social contract, this process has not been as inclusive as needed.

At the same time, Yemen has been inundated with external actors including international organizations, donor agencies and foreign powers competing with each other to provide funding support to the government and civil society organizations in a wide variety of overlapping areas/projects during this unstable period. If not well managed these have the potential to cause considerable long term harm to the country and to destabilize further an already volatile situation.

Clearly, a collaborative and sustained effort by the international community and the newly-elected Yemeni government is in order to see through the transition to its successful destination. A pressing priority for the current period is to forge ahead with securing consensus on the resolutions of the national dialogue that was closed in September 2013. One of the most poignant issues in need of further negotiation is the shape of the Yemeni future federal system which remains a sticking point between representatives of the South of Yemen and the coalition of ruling parties.

SOCIO-POLITICAL UNREST, STALLED REFORM AND RECONSTRUCTION

Prior to the dramatic events of the past eighteen months¹, Yemen witnessed considerable political and social unrest and conflict especially in the South of the country and in the Saada regions. Initially characterized as low level fighting between the army and the Houthis, as of April 2012, these conflicts have led to the displacement of around 477,000 people.² In this context, it also became increasingly difficult to implement economic reform programs or to undertake physical reconstruction projects in conflict devastated areas.

This unrest has undermined social cohesion and rule of law has been difficult to achieve making women and children in particular even more vulnerable. It has also rendered reform difficult and accentuated the marginalization of some population groups. Further unrest associated with rising cost of living is also likely to inflame an already tense situation, rendering reform of social protection policies and programs even more critical despite the overall political and economic crisis.

In this context it has been increasingly difficult to implement economic reform programs or to undertake physical reconstruction projects in conflict-devastated areas. At the same time, even though the five year development strategy for poverty reduction underpins the 2025 vision, there is little evidence of strategic planning informing the budget process, and budget outcomes routinely deviate from plans.

POPULATION GROWTH OUTPACING ECONOMIC GROWTH

Yemen's annual population growth rate of 3% is one of the highest growth rates in the world while half of its current population of more than 24 million (2010), are under the age of 15. This population growth

¹ The first protests were initiated on 27 January 2011

² Middle East Overview. IDMC Pg. 75 and the Central Emergency Response fund in Yemen (2012).

seems to be outpacing the country's economic growth. Oil reserves, Yemen's main source of income, are largely depleted. Real GDP growth rose to 7.7% in 2010, on the back of surging gas exports only to fall back to -10.5% in 2011 with a projected rise to -0.9% in 2012 and 4.5% in 2017.³ Inflation in consumer price rates increased from 11.1% in 2010 to 19.4% in 2011 in line with recovering global commodity prices and the depreciating riyal which pushed import costs up. In 2012 Yemen exhibited a fiscal deficit of around 6 percent⁴ while the fiscal deficit is expected to widen to an average of 9.8% over the forecasted period of 2012-2015.⁵

The option of ending the fuel subsidy, which according to the Ministry of Finance could save the government YR360bn (US\$1.6bn) annually were quickly put aside.⁶ If this occurs it will most likely have a significant inflationary impact. Past attempts to address a widening fiscal deficit through the cutting of fuel subsidies saw average inflation rise to 16.5% in 2005 up from 6.8% in 2004 and incited considerable social backlash in the form of public strikes. The new unity government is thus taking a cautionary approach and is unlikely to revisit the fuel subsidy issue in the near future, instead opting to implement piecemeal measures designed to encourage foreign investment. At the same time, the potential for economic diversification into other sectors such as tourism is further curtailed by political instability and outbreaks of violence as well as inadequate investments in the necessary infrastructure.

This has resulted in high unemployment rates particularly among the youth; 52.9% among the 15-24 age group and 44.4% among the 25-59 years group. At the same time, 52.5% of the population is considered below the poverty line⁷, an increase from 34% in 2005-2006.⁸ Furthermore, poverty levels among university graduates are significantly high (54% of total population)⁹ which is explained in part by the inefficiencies of the labor market.

CURRENCY DEPRECIATION AND GROWING VULNERABILITY

While Yemen's cash based economy shielded it from the direct impacts of the global financial crisis, the accelerating depreciation of the Yemeni Riyal has caused concern among policy makers on both the political and economic fronts. On the economic front, the reliance of Yemen on imports to meet the bulk of its basic needs including food stuffs implies that any weakening of the Riyal will affect the cost of living for the Yemeni population. The imposition of import tariffs on 71 basic commodities in April 2012 further accentuated growing poverty. With close to 44% of the population (over 10m people) considered to be "food insecure" such increases will most likely have a significant impact on the increasing number of poor and vulnerable population groups.

³ IMF. World economic outlook: Growth Resuming, Dangers Remain. April 2012, p. 196

⁴ IMF, Republic of Yemen- December 2012 Staff Visit Mission Concluding Statement, posted on December 9, 2012, available from: <http://www.imf.org/external/np/ms/2012/120912.htm>

⁵ Economic Intelligence Unit

<http://country.eiu.com/article.aspx?articleid=809129065&Country=Yemen&topic=Economy&subtopic=Forecast&subtopic=Fiscal+policy+outlook&oid=789129063&aid=1>; June 2012

⁶ EIU:http://viewswire.eiu.com/index.asp?layout=RKArticleVW3&article_id=1118634096#12%20title=; December 2011

⁷ UNDP 2011 International Human Development Indicators, <http://hdrstats.undp.org/en/countries/profiles/YEM.html>

⁸ UNDP 2011 International Human Development Indicators, <http://hdrstats.undp.org/en/countries/profiles/YEM.html>

⁹ UNDP, UN Common Country Assessment Republic of Yemen, 2011, p. 9 - undp.org/ye/reports/CCA%20Yemen-Final%20Version_2011.pdf

Yemen's annual population growth rate of 3% is outpacing economic growth in the country

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In this context of wide spread vulnerability, the Central Bank of Yemen seems determined to protect the value of the Riyal by spending significant sums to shield it. With depleting oil reserves and falling production, it is likely the foreign exchange reserves will diminish further despite the activation of a second liquefied natural gas train. This will further accentuate the social crisis in the country and will further curtail necessary spending.

DEPLETING WATER RESOURCES, INCREASING POVERTY AND INSECURITY

This growing vulnerability is further accentuated by rapidly depleting water resources, drought in the main grain-producing areas and other problems in the agriculture sector, the country's largest employer. Rising global prices of basic necessities prompted further increase in food prices. In 2012, of those who are considered food insecure, over five million are severely food insecure (22 percent of the population); with hunger rates doubling since 2009, according to World Food Programme data.¹⁰ Moreover, UNICEF estimates that Yemen has the second worst child malnutrition rates in the world, after Afghanistan, with some 58% of children under five suffering from stunted growth and around 30% affected by acute malnutrition which is twice as high as the internationally recognized emergency threshold.¹¹

Yemen also has one of the lowest rates of per capita water availability in the world – less than 2% of the world average. Almost 90% of water is used for agriculture, depleting the water tables at an unsustainable rate. This is further compounded by the widespread practice of growing Qat which consumes considerable water resources and a significant portion of household expenditures. The Sana'a water basin is being used up about 10 times faster than it is naturally being replaced while only 56% of the urban population has access to network water supply and only 31% to a sewerage network. In rural areas, only 45% of the population has access to safe water and 21% to adequate sanitation.

INADEQUATE AND FRAGMENTED SOCIAL PROTECTION

In addition to rising poverty and vulnerability, a large percentage of the Yemeni population is uninsured while the social security system does not include health or unemployment insurance. Assessments of the social security system also indicate that the annuity is not sufficient to live above the poverty line.

At the same time, social protection programs are highly fragmented amongst a large number of institutions and ministries, and existing social safety nets are not able to address the expected shortfall. For example, the cash transfer program for the food poor (the SWF) is inadequate given its benefit ceiling of YR2000 per family.¹² Similarly, a poverty assessment study in 2006 found that half of the transfers from public programs targeting poverty leak to the non poor¹³. Among other reasons, this is due to the lack of coordination between the different social protection entities as well as weak implementation, monitoring and evaluation mechanisms and capacities.

¹⁰ United Nations Office for the Coordination of Humanitarian Affairs (OCHA), Yemen Humanitarian Bulletin, Issue 02, 5 April 2012; WFP's 2012 Comprehensive Food Security Survey (based on data collected at the end of 2011)

¹¹ Mark Tran, We urgently need to tackle malnutrition in Yemen, says UNICEF in theguardian.com, Friday 22 June 2012. Available from: <http://www.theguardian.com/global-development/2012/jun/22/tackle-malnutrition-yemen-unicef>. See also http://www.unicef.org/nutrition/yemen_65278.htm

¹² WB, UNDP, *Poverty Assessment*, 2007

¹³ ESCWA, 2013. Social Protection as Development: Yemen Country Profile (unpublished).

the country also remains heavily under-aided relative to other low income countries

POPULATION DISPERSAL AND ACCESS TO SERVICES

These issues are further compounded by the wide geographic dispersal of the population over 133,000 settlements making it difficult to provide adequate infrastructure and access to basic social services particularly in rural areas. Health services for example, suffer from poor distribution of health facilities, inadequate equipment, weak performance of health facilities, and poor human resource management

QUESTIONING AID EFFECTIVENESS

The question of aid effectiveness was a serious concern for Yemen even before the current crisis. This includes a variety of aspects identified in the Paris Declaration and that include donor coordination, government ownership, alignment of aid with country priorities, mutual accountability and management for results.¹⁴ A recently formed group, Friends of Yemen, has pledged over USD 11 billion in aid which – if not properly coordinated – will do more harm than good for the population of Yemen.¹⁵

However, the country also remains heavily under-aided relative to other low income countries.¹⁶ Yemen has the lowest Official Development Assistance (ODA) in the Arab region with ODA per capita of \$12.7 or 2.2% of GDP, compared to an average of \$33.4 per capita, or 18.7% of GDP for least developed countries.¹⁷ The most recent assessment undertaken indicates that despite considerable pledges, most notably the 2006 London pledge of \$US5.7 billion, Yemen received less than US\$13 per capita per annum as compared to \$US33 per capita per annum in other Least Developed Countries (LDC). While its political, development and security challenges have increased, total donor support declined from \$US700 million during the 1990s to \$US350 million in 2006.¹⁸ A more recent OECD survey on monitoring the Paris Declaration indicates that 33% of total aid is included in the national budget (an increase from 0% in 2006) in part as a result of securing government contribution to donor-funded projects.

DEMOCRATIC TRANSITIONS AND JUSTICE

Reparations for human rights abuses as well as political, social, economic and cultural injustices have been a central topic of debate in Yemen since February 2012 through discussions of a Law for Transitional Justice and National Reconciliation. The draft law calls for the establishment of a truth commission to investigate abuses dating back to 1990, or prior, if necessary. In addition, the commission is tasked with providing a venue for listening to human rights violations and developing a reparations program for victims, ranging from material

¹⁴ See OECD 2008 for the dimensions of Aid Effectiveness for Yemen

¹⁵ The last Friends of Yemen meeting (6th ministerial meeting) was held in NY on 25 Sept 2013 on the sidelines of the United Nations General Assembly. During the meeting, the “Friends” confirmed that of the total US\$7.9 billion pledged in support of Yemen in September 2012, US\$6.9 billion has been allocated to specific programs and US\$2.2 billion already disbursed to date. Source: <http://www.worldbank.org/en/news/press-release/2013/09/25/friends-of-yemen-committed-support-next-stage-yemen-transition>

¹⁶ DFID, Country Program Evaluation, February 2010

¹⁷ UN Development Assistance Framework Republic of Yemen 2012-2015; www.undp.org/ye/.../Yemen%20-%20final%20signed%20UNDAF_January%202011.pdf

¹⁸ DFID, Yemen Programme Policy Focus, January 2009.

compensation to apologies and memorials. However, the wording of the draft law specifies non-judiciary reconciliation, or restorative justice, leaving no room for legal action to be taken by the commission. Some victims and their families remain unsatisfied with the law, claiming that retribution, not only reparations and truth finding, is needed.¹⁹ Discontent over the incorporation of Law No. 1 of 2012 – providing immunity from prosecution for former president Ali Abdullah Saleh and his associates – has also been expressed by civil society and other actors. Despite breaching international law and Yemen’s international human rights obligations, this immunity was a condition of the GCC agreement endorsed by the Security Council. To this date this law is yet to be passed. After some public consultation and renewed urges from the UN Security Council in June 2012 to pass the legislation without further delay, the cabinet failed to reach consensus on its adoption, instead passing it along to President Mansur Hadi who has the authority under the GCC either to adopt the law or send it to Parliament for debate.²⁰

CIVIL SOCIETY AND PARTICIPATORY POLITICS

Civil society organizations and activists played a considerable role in calling for change, forging a bottom-up democratization process and furthering an inclusive development agenda. However, they continue to face a series of significant challenges. These include but are not limited to the impact of tribal and more recently sectarian affiliations on the make-up of these organization, a restrictive legislative environment and uncoordinated interventions of the international donor community. Other challenges to the participation of civil society in the decision making process, particularly in ensuring a smooth transitional process are the polarization over the national dialogue. A substantive number of CSOs opposed the dialogue and declined from participating in its committees despite a state-backed effort to lead them to join the negotiations. Additionally, the fast timeline imposed on the dialogue and the demands for quick results managed to alienate some civil society groups who see in it an agenda that may not be in Yemen’s best interests.

III. TOWARD AN EFFECTIVE NATIONAL DIALOGUE

Needless to say, given the scope of the political and social challenges that Yemen is facing, and now that the national dialogue is over, it is fundamental that a multi-level participatory process of implementation of its resolutions is adopted during this transitional period. In this context, a multi-faceted effort - one that reaches out to population groups excluded from the dialogue - will be central for the success of the peace process currently in the making. This, along with significant security concerns is perhaps the single-most challenging issue in Yemen today. Without an inclusive participatory approach the future of the new social contract will be seriously jeopardized. This can only take place by seeking consensus on the national dialogue controversial decisions and securing essential buy-in from key influential groups. At the same time, a collaborative and sustained effort by the international community and the Yemeni government is necessary to see through the transition to its successful destination.

¹⁹ Transitional justice law last resort for ending Yemen’s conflict, Yemen Times. <http://www.yementimes.com/en/1555/news/572/Transitional-Justice-Law-last-resort-for-ending-Yemen%E2%80%99s-conflict.htm>, March 2012.

²⁰ Facing a troubled past, Yemen debates transitional justice measures, The International Center for Transitional Justice. <http://ictj.org/news/facing-troubled-past-yemen-debates-transitional-justice-measures>, June 2012