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MID-TERM REVIEW AND FOLLOW UP OF PROGRESS IN
THE IMPLEMENTATION OF THE SUBSTANTIAL NEW
PROGRAMME OF ACTION FOR THE 1980s
FOR THE LEAST DEVELOPED COUNTRIES
IN THE ECWA REGION

85-0405

CONTENTS

	<u>Page</u>
INTRODUCTION	1
I. MAJOR DEVELOPMENTAL ISSUES	2
A. Resources endowment	2
B. Economic development	4
C. Constraints and potentials	5
D. Investment programme	7
II. SECTORAL ANALYSIS	8
A. Food and Agriculture	8
B. Human resources and social development	12
C. Natural resources and energy	15
D. Manufacturing industry	16
E. Infrastructure	18
F. Construction	20
G. Foreign trade	21
III. FOREIGN ASSISTANCE	22
A. Main developments	22
B. Aid modalities	23
C. Disaster relief assistance	24
IV. CONCLUSIONS AND RECOMMENDATIONS	26

INTRODUCTION

1. The development prospects of the two least developed countries of the ECWA region, namely the People's Democratic of Yemen and the Yemen Arab Republic, have remained bleak over the years as a result of an extremely low level of agricultural productivity, small industrial sector, high rate of population growth, scarcity of resources, lack of physical and institutional infrastructure, high level of illiteracy, lack of skilled manpower, endemic diseases, isolated settlements and strong rural-urban and outward migration. This situation has been aggravated in Yemen by a century-old isolation from the rest of the world and still prevailing regional tribal systems, which tend to hamper development initiatives in the hinterlands.

2. In an effort to resolve these complex problems, both countries embarked on ambitious development programmes and successfully sought the necessary technical and financial assistance at the international level. Furthermore, both countries took active part in the elaboration of the SNPA and incorporated most of its provisions in their current development plans. However, owing to the size of the two countries and the unfavourable social and economic conditions, great efforts are necessary in order to show tangible results.

3. Both Yemens suffered severe set-backs in their development efforts, when they were hit by tragic natural disasters, namely, extensive floods in Democratic Yemen in spring 1982 and early 1983 and devastating earthquakes in parts of Yemen in December 1982. Both disasters claimed a great number of lives and left large numbers of people homeless. The economic longer-term effects were, in Democratic Yemen, the destruction of about one third of the crop area, thus reducing the agricultural output by about one quarter for years to come. In addition, a large share of the livestock and important infrastructure were destroyed, adding up to an estimated total damage of \$975 million. The disasters happened at a time when the implementation of the current development plans was in a critical stage, to the extent that the financial resources available did not cover the anticipated expenditures of the plans. Therefore, the redeployment of resources towards rehabilitation and reconstruction led to downward revisions of the development plans combined with calls for further external assistance.

I. MAJOR DEVELOPMENTAL ISSUES

A. Resources endowment

4. Both countries are located in the south-western and southern part of the Arabian peninsula, Democratic Yemen with a size of 336,869 sq. km. and Yemen with 195,000 sq. km. They both have long coastlines and several islands, - Yemen along the Red Sea and Democratic Yemen along the Arabian Sea - and mainlands, which show similar features, namely a warm and humid coastal zone; a mountainous dry region, which in Yemen is more prominent than in Democratic Yemen; a desert region extending into the Saudi Arabian desert and a belt of rather fertile valleys (wadis) with seasonally rain-fed streams. The major part of the surface of both countries, however, is arid land and desert, and neither country has any snowfalls or perennial rivers.

5. Owing to the scarcity of water, only 80,000 hectares or 0.2 per cent of the total surface are regularly cultivated in Democratic Yemen. In Yemen, despite its smaller size, 1.5 million hectares or 7.7 per cent of the surface are cultivated. These areas are limited to the coastal zone and the green valleys (wadis) and partly, mainly in Yemen, extend into the mountain region through the use of the very labour-intensive method of terracing the land. About 13.3 per cent of the surface in Yemen and about 0.4 per cent in Democratic Yemen are grazing land or irregularly cultivated land, depending on the amount of seasonal rainfall.

6. About 88 per cent of Yemen's population of 7.2 million (1981) live in rural areas, mostly in habitations scattered over the country, according to the availability of water. Yemen's population density of 37 inhabitants per sq. km. stands out against that of Democratic Yemen of 5.9 persons per sq. km. In Democratic Yemen only 53 per cent of the 1.95 million (1981) population live in rural areas, owing to the concentration of economic activity in the capital city. Both countries' populations grow at about 2.5 per cent annually. However, owing to a very strong migration from rural to urban areas and to neighbouring countries, the share of the rural population in the total population is declining.

7. The share of the labour force in the total population amounts to about 25 per cent in each country, with 0.5 million in Democratic Yemen and 1.8 million in Yemen. Both countries suffer from a very strong outward migration to the oil countries, causing a considerable shortage of manpower available for development in the two Yemens, especially in agriculture and construction. This manpower gap, created by attracting wages in the oil countries, had to be partially filled by less expensive foreign labour.

8. The low life expectancy at birth of about 45 years in Democratic Yemen and 41.5 years in Yemen, combined with a high infant mortality of about 146 and 169 per thousand, respectively, are further straining the labour potential for the future.
9. With the aim of qualitatively improving the manpower potential, both countries embarked on ambitious education programmes, which bore a first fruit by reducing the illiteracy rate in Democratic Yemen to 51.2 per cent for males and 73 per cent for females and in Yemen to 65 per cent for males and 79 per cent for females. These rates are still well above the average of the ECWA countries, but in the long run both countries should be able to supply their indigenous skilled personnel. Great efforts, therefore, are made to expand and improve education.
10. As regards mineral resources, both countries have so far found few minerals worth exploiting. Surveys are being conducted and there is optimism regarding deposits of oil, gold and iron in Democratic Yemen and of oil and several metals, especially copper, in Yemen. The economy of exploiting these deposits is still under assessment. Recent explorations of oil reserves in the north-eastern part of Yemen (Maareb region) are promising. Several problems, however, will have to be solved before Yemen can make use of oil reserves for internal consumption and become an oil-exporting country. First of all, the access to internal outlets and the sea by pipelines through the mountainous terrain will be capital-intensive. Moreover, it seems that co-ordination with neighbouring Democratic Yemen and Saudi Arabia would be necessary in view of the proximity of oil reserves. Regarding other minerals, current extraction is mostly limited to building materials and salt (sea salt in Democratic Yemen and rock salt in Yemen).
11. Both countries are absolute energy importers for the time being. The expenses for oil as the only source of energy form a large part of the import bills of both countries. Other sources of energy are not utilized at present, but studies on the use of solar energy are being conducted. Obviously, if the oil expectations materialize, this will be of great advantage to the economies of the two countries and to their development prospects.
12. A major resource in both countries, which is not yet properly used, is the great fish-wealth of the adjoining seas, which are considered, in the case of Democratic Yemen, among the richest fishing areas in the world. The long shorelines of both countries provide extensive fishing possibilities. Current exploitation runs at about one third of the total potential, as estimated by FAO, while demand, particularly domestic, for fish and related products is rapidly increasing.

3. Economic development

13. During the 1970s, the two least developed countries of the region had registered high rates of economic growth, which continued into the early 1980s. However, in 1980 and 1981, the growth rates declined in real terms. In 1982, the natural disasters substantially slowed down the growth trend and increased the countries' need for foreign assistance. Estimated growth rates for Yemen were 1.9 per cent in 1983 and 2.7 per cent in 1984. The growth rate for Democratic Yemen was estimated at over 9 per cent in 1983.

14. In the course of the implementation of the respective Second Five Year Development Plans (SFYDPs), government expenditures in both countries were sharply increased. In Democratic Yemen they rose by 27.4 per cent, 45.2 per cent, and about 38 per cent in 1980, 1981 and 1982, respectively, reaching the respective levels of \$456.3 million, \$667.3 million and \$921 million. Furthermore, revenues also increased until 1982, when they registered a 5.4 per cent decline, after having reached a peak of \$305 million in 1981. The ratio of government expenditures to GDP increased from about 67 per cent in 1980 to 99 per cent in 1982. At the same time, the level of consumption expenditures kept exceeding that of GDP. The gap thus created was filled by remittances from Yemenis working abroad. These private transfers, which were mainly used to support the private sector in the fields of trade and construction, reached about \$448 million in 1982 after declines in the two previous years.

15. While government expenditures in Yemen rose by 36 per cent and 24 per cent in 1981 and 1982, respectively, reaching the levels of \$1,498.1 million and \$1,857.4 million its ratio to GDP rose by an annual average of about 15.6 per cent between 1979 and 1982. The percentage share of revenues in GDP was 25.2 per cent, 25.4 per cent, and 35 per cent in 1980, 1981 and 1982, respectively. However, a budgetary deficit developed owing to excessive government spending. The ratio of capital expenditure to total expenditure rose from 39.1 per cent in 1980 to 51.4 per cent in 1981 and then declined again to 47 per cent in 1982. This fluctuation could be considered as a function of foreign assistance, which determines the amount of capital expenditure. In Yemen the high level of government outlays for defense and education, coupled with a persistent balance of payments problems, led to an alarming depletion of foreign exchange reserves, which in 1983 sank to a very critical low, falling from \$933.3 million in March 1982 to only \$492.5 million by the end of March 1983. At the same time, the Yemeni rial devaluated rapidly so that the government took decisive action by ending the backing of the rate of exchange, tightening import regulations and imposing more direct control on transfers. At the same time, an austerity budget was announced for 1984, demanding substantial

reductions in expenditures and the development plan was accordingly revised.

16. The low level of production, especially of agricultural output, renders both countries heavily dependent on imports of goods. In Democratic Yemen, imports have surpassed 64 per cent of GNP for 1982 and in Yemen it continued rising after having exceeded 60 per cent in the same year. Presumably, however, relatively large amounts of unregistered imports would increase this ratio for Yemen. Yet, while Democratic Yemen seems to be able to control the situation by, inter alia, keeping the ratio of exports-imports to 1:20, the situation in Yemen has been deteriorating rapidly and reached an export-import ratio of 1:410 in 1982. Although the excessive consumption could not yet be brought under control in Yemen, a number of measures aimed at controlling imports have recently been introduced.

C. Constraints and potentials

17. The difficult mountainous terrain and the distances between the scattered habitations, followed by the lack of physical infrastructure, render development efforts in all sectors difficult and costly. This is one of the reasons why the resources endowment of the two countries has not yet been properly investigated. However, and as mentioned above, indications are that the mineral resources of both countries are rather poor.

18. Owing to historical developments the physical infrastructure is more advanced in Democratic Yemen than in Yemen, although still weak and out of date. In Yemen the lack of physical infrastructure is one of the salient features of the low level of development. Owing to the relatively strict isolation of the scattered habitations in mountain areas, traditional methods and tribal systems are still prevailing, which render development efforts of the central government, as well as of any outside source, rather difficult and costly. The development of physical infrastructure in both countries deserves highest priority, being a prerequisite to development efforts in other sectors. Considerable provisions are therefore made in the development plans of both countries to improve their infrastructural situation.

19. The absence of any domestic energy resources in both countries renders them heavily dependent on energy-imports with considerable pressure in the balance of payments. While the recent oil finds could partly solve this problem, the applicability of solar energy could also fruitfully be further investigated.

20. Owing to the ruggedness of the terrain and the large desert areas, the land and water resources in both countries are very limited. Substantial investments in irrigation and water resources management will therefore be necessary, in order to

increase the arable area and the productivity of the agricultural sector with the long-term goals of achieving self-reliance in food production. However, until such a time, and for some products, both countries will remain dependent on imports.

21. The financial resources in both countries are not in a state to meet the countries' needs, considering the extensive expenditures for development and consumption. While consumption expenditures regularly exceed the GDP in both countries, domestic saving ratios are negative. Democratic Yemen and Yemen, therefore, have to rely on the remittances from emigrant workers and on foreign financial assistance in order to cover current deficits in trade balances and government budgets. In accordance with the SVPA recommendations, therefore, measures were taken to raise the domestic saving ratio and to improve the financial potential, including, inter alia, the revisions of the taxation systems, the issue of bonds and legislative innovations aimed at encouraging foreign investments. Considerably greater efforts, however, will be necessary to achieve a domestic savings ratio of 24 per cent of GDP by 1990, as recommended by the International Development Strategy.

22. The major area of potential contribution to the development process in both countries is in the field of manpower. The potential, however, cannot be sufficiently developed and utilized at present, owing to the strong emigration to the high-wage neighbouring oil countries. This emigration left the two Yemens with a remarkable shortage of labour, mainly in agriculture and construction, thus adversely affecting the development process. Foreign labour started to be used for the execution of projects, and outgoing remittances are becoming remarkable. It is hoped that the increase in productivity through the completion of development projects, combined with the efforts in the social sectors, could ease the manpower problem in the future, but this could be achieved only in the long run.

23. The development of the physical infrastructure could more productively serve the economies of both countries. Modernization and proper connection to the hinterlands could give Aden back the role it played before the closure of the Suez Canal, when it was one of the most important bunkering ports in the world. Also other ports in the two Yemens could achieve a substantial throughput of traffic and trade, if expanded and modernized. Such improvements would also encourage and facilitate the exploitation of the large fish reserves in the adjoining seas. This could bring about nutritional improvements in the countries and, more important, an increase in exports and consequently increased foreign exchange income.

24. Another area in both countries which at present is exploited only on a very limited scale is tourism. Limited

investment in some areas will not only develop the potential of this sector but will also assist in raising the foreign exchange earning.

2.- Investment programme

25. In order to achieve planned growth rates of 10 per cent in Democratic Yemen and 7 per cent in Yemen, investments of \$1.471 million in Democratic Yemen and of \$6.244 million in Yemen will be needed over the periods of their development plans. It is expected that Democratic Yemen will be able to finance domestically 30 per cent of its investment programme and the remaining 70 per cent is expected to come from abroad. Yemen anticipates 27 per cent from domestic and 73 per cent from external financing. In the course of the Plan period, it is assumed that the external share of financing in Yemen will decline slightly, although growing in absolute terms, while the level of domestic financial resources is expected to rise, expressing the intention of the government to mobilize the domestic resource in both, absolute and relative terms.

26. The level of investments in relation to GDP, which the IDS recommends should be 28 per cent by 1990, has been growing in Democratic Yemen over the last five years by about 18 per cent per annum, reaching 47 per cent of GDP in 1981 and an estimated 53.7 per cent of GDP in 1982. Yemen showed a slowly declining trend in this regard, yet total investments recorded a high ratio of 41.2 per cent in 1982. The reasons for this development are low levels of GDP at the beginning of the decade and a significant inflow of financial assistance which allowed for extensive investment programmes in both countries.

27. Remittances from Yemeni labour working mainly in the neighbouring oil countries constitute a large share of incomes in both countries. However, these private transfers have been mainly utilized for private consumption, and for investment in housing. Relatively high private consumption and current government expenditures, coupled with a high trade deficit, lead to domestic dissaving, i.e. consumption exceeding GDP, and to a drain on reserves. In Democratic Yemen, however, a relatively tighter economic management has put a halt to such excessive trends.

28. The largest share of planned investments is earmarked for the industrial sector, including mining and energy, followed by transport and communications and agriculture. Planned growth targets in the industrial sector of both countries were 13.9 per cent in Democratic Yemen and 17 per cent in Yemen. Both targets exceed the SNAPE recommended growth rate of 9 per cent. The actual annual average growth rate of industry in these two countries was estimated at 9.1 per cent in real terms in the period 1980-1983. This was in accordance with the declared SNAPE

target, yet, with 12.3 per cent growth, Yemen seems to have contributed more than Democratic Yemen. Between 1930 and 1983, Democratic Yemen experienced strong fluctuations in its industrial growth rates, owing to the irregular use of the Aden refinery.

29. The importance of the agricultural sector is still dominant in the investment programmes, as the two countries endeavour to reach nutritional self-reliance in the long run. Concurrently, the industrial sector is being strengthened, especially in the mining and energy fields, in order to reduce imports of consumer goods and hydrocarbons. Finally, the large investments in transport and communications, housing and social services are apt to distribute equitably the development benefits among an increasing proportion of the population of both countries.

30. Within the investment plans of both countries, there are some projects of transformational nature. Most of them, quite naturally, are in the agricultural sector, covering inter alia, the control of seasonal rivers, irrigation, horizontal and vertical improvement of agriculture and of power generation. In Democratic Yemen, outstanding projects in this respect are the development of the Aden port and the enlargement of the Aden refinery, including several related industries (gas, asphalt) and power generation. These projects, once completed, will have an impact on the whole subregion.

31. In the course of the investment plans preceding the current SFYDP, both countries achieved implementation rates of roughly 70 per cent. Considering the various constraints and the dependence on foreign capital, this rate is considered satisfactory. Despite these investments, however, the dependence on foreign capital subsists, as most of the projects, especially the ones in infrastructure have long gestation periods.

32. In order to improve their present economic situation, both countries would have to improve their production base, reduce consumption and mobilization of domestic resources, including tax revisions. In order to attract foreign resources, Democratic Yemen is encouraging investments by Yemeni nationals (i.e. emigrant workers and the citizens of the Yemen Arab Republic) through incentives such as customs and tax exemption, while the Government of Yemen has, as part of a package of measures, issued a special law to encourage foreign capital.

II. SECTORAL ANALYSIS

A. Food and agriculture

33. Both countries give the development of the agricultural sector high priority in their respective SFYDPs. This is neces-

sary and in line with the provisions of the SNPA, as food production in this subregion is very low. Furthermore, the greater part of the population is depending on agriculture for a living. In Democratic Yemen about 65 per cent of the population and about 45 per cent of the labour force are employed in this sector and in Yemen more than 80 per cent of the population with more than 70 per cent of the labour force are employed in agriculture. These figures are slowly declining in both countries, owing to the high rural-urban migration and the growth of other sectors.

34. The IDS and the SNPA both recommended an average annual growth in the agricultural output of 4 per cent. In Democratic Yemen, the annual growth rate of this sector was 13.9 per cent in 1981; thus it surpassed the provision recommended by the SNPA. However, in 1982 the growth rate of this sector was negative owing to the flood disaster. In Yemen, the past growth rates were very low, but for the SFYDP a rate of 4.8 per cent has been planned and is deemed feasible, despite the actual growth rate of 1 per cent in 1982 and the negative growth in 1983 owing to the destruction caused by the earthquakes in December 1982.

35. The contributions of agriculture and fisheries to the GDP in Democratic Yemen was 11.7 per cent, 11.1 per cent, 9.2 per cent and 9.4 per cent in 1980, 1981, 1982, and 1983, respectively. However, there was a decline in production quantities of the traditional cash crops, which was partially compensated for by an increase in the production of vegetables and fodder. As this trend does not sufficiently contribute to securing food for the population, the production of cash crops should be further encouraged. The agricultural contribution to Yemen's GDP declined from 34.7 per cent in 1979 to 26.0 per cent in 1982. The relative decline is envisaged as a result of faster growth in other sectors.

36. In 1980, the share of investments in agriculture in the total investments of Democratic Yemen dropped from 22 per cent to about 14.2 per cent in 1982. The causes were relatively higher investments in infrastructure and the social sectors. Quite the contrary, investments in the agricultural sector of Yemen grew at about 15.8 per cent per annum since 1978, reaching a share of 9 per cent of total investments in 1982. Both countries laid strong emphasis on the horizontal and vertical expansion of the agricultural production. A number of projects were started in the fields of land reclamation, expansion of irrigation, seed improvement and strengthening of the institutional framework in this sector. As special incentives for higher production, Democratic Yemen issued a new law, allowing farmers to sell 40 per cent of their produce on the free market, while the remaining 60 per cent still had to be sold through public corporations. With regard to Yemen, agricultural pro-

duction is encouraged, inter alia, by offering agricultural credit facilities to farmers.

37. Both countries try to strengthen the position of the mixed sector in agriculture in order to achieve better control over the distribution of food, easier financial control and better possibilities to implement overall policies and measures such as import control, training of manpower and research.

38. By setting up large, modern storage facilities, both countries intend to reduce post-harvest losses and to approach the goal of food security. At the same time, the procurement of suitable equipment and the provision of technical assistance and training are intended to raise the productivity of this sector. Pursuing these targets, both countries are on the way to fulfilling the recommendations of the SNPA. However, progress is slow, owing to a number of reasons, such as shortage of funds, weak physical and institutional infrastructure and the shortage of manpower.

39. Livestock production in both Yemens is largely dependent on the availability of water and consequently on feed for the animals. Improvements in water resources management as well as the introduction of new feeding materials such as fish meal will therefore improve the conditions of animal husbandry. Furthermore, both countries have embarked on a number of projects in cattle and poultry raising, aimed at increasing self-reliance in meat supply. For the time being, both countries are heavily dependent on food imports to meet the consumption requirements of the population, although livestock production accounts for about half of the total production of the agricultural sector.

40. Noticeable progress has been made in poultry and egg production, due to the installation of large modern poultry complexes. Concurrently, modernization and a better control of veterinary services will further improve this subsector's performance. However, in order to speed up this development, the possibility of inbreeding new, more productive kinds of cattle should be further investigated and promoted.

41. Democratic Yemen has planned several projects aimed at further increasing poultry and egg production and at spreading the veterinary services over the entire country. All of these projects include vocational and advanced manpower training. Yemen has forecast investments of about \$73 million during the SFYDP period for increasing poultry production, research in livestock and fodder improvement, expansion of veterinary services and training of local staff.

42. Both countries have long shorelines with coastal waters which are considered, especially in the case of Democratic Yemen, among the richest fishing areas in the world. Fish

catches and processing, however, are still low and unproductive. This is mainly due to inadequate infrastructure, insufficient facilities for transportation, storage and conservation, old equipment, the lack of trained manpower and inefficient management. Both countries are planning to raise production substantially, especially in view of the demand on the export market, and in view of the increasing national demand in connection with the processing industries and the need for livestock feed. The development plan of Democratic Yemen includes investments in the fisheries sector of \$95.3 million, out of which about \$52 million have been allocated to the construction and improvement of fishing ports. These improvements include cold-storage facilities which are also essential for the production and trade of livestock. Other projects currently under way or planned are in areas such as studies on meteorological and fisheries complexes, fish canning, storage, refrigeration and collection and purchase of trawlers and other equipment. The institutional structure of this subsector is expected to change during the course of the SFYDP so as to reduce the share of the public and private sector in favour of co-operatives.

43. The fish catches of Yemen amounted to 17,300 tons in 1982 after registering declining growth rates over the last five years. This slow-down in production was mainly due to inefficiency, aging equipment and management problems. However, the present production does not satisfy the local market and is far from reaching the capacity of 30,000 tons per year, which FAO has estimated as the production ceiling without depletion of the resource. During the SFYDP four fishery projects are therefore planned, with a total cost of \$33.1 million, aimed at increasing fish production by modernizing equipment and facilities and improving the infrastructure in such a way as to render more efficient after-catch operations such as storage, marketing and transport. Fish and shrimp breeding and fishing-net production are also encouraged as well as the construction of a fish canning and deep-freezing factory.

44. Finally, with regard to afforestation, the lack of water sets an almost absolute limit on any initiative at the present stage. After upgrading the irrigation and water-supply system, however, the problem of forestry could be tackled. It is known that the water problem hampered the implementation of some pilot afforestation projects.

45. Although progress is very slow, both countries were able to meet the provisions of the SNPA in respect to agricultural development. This was mainly possible through substantial external financial and technical assistance. Despite the 1982 floods, the outlook for Democratic Yemen is good, owing to the commendable performance during the recent past, the smaller population and the relatively advanced institutional framework. The difficult terrain, the large population and the traditional

institutional systems render Yemen's position more difficult. This country will require significantly higher assistance in order to implement the targets laid out in its development plan and thus to implement the provisions of the SNPA.

B. Human resources and social development

46. The major problem both countries are faced with now is brain drain and labour migration from the working population. Since about one third of the male working population has emigrated to neighbouring high-wage countries, both Yemens have a severe shortage of skilled and semi-skilled labour, which for the development projects has to be replaced by foreign labour and a remarkable shortage even in unskilled labour, especially in the agricultural and the construction sectors. Yet, the remittances of the emigrant workers are indispensable for the economy. However, the present slump in the oil-economies is expected to ease the shortage of certain skills in the two Yemens, but is also likely to create problems of labour surplus in urban centres and simultaneously, add to the problems of foreign exchange. The latter problem is already being felt in Yemen.

47. The social sector received, in 1982, only 5 per cent of total current government expenditures in Democratic Yemen. However, investment outlays in the social sector in 1982 amounted to 28.3 per cent of the total development expenditures. Investments in this sector registered an average growth of 31.5 per cent from 1980 to 1982. In Yemen, 38.4 per cent of total investments in 1982 went to social services and 23 per cent of total investments were used in housing. Investments have grown at an average rate of about 3.6 per cent per annum over the last 5 years.

(1) Education and training

48. The results of Democratic Yemen's efforts, undertaken since the early 1970s, are remarkable. At present, almost all children of 7 years of age are enrolled in primary schools, even in the remote and sparsely populated areas. A parallel-running adult literacy programme helped reduce the illiteracy rate to 51.2 per cent and 73 per cent for males and females respectively. All education is free. The growing number of students in Aden University and the rising enrollment in teacher training institutes, specialized schools (technical, commercial and agricultural) and vocational training institutes are expected to solve the prevailing problem of shortage of teachers and highly skilled manpower.

49. Because of the larger population of Yemen, it will take a longer time to achieve results similar to those in Democratic Yemen; however, efforts are moving in the same direction. A

literacy programme for adults is under way and primary schools are being set up also in remote places. Education at all levels is also free in Yemen. In this context the simultaneous improvement of the physical infrastructure is essential, but extremely expensive, owing to dispersion of habitations in mountains and desert localities.

50. Planned investments during the SFYDPs in the education sector amount to \$152.5 million in Democratic Yemen and to about \$507 million in Yemen, representing in Democratic Yemen 4 per cent and in Yemen about 8 per cent of the total Plan investment. The projects comprise construction and equipping of a number of schools, colleges, teacher and vocational training centres and other facilities for scholars and students.

51. In order qualitatively and quantitatively to increase skilled labour, both countries are increasing the number of vocational training facilities. At the same time, training on the job of local labour is strongly emphasized in the execution of development projects, thus reducing foreign labour and consequently decreasing pressure on the balance of payments.

52. Within the education sector and related administrative support, both countries are at present largely supported by friendly Arab countries in the form of technical assistance and supply of teaching personnel and experts. Financial assistance is provided by the United Nations system, regional organizations and individual countries.

(2) Health

53. The achievements of both countries are commendable in the field of health care, reduction of endemic diseases and availability of medical assistance. The overall standard, however, is still very low, owing to the remote and dispersed habitations and the lack of infrastructure. Life expectancy at birth in 1980 was 45.2 years and 41.5 years in Democratic Yemen and Yemen respectively. Infant mortality rates, with 145.9 (per 1,000) for Democratic Yemen and 159.3 for Yemen, are the highest in the region.

54. Measures are planned in both countries' SFYDPs, in line with the SNPA, to extend health care services all over the two countries with a view to reducing and eradicating endemic diseases, supplying medical equipment country-wide and upgrading and promoting health and nutrition education. In view of these measures, it should be possible to achieve an increase in life expectancy and a substantial reduction in infant mortality. The IDS target of 60 years life expectancy at birth, however, seems to be unrealistic for the two Yemens during the present decade.

55. Democratic Yemen plans to invest \$107.3 million (2.3 per cent of the total investment) until 1990 in the construction of hospitals, health centres, drug storage and distribution facilities as well as in disease control programmes, improvement of existing medical installations, purchase of medical equipment and institutional support. With regard to Yemen's SFYDP, it shows investments of \$147.6 million for similar types of projects and activities. Both countries put a strong emphasis on training of local staff.

56. Food security is increasingly safeguarded, in quantitative and qualitative terms, through the construction of ware houses and cold storage facilities and the extension of the distribution network.

(3) Housing

57. Owing to the rapid growth of the population and the rural-urban migration, housing has become an increasingly greater problem, especially in the urban areas. Both countries therefore embarked on public housing construction projects in the late 1970s, which as a by-product also allowed for better planning conditions in the infrastructure, industrial and social sectors. In view of the urgency and the limited resources, Democratic Yemen built two factories for prefabricated building materials, one of which is already operational. Many of the housing projects are based on the output of these factories, but other projects continue and are planned for the future, aimed at providing housing all over the country. In the investment programme expenses of \$418.3 million are foreseen until 1990, \$232.7 million thereof under the current SFYDP. About 90 per cent is expected to be covered by external sources. The SFYDP of Yemen has earmarked about \$632.2 million for housing, representing 13.3 per cent of the total planned investment. The public sector, however, keeps only about 7 per cent to itself. The remaining 93 per cent are expected to be invested by the private sector. The public sector's investment will comprise about 900 houses and flats distributed over the main cities. In view of the emergency measures after the 1982 earthquake disaster, the efforts needed for the replacement of dwellings under the reconstruction and rehabilitation programme will tremendously increase the demand for indigenous construction capacity and building materials.

C. Natural resources and energy

58. Both Yemens have not yet reached a stage where they can draw reasonable benefits from their relatively scarce natural resources. During the last few years, they conducted geological surveys and found a variety of minerals and ores worth extracting. The likely existence of oil deposits was also detected but the extent and economy of these finds have not yet been determined.

(1) Minerals

59. In Democratic Yemen the minerals currently extracted are salt, building materials, limestone and clay. Copper, iron ore, titanium and gold were also detected, but are not yet exploited. A cement factory, with a capacity of 250,000 tons per annum is expected to be operating in the Abyan Governorate, using the local limestone and supplying the local market. Salt production currently yields about 250,000-300,000 tons per year. This is expected to increase by using the solar evaporation process. Several studies in this respect were conducted by ECWA. During the SFYDP, several projects are planned for future extraction of other minerals.

60. In Yemen, although deposits of copper, iron, coal, lead, nickel, gold, silver and sulphur were found, the present exploitation is limited to quarrying (building materials) and the production of salt. Economic aspects of the exploitation are still being assessed. One of the main possibilities for replacing imports with national production lies in cement, which accounts for about one fifth of all import expenditures. Yemen is expected to be self-sufficient in cement with the opening of the third cement factory at Ma'arag - after Amran and Bajil - in the late 1980s. The most important of a number of projects planned in the SFYDP will be the Hamoura Copper Mining Project with a total cost of \$79.3 million taking up 39 per cent of total investment in this sector. Studies on the project have been completed and work is expected to start in the near future.

(2) Oil and energy

61. Highest priority is currently accorded to oil prospection in the two Yemens, particularly in Yemen where promising oil finds were discovered in the north-eastern region. Cautious estimates mention 200,000 barrels per day, whereas minimum economic exploitation is estimated at 50,000 barrels per day in that area. Owing to the difficult and capital-intensive nature of the pipeline to be extended from Ma'arib to the Red Sea, there will be considerable delays in the oil production and export. Moreover, the oil lake seems to be close to what are presumably also oil-rich areas of Democratic Yemen and Saudi Arabia, hence the need for closer co-ordination. Oil and gas

exploration also gives rise to optimism in other areas, such as the Tinama coastland and offshore area, but the extent of the reserves and the possible daily production is not yet known. Nevertheless there is a growing hope of Yemen soon becoming an oil-producing country. In Democratic Yemen, it was once hoped to produce slightly over the economic exploitation, estimated at 15,000 barrels a day in the offshore area. However, as the level reached 3,000 barrels a day, another concession was given to a Brazilian company. The Soviet Union is also assisting the country in the exploration of oil in the midland area.

52. Other energy sources in both countries are virtually non-existent. At present, electricity supply is dependent on imported oil and is limited to major towns and to individual industrial complexes. The distribution of electricity has faced great difficulties since the oil-price hike which started in 1973.

53. Oil, as the only source of energy, represents a very large part of the total import bill of both countries. The domestic potential to finance oil exploration is rather limited, yet domestic oil production could at least immediately and substantially reduce the countries' balance of payments deficits. It is of paramount importance that the donor community should devote more attention to the development of the energy sector in its programme of assistance to these countries.

D. Manufacturing industry

54. The First Five Year Development Plans (FYDPs) of both Yemens concentrated on improving the infrastructure, mainly in land transport and communication, in order to pave the ground for accelerated development in the years to come. This development continues, but at the same time the ongoing Second FYDPs emphasize growth of the productive sectors (agriculture, fisheries, mining and manufacturing) in order to approach the goal of self-reliance and consequently to reduce imports and balance of payments deficits. As both countries are almost starting from zero, the question of intra-regional co-ordination and diversification is not to be considered a limiting factor until the two countries reach the stage where they can start exporting. In the long run, however, a stable export market could be very difficult to maintain, without proper co-ordination with the other countries in the region. This needs to be borne in mind by planners and policy-makers in both countries when developing future industrial development programmes and formulating related policy measures.

55. The SNPA calls for an annual industrial growth of 9 per cent or more. Both countries, Democratic Yemen with 13.9 per cent and Yemen with 17 per cent, are planning to exceed this growth rate in their respective SFYDPs. The actual growth rate

of 9.1 per cent as an average annual growth rate for the Yemen subregion as a whole in this sector seems to be in line with the SNPA objectives. The policy-measures laid out in the SNPA are basically observed by the two countries.

56. In Democratic Yemen, the Aden refinery, established in 1954 by British Petroleum (BP) and purchased by the Government in 1976, is by far the largest industry in the country. Following the closure of the Suez Canal (1967-1975) the refinery's production promptly declined to below the break-even point of 3.4 million long tons. After that period, efforts made by the Government to regain previous customers resulted in gradual success by increasing the utilization of the refinery's capacity to slightly over the break-down point in 1982. However, new refineries in the area, with their advanced technologies, are competing heavily with the Aden refinery, adding to the adverse effects of its over 30-year-old equipment and the outdated anchorage facilities. The modernization of the plant, therefore, is the most urgent and costly industrial development project in Democratic Yemen. Investments of \$178 million are anticipated (of which \$160 million extremely financed) which will cover the expansion of the maritime anchorage, renovation of the power plant, a gas liquefaction plant and an asphalt plant.

57. The production of the other manufacturing industries in Democratic Yemen is small, but the overall performance is improving. The average growth in production of the main industries rated at about 30 per cent in 1982. The public sector investment in the manufacturing industry is low, but is increasing rapidly. In areas such as salt, food, plastics, textiles, chemicals, cigarettes and others, investment of about \$75 million are planned during the SFYDP.

58. As the emphasis of Yemen's SFYDP is on improving the infrastructure and the living conditions in the country, the industrial sector emphasizes the production of primary goods, mainly building materials. There is therefore stress on the use of domestic raw materials, higher efficiency and vocational training for local labour, in order to reduce imports in goods and manpower. Almost 44 per cent of the total industrial investment programme for 1982-1985 are earmarked for the building materials industry followed by food (13 per cent), the metallurgical industry (12.1 per cent) and chemicals (10.5 per cent). Apart from the above-mentioned investments, 54 industrial projects are planned for the SFYDP, covering areas such as the textile industry, wood and timber, printing and publishing, leather industries, cottage industries, and manpower training. Total industrial investment in Yemen is planned at \$780 million during the SFYDP, increasing by an annual average of 15 per cent over the five years. The public sector will spend 56.5 per

cent, the private sector 31.5 per cent and the mixed sector 12 per cent of this amount.

E. Infrastructure

(1) Transport and communication

69. The lack of access from the remote areas to market places as well as from relatively higher developed (mostly urban) areas to the small scattered villages is one of the salient reasons for the difficult situation of the countries. It is therefore natural that the earlier Development Plans placed emphasis on the development of the infrastructure. Only a few major cities, however, could be connected, whereas other infrastructure components were improved to only a limited extent. During the Second FYDPs, activities started earlier are expected to be completed and improvements to be extended to more remote areas.

70. In Democratic Yemen, the transport and communications sector contributed 15.2 per cent to the GDP in 1980, which was the third highest contribution. The sector grew at about 19.25 per cent from 1977 to 1980. The growth rate for the SFYDP period 1981-1985 is expected to be 14.5 per cent. This rapidly growing sector now employs about 9,000 people in the public sector and comprises about eight public authorities and companies.

71. Investment in this sector in 1982 reached 12.7 per cent of total investments, growing at an average 11 per cent annually over the last five years. Several projects are underway or in the planning stage, aiming at the renewal of Aden port, as well as the construction of a new port at Kialaf in the Hadramout Governorate. The total cost is estimated at about \$124 million, out of which \$89 million is expected from foreign sources.

72. Road transportation is taking full advantage of the nearly 1,600 kilometres of asphalted roads, and the several thousand kilometres of new gravel roads, which are of prime importance in connecting the scattered habitations in Democratic Yemen and which eventually will be replaced by paved ones. Several projects also aim at connecting both Yemens. It is planned that more than \$400 million will be invested in 581 kms. of paved roads until the end of the decade including the maintenance of the existing network and purchase and maintenance of rolling stock. In addition, roads and equipment that were damaged in the 1982 floods will be repaired and replaced.

Finally, several projects aim at expanding the telecommunications network at a cost of about \$13.6 million, for which the Arab Fund for Economic and Social Development extended a loan of about \$4.5 million in 1982.

73. In Yemen, the transport and communication sector is expected to grow at 5 per cent per annum during the SFYDP. Although the sector's contribution to GDP is planned to rise from \$104 million in 1981 to \$144 million in 1986, its percentage share in GDP will remain almost unchanged, at about 3.6 to 4 per cent, owing to increases in other sectors.

74. Owing to the dominating role of the port of Aden, the ports in Yemen could not play a strategic role in the recent past. Their size, therefore, remained limited to the traffic needs of the country itself. During the last two decades, however, with the increasing inflow of aid and resulting rise in imports, the port of Hodeida emerged as the major port of the country. However, despite expansion programmes the capacity of ports in Yemen has remained limited, resulting in severe congestion for a considerable time. During the period of the first FYDP, two other major projects were implemented, namely the construction of the new port Ras-el-Kathib and the expansion of the traditional port of Mokha. Further projects are included in the SFYDP for improving the maritime transport capacity of the country. This includes renewal and expansion of discharging equipment; construction of warehouses and lighthouses and refurbishing of quays and wharves in the ports of Kathib, Mokha, Hodeida and Salif.

75. The road network of Yemen built by the public sector grew by about 22 per cent during 1982, reaching 2,948 kms in length. A number of projects are under way connecting industrial centres and extending into Democratic Yemen.

76. The steadily increasing traffic in the airports of Yemen requires the adoption of various facilities. Plans have been made, during the SFYDP, to enlarge and improve the airports in Sana'a, Ta'izz, Hodeida and various smaller towns as well as to renew equipment and improve ground services. The cost is estimated at \$157.6 million with an 83 per cent share of foreign assistance.

77. The telecommunications and postal services in Yemen are planned to be expanded in the cities and country-wide, with international and inter-continental connections, installation of a telex network and construction of post offices and other administrative buildings.

(2) Water and electricity

78. A supply of clean drinking water is one of the most important priorities in the development programmes of the two Yemens in order to reduce the number of diseases and raise the health standard of the population in both countries. Democratic Yemen has therefore planned 25 water supply projects until the end of the decade. A large number of these were planned for completion during the first half of the decade, but owing to lack of funds and the necessity of redeployment of resources for flood disaster relief, many of the projects had to be rescheduled to some later date. Eight projects, however, could be completed, doubling the available quantity of drinking water.

79. Similar progress has been also made in the field of electrical power generation in Democratic Yemen, where production increased by 14 per cent against the previous year, reaching 399 kW in 1982, with another three major projects being on the verge of completion. Additional 11 small projects for power generation and distribution in the remote areas of the country are scheduled for the SFYDP (1981-1985).

80. Yemen's electricity and water sector was expected to achieve an annual growth of 25 per cent, with investments expected to total \$520 million. The electricity subsector comprises seven big projects aimed at increasing the power supply, improving and expanding distribution, extending power supply into rural areas and providing institutional support. The major project is the 160 MW Al-Mukha power station, partly financed by Italian soft loans of \$US 100 million and partly by a soft loan from the Kuwait Fund for Arab Economic Development (KFAED). Saudi Arabia is providing \$US 31.3 million for financing the Al-Mukha distribution system.

81. In the water and sewerage subsector, five projects are envisaged in Yemen, covering water supply and sewerage extension for Sana'a, Hodeida, Ta'iz, Ibb and Dhamar. Planned investment totals 244 million with 65 per cent as foreign participation.

F. Construction

82. Construction represents the major component, if not the whole, of most projects of both countries' development plans. The implementation of it requires a high technical, operational and financial potential in this sector. The technical and operational potential of both countries is very limited and subsequently gets replaced by foreign know-how and labour, which puts considerable strain on the financial potential and the balance of payments.

83. Both countries therefore plan to reduce costs in this sector by strengthening the local potential and raising efficiency

through comprehensive training. Additionally, it is planned to procure necessary equipment and raw materials, and to introduce modern and appropriate technology.

84. Financially, a base will be laid for foreign investments and for joint ventures with foreign companies. At the same time, the private sector will be given the opportunity to participate in this sector and upgrade its own potential.

85. For these objectives, which are not expressly mentioned in the SNPA but are in line with the overall objectives and policies of the Programme of Action. The two countries have allocated resources (\$46 million in Democratic Yemen and \$142 million in Yemen) in their Second Five-Year Development Plans.

6. Foreign trade

86. Both countries are faced with very low export receipts and at the same time are heavily dependent on imports. Exports in 1980 covered only 9.9 per cent of the imports in Democratic Yemen and only 0.8 per cent in Yemen. This ratio is deteriorating to an estimated 6.2 per cent for 1981 and 4.8 per cent for 1982 in Democratic Yemen and to 0.6 per cent for 1981 and 0.2 per cent for 1982 in Yemen. The balance of commodity trade in both countries is chronically negative, with a deficit increasing at about 17.3 per cent annually (1977-1982) in Democratic Yemen and at 18.9 per cent annually (1977/1978/1982) in Yemen. The SFYDP of Democratic Yemen projects an annual average growth in the export sector of 13.2 per cent as opposed to a growth in imports of only 6.1 per cent. In Yemen, trade is expected to grow at 6 per cent annually during the Second Plan Period. Services are expected to grow at 7.5 per cent per annum. These targets are unlikely to be reached, considering the almost stagnant exports over the last five years and the imports increasing at an annual rate of 15.4 per cent in Democratic Yemen and 18.8 per cent in Yemen.

87. Most of the policy-measures of the SNPA, especially the ones with long-term effect, are not properly taken into account in the national plans of both countries. This is partly due to the limited resource base of the countries and the presently very narrow range of products suitable for exports, against large import requirements.

88. The production of both countries is presently oriented to national requirements, which is quite obvious in the context of self-reliance. Consumption surveys are planned in order to ascertain consumers' requirements. However, there are no plans for diversifying production and developing export-oriented industries.

89. A similar situation prevails with regard to imports. Both countries are planning to reduce imports and keep the prices under control. Measures supporting these objectives have been undertaken by constructing warehouses and cold storages facilities and strengthening public control to ensure equitable distribution among the areas and the population.

III. FOREIGN ASSISTANCE

A. Main developments

90. The heavy trade deficits, estimated in 1982 at \$745.3 million in Democratic Yemen and \$1,920.9 million in Yemen, combined with ambitious development plans, render both countries heavily dependent on foreign financial assistance. This situation and the necessary redeployment of resources for the rehabilitation and reconstruction of devastated areas, after the 1982 natural disasters, will reduce the implementation rate of the respective development plans, unless international support is stepped up considerably.

91. All donor countries agreed to contribute up to 0.7 per cent of their GNP to the ODA until 1985, 21.4 per cent of which (or 0.15 per cent of the GNP) are to be earmarked for the least developed countries. According to the IDS, this contribution should be stepped up to 1 per cent of the GNP as soon as possible after 1985.

92. Although some donors even exceeded this target, taking into account the bilateral and multilateral assistance given, total support is still not sufficient to enable the countries to achieve the full implementation of the SVPA provisions.

93. About one third of the total assistance extended to the two countries was in the form of non-reimbursable grants, either in cash for budgetary and balance of payments support, as commodity grants or in the form of technical assistance. The latter two were offered mostly in connection with development projects. The major part of these grants came from Arab countries.

94. Until the end of 1982, the total loans committed to the two LDCs of the region amounted to about \$1,630 million to Democratic Yemen and about \$2,130 million to Yemen. Up to 1982 already 50 per cent of these loans had been disbursed, which showed an increasing absorptive capacity and improvements in institutional, physical and human infrastructures. Regarding the aid to Democratic Yemen, 67 per cent of it originated from socialist countries of Eastern Europe, followed by 21 per cent from Arab funds and individual Arab countries and 12 per cent from international agencies. For Yemen, the donors are more diversified, with 40 per cent of the assistance coming from

individual non-Arab countries, 37.5 per cent from Arab countries and 22.5 per cent from international and multilateral agencies.

95. The terms of the loans extended are sufficiently favourable, as grace periods range from 5 to 15 years, maturities varying from 18 to 50 years and interest rates are very low. Cash loans carry interests of from 4 to 6 per cent, but they are frequently converted into grants or are rescheduled for the convenience of the recipient country(ies).

96. Despite these concessions, the amount of debt service payments in both countries has risen sharply during the last few years. In Democratic Yemen, debt service payments reached almost 1.5 per cent of GDP and made up approximately 1.7 per cent of the total aid disbursements of the year 1982. Similarly in Yemen, the debt service payments in 1981 amounted to about 2 per cent of GDP and absorbed about 2.5 per cent of disbursements.

97. Both countries, and especially Democratic Yemen, have therefore invested foreign capital preferably in projects with low capital-output ratios, strong foreign exchange earning potential and rather short start-up periods. These measures, however, cannot be expected to show results in the short-run, owing to the longer gestation periods of some large projects. In the meantime, international assistance will have to be considerably stepped up and the terms further softened, as called for by the SNPA, in order not to reduce the effectiveness of such assistance.

B. Aid modalities

98. In order to improve the quality and effectiveness of the ODA, the SNPA proposes a number of measures which donor institutions should observe and implement. According to these measures assistance should be given: (1) as grants or highly concessional loans, taking into account inflationary tendencies; (2) for programme and project financing on an united basis, acknowledging longer-term socio-economic effects; and (3) for balance of payments and government budget support, and for recurrent costs and development and financing institutions. Moreover, using national development agencies and taking into account the national financial and administrative potential, assistance could be extended for disaster relief and in the form of technical know-how and technology transfer. Most of these provisions were met to a limited extent. Advanced payments of funds are resorted to only on a very limited scale. Furthermore, both countries encountered difficulties in getting commitments disbursed at the time when they were needed. At the same time, too much assistance was tied, thus possibly reducing its effectiveness. Problems in these areas could be reduced through the interposition of an objective and impartial clearing

agency, a role that multilateral institutions are best suited to perform.

99. Food aid has been received by both countries in connection with projects and disaster relief. However there is a dire need for food aid to be increased as, apart from the obvious effect, it creates counterpart funds, which can be used in the local financing system, thus supporting the countries' resource build-up.

100. Owing to the lack of skilled and educated manpower in both countries, technical assistance is of primary importance, whether received on a bilateral or multilateral basis. Such assistance extended to the two LDCs presently comprises, inter alia, the provision of experts and teachers and advisory services in all fields and at all levels. At times, technical assistance is extended on a loan basis, whereby the recipient country might have to bear the cost of the services received. In these cases, a very careful evaluation of the costs-benefits including interest would be advisable.

C. Disaster relief assistance

101. Given the already difficult situation of the two countries, they suffered severe set-backs in 1982, when both were hit by most destructive natural disasters. In March 1982, torrential rains hit Democratic Yemen and led to extensive floods, which left about 500 people dead and 50,000 homeless and destroyed about 50,000 livestock and 25,000 houses as well as a large number of bridges and wells. Large areas of farmland were washed out. In spring 1983, the affected areas were repeatedly hit by new floods, which increased the damage and rendered the repair and reconstruction efforts more difficult and costly. The total losses at the end of 1982 were estimated at about \$975 million and the total continued to rise in 1983.

102. Relief measures in cash and kind by individual countries and the international community started immediately. More than \$15 million were extended to Democratic Yemen by Arab countries and various multilateral organizations and about \$1.25 million were made available by Yemeni migrants. The United Nations organizations, including the World Food Programme, UNICEF, World Health Organization, FAO, JNDP and the Office of the United Nations Disaster Relief Co-ordinator, contributed more than \$4 million, much of it in kind. The bilateral assistance from almost all Arab States was led by Saudi Arabia with about \$9.5 million. Considerable aid was also received from several European countries.

103. During the emergency stage, the assistance provided by bilateral and multilateral donors was essential. This assistance, however, did not continue to the same extent into the

rehabilitation and reconstruction phase. This forced Democratic Yemen to revise its development plan. Funds had to be allocated primarily to provisional repair of the damages and the permanent reconstruction became part of the revised plan. This, however, led to the cancellation or delay of other urgently needed development projects and measures. The financing of a comprehensive programme of financial, technical and material assistance, as called for by the international community, (General Assembly resolution 37/150 of 17 December 1982, Economic and Social Council resolution 1982/59 of 30 July 1982 and ECWA resolution 107(IX) of 11 May 1982).

104. Yemen's Dhamar province was struck by heavy earthquakes in December 1982, causing extensive damage to life and property in the area, killing 3,000 people and leaving 150,000 people homeless, 42,000 houses destroyed or damaged and many infrastructural installations damaged. The total damage is estimated at exceeding \$3,000 million.

105. The Yemen government started relief measures immediately and was supported by extensive assistance, initiated by a grant of \$2.5 million from Saudi Arabia. Upon request of the Yemen Government, a joint mission consisting of experts from the International Development Agency (IDA), KFAED, the Arab Fund for Economic and Social Development (AFESD), the Organization of Arab Petroleum Exporting Countries (OAPEC) and ECWA visited the affected areas and formulated a rehabilitation and reconstruction programme.

105. After the immediate emergency aid, mostly Arab countries and citizens donated about \$40.4 million in cash for the reconstruction and rehabilitation phase. At the same time, the Yemen Government started levying a tax for reconstruction, which is estimated to yield about \$40 million in two years. These contributions were not encouraging, with resources on hand covering only about 15 per cent of the estimated reconstruction cost. The situation, however, changed rapidly after the recent meeting of the Gulf Co-operation Council, during which commitments to Yemen of about \$43 million in grants and a further \$145 million in loans were made. Subsequently, in accordance with General Assembly resolution 38/204 of 20 December 1983, further assistance was committed by individual Arab and friendly countries and organizations and Arab citizens. The disbursed and committed aid thus covers the entire rehabilitation and reconstruction programme of Yemen, allowing the country to continue in the implementation of its development plan.

107. The adverse effects of the disasters will continue to reduce development efforts in both countries for years to come. In summary, it can be said that the provisions of the SNPA with respect to disaster assistance have been fulfilled in the case of Yemen. Regarding Democratic Yemen, they were not sufficient-

ly fulfilled. The General Assembly at its thirty eighth session adopted resolution 33/206 of 20 December 1983, which called for assistance to Democratic Yemen; it is hoped this will bring about the desired results.

IV. CONCLUSIONS AND RECOMMENDATIONS

108. Over the last decade, both countries have achieved considerable progress in their socio-economic development and have laid the foundation for future improvements and the implementation of the SNPA.

109. The problems prevailing in Democratic Yemen and Yemen could be divided into three categories, which are interrelated: (1) problems, which were taken care of in the respective SFYDPs; (2) problems, which are pertinent in both countries and which hamper the implementation of the SFYDP; and, (3) external problems, which affect the two countries but which are beyond their influence.

110. As the SFYDPs of both countries are comprehensive socio-economic plans mostly in line with the SNPA, a large number of problems have been tackled in those plans. Many of the policies and measures implemented through the SFYDPs require time and financial resources in order to achieve the required results. For this category of targets, as with most of the sectoral measures and targets, the fulfilment of the provisions of the SNPA is possible if sufficient funds can be secured. As mentioned earlier, some SFYDP-targets are set too low compared with the SNPA (e.g. overall growth in Yemen) but in most of these cases actual achievements are likely to be higher than both the SFYDP- and the SNPA- targets.

111. The second category of problems will require extraordinary measures. Nevertheless, solutions to those problems are essential for the implementation of the SFYDP and the SNPA. The most salient of these are:

a- Carefully studying the economic and social implications of internal and external and return-migration of labour and its remittances with the view to designing policies and arrangements at the national and regional levels in line with development objectives;

b- Rationalizing government expenditures and improving the structure and administration of government revenues, thus enhancing mobilization, allocation and management of financial resources for development;

c- Rationalizing imports and promoting export diversification with a view to reducing trade deficits and encouraging domestic production in areas that have the potential.

d- Reversing the downward trend of agricultural production.

Finding solutions to these problems will require an interdisciplinary approach and assistance by the international community.

112. Thirdly, given the two countries' heavy dependence on foreign financial assistance, the economic recession in donor countries adversely affects these two LDCs. Many donors could not keep up their commitments in respect of contributions, thus leaving the LDCs short of necessary financial assistance. The two countries have now reached a stage where further aid can be easily absorbed in the development process, but also where the lack of financial resources can also be directly translated into cancelled or delayed projects. It is therefore necessary to increase the aid and to improve its modalities in favour of the LDCs in order to keep up the momentum of the development process.

113. There is scope for increasing technical co-operation between the two countries, through joint ventures and other forms, in order to bridge the know-how gap, save many cost-components of development expenditures, and establish stronger economic relations.

114. A continuous dialogue between the donors and the two LDCs has to be kept up, so that assistance can be rendered most efficiently and the actual requirements of the two countries can be met, thus supporting their development efforts most effectively.