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PROGRAMME PLANNING

Country and intercountry programmes and projects

FOURTH COUNTRY PROGRAMME FOR DEMOCRATIC YEMEN\*

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
1987-1991	IPF for 1987-1991	12 853 000
	Borrowing from third cycle	336 000
	Other resources programmed	2 412 811
	Total	14 929 811

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\* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; and (d) distribution of new country programme by sector.

## I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. Democratic Yemen (PDRY) is one of the world's least developed countries. Its current estimated population of 2 million is growing at a rate of 2.6 per cent per year. Poor in natural resources, it is also characterized by a very harsh climate and geography. For these reasons, the PDRY has relied largely on foreign sources of financing to develop its economy.
2. After attaining independence from the United Kingdom in 1967, Democratic Yemen based its development on the principles of central planning and collective ownership of the means of production. During its first years of sovereignty, the country faced serious economic problems originating from the collapse of its colonial service-oriented economy and the seven-year closure of the Suez Canal. These difficulties notwithstanding, an average annual growth rate of gross domestic product (GDP) of 8.7 per cent\* was maintained between 1970 and 1981, largely because of the Government's success in attracting foreign assistance for its development programmes and through remittances from Yemenis working in the oil-rich countries of the Arabian Gulf.
3. Notable improvements have been made in the provision of basic services in health and education, the distribution of food and the establishment of basic infrastructure such as road and air networks to further national integration. Through these achievements, the Government has begun to take significant steps towards the realization of the fundamental goals of the post-independence leadership, namely national unity and social equity.
4. Successive Governments have pursued a policy of transforming a traditional economy into a production-oriented one. Investment priority has consistently emphasized the productive sectors of agriculture, fisheries and industry (including mineral resources and energy); these have repeatedly received the largest share of investment, with state and co-operative organizations playing a lead role in each sector. So far none of these sectors has generated enough surplus to serve as a major driving force for economic growth. The combined effects of inadequate infrastructure, equipment shortages, low labour productivity and weak management have reduced the utilization of capacity and limited the potential in each sector.
5. Agriculture employs 40 per cent of the active labour force and contributed approximately 11 per cent to GDP in 1983. Low and erratic rainfall averaging no more than 50 millimetres per year, the absence of perennial streams, a mountainous terrain and few areas of good soil severely limit agricultural potential. Although a significant portion of development expenditure has gone into the sector (22 per cent in the First Five-Year Plan, 1974-1978, and 12 per cent in the Second Five-Year Plan, 1981-1985), investments have been made primarily in agricultural infrastructure such as land levelling, irrigation canals and weirs, largely for state farms and co-operatives. Because these investments will show returns only

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\* World Bank, World Tables, Third Edition, Volume I, "Economic Data", 1984.

over the longer term and because of serious droughts and floods in successive years, production levels have fallen short of the 9 per cent annual growth rate target in the Second Five-Year Plan. As a consequence, agricultural imports for a rapidly growing population are increasing at more than 2.5 per cent per year, and food imports alone were more than Yemeni dinars (YD) 70 million in 1985. (The Yemeni dinar is worth 2.92 US dollars.)

6. The fisheries sector contributed about 4 per cent to GDP in 1985. In contrast to its paucity of land resources, the country enjoys some advantages in its maritime resources: the continental shelf abutting its long shoreline (1,500 kilometres) is rich in marine life and thus represents the country's major exploitable natural resource. As in agriculture, investments have been long-term in nature, mostly in infrastructure: improving ports and cold storage facilities in support of the co-operatives and public enterprises and equipping the industrial fleet with modern boats and fishing gear. Therefore, a corresponding increase in production from these investments, too, has not yet emerged.

7. The industrial sector contributed 22 per cent of GDP in 1982, and employs 11 per cent of the labour force. In the Second Five-Year Plan, it had the largest share (26 per cent) of development expenditure. There is little knowledge of subsoil resources and no substantial mineral deposits have so far been discovered. As in other productive sectors, under-utilization of production capacities and a shortage of skilled manpower continue to present obstacles to improved performance. The outflow of skilled labour to oil-rich nations has exacerbated this situation, but the recession in the Gulf region may encourage the return of skilled expatriates to Democratic Yemen.

8. The balance of payments showed a deficit in 1984 and this situation is expected to persist for some years as the country faces the challenge of increasing its foreign exchange earnings. Less than 5 per cent of imports were financed by foreign exchange earned from exports in 1985. In that year, imports (mainly food products, petroleum, textiles, cement, machinery, electrical appliances and industrial materials) amounted to YD 241 million while exports reached YD 10.5 million (primarily fish, cotton, hides and skins, salt, honey and tobacco). Since 1974 the country has depended heavily on remittances and the economic downturn in the Gulf has reduced the income of Yemeni workers abroad and put job prospects in doubt, resulting in a sharp decline in cash inflow. Remittances had peaked in 1983, forming more than 50 per cent (\$451 million) of GDP, and were channelled mainly into the private sector in trade, construction and small-scale services. The decline began in 1984 and dropped off by the end of 1985 to about one third of the 1983 level. Stabilization at this level is expected for the next few years and will require a major urgent adjustment in the country's economy.

9. Recent events have set the economy further back. Widespread floods in 1981 and 1982 inflicted severe damage to both production facilities and infrastructure and led to the dislocation of a great number of rural families. These disasters obliged the Government to rechannel a considerable part of its scarce financial resources towards immediate relief and reconstruction operations, thus seriously undermining the targets of the Second Five-Year Plan. The Third Five-Year Plan whose implementation was due to start in 1986 has now been similarly affected by the civil unrest of January 1986.

10. The dependence on externally based financing for its economic growth has exposed the country to changes beyond its control in the world economic situation. The Government is attempting to reduce this dependence by redirecting its activities towards generating more growth from within the country. For the next few years, as it adjusts to lower remittance levels and improves the performance of its productive sectors, Democratic Yemen will be acutely dependent upon foreign assistance to fund investments and to cover its balance-of-payments deficits. Discussions are under way with some major bilateral donors for a medium-term rescheduling of debts. Denmark is now providing all assistance in the form of grants.

#### B. National development strategies

11. The directions of the Third Five-Year Plan (1986-1990) were endorsed by the Council of Ministers late in 1985 and the Plan itself was to be finalized early in 1986. After the January events, the new Council of Ministers endorsed the overall approach, although it decided to proceed with a one year investment plan for 1986 and to revise Third Plan investment targets thoroughly. The investment plan for 1987, incorporating new resource estimates based on more recent lower estimates of remittances, has also been finalized.

12. The fundamental sectoral orientation of the Third Plan will not differ substantially from that of previous plans. However, there will be a noticeable shift in emphasis from a growth-oriented policy based on the continuing injection of capital investment to one where growth is achieved through improvements in efficiency and labour productivity. The objectives will be:

- (a) A consolidation of the productive base of the economy, through increased returns on past investments;
- (b) An alleviation of infrastructure constraints on production; and
- (c) A consolidation of gains achieved to date in meeting the basic human needs of the population.

13. Because the productive sectors are the principal contributors to the economy, they will remain central to the Third Plan, which will focus particularly on those units that have the greatest capacity to contribute to economic growth. Implementing such a strategy requires important changes to develop the human resource base, reorganize the economy, improve planning and management, and strengthen intersectoral co-ordination.

14. Unfavourable international economic conditions, including high prices for imported goods and declining transfers from Yemeni expatriates, combined with local factors, such as low utilization of production capacity and a low return on investment, began to restrain economic growth severely in 1984. The Government's reduction of public investments with a substantial foreign exchange component in 1986 has raised the dilemma of how to preserve the pace of development, while avoiding a decline in real growth rates. Finding a suitable balance between

resource availability and the pressing needs in all sectors involves making difficult choices so as to arrive at a rational allocation of resources without creating further distortions in the economy.

15. The Government realizes the absolute necessity of remaining within the limits of a manageable debt burden so as not to jeopardize the economic independence of the country. In order to deal with the difficult financial situation, the Council of Ministers decreed that there would be no international commercial borrowing for development projects, and the Government has begun to implement a set of comprehensive measures, inter alia:

- (a) Improved planning and better control of the economy;
- (b) Greater efficiency in the use of raw materials;
- (c) Reductions in the recurrent budget for public administration;
- (d) Emphasis on increasing exports and limiting the size of, and exercising greater control over, imports;
- (e) Reorganization of some ministries and public enterprises to increase their contribution to meeting domestic market requirements; and
- (f) Introduction of greater discipline in the work force.

16. A total investment of YD 540 million is envisaged for the Third Plan period, distributed as follows: 58 per cent for the productive sectors (agriculture, fisheries and industry), 18 per cent for productive services (defined as transport and communications), and 24 per cent for social services (principally health, education and housing). Internal sources will cover 48 per cent of the requirements (with about two thirds covered by government financing and one third by the budgets of public enterprises) while the balance (52 per cent) will have to be mobilized from external assistance.

17. The agricultural sector has the threefold responsibility of satisfying the increasing needs for food, providing industry with necessary raw materials and generating surpluses for export. In addition to meeting a larger share of food requirements, the fisheries sector is expected to increase the export of high quality products needed to reduce the balance-of-payments deficit. Considered the key to economic growth, the industrial sector will again receive the largest investment allocation. It is therefore expected to grow at a faster rate than other sectors, to reduce the demand for imported processed food and to meet the need for light industrial products and building materials. Resource exploration will be increased in the Third Plan period through an intensification of efforts to assess potential mineral resources using a range of international expertise from several sources. Infrastructure investments more modest than those of the past will concentrate on extending major roads into productive areas that have not been integrated into the economy, improving port facilities in Aden to permit the berthing of larger ships and the acceleration of loading and unloading and expanding the basic telephone system to link all Governorates. The Plan recognizes

the need for continuing improvements in the standards of education, health, housing and other social services because of their high impact on human resource development and labour productivity.

18. Within this sectoral focus, the directives for the Third Plan concentrate on completing ongoing projects and implementing rehabilitation and reconstruction projects. Several projects in the first draft have been deferred for lack of funds. The one-year plan for 1986 limited investment to selective projects for which 70 per cent or more of external financing was secured and the completion of priority projects most likely to contribute to a rapid increase in growth.

### C. Technical co-operation needs and priorities

19. As indicated earlier, substantial development assistance, bilateral and multilateral, is crucial to Democratic Yemen, given its narrow resource base and its need to adjust to lower remittance levels and to improve its economic performance. Indeed, the country's capacity to mobilize external financing determines, to a great extent, its ability to invest and therefore to generate economic growth. The fact that 52 per cent of the total investment expenditure required to implement the Third Plan will have to be met from foreign assistance or external borrowings illustrates the tremendous need for both capital and technical assistance. From 1973 to 1983, the country's average annual per capita Official Development Assistance (ODA) receipts stood at \$45.5, making it one of the 25 largest per capita aid recipients, even though the sum fell far short of the amount required. The absence of a known natural resource base on which to build sustainable development makes it difficult to see how this dependence on external resources can be reduced significantly. The Government has made a serious effort to implement the resolutions of the Substantial New Programme of Action (SNPA) for the 1980s for the least developed countries. These efforts will have to be complemented by substantial support from the international community to enable the country to achieve its development objectives and to increase self-sufficiency within the framework of the SNPA.

20. Technical assistance priorities were established only after assessing sectoral constraints and bottle-necks identified over the past three years. The World Bank's mid-term review of the Second Five-Year Plan of May 1985, reports of specific International Development Association (IDA) project appraisal missions, and various studies such as that of the Agriculture and Fisheries sectors done by a Programming Mission of the Food and Agriculture Organization of the United Nations (FAO) in September 1985, have shed considerable light on the constraints facing the country and the nature of the technical assistance needed to overcome them. Some constraints are common to all sectors: (a) weak institutional structures leading to less efficient management and planning; (b) lack of a reliable data base; (c) inadequate budgetary planning to ensure that long-term activities continue when specific project assistance ceases; (d) inefficient use of equipment and machinery due to inadequate maintenance; and (e) a shortage of both qualified professional manpower and adequate training facilities. With government emphasis on achieving a higher rate of return on previous investments, technical assistance to increase the efficiency of the productive sectors is a priority.

21. Despite the limitations imposed by its harsh physical environment, agricultural production in Democratic Yemen could be increased substantially through periodic price reviews, better organized and focused research programmes on selected high-yield crops, more efficient on-farm water management, reduced post-harvest losses of fruits and vegetables, improved productivity in animal husbandry and steps to deal with desertification and soil erosion both in agricultural and rangeland areas. To support the underlying government development strategy, technical assistance is to be used for projects which expand the food supply, increase exports or save foreign exchange.

22. Similarly, the fisheries sector is faced with extensive constraints whose reduction would increase both local food availability and foreign exchange earnings. Deficiencies include weak management in public sector enterprises, lack of incentives and facilities for coastal fishermen, insufficient logistical support in both the transport and marketing of the catch, weak training facilities in catching, handling and processing fish and lack of essential data on available fish resources.

23. In industry, with its limited base and aging capital stock, the priority need is to address shortages of skilled manpower, low labour productivity and high production costs so as to enable this sector to make its expected contribution to the economy. Updated studies may be required to assist the Government in making sound decisions on investment priorities.

24. In transport and communications, a major need is to upgrade the cadres of skilled technicians capable of absorbing the latest technologies in these highly specialized sectors. Assistance is required to ensure an adequate number of qualified graduates in engineering and at the technician level in related technical fields, both in recognized institutions and through specialized in-service training programmes.

25. Human resource development is a fundamental priority in all sectors. The Government recognizes that an improved return on capital investments depends on having the personnel necessary to manage and maintain those investments effectively. Emphasis previously placed on satisfying immediate capital investment requirements is now being shifted to the need for viable and adequately staffed institutions. A weak institutional base has hindered both effective planning in the use of scarce natural and financial resources and the implementation of development projects. The Government has already moved to address this need in one key area by creating a Central Organization for Vocational Training to oversee technical and vocational education.

26. One continuing government priority is improving women's participation in development. The constitution establishes the legal equality of women and the country has a very positive record in women's rights which the Government wishes to enhance by improving the design of development projects to ensure an integral role for women. The primary need is to strengthen the institutional framework for organizing women's participation in development. For example, greater attention is being paid to the impact of projects in agriculture, livestock and water supply on women, both as participants and beneficiaries. Development of extension services

for women would enable them to improve their already substantial contribution to agricultural production. Additional adult literacy and primary education programmes for women would increase the effectiveness of measures to improve family nutrition and child care and to lower the fertility rate. Longer-term impact, however, requires further social research into issues affecting women in this country. Democratic Yemen participated in the July 1985 Nairobi End-Decade Conference on Women and is already moving to implement many of its development recommendations.

27. Since independence, successive Governments have placed priority on extending services to the rural areas to meet the basic needs of the vast majority of the population untouched by modernization during the colonial era. Solid progress has been achieved in reducing the level of absolute poverty and in improving living conditions, especially for the Bedouins, the most disadvantaged social group, through health, education and water supply facilities. Despite a lack of non-governmental organizations (NGOs), participatory development at the community level, supported by government resources, is a key factor in the construction of local roads, rural electrification and village water supply. Radda Barnen, a major contributor in the health sector, is the only major resident international NGO active in the PDRY although the Canadian body for national support of the United Nations Children's Fund, UNICEF Canada, has recently given significant support to the health programmes. As the Government increases its assistance to target populations in disadvantaged regions such as the island of Socotra, further international NGO support would be most helpful.

#### D. Aid co-ordination arrangements

28. Aid co-ordination in Democratic Yemen is regarded as an integral part of the planning process. The Ministry of Planning is responsible for the co-ordination of all development assistance, working closely with line ministries in allocating investment resources in relation to the annual and five-year plans and approving all technical and capital assistance from both bilateral and multilateral sources. Specific mechanisms are in place to facilitate regular co-ordination of assistance received from two groups of major bilateral donors, the Council for Mutual Economic Assistance and regular co-ordinating meetings of Arab and regional funding agencies. The Ministry carries out its responsibilities through direct discussions with each bilateral or multilateral donor, providing its own essential substantive and day-to-day co-ordination.

29. In recent years, the Ministry has recognized the need to enhance its capacity to handle a larger number of projects, involving more donors and an increasing amount of co-financing. Given the shortage of staff and the varied and numerous procedural requirements of donors, especially where more than two are involved, it is becoming difficult for the Ministry to ensure appropriate co-ordination. With a number of donors involved in projects in the same sector, improved consultation could lead to a better integrated approach that would increase the effectiveness of assistance generally. There is also a need to integrate project activities more closely into institutional structures in each sector to ensure their continuity. Government efforts are designed to strengthen aid co-ordination by: (a) a more



effective long-term plan for allocating assistance through better macro-economic forecasting, (b) an expanded administrative capacity to handle the logistical aspects of aid co-ordination, and (c) an improved project design and management capability.

30. Because of the many benefits of close co-ordination of technical assistance from all sources, especially during a period of austerity, a central feature of the preparation of this country programme was its conception as a frame of reference for all technical assistance. Within the United Nations system itself, the Government is strongly supporting efforts to improve the degree of programme integration among agencies executing projects in Democratic Yemen despite their differing mandates. For example, the World Health Organization (WHO), UNICEF and the United Nations Fund for Population Activities (UNFPA) have worked together in supporting the Ministry of Health in preparing its health sector plan which will serve as the basis for assistance from these agencies over the next few years. IDA, the World Food Programme (WFP) and the United Nations Capital Development Fund (UNCDF) resources are increasingly being aligned with the Plan's objectives, taking into account wherever appropriate technical assistance priorities as outlined in the country programme.

## II. THE COUNTRY PROGRAMME

### A. Assessment of current country programme

31. The third country programme (1982-1986) covered four years of the Second Five-Year Plan (1981-1985). It was prepared to reflect the objectives of this Plan as far as possible and also incorporate the findings and recommendations of a UNDP programme evaluation carried out late in 1980. This evaluation formed the basis for the third country programme by providing a comprehensive analysis of the implementation of the previous programmes and by identifying major constraints and weaknesses in technical assistance. The productive sectors consumed the largest share of Indicative Planning Figure (IPF) funds, with a focus on institutional constraints within those sectors.

32. The 1982-1986 IPF, initially set at \$22.5 million, was reduced to \$12,238,000 in 1982 in accordance with the Governing Council's decision to allow only 55 per cent of resources to be programmed. With an addition of \$188,000 representing unutilized resources from the 1977-1981 programme cycle and a borrowing of \$336,000 from the fourth cycle, the total available IPF resources for 1982-1986 were \$12,762,000. In addition to IPF resources, other UNDP funds allocated to Democratic Yemen included \$1,187,000 from the Special Measures Fund for least developed countries (SMF), \$460,000 from Special Programme Resources, \$180,000 from Special Industrial Services (SIS), and \$3.2 million from UNCDF (including \$167,000 from the Emergency Operations Trust Fund and a \$287,500 cost-sharing contribution from the Arab Gulf Programme for the United Nations Organization (AGFUND)). Other complementary funds totalling \$976,259 were mobilized in the form of government cost-sharing (\$780,820) and third party cost-sharing from AGFUND (\$175,439) and from the Canadian International Development Agency (CIDA) through the Canadian Ambassador (\$20,000). Overall IPF disbursements are expected to reach 100 per cent.

33. There has been no major deviation from the country programme document in terms of projects implemented, although the reduction of the IPF in 1982 compelled the Government to make downward adjustments in project allocations in accordance with priorities prevailing at the time. Project budget reductions depended on the stage of approval of planned projects, with only a minor shift in the relative sectoral distribution. Out of the 17 IPF projects earmarked in the country programme, only the Trade Information and Research Unit project did not materialize. Additionally, five new projects were initiated and are now being executed, bringing the total number of IPF projects implemented to 21.

34. The trends in the use of IPF resources over the third cycle have been very positive. With regard to the personnel component, the use of short-term consultants instead of resident experts increased, particularly for projects supporting well-established institutions. Over the cycle, the expenditure ratio of expert to consultant declined from 99/1 in 1982 to 73/27 in 1986. However, in some cases reliance on consultants has created unexpected problems of co-ordination, reporting and management in general. Efforts made to develop a larger United Nations Volunteers (UNV) programme were frustrated by problems of housing in remote areas, inadequate supervision with fewer experts and the lack of awareness in some national institutions and executing agencies of the potential advantages of such expertise.

35. The training component rose steadily from 9.4 per cent in 1982 to 35.1 per cent in 1986, representing 17.8 per cent of total IPF expenditure in the cycle. Most projects had an overseas training component intended to develop the skills of nationals involved in UNDP-financed projects in various technical and managerial fields. In many cases, the success of training could have been enhanced considerably through the selection of better technically and linguistically prepared candidates and through earlier implementation of fellowships. In addition, benefits from training abroad would have been higher if returning fellows had been more directly linked to operational activities related to priority Plan objectives.

36. The equipment component varied from 36.6 per cent in 1982 to an estimated 9.6 per cent in 1986, representing 19.4 per cent of IPF expenditure in the cycle. It remains essential for the introduction of modern productive technologies on a pilot scale and the provision of teaching aids and research and logistical support equipment.

37. Administrative support expenditures were relatively high, averaging 5 per cent of total programme expenditure. In some cases, they absorbed up to 20 per cent of project costs, largely because several recipient institutions are still unable to provide the necessary logistical and administrative support (secretaries, drivers, transport) required by the projects.

38. It is difficult to measure with accuracy the impact the country programme has had on the overall economic development of Democratic Yemen in view of the absence of pre-established indicators. The document itself was project-oriented, and did not identify sectoral linkages sufficiently to permit ready evaluation of project impact on the sector as a whole. However, an informal programme review exercise

undertaken in October 1983, and a joint Government/UNDP project review in March 1985, concluded that several projects had produced results beyond the goals set in the original project documents.

39. A pilot project that combined the development of improved goat breeds with the production of new varieties of fodder demonstrated that milk and meat production could be significantly increased without substantial new investments. The project's success has established a basis for expanded activities in this area. A seed development project has raised local seed production in several crops. For example, potato production increased from 4,500 tons in 1980 to 15,000 tons in 1984, enabling the country to reach self-sufficiency without imported seed potatoes. An agricultural census project trained and mobilized over 1,500 local personnel to collect field data for the country's first comprehensive agricultural census. Field operations, requiring careful co-ordination of enumerators working at the village level, were completed late in 1985. The Central Statistical Organization (CSO) is now beginning to process the raw data using the facilities of the Computer Centre provided under a complementary UNDP/UNFPA project.

40. Preliminary evaluation of a major industrial performance project reveals that there have been quantifiable savings of over \$5 million as measured by reduced costs and increased productivity in the 35 enterprises affected by the project. These savings already represent three times the total cost of the still uncompleted project and do not entirely quantify the benefits of improved management and overall efficiency resulting from the prompt implementation of recommendations of project consultants. More careful design of the project document to emphasize the inputs required for the establishment of a performance evaluation unit would have ensured the creation of a local advisory service to reduce the dependency on external consultancies.

41. Assistance in civil aviation contributed to the strengthening of the Civil Aviation Directorate by training over 200 technicians from 1981 to 1986 in specialities such as air traffic control, airport safety and equipment maintenance. In land transport, two projects unforeseen in the country programme document were approved by UNDP and implemented by IDA which provided the Government with high quality studies which led to follow-up investments in the sector.

42. A number of small-scale non-IPF projects have made valuable contributions in areas lacking strong national capability. For example, training and extension activities in the fisheries sector funded by SMF complemented other inputs by UNDP, IDA and other donors. Special Industrial Services (SIS) projects have contributed to the industrial sector by addressing organizational problems and assisting in the achievement of increased productivity in various industrial units. Particularly notable is the assistance to the metal works factory (REVOMETAL) whose progress in the past four years has resulted in virtual self-sufficiency in metal furniture.

43. Assistance to Democratic Yemen under the UNDP Regional Programme, while limited, has had considerable impact. A Red Sea fisheries project has developed a valuable preliminary stock assessment of the marine resources of the Gulf of Aden. A joint Yemeni project in natural resource exploration is a model of co-operation between Yemen and Democratic Yemen and will provide a basis for systematic resource

exploration of the area in the future. A desert locust control project succeeded in establishing local capability in the identification and control of locusts. In addition, extensive use was made of the training and advisory services offered under other intercountry projects.

44. In retrospect, the country programme could have made a more cost-efficient use of limited IPF resources through better inter-project co-ordination, such as better exchange of information between projects, common use of equipment and mutual backup of experts and consultants. At the project level, close co-operation between United Nations agencies and national implementing organizations has brought about significant results, but the achievements cited above could have had even greater impact. The following requirements are being kept in mind for implementing the new country programme:

(a) Much clearer definition of project objectives, inclusion of measures to ensure better inter-project and inter-institutional linkages, and steps to avoid delays in the formulation of project documents;

(b) Tighter monitoring of some United Nations executing agencies to ensure that they propose better qualified experts with proven project management skills, recruit more promptly, and provide more adequate technical backstopping;

(c) Improved performance by the government implementing agencies in providing timely and adequate project contributions and faster government clearance of international project personnel and of nominations of candidates for training;

(d) Recognition, when designing projects, of institutional weaknesses in the country, specifically difficulties in developing the national director modality of project management, lack of adequate financial incentives for project personnel, shortages of adequate secretarial, accounting, and general administrative support for projects and a need for measures to reduce the high turnover of national counterparts.

#### B. New programme proposal

45. The fourth cycle IPF allocation for Democratic Yemen is \$12.853 million out of which \$336,000 used in the previous cycle is deducted, bringing total IPF resources in this country programme to \$12,517,000. An amount of \$4,270 million is planned for 10 new projects, and ongoing and extended projects will absorb \$4,928 million. An unprogrammed reserve of \$1,158,904 is set aside. A programmed reserve within each country programme objective, totalling \$2,160,061, is included, of which \$1.05 million is provisionally earmarked for three projects.

46. In accordance with the concept of unified programming, all potential United Nations and non-United Nations sources of funding for the country programme have been taken into consideration. Several projects have by the end of 1986 committed or identified co-financing, such as that from UNCDF (\$1,000,000), the FAO Technical Co-operation Programme (\$42,000), and parallel financing from AGFUND (\$854,000). This country programme is enhanced by the inclusion of a \$463,561 government

cost-sharing contribution and \$53,250 in third party cost-sharing from the Danish International Development Agency (DANIDA).

47. The magnitude of needs identified during the programme preparation exercise requires additional resources both from within and outside the United Nations system to address government priorities for technical assistance adequately. The Government will explore other multilateral or bilateral possibilities of total or partial financing for projects not included in the fully funded programme.

48. The country programme focuses on four objectives: (a) enhancing national planning capabilities; (b) maximizing the return of the productive sectors; (c) supporting investments in transport and communications; and (d) addressing basic human needs. Projects will be formulated to ensure that they address the constraints outlined earlier and support macro-economic or sectoral strategies to maximize the impact on the economic and social development of Democratic Yemen.

Objective 1: Enhancing national planning capabilities

49. Since independence, the Government of Democratic Yemen has been committed to a comprehensive planning framework embracing the Ministry of Planning, planning units in other ministries, and similar units in each Governorate. Planning has evolved in nature, scope and quality from mere quantified forecasts related to the implementation of investment programmes to detailed plans covering all economic and social sectors. Considerable effort has been made to meet the challenges of earlier Plans and to establish a self-reliant planning machinery by upgrading national cadres and entrusting them with responsibility for the preparation, monitoring, follow-up and evaluation processes. To overcome difficulties in planning common to all sectors, the Government stipulated a number of measures intended to: (a) strengthen the planning machinery as a key element in the administration of the economy and the allocation of national resources; (b) develop the system of national accounts; (c) improve the statistical data base; and (d) optimize the use of external resources.

50. Under the third country programme, there is provision for continuing the Development Planning project (PDY/85/003), which is intended to develop the capabilities of planning staff at all levels. In-country training will be the most important component, with a focus on upgrading the skills of nationals in planning techniques, use of modern macro-economic indicators and improved project preparation, appraisal, monitoring and evaluation. It will also establish mechanisms for inter-institutional planning linkages and better programme co-ordination. In addition to efforts within the Ministry of Planning, which has overall responsibility for priority setting and resource allocation, training will be provided for personnel in the planning units of other ministries. The project budget during the cycle has been provisionally estimated at up to \$1,925 million.

51. Effective planning and management depend upon the development of adequate statistical and information systems to support the decision-making process. The Central Statistical Organization (CSO) is entrusted with the responsibility of providing the Ministry of Planning with the statistical inputs required for the planning process and is playing a crucial role in establishing, expanding and

updating information. In this respect, the Agricultural Census project (PDY/81/021) will continue in the fourth country programme and the Computer Centre project (PDY/81/020) will be extended to ensure processing of agricultural census data and to strengthen the capacity of the CSO to enable it to respond to increased demands from other ministries. UNEFA funding of aspects of the planned population census will be supplemented as necessary from reserves in the country programme.

52. Recognizing the continuing constraint across the government administration of inadequate secretarial services and general administrative support, a \$250,000 project to upgrade training provided by the Administrative Sciences Institute, Secretarial Training (PDY/85/005), is proposed. This project would highlight improvement in the skills of women in the civil service.

53. To address more directly the project implementation constraints identified earlier, two projects have been earmarked to provide Programme Logistical Support (PDY/86/019) and a Facility for Training and Consultancies (PDY/86/018), \$50,000 and \$500,000 respectively.

54. Further efforts to improve economic performance are being considered. For instance, the Government is examining a project with the Ministry of Industry, Trade and Supply to conserve scarce financial resources by streamlining its foreign trade procedures, particularly in procurement practices and information systems. Similarly, a study is proposed to examine carefully the prospects for tourism in the country, with emphasis on the financial return it would give to the economy. There appear to be numerous constraints, but its potential contribution to the balance of payments merits a close analysis.

55. Linkages: Training components of projects programmed under this objective take into consideration arrangements made for ongoing bilateral assistance, as well as possibilities offered by other United Nations system agencies under their respective programmes. The Government will try to maximize the use of regional and international training institutions such as the Arab Planning Institute and the World Bank's Economic Development Institute. Possibilities of technical co-operation with other developing countries through technical co-operation among developing countries (TCDC) will be considered by the Government as a follow-up to the extensive and diverse beneficial links it already has with many of these countries.

#### Objective 2: Maximizing the return of the productive sectors

56. Effective long-term development of the productive sectors will depend fundamentally on the Government's ability to formulate and implement integrated programmes intended to optimize the return on past investments through increased productivity, higher efficiency of labour, improved extension services and adequate systems for regular maintenance. In pursuance of this strategy, the United Nations system support in agriculture, fisheries and industry will focus on overcoming the key constraints identified in this document. Concentration on projects which have a direct linkage to production-oriented activities has therefore been the primary determinant in the selection of projects to receive UNDP funding in the country programme.

Agriculture

57. As noted earlier, agricultural research is vital to any increase in agricultural production. Fellows still undergoing training abroad under the ongoing Farming Systems project (PDY/81/001) will, upon their return, contribute to the development of continuing research activities under the leadership of an enlarged follow-up project in Agricultural Research and Extension funded by an IDA credit of \$5 million.

58. Estimates of post-harvest losses range from 5 per cent to 20 per cent in durables (grains) and up to 50 per cent for perishables (fruits and vegetables). To increase food production and reduce imports, the Ministry of Agriculture and Agrarian Reform has been endeavouring to minimize these post-harvest losses. The country has already benefited from contributions made during the third cycle from various sources (e.g. UNDP, UNCDF, FAO, AGFUND) to projects for improving food storage facilities, providing pesticides and training technicians. The Government is now establishing a National Post-Harvest Centre (PDY/86/003) with the support of AGFUND, FAO and UNDP. The cost of \$1,322,000 is shared by AGFUND (\$854,000), FAO (\$42,000) and UNDP (\$426,000). The Centre will oversee all post-harvest activities and provide the advice required to parastatal producers and food handling organizations. UNDP's assistance will focus on building up within the Ministry of Agriculture and Agrarian Reform a cadre of personnel technically qualified in all aspects of the reduction of post-harvest losses.

59. Livestock rearing plays an important role in traditional village/rural life in Democratic Yemen both in supplying meat and milk and in providing a primary source of income for a large segment of the population. Bedouins in particular own an estimated 40 per cent of the livestock in the country and depend for their livelihood almost entirely on its production. The livestock sector could make a much larger contribution to the food protein portion of the national diet and also reduce meat imports. The Government's strategy is to: (a) upgrade the quality of animal breeds as part of broader and improved farming operations by linking animal husbandry with crop production; and (b) encourage the use of better breeding techniques among unorganized individual livestock holders. A Livestock Improvement project (PDY/86/012) with an IPF allocation of \$1.1 million is proposed to extend into the more remote parts of the country the results achieved so far in pilot schemes through selective animal breeding, improved extension services, better feed and expanded veterinary services.

60. In view of the proven potential for increasing yields of high quality, nationally produced and processed seeds, IPF assistance of \$900,000 is proposed to consolidate the achievements of past projects in seed production through the establishment of a Seed Multiplication Organization (PDY/86/013) within the Ministry of Agriculture and Agrarian Reform. The project will be linked to the research and Extension Department of the same ministry and will be augmented by a grant of \$1 million from UNCDF.

61. Linkages: As women are a vital factor in agriculture in the PDRY, where they are the predominant element in the agricultural labour force and in unorganized small-holder farming and livestock rearing, projects which touch on their role are being examined to see how they can be made more responsive to women's needs. FAO's

financial support through its Technical Co-operation Programme (TCP) and Prevention of Food Losses Programme (PFL) allocations is used to realize the same objectives as the country programme and in support of broader Third Five-Year Plan goals, a collaboration furthered by FAO's role in a study of the agriculture and fisheries sectors carried out as part of the preparation of the country programme. DANIDA has expressed interest in the veterinary aspect of the livestock sector. Links will be developed with the Food Security project (RAB/86/029) proposed for the fourth cycle regional programme for the Arab States.

### Fisheries

62. Fisheries are the country's only significant natural resource and can play a crucial role in the economic development of the country. Preliminary studies carried out under various national and regional projects confirm the existence of sizeable resources which are not being adequately exploited. To date, the Government's fisheries development policy has been oriented towards increasing production by reorganizing the coastal fisheries component into co-operatives and establishing the basic infrastructure required (fish-landing facilities, jetties, cold storage facilities, fishing gear and boats).

63. Activities of the project Management Support to the National Corporation for Fish Marketing (PDY/81/018) will be continued to complete the introduction of a unified accounting system, additional consultancies and the completion of overseas training programmes.

64. The Government is requesting UNDP assistance both in assessing its marine resources and in developing the fisheries co-operative sector. A project of \$512,000 will upgrade skills of personnel in the Marine Science and Research Centre (PDY/86/009) in biological data collection and analysis, assessment of fish resources and the design of conservation measures to avoid the past experience of overfishing high-value species. A \$2 million allocation was approved by the Islamic Development Bank in 1985 for completion of the Centre.

65. About 5,000 artisanal fishermen provide most of the fish consumed in Democratic Yemen. Approximately 80 per cent are grouped into 13 co-operatives expected to contribute 35 per cent of the country's total output (96,100 tons) by 1990. A focus on small-scale fisheries is therefore a priority. UNDP assistance is proposed to complement an ongoing IDA project by (a) strengthening the Fisheries Extension Unit in the Ministry of Fishwealth to enable it to cover the main fishing co-operatives; and (b) developing in five fishing villages modern techniques in fish catching, handling and storage, as well as the operation and maintenance of modern equipment. Because of known constraints in the co-operative sector and difficulties in delivering assistance to small fishermen, this project will become operational only after a careful assessment of its likelihood to succeed. It has also been decided to develop the Fisheries Extension and Cooperatives project (PDY/86/015) in two phases. Preparatory Assistance (\$132,000) will analyse any outstanding constraints and recommend effective ways to address them. A reserve of \$500,000 has been set aside for the full-scale project.



66. Linkages: The National Corporation for Fish Marketing will benefit from the information services being set up under Infosamak (RAB/86/013). Close linkages with IDA and WFP assistance to fisheries co-operatives as well as with the regional project Development of Fisheries Co-operatives in Least Developed Countries (RAB/86/037) will be developed. Similarly, in the case of the proposed Marine Science Research Centre, linkages will be developed with the Japanese bilateral assistance in this sector.

### Industry

67. In view of the need for significant improvements in the productivity of the relatively small industrial base of the country, a reserve of \$400,000 has been earmarked for support to the Ministry of Industry, Trade and Supply to assist it in increasing the efficiency of smaller enterprises. Given the importance of this sector to the economy, it may be useful to introduce a follow-up to the ongoing project Training in Management and Performance of Industries (PDY/81/006). This will be considered only after a thorough evaluation of the ongoing project scheduled for late 1987. Closer links with potential industrial partners should result from an industrial sector study to be completed in 1987 as background for a Solidarity Meeting sponsored by the United Nations Industrial Development Organization (UNIDO) planned for early 1988.

### Objective 3: Supporting investments in transport and communications

68. Past Government efforts to establish basic transport infrastructure and adequate domestic and international telecommunications systems have furthered the integration of the country, removed some of the constraints on the economy and generally facilitated the development process. However, much remains to be done in managing existing facilities and in introducing modern technologies accompanying new investments. Support for this objective will be used primarily for training, expertise and consultancies.

69. In view of the steady expansion of domestic and international air services, the Directorate of Civil Aviation requires additional UNDP support (\$500,000) to enable it to provide technically sophisticated services to meet international standards (PDY/80/001). This assistance is to upgrade skills of local personnel in such specialities as aeronautical telecommunications and meteorology, navigation aids and radio electronics.

70. A large-scale project to improve Aden port as well as major improvements to the refinery port at Little Aden will be among the major investments anticipated in the Third Plan. A \$500,000 project Maritime Training (PDY/86/010) will complement this investment by training personnel in various maritime, port and dockyard technical and managerial fields.

71. In accordance with the master plan for the telecommunications subsector, the Government is proceeding with the installation of earth satellite stations to link with Arabsat and Intersputnik to improve international telecommunications and extend telephone, telex and television services throughout the country. Training

of personnel in the Yemen Telecommunications Corporation is required to ensure adequate operations and maintenance. A reserve of \$400,000 for Telecommunications Technology (PDY/86/011) has been set aside to address this need.

72. Linkages: UNDP technical assistance projects in this sector will complement sizeable capital investments over the next few years. Government investments in road construction, supported by a WFP contribution, are being co-financed with several bilateral and multilateral agencies. The International Maritime Organization (IMO)/Norway Co-operation Programme is expected to fund short training courses in the maintenance of hydraulic equipment for port personnel. Maximum advantage will be taken of the opportunity to enhance manpower capabilities in the maritime sector through the Arab Maritime Transport Academy and other regional institutions.

Objective 4: Addressing basic human needs

73. Improved living conditions for the people of Democratic Yemen is given continuing emphasis in the directives of the Third Plan. The country programme therefore proposes this as a major objective for technical assistance during the fourth cycle. The Government has given priority to the most disadvantaged segments of the population, generally those in isolated rural areas. For many, adequate drinking water, sanitation, nutrition and shelter do not exist. Several United Nations system agencies (e.g. UNFPA, UNICEF, WHO and WFP) have active and continuing programmes supporting government objectives focusing on the major beneficiaries, women and children. Other than the emphasis given to food production and employment under Objective 2, UNDP will restrict its activities to the catalytic roles of (a) providing a supporting mechanism for the integration and co-ordination of national, bilateral and multilateral efforts and (b) identifying needs for follow-up projects.

74. Ongoing fellowship assistance to support the Institute of Health Manpower Development (PDY/81/004) will continue to emphasize strengthening the teaching capacity of the Institute.

75. An ongoing preparatory assistance project, Rural Water Supply (PDY/86/006), cost-shared with DANIDA, is designed to develop a DANIDA-funded project during the fourth cycle. The Government's objective is to plan and manage its water resources better, rationalize the implementation of water supply projects at the central level, and improve participation of the local population in the construction and maintenance of water supply facilities. Women are the principal family members involved in the pumping and carrying of water and, as the primary beneficiaries of water supply improvement, their needs will receive special attention in this project.

76. The proposed Socotra Water Development Programme (PDY/86/021) with an estimated IPF budget of \$100,000 has been designed as a framework for government efforts to address the desperate needs of this least developed area of the PDRY. Funding both from various United Nations system agencies and bilateral donors will be included. This project, plus a companion project, Support to the Socotra Action

Plan (PDY/86/022), included in the reserve list, are among the modest measures being introduced in support of a special plan of action developed in 1985 following a joint Government/United Nations review of priorities for the island.

77. A UNV Multisectoral Project (PDY/86/017) with a budget of \$300,000 will provide inhabitants of the most isolated and disadvantaged areas of the country with better access to technical assistance through expanded use of UNVs. As the main operational UNDP unit at the grassroots level, UNVs complement other forms of assistance in addressing basic needs in such disadvantaged areas as Socotra.

78. Linkages: Creation of a new national focal point on water under a Deputy Prime Minister will provide an opportunity for multilateral and bilateral co-operation to support the objectives of the International Drinking Water Supply and Sanitation Decade. Support for Socotra and other disadvantaged areas will involve both ongoing and proposed assistance most notably from AGFUND and DANIDA but including nominal assistance from other bilateral donors. The ongoing programmes and projects of UNFPA, UNICEF, WHO, WFP, the United Nations Environment Programme (UNEP) and the United Nations Centre for Human Settlements (UNCHS) all reinforce work instituted in this area. The activities of Radda Barnen are focusing on the provision of health services at the community level.

#### C. Unprogrammed reserve

79. An unprogrammed reserve of \$1,158,904 has been set aside to ensure flexibility and respond to further needs which may arise during the implementation of the country programme.

Annex

## FINANCIAL SUMMARY

## I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

A. <u>UNDP-administered sources</u>	\$	\$
Third cycle IPF balance	(336 000)	
Fourth cycle IPF	12 853 000	
Subtotal IPF		12 517 000
Special Measures Fund for Least Developed Countries	-	
Special programme resources	-	
Government cost-sharing	463 561	
Third-party cost-sharing (DANIDA)	53 250	
Operational funds under the authority of the Administrator (UNCDF)	1 000 000	
UNDP special trust funds	-	
Subtotal, UNDP non-IPF funds		1 516 811
B. <u>Other sources</u>		
Funds from other United Nations agencies or organizations firmly committed as a result of the country programme exercise (FAO/PFL)	42 000	
Additional funds to be provided by other United Nations agencies	-	
Parallel financing from non-United Nations sources (AGFUND)	854 000	
Subtotal, other sources		<u>896 000</u>
TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		<u><u>14 929 811</u></u>

## II. USE OF RESOURCES

Ongoing projects	5 076 846	
New project proposals	6 534 000	
Programmed reserve	2 160 061	
Subtotal, programmed resources		13 770 907
Unprogrammed reserve		<u>1 158 904</u>
TOTAL USE OF RESOURCES		<u><u>14 929 811</u></u>

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