



**Governing Council
of the
United Nations
Development Programme**

Distr.
GENERAL

DP/CP/YEM/4
16 November 1987

ORIGINAL: ENGLISH

Special session
16-18 February 1988, New York
Item 3 (b) of the provisional agenda

PROGRAMME PLANNING

Country programmes

FOURTH COUNTRY PROGRAMME FOR YEMEN*

<u>Programme period</u>	<u>Actual resources programmed</u>	<u>\$</u>
1988-1992	IPF for 1988-1992	27 798 000
	Other resources programmed	<u>14 417 500</u>
	Total	42 215 500

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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; (d) planned activities of operational funds and programmes under the authority of the Administrator; and (e) distribution of new country programme by sector.

I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. Yemen is a medium-sized country categorized as a least developed country (LDC). Its population is 9.27 million, and is increasing at an annual rate of 2.8 per cent. Per capita income is approximately \$US 539. Principal natural resources include sizeable gas and oil reserves. Gross national product (GNP) was \$US 4,100 million in 1985. The primary economic sector is services, which contributed 61.5 per cent to gross domestic product (GDP) in 1984, with agriculture contributing 26 per cent and industry and mining 12 per cent.
2. National development planning was initiated by the Government in the early 1970s and the country is presently completing its Second Five-Year Plan (1982-1986, recently extended to the end of 1987). The Third Plan is now being finalized and will take effect from 1988. The economic performance of Yemen during the 1970s and early 1980s has been generally good, with the real growth rate of GDP averaging 7.2 per cent per annum and real per capita income 4.3 per cent per annum during the period 1973-1985.
3. Since 1983, however, the country has experienced mounting economic difficulties stemming from a seriously overvalued currency coupled with a free import policy, a decline in external development assistance, and reduced remittances from migrant workers in neighbouring countries. The situation has been aggravated by the severe drought which affected the Horn of Africa and adjacent regions from 1982-1985. This combination of factors has resulted in a substantial increase in the Government's budget deficit and a sharp increase in inflation, which rose from 3 per cent per annum in 1982 to 40 per cent in 1986. The estimated GDP growth rate for the same period was estimated to be 6.4 per cent.
4. Measures introduced by the Government from 1983 onwards have begun to reverse this economic deterioration. These have included devaluation of the rial by a total of 160 per cent; tighter import licensing requirements, particularly for consumer goods; and a number of measures designed to stimulate private investment. The results have been a slight decline in the domestic budget deficit, and a substantial improvement in the balance of payments, from a deficit of YRls 1.7 billion in 1982 to a surplus of 1.6 billion in 1986. Also the Government debt-servicing obligation remained very low, at 5.1 per cent of exports in 1984, due to the Government's cautious policy of not relying on commercial-rate lending.
5. Despite the problems described above, preliminary estimates indicate that during the period of the Second Plan, the manufacturing sector has grown by about 22 per cent, electricity and water by 19 per cent, and transport and communications by 12 per cent. The agricultural sector achieved a growth rate of only 2.4 per cent, due mainly to the impact of drought and manpower shortages. Together with the tighter fiscal and monetary policies introduced by the Government, the prospects for future economic growth have been considerably brightened by the discovery in 1986 of substantial new oil reserves in the Governorate of Ma'rib, estimated at 1 million barrels. Export of petroleum began in November 1987.

B. National development strategies

6. The programme of economic austerity, initiated during the Second Plan, will be extended to the Third Five-Year Plan (1988-1992). The strategy is to: (a) mobilize private and public resources and foreign investment to increase productivity in the agricultural, energy and manufacturing sectors; (b) decrease imports and promote self-sufficiency by concentrated efforts to identify and exploit national natural resources; and (c) develop human resources at all levels. The Government has set a medium GDP growth scenario of 8.1 per cent per annum for the Third Plan.

7. Agriculture has been given the top priority in the Plan, with special emphasis on production. Incentives will be provided to encourage cash crops, agro-business, livestock production and fisheries. The surplus is to be exported. New integrated agriculture projects, especially in the northern and eastern regions, will bring new lands under the plow. Research will be promoted to define better methods of production and animal husbandry. As access to water is a major constraint on agricultural improvement, small dams will be built and low-cost irrigation methods will be introduced to improve the distribution of water. The aim is to generate a 3 per cent growth rate in the sector.

8. Water, which is scarce and vital to all aspects of development in Yemen, will see renewed concentration in the Third Plan. Rural water supply, with the help of local co-operative councils, will be expanded to cover 60 per cent of the population. Under the auspices of the High Council for Water, a secretariat will be established to help devise a National Water Management Plan, which will include water laws, policies and implementation plans.

9. In the energy sector, high priority is given to petroleum, with continued exploration of energy and mineral resources. The Government will promote the exploitation of gas and liquid propane gas found in commercial quantities in the Ma'rib oil fields to generate electricity for running large industries like the cement industry, and for domestic consumption. Small-scale downstream, petroleum-related industries are also contemplated.

10. In the industrial sector, the Plan calls for a major effort to stimulate private investment in manufacturing industries through a variety of tax and other incentives. Main emphasis is placed on developing industries based on locally available raw materials, achieving a better balance between capital goods and consumer goods production as a basis for future industrial expansion, and improving the efficiency of existing industries. The generation of investment on the scale required will obviously depend upon a number of factors outside the Government's control, but performance of the manufacturing sector during the current Plan is encouraging.

11. A fifth priority area is human resources development. Major emphasis is given to the expansion of teacher training to replace the large number of expensive expatriates on which Yemen is overly dependent; and to vocational and technical training to build up the skilled work force required for sustained development. Primary health-care services will be expanded significantly with the goal of

covering 50 per cent of the population by 1995. Finally, to ensure more effective direction of the development process, high priority is placed on strengthening the government agencies and institutions responsible for the planning and management of major sectors and enterprises, through expanded training of staff and extensive civil service reform.

C. Technical co-operation priorities

12. In line with the objectives and priorities of the Third Plan, the Government has decided to give high priority to technical co-operation to help meet objectives in the fields of agriculture, water, health and industry. Specific technical co-operation requirements were identified in several ways by an evaluation of the third country programme jointly conducted by the United Nations Development Programme (UNDP), the Government and the Federal Republic of Germany; by UNDP/World Bank sector studies on agriculture, water, industry and health and a macro-economic study; by consultations with the Central Planning Organization (CPO) and line ministries; and by comments received on initial drafts of the Third Plan strategy itself. The results were synthesized in a note by the Resident Representative of UNDP which was submitted for review and clearance by the Government, and subsequently for comments and feedback by the agencies of the United Nations system and the major donors.

13. Further discussions were held with the Government, and a number of United Nations agencies fielded sectoral and programme missions to assist in the identification of technical assistance needs. As a result of the process, the Government identified the following technical assistance priorities:

(a) Human resources development with primary emphasis on building a skilled indigenous labour force and qualified managerial and technical personnel and on improving general education;

(b) Identification and preparation of investment projects, based on the maximum use of locally available resources and cost-effective technologies;

(c) Strengthening the national planning and management process with respect to statistics/data availability; and project identification, preparation, implementation, monitoring and evaluation.

14. These priorities were reviewed in depth within the framework of the four objectives and in light of the need to balance institution-building with projects that will stimulate productive capacities. The Government has also taken note of other social and economic development areas where UNDP has a strong comparative advantage, and projects will be considered in a number of such areas which include: training of women; trade and pricing policy; tourist development and promotion; auditing services; and projects that will take advantage of UNDP regional and interregional programmes.

D. Aid co-ordination arrangements

15. All external assistance is programmed in relation to national development plan priorities. The Central Planning Organization, located in the Prime Minister's Office, has been designated as the co-ordinating agency and the channel for all foreign assistance.

16. In accordance with the arrangements agreed by the Government and UNDP in 1987, the following external co-ordination modalities will be adopted:

(a) CPO will initiate formal aid co-ordination meetings with major donors. The first two will be in agriculture and water resources, which will be reviewed in the context of the strategy of the Third Five-Year Plan. UNDP will provide all necessary support services to help CPO organize these meetings;

(b) The major bilateral and multilateral donors can meet informally to discuss their programmes, exchange information and avoid duplication. The Government will not attend these meetings but will be kept informed through the minutes. Project-level, technical meetings that will be held as an outcome of the above informal meeting will be attended by the relevant technical ministries;

(c) The Government will organize site visits for major donors to successful projects, with the aim of showing the progress made by the Government and promoting the cross-fertilization of ideas.

17. The Projects and Loans Department of CPO is charged with co-ordinating and negotiating all external capital projects and loans; a World Bank technical assistance loan is, inter alia, helping to strengthen its managerial and technical capabilities. Technical assistance is co-ordinated through the Technical Co-operation Department of CPO. It is anticipated that UNDP assistance will strengthen the technical capabilities of this Department and to increase the flow of information on technical needs and link them to external resources. The UNDP project will minimize aid duplication and improve the efficacy and timeliness of external technical assistance.

18. Furthermore, UNDP is actively promoting co-ordination through the annual publication of a development co-operation report for Yemen. UNDP also directly supports co-ordination through a number of specific projects (especially in the water and petroleum sectors) which will help to co-ordinate external inputs from various sources and to ensure their effective utilization.

II. THE COUNTRY PROGRAMME

A. Assessment of previous country programme

19. The indicative planning figure (IPF) allocation made available for the third country programming cycle in Yemen was \$16.5 million supplemented by \$16.6 million in third party cost-sharing, making a total of \$33.1 million, of which approximately 90 per cent was delivered. The sectoral allocation of these

resources was agriculture, forestry and fisheries, 28 per cent; transport and communications, 23.5 per cent; and development policies and planning, 16 per cent. The remaining two thirds of the available resources were spread over eight other sectors. In functional terms, approximately 60 per cent of the funds were directed towards institution-building.

20. An in-depth evaluation of the programme was carried out jointly in 1986 by the Government, UNDP and the Federal Republic of Germany. Taking account of results achieved during earlier programmes, the evaluation found that the most outstanding achievements of UNDP assistance have been in the field of agriculture. Assistance in this sector has been pivotal in laying the foundation for a modern, mixed agricultural system in Yemen, supported by a strong agricultural research system. The most impressive achievements have been in the Tihama region, which is now the leading agricultural production area of the country. UNDP-financed projects have also led to measurable improvement in the managerial and operational capacities of a number of key ministries and government departments responsible for development planning, agricultural extension, civil aviation, meteorology, telecommunications, and auditing services.

21. The in-depth evaluation also analysed the experience and constraints facing the third country programme. The shortcomings and problems which were identified have been discussed with the Government and it was agreed to seek improvements at both programme and project levels.

22. At the level of the programme in general, problems and proposed solutions were noted as follows:

(a) There was no planning by objectives in the third country programme, which was too thinly spread over 11 sectors. One implication is that it became difficult to monitor and manage effectively. In the fourth country programme fewer projects are envisioned and they are concentrated under four specific objectives;

(b) Large discrepancies arose between the country programme and the development plan in key areas. The fourth country programme is an open-ended exercise with adequate programmed and unprogrammed reserves that will be used to reflect changing priorities. Annual country programme review meetings will be held to ensure that the fourth country programme remains relevant and in line with priorities of the national plan;

(c) Too few pre-investment projects were undertaken. Since Yemen is a LDC, institution-building projects will still be required, but these will now be more functionally focused and in areas where the potential for capital investment is high. The fourth country programme will give greater attention to pre-investment activities.

23. At the project level, the evaluation found:

(a) An acute lack of national trained manpower serving alongside external technical assistance personnel. Close study will be made at the time of project design so as not to initiate projects where the Government cannot provide national staff;

(b) Excessive "longevity" of external experts. The experts also tend to overlook the importance of training and instead provide operational assistance. New policies now are that no expert may remain in post for more than three years and more short-term consultants will be used. Experts will be required to have very specific terms of reference and work plans that emphasize training of national staff. Projects that result in direct support will be avoided;

(c) Weaknesses in government departments in the areas of planning, management, administration, operation and evaluation. To address these and related constraints, a comprehensive institution-building project is planned for the Technical Co-operation Department of CPO and specific training workshops will be organized on the identification, design and management of technical assistance;

(d) Slow agency recruitment and government clearance of experts. Advance information to agencies on government choices will now facilitate their early action, and UNDP will provide technical assistance to CPO to help it speed up expert clearance procedures;

(e) Poor project design and terms of reference for experts/consultants. All projects now being designed will be prepared more rigorously to ensure internal consistency; a balance between inputs and outputs and realistic scheduling. New project proposals by the project appraisal committees in the UNDP office at San'a will be subject to structured appraisal both in the field office and at UNDP headquarters.

Agencies are being informed that only projects that are well defined and quantified will be recommended for implementation.

B. New programme proposal

24. Given the resource limitations of the fourth cycle country programme (1988-1992) in relation to Yemen's overall technical assistance requirements, the Government has selected four priority objectives that will largely coincide with the priorities of the Third Five-Year Plan (1988-1992). The four objectives are in the agricultural, water, industrial and health sectors.

25. In designing the projects under the four objectives, the following technical assistance strategies and modalities have been adopted, which also take into consideration lessons learned during the third country programme and the Second Plan:

(a) Where possible, projects are designed to assist directly in improved productivity in the agricultural and industrial sector, and to strengthen human productivity through training and education programmes;

(b) A number of key pre-investment projects in the agricultural and industrial sectors will mobilize private and external resources and lead to accelerated capital formation;

(c) The requirement to strengthen planning, the data base, efficiency and co-ordination is reflected in five projects in the areas of agriculture, water, industry, petroleum and general planning;

(d) Environmental considerations have been emphasized with six projects dealing directly with such issues within the agriculture, water, industrial and health objectives.

26. Other modalities and emphases which have been reviewed by the Government and are being highlighted include: ensuring greater impact by reducing the number of sectors and programmatically linking projects; spotlighting training as the top priority within all projects; screening projects to see whether the United Nations Volunteers (UNV) can be utilized; where possible, replacing long-term foreign experts by short-term consultants and national research institutes, universities, consultants and expertise; projects have been reviewed to ensure end-linkages, where feasible, with regional, interregional and global programmes; maximum attention to women's involvement in the development process; and, when working directly with beneficiaries, participation of the community in the projects.

27. Upon request of the Government, the third country programme was extended until the end of 1987. The IPF for the fourth country programme (1988-1992) consists of the following: a fourth cycle IPF of \$23,165,000; a third cycle carry-over of \$3,600,000; and an illustrative IPF for 1992 of \$4,633,000, less anticipated expenditures for 1987 of \$3,600,000. This brings the total IPF resources available to \$27,798,000, with an unprogrammed reserve of \$5,037,150 or 8.38 per cent of total resources. Total cost-sharing contributions for fourth country programme projects to date are estimated to be \$576,500, though more cost-sharing is expected for a number of projects.

28. In addition, \$1.4 million is available for projects to be funded from the Special Measures Fund for the Least Developed Countries (SMF/LDC). These projects are mostly focused on training and institution-building. Included is assistance to strengthen the Technical Co-operation Department of CPO and improve aid co-ordination so as to achieve more efficient identification, co-ordination and delivery of technical assistance to Yemen; a multisectoral UNV project; an "umbrella" consultancy and fellowship project; and training workshops to impart skills in technical assistance programming, post-investment, negotiation of contracts and establishment and operation of documentation units in CPO and the line ministries.

29. The United Nations Capital Development Fund (UNCDF) has also provided complementary programming which is linked to technical assistance in the field of rural water, small dams, small-scale industries and socio-economic development in West Dhawran.

30. The country programme proposal below describes the four main objectives in agriculture, water, industry and health and briefly identifies projects supporting each objective. In addition, a fifth section covers other ongoing projects (paras. 67-74) and new projects (paras. 75-79).

Raising agricultural productivity and enhancing food security

31. Agriculture has been given top priority in the Third Plan. The primary objective of the Government is to stimulate production with a view to improving food security, reducing post-harvest losses and food imports, and eventually producing an exportable surplus. Special attention will be paid to agricultural development in the northern and eastern (Ma'rib) regions, which have previously received relatively little assistance and have much scope for improved productivity and more private sector involvement. Where feasible, projects have been programmatically linked to complement each other to ensure maximum impact in the two priority regions. To strengthen Government planning capacities, assistance to improve the data base in agriculture is also envisioned.

Ongoing projects

Institutional support to the Ministry of Agriculture/Fisheries (YEM/82/025)

32. The Ministry of Agriculture and Fisheries lacks appropriate institutional structure to organize the delivery of agricultural services. The project assists the Directorate General of Planning and Statistics of the Ministry in improving its capacity to plan, evaluate and monitor agricultural projects. Its outputs include basic agricultural statistics, quarterly progress reporting from the major agricultural and livestock projects, biannual review of achievements in relation to Plan objectives and major input in the preparation of the Third Five-Year Development Plan. Duration: one year (1986). Estimated cost: \$60,000.

New projects

Technical assistance to the Northern Highlands agriculture project

33. To reduce dependence on agricultural imports and improve rural incomes, underdeveloped regions of the country with agricultural potential will be given special attention during the Third Plan. One of these is the Northern Highlands area. The project will provide technical assistance within the integrated agricultural development programme being financed in the area by the World Bank, the Kuwait Fund and the Abu Dhabi Fund. Additional technical assistance will be provided under a credit from the International Development Association (IDA) and will be administered through a UNDP/Office for Projects Execution/(OPE) Management Services Agreement. Duration: four years. Estimated cost: \$3,000,000.

34. Agricultural development and productivity of the West Dhawran region are hindered by lack of appropriate extension services. The project will develop agricultural practices in the area where irrigation development provides sufficient water for crops throughout the growing seasons. A substantial increase in agricultural production, particularly vegetables and fruits, is the main expected output. Special attention will be given to providing extension and training to women. Duration: three years. Estimated cost: \$360,000.

Pre-investment studies for the integrated agricultural development of the Ma'rib region

35. The agricultural development of the Ma'rib region requires an integrated approach that will help to improve farm productivity and incomes. The project will undertake pre-investment studies and pilot activities, highlighting the opportunities for agriculture, especially related to cash crops. The main objective is to attract donors and private investments to the area, as was done by UNDP in the Tihama region. Duration: two years. Estimated cost: \$350,000.

Pre-feasibility studies for agro-business

36. Given the potential for agriculture brought about by the opening of the Ma'rib Dam, there is now a need to demonstrate to interested investors the advantages of investing in agro-business in Ma'rib. The project will undertake pre-feasibility studies in key potential areas for agro-based industries. It will study whether modern agro-technologies, such as farm chemical fertilizers, plastic greenhouses, animal husbandry and poultry techniques and different food processing equipment, are feasible and economical. The project is expected to result in increased private investment in agro-business in the area. Duration: two years. Estimated cost: \$300,000.

Sand-dune stabilization and afforestation in the Ma'rib region

37. Extensive movements of sand-dunes from the eastern desert seriously hamper agricultural development and threaten the extensive investments being undertaken by the Government in the Ma'rib region. The project aims to protect newly irrigated land through sand dune stabilization programmes based on participation of the local population, supported by technical co-operation among developing countries (TCDC) assistance from Tunisia. Duration: three years. Estimated cost: \$900,000.

Soil survey and land classification

38. Agricultural development of the eastern and northern regions is constrained by the lack of location-specific recommendations for crop and animal production. It is proposed through this project to study soils, classification and correlation which will result in specific recommendations for the application of soil nutrients. Duration: three years. Estimated cost: \$600,000.

Prevention of post-harvest food losses

39. In the same regions, substantial post-production losses occur between harvest and utilization of food products. The project will assist in improving food grain handling and storage and protection at the farm level. It will also train personnel, including women, in post-harvest control technologies and introduce extension methods for prevention of food losses. It will raise the quality and quantity of the food available at the national level. Duration: two years. Estimated cost: \$500,000.

Agricultural census

40. Long-term agricultural planning and allocation of resources are hampered at present by a severe shortage of adequate and reliable data on land ownership and use; the agricultural work force; cropping patterns; the value of production; and the extent of use of machinery, fertilizer, pesticides and irrigation. To remedy this situation, the Government proposes to carry out a comprehensive agricultural census every 10 years. The project will provide technical advice in census planning and organization and training in collection, processing and evaluation of data. Duration: 18 months. Estimated cost: \$600,000.

Linkages

41. The three major categories of assistance provided in Yemen are: technical, capital and food and commodity assistance. The Federal Republic of Germany, the Netherlands, the United Nations system, the United Kingdom, the World Bank and the United States Agency for International Development (USAID) are the major sources for technical assistance. Much discussion has been held with them to ensure programme co-ordination. In West Khowlan, programme linkages in extension are planned for the ongoing training project for women in agriculture (YEM/84/W01) and the United Nations Fund for Population Activities (UNFPA), which plans to initiate a training programme for women in the same area.

42. UNDP intends to work particularly closely with the World Bank to link its pre-investment activities with possibilities of Bank investment. The Ma'rib Integrated Development Project is a World Bank follow-up to pre-investment activities supported by UNDP, the Food and Agriculture Organization of the United Nations (FAO) and the Islamic Development Bank.

43. Links will be also established with the regional sand-dune stabilization project. The United Kingdom and FAO are also undertaking sand-dune projects in other regions that have been co-ordinated at the planning stage with that of UNDP. Joint programming has been undertaken with the World Food Programme (WFP) with the intention of obtaining food assistance for the project.

44. The post-harvest losses project is a direct outcome of an FAO study in Yemen. The agricultural census project will co-ordinate with the statistical efforts of the Economic and Social Commission for Western Asia (ESCWA).

Programmed reserve

45. The IPF allocation for this objective is \$6,670,000. A reserve of \$700,000 is set aside for future projects that will deal with improvement of agricultural productivity, food security and crop protection.

Rationalized use of water resources

46. The second objective of the country programme relates to the rationalized use of water resources. Inadequate supply and over-exploitation of water resources are major impediments to the economic and social development of Yemen. Thus water has

been given high priority in the Third Plan. The fourth country programme intends to assist the Government to overcome this bottle-neck at the macro-economic/policy level and through the legislative process; it will also help to improve the agricultural and human productivity of 70 per cent of the population that lives in rural areas by providing access to water through cost-effective technologies.

New projects

Assistance to the High Water Council

47. Effective development and overall management of Yemen's scarce water resources are crucial for every aspect of the country's development. To meet this need, the Government has established the High Water Council as a national co-ordinating agency for water resources. UNDP assistance is requested to help establish a qualified technical secretariat for the Council which will provide the data and advice needed for the formulation of sound water policies and legislation. The project will provide technical advice and training to secretariat staff in the collection and evaluation of hydrogeological, meteorological, socio-economic and legal data bearing on water resources management; and will assist in the formulation of a Master Plan for Water Resources for approval by the Government and monitoring by the secretariat of the High Water Council. The project is considered by the Government to be of overriding priority within the context of its Third Development Plan, and the most important project in the UNDP country programme. Duration: four years. Estimated cost: \$2.4 million.

Improvement of rural water supply

48. Only 21 per cent of the rural area is served with potable and convenient drinking water supply, resulting in serious health problems and a heavy burden on women. The Rural Water Supply Department is charged with the provision of drinking water to the rural population, with the active participation of communities, but is institutionally weak in trained technical manpower, and in the implementation and monitoring of systems. The project will train the staff in designing of systems, hydrogeological testing, a repair workshop, monitoring of implementation, and operation/maintenance of pumps. The impact will be to support the Government's expansion of water supply and to contribute to the health of the rural population. Duration: three years. Estimated cost: \$500,000.

Improved irrigation methods and practices in the San'a Governorate (YEM/87/001)

49. Scarce water for agricultural production requires the development and application of improved farm irrigation techniques. Utilizing the outputs and experience of a previous project (YEM/84/U03, Drought relief assistance through improved irrigation system), the project will support extension programmes to train farmers in the new techniques, utilizing development communication methods suitable for Yemen. Duration: three years. Estimated cost: \$700,000.

Technical assistance in the design and construction of small dams (YEM/87/006)

50. To rationalize agricultural use and management of water, the Government has opted for maximum possible use of small earthen dams. The Ministry of Agriculture

and Fisheries needs assistance to develop expertise in the design, construction, operation, maintenance and monitoring of such dams. The project will help to build this institutional capacity as a follow-up to an FAO project that designed schemes. Duration: three years. Estimated cost: \$350,000.

Linkages

51. The Netherlands Government and USAID have expressed interest in cost-sharing the project for the secretariat of the High Water Council. In the same project, direct co-operation in data sharing will be sought with water projects assisted by other donors such as USAID, Japan, the Federal Republic of Germany and the United Nations Children's Fund (UNICEF) in rural water, the Netherlands in hydrological surveying and urban water supply, as well as the World Bank and the Union of Soviet Socialist Republics for the San'a Basin. The rural water supply project is a pre-condition to the third phase of UNCDF capital assistance to rural water supply and will support the capital assistance programmes of USAID, Japan, the Federal Republic of Germany and the Netherlands. The small dams project is directly linked to the previous FAO assistance and to the construction of three small dams by UNCDF. Through joint programming, WFP has indicated interest in providing food assistance to the small dams project. The UNDP technical assistance programme intends to make use of the successful results of regional projects for water-saving technologies (RAB/80/011, RAB/86/011).

Programmed reserve

52. The IPF allocation for the rationalized use of water resources is \$3,950,000. A reserve of \$379,000 of the available IPF has been allocated to finance project ideas which have yet to be formulated.

Improvement of the productivity and efficiency of the industrial sector

53. The third objective of the country programme relates to the industrial sector. In the Second Plan, industry was one of the most dynamic sectors led by private investment. The goal of the Government is to increase private sector investment and its share in the country's GDP in the manufacturing and industrial sectors. Meanwhile, a number of existing public and private industries are producing below capacity or have low-quality products. The strategy under this objective is to facilitate private sector investment, promote cost-effective technologies, and simultaneously help to improve the productivity, efficiency and quality of products of existing industries with the ultimate aim of exporting Yemeni products and saving foreign exchange. Also, in order to ensure a sound basis for planning of the industrial sector, assistance will be provided in data collection.

New projects

Pre-investment studies and advisory services for priority industries

54. In 1986 a programming mission of the United Nations Industrial Development Organization (UNIDO) identified promising industrial investment opportunities in a

number of subsectors, including agricultural machinery, garment production, and animal and fish feed production. This project will follow up the mission with pre-feasibility and feasibility studies aimed at generating investment and will assist the Government in linking investment opportunities with interested investors. Close co-operation is foreseen with credit institutions such as the Industrial Bank of Yemen. The mission also identified a number of important existing industries that are functioning below capacity and face managerial, technical and marketing problems. The project will provide expert advice through specialized consultancies. Duration: three and a half years. Estimated cost: \$550,000.

Development of marble-processing industries

55. Yemen possesses extensive marble deposits which are presently greatly under-exploited. Preliminary studies of quality indicate considerable export potential. The project will assist general economic studies which will lead to long-term planning and policy guidelines and pre-investment feasibility studies of exploitation, processing and export of marble. Duration: 18 months. Estimated cost: \$180,000.

Improvement in the quality and productivity of handicrafts

56. A large proportion of the population of Yemen derives its primary or supplementary income from the production of handicrafts. Faced with cheaper imports and antiquated production techniques, artisans have experienced dwindling markets for their handicrafts in recent years. This project will seek to revitalize the sector and expand employment opportunities, particularly for women, through training, quality improvement and the introduction of efficient marketing arrangements. Duration: two years. Estimated cost: \$400,000.

Assistance to the National Centre for Standardization, Quality Control and Meteorology

57. Institutional support in these areas has not kept pace with the recent rate of industrial development in Yemen. The Government has decided to establish a national centre to support industry and protect consumers through stronger quality control and standardization of industrial projects. The purpose is to raise quality to export-worthy standards, with particular emphasis on food products, building materials and chemicals. The project will provide institutional advice to the Centre and train staff, utilizing laboratory equipment provided through UNIDO. Duration: three years. Estimated cost: \$700,000.

Improvement of the registration capabilities of the Ministry of Economy, Supply and Trade

58. One of the bottle-necks faced by the private sector is in the registration and licensing process of the Ministry of Economy, Supply and Trade. This has led to long delays in investment project implementation. Furthermore, a clear policy is lacking regarding the types of manufacturing plants and technologies the Government would like to promote and register. This project will help the Government to draw up such a policy and apply it to the registration/licensing process. The

Registration Department will be streamlined and the staff trained so that they can more efficiently analyse submitted applications and feasibility studies. The impact of the project will be a more coherent industrial policy and accelerated investment by the private sector. Duration: 30 months. Estimated cost: \$400,000.

Support to the Statistical Unit of the Ministry of Economy, Supply and Trade

59. A recent evaluation has shown that this Ministry, which has important responsibilities in the area of industrial trade and pricing policies, has little capacity at present for generating adequate statistical data, a fundamental prerequisite for proper planning and sector management. The objective of this project is to strengthen the Ministry's newly established Statistical Unit by training staff to collect and process statistics and by establishing a management information system for decision makers. Duration: three years. Estimated cost: \$600,000.

Linkages

60. The Marble Industry Project is directly linked to preliminary work undertaken by the Government of Italy. The National Centre for Standardization and Quality Control project is a follow-up to the provision of laboratory equipment by UNIDO and donors that has yet to be utilized. The Statistical Unit will co-ordinate closely with the UNDP/United Nations Conference on Trade and Development/(UNCTAD) trade project YEM/85/010 and with the Statistical Department of CPO, which is supported by UNDP statistical project YEM/77/005. Pre-feasibility and feasibility studies produced will be offered to the private sector, to the Industrial Bank of Yemen for potential lending, and to selected multilateral and bilateral donors for their participation. The Industrial Bank of Yemen, the Netherlands Government and UNCDF are planning a credit project for small-scale industries that will be linked to the credit needs of the handicraft project.

Programmed reserve

61. The IPF for this objective is \$2,830,000. A reserve of \$240,000 of the IPF will be set aside for future ideas related to improving industrial capacities and increasing investment in the industrial sector, especially for small-scale industries.

Raising the level of health

62. The fourth objective of the country programme is concerned with raising the level of health. The status of health in Yemen is far from satisfactory. Life expectancy at birth is estimated at 45 years, and the infant mortality rate is 173 per 1,000 births. Malnutrition, communicable diseases and lack of sanitation facilities are major causes of ill-health and high mortality rates in the rural areas. Approximately 78 per cent of all health personnel is concentrated in urban areas while 75 per cent of the country's inhabitants live in rural areas. At present only 20-25 per cent of the population has access to primary health care programmes. To raise the level of health, the third plan calls for a major expansion of the primary health care system, with maximum participation of communities. The fourth country programme will assist in the following areas:

New projectsDevelopment of health services infrastructure for primary health care (PHC)

63. The Government's strategy for health care in Yemen is based on public health care concepts, but an effective infrastructure for the delivery of services has not yet been established. During the first phase of this project, a demonstration/pilot PHC project will be organized in one area for preventive and promotional health care. In the second phase, the project will be broadened and linked with all governorates through a national programme of education and training. Maximum use will be made of local resources and institutions, community participation and the involvement of women and non-governmental organizations. The project will be closely linked with the operational and maintenance phase of the Expanded Programme of Immunization (EPI) planned for 1988. Duration: four years. Estimated cost: \$2,200,000.

Central Public Health Laboratory for Food and Water

64. At present Yemen has almost no quality control and monitoring system for food and water and related health hazards, which have been found to be considerable. This project, which is to be linked to the primary health care systems, will have the following objectives: (a) to set up an effective food and water control system to protect consumers and assist the local food industry; (b) to develop food and water inspection services through training and preparation of guidelines; and (c) to prepare comprehensive, updated legislation on the quality of food and water. The present Central Laboratory in Sana'a will be assisted along with governorate sub-offices.

Linkages

65. The Public Health Care project will seek linkages and co-financing from the World Bank, USAID and regional funds of the World Health Organization (WHO). The project will also co-ordinate closely with health care projects assisted by the Government of Sweden in Taiz, the Netherlands in Dhamar, USAID in Hodeidah, the Federal Republic of Germany in Amran, and UNICEF, UNFPA and UNCDF in relation to their mother and child health care programme, the PHC programme and the Expanded Programme of Immunization (EPI). Both the PHC and the Central Laboratory projects are a follow-up to existing WHO efforts and their active involvement is expected in these new initiatives. The Federal Republic of Germany has expressed interest in participating in the laboratory project.

Programmed reserve

66. The IPF allocation for this objective is \$2,900,000. An amount of \$197,150 of the IPF is reserved for future project ideas to support the PHC programme in Yemen and link with training of women in the health sector.

Other projects: ongoing and new

Other ongoing projects

67. A number of projects began in the third country programme and will end in the fourth. All of them continue to be relevant to the requirements of the Government. All have strongly emphasized development of human resources and training, which are of paramount importance in this least developed country where the acute shortage of qualified technical personnel at all levels is strongly felt. The strategic statistical project in the Central Planning Organization will be continued so that the Government, through training, can obtain the capability of producing national accounts and statistics for planning purposes.

Labour administration and vocational training (YEM/86/001)

68. The objective of this project is to improve labour legislation and upgrade the capability of the officials of the Department of Labour Inspection, Employment and Labour Relations. It will also train the staff of the Department of Vocational Training in the Ministry of Social Affairs and Labour so they can more effectively plan and implement training and labour-related programmes. Estimated cost in 1988/89: \$235,000.

Telecommunications Training Institute

69. This project is a second phase to the successful pilot effort under the YEM/81/006 project. The objectives are to continue training trainers, developing curricula and training materials, and building the necessary institutions that will make the Telecommunications Training Institute self-reliant. Duration: three years. Estimated cost: \$550,000.

Development of auditing services (YEM/82/005)

70. Through assistance provided under the third country programme, the Central Organization for Control and Auditing has built up considerable expertise and staff training capability in the fields of financial and compliance auditing. To consolidate the progress made, further assistance is needed in the area of performance audit, management and curriculum development. Duration: two years. Estimated cost: \$450,000.

Assistance to the Civil Aviation Department

71. An evaluation by the International Civil Aviation Organization (ICAO) shows that while significant improvements in technical expertise in various aviation disciplines have been achieved with UNDP assistance, little attention has been given to developing managerial and administrative expertise. The project, through training and technical assistance, will improve managerial and administrative practices, including a revised compensation/salary system. Savings from Saudi Arabian cost-shared funds are expected to finance most of this project. Duration: four years. Estimated cost: \$200,000.

Development of meteorological services (YEM/85/004)

72. This project is continuing to assist in the development of meteorological activities in various sectors affecting the socio-economic growth of the country. It provides training and advisory assistance to establish a computer system for processing and storage of climatological data, and is developing maintenance facilities and procedures for meteorological instrumentation. Duration: three years. Estimated cost: \$522,000.

Development of statistical services

73. This project, a second phase to project YEM/77/005, supports the General Department of Statistics of CPO. In this new phase, the project emphasizes training done nationally in statistical methods to enable the Department to become self-reliant and allow the national staff to undertake all surveying, processing, tabulation and analysis activities. Duration: two years. Estimated cost: \$350,000.

Technical assistance in trade to the Ministry of Economy, Supply and Trade

74. Yemen's economy is highly dependent on the external sector, which has recently caused imbalances in the economy. The project will guide and train staff of the Ministry and para-statal import companies in trade, import, and pricing activities. A study with policy options will also be prepared for the trade sector. Duration: one year. Estimated cost: \$372,000.

Other new projects

75. The new projects, like the ongoing ones, are geared to training nationals in a variety of specialized fields. The fourth country programme will also support the petroleum sector, which will be the major source of revenue for the Government, so that the Government may accrue maximum benefits from this strategic sector.

Assistance to the Teacher Training Institute (YEM/87/010)

76. The Government's highest priority in education is the training of teachers for an expanding school system. This project will provide expertise within the World Bank's technical and capital assistance to the Teacher Training Institute. The project aims to develop the managerial structure, train the staff and develop the curriculum. Furthermore, UNDP, through a Management Service Agreement, will administer 556 fellowships provided for under the International Development Association (IDA) credit. Duration: three years. Estimated cost: \$650,000.

Non-formal teacher training for women

77. While adult literacy stands at 12 per cent in Yemen, most literates are men. The Yemen Women's Association operates non-formal education programmes for women, but their impact is limited by financial constraints and lack of qualified Yemeni teachers. This project aims to train approximately 25 instructors for non-formal education (literacy, home economics, and family welfare) who will train teachers in four existing centres. These trainers will, in turn, be expected to train

approximately 100-120 teachers a year so as gradually to replace expatriate teachers, thus helping the Government save foreign exchange. Duration: two years. To be costed.

Development of tourism (YEM/87/016)

78. Tourism is a potential growth industry that can generate hard currency, if properly developed, but Yemen is still at an embryonic stage in development of a tourism programme and provision of the necessary services. This project aims, through strong emphasis on training and consultancies, at improving the institutional capacity of the Yemen General Tourism Corporation to plan the sector, prepare feasibility studies, and inspect and control tourist establishments. The project also seeks to mobilize private investment through pre-feasibility studies which will be provided to the private sector for follow-up investment in tourism. Duration: three years. Estimated cost: \$500,000.

Assistance to the Ministry of Petroleum and Natural Resources (YEM/87/017)

79. The recent discovery of large petroleum reserves in Ma'rib has placed new and important responsibilities on the Ministry of Petroleum and Natural Resources. This project will provide technical advice and staff training to assist the Ministry to formulate appropriate sector policies and strategies; to develop the capacity to market Yemen's petroleum resources advantageously; and to co-ordinate external assistance and investment in the sector. The project is also linked to a Management Services Agreement (MSA) under which UNDP will provide supervision and administrative support to six experts being provided to the Ministry through an IDA credit. Duration: two years. Estimated cost: \$750,000.

Linkages

80. Cost-sharing from Development Assistance Committee (DAC) donors is anticipated for the Ministry of Petroleum and Natural Resources project and the Teacher Training Institute. In the Ministry of Petroleum and Natural Resources UNDP will carry out liaison with a number of active donors including the Netherlands, Japan, the Federal Republic of Germany, USAID and the World Bank, and the technical assistance project will help to co-ordinate their assistance.

81. The women's non-formal training project is programmatically linked to the training programme in West Khowlan (YEM/84/W01) supported by the United Nations Development Fund for Women (UNIFEM), and to training programmes supported by UNICEF and UNFPA. In regard to the labour administration project, the Federal Republic of Germany has established a vocational school which can be used more advantageously as the Ministry is strengthened.

82. Saudia Arabia is co-operating closely in the civil aviation project and \$600,000 of Saudi funds will be cost-shared through this project in the fourth country programme. The project also builds on cost-sharing provided by the Federal Republic of Germany. The meteorology project is also linked to previous capital assistance provided by Saudi Arabia. The trade project will be closely co-ordinated with a statistics project executed by the Department of Technical Co-operation for Development of the United Nations Secretariat.

C. Unprogrammed reserve

83. The Government has set aside \$5,037,150 as an unprogrammed reserve. Resources from this reserve will be used in the first instance to meet additional requirements of identified projects and possible increases in project costs. The balance will be allocated to new projects executed or started during the fourth cycle.

Annex

FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

<u>A. UNDP-administered sources</u>	<u>\$</u>	<u>\$</u>
Third cycle IPF balance	3 600 000	
Fourth cycle IPF	23 165 000	
<u>less</u> 1987 expenditure	(3 600 000)	
<u>plus</u> tentative fifth cycle IPF as 1/5 of \$23,165,000	<u>4 633 000</u>	
Subtotal IPF		27 798 000
Special Measures Fund for Least Developed Countries	1 645 000	
Special programme resources		
Government cost-sharing	-	
Third-party cost-sharing	576 500	
Operational funds under the authority of the Administrator (UNCDF, UNIFEM, UNFSSTD)	11 096 000	
UNDP special trust funds	-	
Subtotal, UNDP non-IPF funds	<u> </u>	<u>13 317 500</u>
 <u>B. Other sources</u>		
Funds from other United Nations agencies or organizations firmly committed as a result of the country programme exercise	-	
Parallel financing from non-United Nations sources	<u>1 100 000</u>	
Subtotal, other sources		<u>1 100 000</u>
 TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING		 <u><u>42 215 500</u></u>

II. USE OF RESOURCES

Ongoing projects	6 611 700	
New project proposals	29 050 500	
Programmed reserve	<u>1 516 150</u>	
Subtotal, programmed resources		37 178 350
Unprogrammed reserve		<u>5 037 150</u>
 TOTAL USE OF RESOURCES		 <u><u>42 215 500</u></u>
