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**ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)**

**ISTANBUL PLAN OF ACTION FOR LEAST DEVELOPED  
COUNTRIES IN THE ESCWA REGION, PROGRESS  
REPORT ON YEMEN AND SUDAN**

**EMERGING AND CONFLICT RELATED ISSUES DIVISION,  
SOFIA PALLI**



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## Foreword

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Least Developed Countries (LDCs) are highly representative of the most vulnerable and marginalized countries in the world. Currently forty eight in total, LDCs are characterized by structural vulnerabilities to growth such as low per capita income, low levels of social and human development and often at a geographical disadvantageous position. LDC's together constitute 12 per cent of global population and, as of 2010, contribute only by 1 per cent to global trade, and economic activity<sup>1</sup>.

In 2011, in a high-level meeting hosted by Turkey, LDC's and the international community resolved to a vision, taking the form of a mutually agreed compact towards sustainable development by 2020. The Istanbul Plan of Action, acknowledging the structural vulnerabilities of LDC's has a strong focus on boosting productive capacities, supported by special measures to effectively engage in trade, build human capacities, attract investment and participate in global production networks and value chains. Structural transformation through increasing productive capacity comes hand in hand with the objective to work towards achieving equitable economic growth to at least a level of 7 percent annually. The overall target is for half of the countries to graduate from LDCs status by 2020. This ten year partnership is developed across eight key areas: productive capacity, agriculture, food security and rural development, trade, commodities, human and social development, multiple crises and other emerging challenges, mobilizing financial resources for development and capacity building and good governance at all levels, each supported by commitments for the international community and LDC's.

Looking back at four years of implementation, this study will analyze progress and challenges met in LDC's in the ESCWA region, Yemen and Sudan with a strong focus on the special vulnerabilities these countries are experiencing due to conflict and political instability.

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<sup>1</sup> UN-OHRLS (2013), Vision20/20, the Istanbul Program of Action for Least Developed Countries, 2011-2020.

### **List of Least Developed Countries and Criteria for Graduation**

**African LDCs and Haiti:** Angola, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, Sudan (former) or South Sudan and Sudan, Togo, Uganda, United Republic of Tanzania, Zambia.

**Asian LDCs:** Afghanistan, Bangladesh, Bhutan, Cambodia, Lao People's Democratic Republic, Myanmar, Nepal, Yemen.

**Island LDCs:** Comoros, Kiribati, Sao Tome and Principe, Solomon Islands, Timor-Leste, Tuvalu, Vanuatu.

The list of LDCs<sup>1</sup> is revisited every three years by the United Nations Economic and Social Council (ECOSOC), following recommendations of the Committee for Development Policy (CDP). The criteria for inclusion as per the 2012 review are:

(a) Per capita income, based on a three-year average estimate of the per capita gross national income (GNI), with a threshold of \$992 for candidate countries for addition to the list, and a threshold of \$1,190 for graduation from LDC status;

(b) Human assets, involving a composite index (the Human Assets Index) based on the following indicators: (i) nutrition (percentage of the population that is undernourished); (ii) health (child mortality ratio); (iii) school enrolment (gross secondary school enrolment ratio); and (iv) literacy (adult literacy ratio);

(c) Economic vulnerability, involving a composite index (the Economic Vulnerability Index) based on the following indicators: (i) natural shocks (index of instability of agricultural production; and the percentage of victims of natural disasters); (ii) trade-related shocks (index of instability of exports of goods and services); (iii) physical exposure to shocks (proportion of population living in low-lying areas); (iv) economic exposure to shocks (share of agriculture, forestry and fisheries in gross domestic product (GDP); index of merchandise export concentration); (v) smallness (population in logarithm); and (vi) remoteness (index of remoteness). In all three criteria, different thresholds are used for identifying countries to be added to the list of LDCs, and those that should graduate from the list.

Each country's eligibility as an LDC depends on meeting all three criteria while having a population no greater than 75 million. However, the inclusion of the country in the LDC's category depends on its government accepting this status and the measures that this entails. A country will normally qualify for graduation from LDC status if it has met graduation thresholds under at least two of the three criteria in at least two consecutive triennial reviews of the list. However, if the per capita GNI of an LDC has risen to a level at least double the graduation threshold, the country is eligible for graduation regardless of its performance under the other two criteria.

**Source:** UN Department of Economic and Social Affairs, Committee for Development Policy accessed at: [http://www.un.org/en/development/desa/policy/cdp/ldc\\_info.shtml](http://www.un.org/en/development/desa/policy/cdp/ldc_info.shtml)

## I. Introduction

Sudan and Yemen, the conflict affected Least Developed Countries (LDC) in Western Asia, are expected to significantly lag behind the IPoA graduation criteria from the LDC category. Despite positive developments in other LDC's, meaningful socio-economic changes are still slow and uneven for both countries. While growth of LDC's economies, in total will continue to surpass global averages, with an expected acceleration from 5.3 per cent in 2014 to 5.7 per cent in 2015 and 5.9 per cent in 2016<sup>2</sup>, growth rates have contracted by almost half for both Sudan and Yemen following secession with South Sudan and onset of conflict for Yemen<sup>3</sup>. Fiscal deficit for Yemen is still at about eight percent of Gross Domestic Product (GDP) and its economy in overall, which contracted at about 12 percent in 2011<sup>4</sup>, is still to recover. Likewise, following the secession with South Sudan, Sudan's economy contracted by almost 7 percent during 2012-2013 and is slowly on the road to recovery. Repeated cycles of political and criminal violence are also key factors for persistent poverty levels<sup>5</sup> in both countries, despite rapid progress in reducing poverty in other LDC's, primarily in Asia.

The governments' efforts towards establishing robust and responsive governance systems and capacities that would sustain a resilient economy towards external and internal shocks have been impaired by protracted internal conflict and emerging challenges such as the global financial, food and oil price crises. Weak human, technological and institutional capacities, coupled with scarcity of domestic resources and inequality induces a vicious cycle of low productivity and investment and limited technology transfer. Poverty is deeply entrenched and primarily rural, which signals the need for diversifying rural economies by raising labour productivity in agriculture but also expand livelihood opportunities into non farm activities.

Depleting oil outputs<sup>6</sup>, against low oil prices has eroded other sectors of the economy, thus highlighting the inherent vulnerabilities of overreliance on one sector. While Sudan and Yemen have different development trajectories, both countries witness unpredictable and declining oil revenues, dependence

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<sup>2</sup> UN DESA (2015), World Economic Situation and Prospects, p. 7

<sup>3</sup> Ibid, p.13 In Yemen, growth of GDP is estimated to have decreased by more than half to 2.1 per cent in 2014, with a moderate acceleration in growth to 3.7 per cent expected in 2015.

<sup>4</sup> Yemen, National Statistics Office, annual GDP growth,

<sup>5</sup> Recent estimates for Yemen suggest that poverty rate stands at 42% in 2009<sup>5</sup> to 54.5% in 2012 (WB: Yemen Country Overview, updated in September 2014). Poverty estimates for Sudan are equally alarming with 46.5% living in poverty<sup>5</sup>. <sup>5</sup> Poverty rates increased according to the 2010 food poverty line (extreme poverty) from 12.46% to 16.15% or about 30% compared to UNDP/World Bank/Government of Yemen, Poverty Assessment for 2005-2006. Both the poverty gap and severity intensified by a more accelerated rate than that of the proportion of the poor.

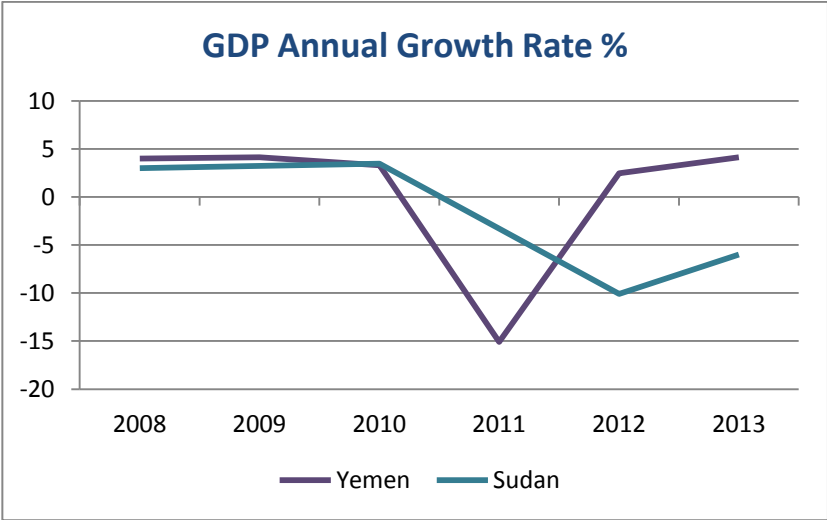
<sup>6</sup> See section C and D; Political instability has led to severe declines in oil output, reducing oil revenues by about one third in the first half of 2014.

on foreign Aid primarily in response to humanitarian needs, a weak service sector and a deteriorating agricultural sector, unable to service livelihood needs for the growing number of rural households, falling into poverty and food insecurity. The repercussions of overdependence on one sector and neglect of agricultural development are also reflected in both countries’ increasing rates of rural and urban, unemployment, - primarily among the youth -. In 2011, just in the aftermath of political turmoil, ten million Yemenis, nearly half of the population were reported as food insecure. On the other hand, Sudan’s unsustainable debt burden, in absence of common positioning with South Sudan, and US imposed sanctions; fiscal deficits and protracted conflict in Darfur hinder the government’s capacity towards sound planning for macroeconomic stability.

On the governance level, Yemen’s transitional Government is facing daunting challenges due to political instability with the most recent scaling up of violence following Yemen’s Houthi movement capturing the presidential palace in January 21<sup>st</sup>, 2015. Encouraging trends following the National Dialogue Outcomes through 2014 are again under risk, pending on a new agreement reached by the parties in conflict.

**Key Messages**

- **Sudan and Yemen as conflict affected LDC’s are facing daunting challenges related to the structural vulnerabilities** as least developed countries, **further exacerbated by political instability.** Growth rates are still to recover to pre-crisis, secession levels. Windows of opportunity for socio-economic advancements, even though present the last triennium, have failed to deliver sustainable results.



Source: World Economic Indicators, World Bank, accessed December 2014

- **Attainment of the MDG’s remains uneven for Yemen and Sudan.** In general, people in conflict affected and fragile settings are twice as likely to be undernourished, children are three times less

likely to attend school, while children under five are twice as likely to die before the age of five<sup>7</sup>. Renewed predictable funding and political resolve are essential in the Post 2015 framework.

- External stresses and shocks tend to heavily impact on conflict affected LDC's capacities to absorb or mitigate risks. Oil price volatility, climate change and spillover effects from neighboring conflicts are important factors in increasing the likelihood of risk resulting into new cycles of violence. **Conflict prevention measures with adequate early warning and risk assessment tools can assist better prepare and mitigate adverse impacts of shocks.** Far more so than in stable LDC's, addressing such external stresses needs to be embedded in national strategies and translated into special support measures to this effect by the international community.
- Yemen and Sudan, will need to focus their efforts in diversifying the largely agrarian economies and build their productive capacities by **creating decent jobs for the alarming number of their unemployed youth.** This in public policy will mean that other reforms will need to be sequenced or delayed on the road to recovery.
- Both Yemen and Sudan, experience wide disparities in income and resource distribution across governorates, in many cases triggering internal conflict. In Sudan, power and resources tend to be restricted in and around Khartoum, whereas in Yemen resource distribution has favored certain groups over others. However, while income inequality is a determinant of other non-income outcomes of well being (health, education, nutrition), it is not the only factor encouraging inequalities. **Institutions have a critical role to play.** Governance failures, public policy biases, and inefficient or ineffective service delivery systems are key drivers of inequalities and social exclusion. Hence, providing equal opportunities across the country should be supported by responsive governance institutions able to absorb and effectively address grievances among different territories and groups.
- **Interventions in the aftermath of conflict should be aware of the interactions between the proposed action and the context and be implemented in a conflict sensitive manner.** In the immediate aftermath of conflict, development partners channel support primarily through ad-hoc initiatives and often pre-mature investment in capacity building. This has in cases resulted in 'more harm' through, for instance, overcrowded public sectors that disproportionately responded to needs of one group over another, hence generating new tensions. The comprehensive implementation of reforms in national institutions is a slow and lengthy process. It will often have to prioritize certain reforms at the expense of others and may fall short of donors' expectations.

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<sup>7</sup> World Development Report (2011), p.6, Washington D.C

UNDP (2014), *'Humanity Divided: Confronting Inequality in Developing Countries'*, Bureau for Development Policy, New York.

- **International assistance and aid allocation mechanisms differ in fragile situations.** Aid disbursement for Sudan and Yemen is currently an important source of external finance when measured as a percent of GNI, on a per capita basis or as a proportion of the government budget. For Yemen, in particular, ODA has tripled over the last three years. However, aid allocation needs differ for conflict affected and fragile states. Measures for rapid disbursements vis a vis, impaired government capacities often result in delays, jeopardizing life saving financing needs but also compromising the recipient country's ownership over proposed policy mechanisms. In addition, while external financing is important at the early stages of recovery, measures for aid management need to be in place to improve public finance mechanisms which will later on capitalize on the strengthened national capacities for domestic resource mobilization.

## ***A. Productive capacity building***

### **1. Infrastructure, Energy and ICT**

#### **Sudan**

Sudan's power generation capacity has gradually increased in the last years, rising from around 800 megawatts (MW) in 2005 to 3,187 MW in 2013<sup>8</sup>, with a clear shift towards hydropower. Sudan has the potential to become a key hydropower exporter, if relevant capacities and funding are strengthened and integration with neighboring Nile Basin countries increased. However, accessibility and service coverage remains challenging with the majority of rural population lacking access to reliable electric supply. Infrastructure has been destroyed or severely damaged across the country with conflict affected areas suffering the most. Children and women are particularly affected by insufficient and erratic service. Infrastructure projects are among Asian and Arab investors' top priorities in the country. In March 2011, for instance the Kuwait-based Arab Fund for Economic and Social Development granted Sudan US\$350 million in concessional loans for infrastructure projects<sup>9</sup>.

In ICT, Sudan has also made efforts in liberalizing the telecommunications sector (national Sudatel privatized over a decade ago) and has managed to attract significant private capital mainly from Gulf countries. Mobile penetration has also vastly expanded from coverage of less than 1 percent in 2000 to 33 percent in 2009 and 60.5% in 2012<sup>10</sup>. The country enjoys a relatively well equipped telecommunications infrastructure, including a national fibre optics backbone and international fibre connections. Sudan declared the year 2015, as the e-Government year, during which numerous e-

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<sup>8</sup> UNIDO, (2013), World Small Hydropower Development Report 2013, Sudan, accessed at [http://www.smallhydroworld.org/fileadmin/user\\_upload/pdf/Africa\\_Northern/WSHPDR\\_2013\\_Sudan.pdf](http://www.smallhydroworld.org/fileadmin/user_upload/pdf/Africa_Northern/WSHPDR_2013_Sudan.pdf)

<sup>9</sup> United Nations Development Group, (2012), Sudan Country Analysis.

<sup>10</sup> The subscriber base from 23,000 in 2000 to 27,657,875 in 2013, while the fixed telephone subscription shows a moderate general decrease since 2004.

service initiatives will take place. Sudan has also established an African City for Technology to encourage youth initiatives in ICT and Technology. Reducing youth unemployment could be addressed by supporting technology incubators and promoting entrepreneurship among university graduates. Sudan has established a national team to develop e-Learning strategy and in February 2015, the Ministry of Science and Technology announced in Feb 2015, a plan to develop the first e-School in Sudan.

In the transport sector, even though the road network almost doubled in length to 6,200 kilometers (km) between 2000 and 2008, large volumes of unpaved roads<sup>11</sup> still exist<sup>12</sup>. Rural connectivity remains challenging with only a few main road arteries operating. Road density is low while disruptions due to conflict and low quality roads have a negative impact on traffic of transport routes. The Government of Sudan, reports that a priority for the next five years would be to improve infrastructure to achieve greater regional integration. Sudan has also great potential to benefit more from its natural sea road through its Red Sea port. The main highway linking Khartoum to Port Sudan is at a distance of approximately 630 miles. The GoS with support from the World Bank is currently constructing a new highway at a shorter distance which will substantially reduce transportation costs<sup>13</sup>.

### **Yemen**

Infrastructure in Yemen has been severely affected by the political turmoil in 2011, causing protracted disruptions in power generation. In governorates in the highlands, which were already in isolation, lacking even basic infrastructure, the conflict further exacerbated the situation by disrupting transport routes, prohibiting access to markets and in many cases leaving communities without electricity for extended periods. Damages on the pipelines, severely affected oil production and exports, Yemen's main contributor to growth.

Yemen has among the lowest ratings in terms of access to electricity in the region, with only 54% of the population having access, out of which 42% live in rural areas. The country's main Public Electricity Company (PEC) grid is servicing primarily urban centers and has vastly excluded southern areas. On the positive side, Yemen has a high potential on renewable sources, having one of the world's highest levels of solar radiation and wind. These resources are reported capable of providing necessary resources for extending energy supplies of rural communities in the highlands while also advancing large-scale commercial power development. The Government of Yemen (GoY) has prioritized renewable energy use in its development plan; setting a target of 15-20 per cent increase of renewable energy share in total electricity generation by 2025<sup>14</sup>. However, its potential is highly dependent on external funding.

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<sup>11</sup> The total paved highway is only around 2, 250 miles.

<sup>12</sup> No updated data for paved roads % in Sudan.

<sup>13</sup> World Bank (2013), Khartoum - Road Sudan Rehabilitation Project:  
<http://www.worldbank.org/projects/P002626/khartoum-port-sudan-road-rehabilitation-project?lang=en>

<sup>14</sup> Sustainable Energy Regulation Network (SERN), Country Profile, Yemen, accessed at  
<http://www.reegle.info/policy-and-regulatory-overviews/YE>



In terms of ICT maturity<sup>15</sup>, Yemen is among the lowest ranking countries in the ESCWA region, meaning a) low ICT penetration rates and unfavorable market conditions, b) scarce international connectivity to the Internet backbone, c) poor Internet infrastructure and low dissemination, especially for broadband, inadequate national backbone and limited number of internet players. However, on the positive side, connectivity has increased and so has the number of private sector companies involved in the sector. This partly explains the number of mobile telephone subscribers increasing by 129 per cent, despite political turmoil.

At last, as an indication of productive usage of ICT, UN Department of Economics and Social Affairs recently published the 2014 E-government Survey. Out of 193 countries surveyed, Sudan ranked 154 and Yemen 150 against the components of online service, telecommunication infrastructure and human capital. Both countries scored better than the global LDC average as well as low income country average. Both Sudan and Yemen scored lower in human capital than other LDCs or low income countries, which may limit the future expansion of ICT usage and infrastructure development.

**Table 1:** E-Governance Survey results:

	E-Gov.Dev. Index	Online Service	Telecom. Infrastructur e	Human Capital	Ranking
Sudan	0.2606	0.2913	0.1847	0.3059	154
Yemen	0.272	0.3071	0.1249	0.384	150
World	0.4712	0.3919	0.365	0.6566	
LDC	0.2121	0.1475	0.0929	0.396	

Source: UN DESA E-Government Survey 2014

**Table 2:** Electricity generation in Sudan and Yemen: Capacity (MW), peak load (MW), production (GWh)

Yemen	2009	2010	2011	2012	2013
Capacity	1 598	1 724	1 800	1 868	1 868
Peak load	1 082	1 137	1 312	1 482	1 358
Peak load/capacity	68%	66%	73%	79%	73%
Production	6 749	7 757	6 662	7 073	7 297

The Sudan	2009	2010	2011	2012	2013
Capacity	2 238	2 509	2 723	2 850	3 136

<sup>15</sup> ESCWA (2013), Regional Profile of the Information Society in the Arab Region.

Peak load	1 151	1 314	1 542	1 727	2 011
Peak load/capacity	51%	52%	57%	61%	64%
Production	6 372	7 498	8 455	8 183	10 284

Source: ESCWA, Statistics Division, Data from National Sources (Statistical Bulletins 2009-2013)

**Table 3:** Electricity Generation by type (GWh) in Sudan and Yemen

The Sudan	2009	2010	2011	2012	2013	By type %
Steam Turbine	887	316	1 631	1 486	1,204	11.7%
Gas Turbine	94	6	1	6	...	-
Combined Cycle	1 847	763	210	1 144	582	5.7%
Diesel	309	138	161	182	183	1.8%
Hydro	3 235	6 275	6 452	5 365	8,315	80.9%
Total	6 372	7 498	8 455	8 183	10 284	100.0%

Yemen	2009	2010	2011	2012	2013	By type %
Steam Turbine	2 632	2 637	2 228	2 228	1,913	26.2%
Gas Turbine	4	2 060	1 337	1 337	2,722	37.3%
Diesel	2 358	1 703	1 591	1 591	966	13.2%
Other renewable	1 755	1 357	1 506	1 917	1 696	23.2%
Total	6 749	7 757	6 662	7 073	7 297	100.0%

Source: ESCWA, Statistics Division, Data from National Sources (Statistical Bulletins 2009-2013)

**Table 4:** Total energy production in Sudan and Yemen (000' TOE)

Yemen	2009	2010	2011	2012	2013	Share of World Total	% change 2013/2012
Crude oil	14 020	13 774	10 626	8 314	6 444	0.17%	-22.49%
Total	14 020	13 774	10 626	8 314	6 444	0.08%	-22.49%

The Sudan	2009	2010	2011	2012	2013	Share of World Total	% change 2013/2012
Crude oil	24 636	24 737	23 058	5 701	12 572	0.16%	120.54%
Marketed N. Gas	-	-	-	-	-	.	.
Hydro	795	1,542	1,585	1,318	2,043	0.25%	54.99%
Total	25 430	26 279	24 644	7 021	14 618	0.19%	108.21%

Source: ESCWA, Statistics Division, Data from National Sources (Statistical Bulletins 2009-2013)

## 2. Private Sector Development

Private sector development is severely impacted by insecurity and conflict. Destruction of physical infrastructure, flight of local human and financial capital, increasing operating costs, disruptions in production and supply chains, ill performing customs administrations and delays in business processes act negatively upon private investors' decision to continue, expand or start-up a business activity. Investors, meeting an insecure environment, are forced to tailor their engagement and profit in the short term rather than creating long-term business strategies. Their focus is on an operating mode,

surviving the crisis, with distortions such as illicit gains and a fusion of “not traditional” business actors. At last, instability of exchange rate has a negative impact on the ability of the private sector to access international markets, compromising small businesses ability to attract funding and also diversify the funding base of their companies.

While instability makes new private investors risk averse, existing entrepreneurs in fragile settings appear relatively resilient. The potential can thus be higher if in the early recovery phase, efforts are targeted towards creating an enabling environment for existing small business. Government institutions can play a key role by treating business as peace engines through a) employment generation for recently demobilized men and women b) prioritizing local business for harnessing immediate relief related activities c) facilitating access to capital<sup>16</sup>.

### Sudan

Sudan’s private sector is central to the country’s economic growth as it contributes about 80% and 50% of agricultural and industrial value added<sup>17</sup>. With development plans geared towards boosting the country’s agricultural production, private sector development has a key role to play. Advancements in the sector have been slow due to ongoing conflict and the secession with South Sudan, disrupting trade routes and business operations. Ill managed business operating framework and lack of transparency in registering processes led into Sudan’s deteriorating ranking on protecting investors and registering property indices in the WB Doing Business 2014 Report, currently at 160 out of 186 countries<sup>18</sup>. Micro financing is within the government’s priorities yet respective loans account for only 5.3% of the total loans at the end of 2012, leaving ample room for improvement. The Sudanese Business and Employers Federation (SBEF) highlighted the high exchange rates, high costs of foreign inputs and the doubling of minimum wage and limited access to finance, as the main obstacles for SME’s development.

Contract enforcement is a lengthy process for private investors in Sudan (810 days compared to 652 on average for Africa<sup>19</sup>). An updated Investment Act was introduced offering a more favorable environment to investors by simplifying and shortening land contracting. To boost entrepreneurship 137 public enterprises with 39,000 workers were privatized between 2008 and 2012 with an additional estimate of 28,000 new jobs created<sup>20</sup>.

Protracted conflict in Sudan and ill managed interventions have also undermined an enabling business environment. Private sector investment, risk to inadvertently support a power imbalance by being seen

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<sup>16</sup> ESCWA (2009), Strategies for Development in Conflict Affected Countries in the ESCWA Region: The Role of the State and Private Sector Development

<sup>17</sup> Sudan National Human Development Report (2012), UNDP and Ministry of Welfare and Social Security.

<sup>18</sup> World Bank (2014), Annual Doing Business Report

<sup>19</sup> African Economic Outlook (2014), Sudan, p.10

<sup>20</sup> *ibid*, p.10

as supporting one group over another, by employing communities from one region over another etc. Conflict blind interventions often lead into an informal, highly distorted trade economy which has been, to some extent, the case in Sudan. The international community, through the “New Deal” highlights different ways of engagement in fragile states, including with the private sector. Becoming conflict-sensitive, is one of them and it involves a deeper understanding of the interaction between the operating environment and the intervention. Within this framework, (SBEF), the South Sudan Business Union and Global Compact Organization signed in November 2014 a Declaration and committed to promote ethical business practices for peace<sup>21</sup>. In addition, on the positive side, the GoS with support from UNIDO is working on an Industrial Modernization Program which will help boost agro-industrial value addition. The programme covers six sectors: leather and leather good manufactories; fisheries; agriculture fertilizers; animal feed; food processing sector; fresh fruit and vegetables; groundnut and edible oil products; and cotton lint and spinning/textile<sup>22</sup>.

### **Yemen**

In Yemen, efforts yielding results in private sector and SMEs development from 2007 until 2012 have been unfortunately compromised by political instability. Prior to political turmoil, the country’s central bank with support from the donor community had set up and provided training through its Microfinance Unit, while it also established two microfinance banks. Loan disbursement to SME’s were steadily rising.

Private sector in Yemen, consists primarily of micro, small and medium enterprises (MSMEs) – over 97% of firms (about 290,000) have less than 25 employees with total estimated employment of over 600,000 workers, including approximately 30,000 women<sup>23</sup>. The Transitional Plan for Security and Development (TPSD) prioritizes job creation, linking MSME development not only to private sector development, as well as to the social equity and protection agenda. The 2012 rapid assessment of the effects of the crisis on businesses in Yemen, found that over 75% of firms surveyed identified electricity, macroeconomic stability, political instability and corruption as major obstacles to their business, whilst over 40% of their value sales decreased since the beginning of the crisis in 2011. The Social Fund for Development in Yemen, reports that public lending to SMEs has steadily increased since 2003, reaching its pick at 2010. In 2011, however, loan disbursed to MFIs dropped from about YR 1.2 billions to a little more than YR 860 millions, again, due to the 2011 crisis<sup>24</sup>.

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<sup>21</sup> SBEF and Global Compact (2014), Declaration on Promoting Business for Peace, accessed at : [https://www.unglobalcompact.org/docs/news\\_events/9.6/Sudan-SouthSudan\\_BusinessDeclaration.pdf](https://www.unglobalcompact.org/docs/news_events/9.6/Sudan-SouthSudan_BusinessDeclaration.pdf)

<sup>22</sup> UNIDO (2013), ‘USD 11m programme for industrial modernization of Sudan presented by UNIDO ’accessed at <http://www.unido.org/news/press/usd-unido.html>

<sup>23</sup> Central Statistic Office of Yemen, data from 2004, extracted from Stimulating Business and Employment in Yemen, Nabila Assad, World Bank, Middle East and North Africa Region.

<sup>24</sup> Social Fund for Development, Yemen (2011) , Small and Micro Enterprises Development in Yemen and Future Projects, p.62

Nevertheless, the GoY highlights the strength of private sector in reviving the economy and it has in November 2014 signed a Memorandum of Understanding (MOU) with the Yemeni private sector to foster an enabling environment for business creation and youth employment<sup>25</sup>. The MOU introduces a formal dialogue mechanism, the establishment of a Joint Committee on Small and Medium Enterprises and private sector engagement in value chain development. It also touches upon legislative reforms to combat corruption, protect private property and set up fundamentals of a favorable investment environment.

At last, prior crisis, Yemen's ratings in the World Bank's annual Doing Business reports, which compare the business and investment climates of countries around the world, demonstrated a steady improvement. From 2008 to 2011, Yemen's overall ranking improved from 123rd to 94th, while its rating as a location to start a business jumped from 178th to 55th. From 2009 to 2011, the country rose 35 places in the 'getting credit' index, moving up from 174th to 139th. However the instability following the years after 2011 have pushed the country back to pre 2007 ratings.

### ***B. Agriculture, Food Security and Nutritional Scarcity and Rural Development***

Productive capacity building relates to the structural transformation of LDC's economies towards economic sectors and activities with higher value added. This translates into changes in the composition of employment and diversified production and exports. The quality of employment to support increased productivity is at stake here. Productive and remunerative employment with focus on creating incentives for self employment is necessary. In the absence of those, people living in poverty can result into informal labour and small-scale family agriculture.

**Table 5: Employment by sector in ESCWA's LDC, selected years (percent of total employment)**

	Agriculture			Industry			Services		
	1999	2000	2012	1999	2000	2012	1999	2000	2012
<b>Yemen</b>	51.0	48.8	44.2	13.0	12.3	14.0	36.0	38.9	41.8
<b>Sudan</b>	56.7	55.0	52.2	6.3	7.4	8.4	37.0	37.6	39.5

Source: ILO, Global Employment Trends 2014 database

Among ESCWA member states, it is estimated that 70 percent of people living in poverty<sup>26</sup>, reside in rural areas. The majority of them are subsistence farmers, and their livelihoods are based on crop

25 UNDP (2014), "Government and Private Sector of Yemen hold dialogue in support of Yemen's economic development" accessed at:

<http://www.undp.org/content/undp/en/home/presscenter/pressreleases/2014/11/18/government-and-private-sector-of-yemen-hold-dialogue-in-support-of-yemen-s-economic-development/>

<sup>26</sup> ESCWA, 2011, Working Paper on Approaches for Rural in the ESCWA Region: Enhancing SME Competitiveness and Infrastructure Services.

cultivation, herding and fishing. The limited availability of landholdings, water scarcity, caused by low and declining groundwater levels, erratic weather conditions and low rates of productivity, severely affect food production, food security and rural incomes. As in the great majority of LDC's, the necessary additional income which could lift people out of poverty is needed most by people living in rural areas. Even against the current scenario of rapid urbanization growth, the possibility of poverty reduction by industrial development alone is limited due to social and environmental considerations related to the nature of urbanization. Renewed attention to rural development with measures to increase agricultural productivity through non-agricultural activities and the generation of non-farm income sources is essential.

Violent conflicts in both Yemen and Sudan have destroyed critical infrastructure, dwellings, farms and forced people to flee their bases. They exacerbated poverty, forced people to food insecurity, disrupted livelihoods and local economies while eroding development gains. Sustained political commitment towards the sector hosting the largest share of world's poor is a prerequisite for building resilient rural communities and creating an enabling environment for improving food security through adequate investments and effective service delivery.

## **1. Agriculture**

### **Sudan**

Sudan witnessed, as a result of the secession, the loss of significant human and land resources as well as access to three quarters of the country's oil. In particular, secession reduced the Sudan's total area by one quarter, with arid lands increasing from 65 to almost 90 per cent<sup>27</sup>. Despite this fact, 75 per cent of previously classified as arable land is still within the borders of Sudan, out of which only 16.8 million hectares are reported as cultivated, leaving an ample space for improvement<sup>28</sup>. Moreover, decreases are also evident in the livestock population, by 28 per cent to 104 million head, during 2012. The government of Sudan has channeled funds towards large scale irrigation, yet it is still only covering 9 percent of the cultivated land.

Agriculture provides employment for approximately 70 per cent of the labour force in rural areas<sup>29</sup>. With nearly two thirds of the country's population depending on agriculture for food supplies and income, this sector is critical in assisting households recovering post crisis. Agricultural productivity in the Sudan is low and variable. Unstable rainfall levels and erratic climatic conditions, degraded soils, water scarcity, limited access to rural credit facilities, protracted conflict and related displacement, increasing food prices, are some of the challenges affecting farmers' livelihoods. In addition, in the country's acute poverty areas, the rapidly increasing population (IDPs and returnees) puts the already fragile ecosystems under pressure.

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<sup>27</sup> IFAD (2013), Republic of the Sudan, Country Strategic Opportunities Program.

<sup>28</sup> *ibid*

<sup>29</sup> Sudan Population and Housing Census 2008

Despite good harvest during 2011, and 2012 Sudan remains a food deficit country with poverty deeply entrenched and predominantly rural, affecting primarily farmers practicing rainfed agriculture. The traditional rainfed farming includes about 10 million hectares and consists of household landholdings of 2-50 hectares. Productivity is declining, but use of improved practices in several projects has demonstrated potential for major improvements. Livestock is also an important component of the agricultural sector, with production based on traditional pastoral systems.

During 2014, the lean season started earlier and levels of stressed and crisis levels of food security are expected to rise. The World Food Program reports that while Sudan typically produces a cereal surplus for export, in 2014, the country is likely to face a cereal deficit of one million metric tones<sup>30</sup>.

On the institutional framework, the government has intensified efforts to diversify its crops (cereals, beans, sisal hemp, fodder crops, horticulture crops); yet cotton and gum dominate agriculture exports. Irrigation and transportation systems are among the biggest challenges to a diversified and dynamic agricultural economy. The Government of Sudan (GoS) has successfully engaged in partnerships with domestic and foreign investors so as to increase agricultural exports and provide alternative opportunities to substitute for losing oil revenues.

### **Yemen**

Agriculture is an important pillar of Yemen's national economy, accounting for 17.5% of GDP, by livestock's contribution at 20 per cent to this amount<sup>31</sup>. Agriculture, including transport, processing and trading sectors employs about 54 per cent of the population.

The Yemeni Ministry of Agriculture was recording an average growth in production of value added agriculture at about 7.5 per cent annually with all types of crops demonstrating positive growth and largest gains in grain, coffee and honey. As in the Sudan, poverty is primarily rural, affecting subsistence farming.

Political instability, civil conflict across the country and protracted displacement of population has had a detrimental impact on agricultural livelihoods, resulting in extensive loss of livestock, crops and a twofold increase in the number of food insecure households the last two years. Scarce water resources alongside disputes over its management, limited arable land, and limited agricultural investment are among the biggest challenges of the agricultural sector.

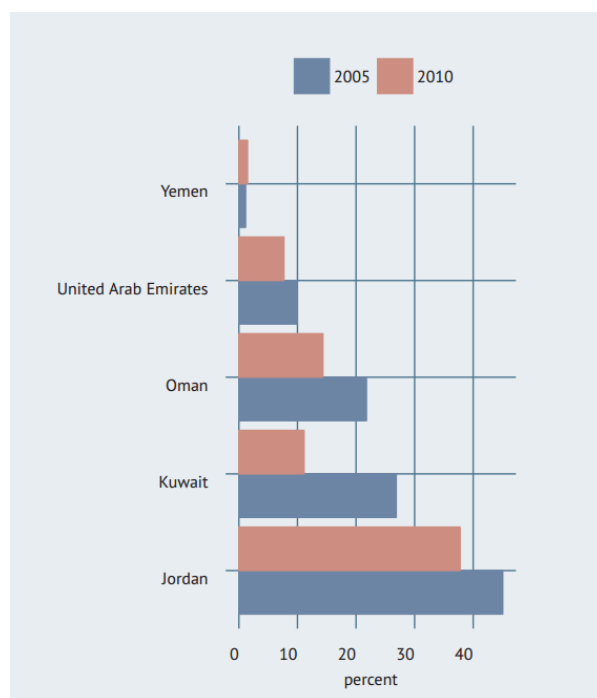
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<sup>30</sup> WFP (2014), 2014 Second Quarterly Operational Briefing, Sudan, accessed at: <http://documents.wfp.org/stellent/groups/public/documents/resources/wfp264433.pdf>

<sup>31</sup> Government of Yemen, (2012), National Agriculture Sector Strategy 2012-2016

## Yemen scores among the last in ESCWA region in regards to Credit to Agriculture...

**Table 6:** Share of Value Added in Agriculture, selected countries (2005 and 2010)



Source: FAO, Statistical Yearbook 2013, p.18

On behalf of the government, a new Strategy was drafted in 2012<sup>32</sup> covering the period up to 2016 and is treating agriculture as the primary way to raise rural incomes and provide decent employment, while making efficient use of natural resources and protecting the environment<sup>33</sup>.

## 2. Food Security

### Sudan

Food security, since 2011, has slightly improved in the Sudan, primarily due to a good harvest during 2012/13, but the situation remains fragile. The total amount of food insecure population is recorded at 960,000 while 2.5 million people remain vulnerable. Protracted conflict in Darfur, entering its 11<sup>th</sup> year

<sup>32</sup> Government of Yemen, (2012), National Agriculture Sector Strategy 2012-2016.

<sup>33</sup> The Strategy's objectives are to Raise domestic food production through improvement in input supply, increased farmer awareness, and greater availability of agricultural credit; lead efforts to fight poverty in the rural community through higher income to farmers and increased rural employment; preservation of the environment and natural resources, and activating the role of community participation to ensure sustainability; improve marketing efficiency and decrease post harvest losses and development of exporting capacities; donor efforts are geared towards boosting food production through sharecropping, providing displaced and host community farmers with agricultural inputs and tools to improve water harvesting and storage.



in 2015 has left around 2.9 million people in urgent need of food assistance, according to recent estimates from OCHA<sup>34</sup>. North Darfur continues to be among the worst hit (17 percent) while East and Central witnessed the highest improvements.

Projections for 2015 are also not promising as the combined impact of conflict in South Kordofan, Blue Nile and Darfur states, a low 2014 crop production and increasing food prices can raise the number of food insecure population up to 4 million.

At household level, food insecure households are usually confronted with multiple deprivations in terms of geography and livelihoods opportunities. As in Yemen the profile of food insecure households includes female headed households, lower educated and IDPs. Furthermore, young children are reported to be among the most vulnerable with thirty five percent of children 6 to 59 months stunted, 16 percent waster and 32 underweight<sup>35</sup>. Primary shocks for households include price volatility, political insecurity, quantity and distribution of rainfall.

### **Yemen**

Since 2011, Yemen has witnessed a “*sweeping decline in food security*”<sup>36</sup>. In 2011, just in the aftermath of political turmoil, ten million Yemenis, nearly half of the population were reported as food insecure. These numbers represent an 87% increase, from 2009, on the population who has limited or no access to sufficient, nutritious food or is eating a poor or borderline diet according to agreed international standards. The situation has marginally improved in the course of 2013, with 42.5% of the population remaining food insecure. Yemen is now the world’s eighth most food-insecure country<sup>37</sup>. In 2012–14, 25.7 percent of the population was undernourished – just 3 percent less than in 1990–92 (28.9 percent). According to the World Food Programme monitoring, out of 19 governorates, 4 are in an emergency state, meaning severely food insecure and unable to produce or buy food on a daily basis, 9 in crisis and 2 as stressed<sup>38</sup>. Nearly two-thirds of the country’s people depend on agriculture, and more than 90 percent of water is used for irrigation. The narcotic leaf, qat, is recorded as the preferred cash crop as due to its high price on local markets; and apparently up to 40–50 percent of water for agriculture is used to irrigate qat<sup>39</sup>.

Political instability, stagnant growth levels and price volatility of food and critical commodities, inflation, decreased remittances are reported as the main determinants of peoples’ hindered access to food.

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<sup>34</sup> OCHA (2013), Humanitarian Bulletin Sudan, Issue 47

<sup>35</sup> For detailed data on child malnutrition refer to Annex

<sup>36</sup> WFP (2012), Comprehensive Food Security Survey

<sup>37</sup> Global Hunger Index (GHI), IFPRI 2014. <http://www.ifpri.org/publication/2014-global-hunger-index>

<sup>38</sup> WFP, UNICEF and Government of Yemen (2014), Comprehensive Food Security Survey CFSS

<sup>39</sup> World Bank (2000): ‘*Qat in Yemen, Towards a Policy and Action Plan*’

In regards to the Yemeni food security profile, there are big discrepancies between rural (with over half percent of the population as insecure) and urban areas and between ethnic groups (with al Bayda and Mareb populations reported as severely impacted). Smaller households (with less than 7.3 people of the national average), female headed households and lower educated ones are among those lacking behind. High food and fuel prices are the predominant shocks, elevating the cost of living well beyond the means of affected households, while urban households also list insecurity as a major obstacle in comparison to lower levels observed in rural areas.

To support the restoration of stability, the National Food Security Strategy's (NFSS) objective is to reduce the prevalence of food insecurity by one-third by 2015 and make 90 percent of the population food-secure by 2020; to reduce child malnutrition by at least one percentage point per year. The roadmap to achieving these goals focuses on measures to decrease qat production and consumption, reduce Yemen's vulnerability to global food price shocks and natural disasters, promote the sustainable use of water, increase public investment, and improve the provision of services.

Central to the implementation of NFSS are the National Agriculture Sector Strategy and Investment Plan 2012–2016 and the National Water Sector Strategy and Investment Programme, dating back in 2004. In addition to reducing the cultivation of qat and increasing investments, the National Agriculture Sector Strategy and Investment Plan aims to enhance growth in domestic food productivity. To reduce the country's vulnerability to international food price shocks, the government is considering establishing a strategic grain reserve. Such a reserve would be vital for Yemen, currently depends primarily on food imports for its consumption needs. The Food and Agriculture Organization recommends that a strategic grain reserve linked to social protection and early warning systems can facilitate the capacity to cope with food emergencies and protect the vulnerable.

Social safety nets have also been critical reserves for tackling food insecurity. Yemen's primary bodies in this regards are the Social Welfare Fund and the Social Fund for Development serving as the main mechanism for social protection. The Social Welfare Fund is an unconditional cash transfer programme funded largely by the government with international donor support. Coverage has increased from 100,000 beneficiary households in 1996 to more than 1 million in 2010, providing cash to half the country's poor. However, the lack of resources significantly limits the capacity of these two programmes to expand their coverage; the Social Welfare Fund, for instance has not made any payments to beneficiaries since January 2014<sup>40</sup>.

The adoption of innovative approaches and best practices that have yielded results elsewhere can also be a promising way forward. For example, households and community-level stocks could be developed as a buffer from shocks, while subsidies and tax incentives could be tried to increase productive capacity. The use of cash programmes and vouchers could also serve as a means to revive local markets<sup>41</sup>.

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<sup>40</sup> FAO, (2014), The State of Food Security in the World, Yemen Country Profile, p. 38.

<sup>41</sup> OXFAM, (2011), Briefing Paper, Yemen: Fragile Lives in Hungry Times.

### ***C. Trade***

In total, the fuel-exporting LDCs continued to record growth rates below those of other groups and they tend to be more volatile. Their over-dependence on just one export product exacerbates their vulnerability to external shocks, meaning that any disruption of production or international price fluctuation has a disproportionate impact on the performance of the economy as a whole.

#### **Sudan**

In 2012, the value of merchandise exports of the Sudan decreased substantially by 62.3 percent to reach 3.4 bln US\$, while its merchandise imports also decreased by 31.1 percent to reach 6.6 bln US\$. The merchandise trade balance recorded a relatively large deficit of 3.2 bln US\$. Merchandise exports in the Sudan were highly concentrated amongst partners with over 80% in three partners (Herfindahl Index = 0.344); imports were more diversified. In 2012, the value of exports of services of the Sudan increased by 39.1 percent, reaching 1.2 bln US\$, while its imports of services decreased moderately by 6.4 percent and reached 2.0 bln US\$. There was a moderate trade in services deficit of 848.1 mln US\$<sup>42</sup>.

Sudan enjoys preferential access to major industrial markets and is a member of several important regional free trade agreements, such as the Greater Arab Free Trade Area (GAFTA) and the Common Market for Eastern and Southern Africa (COMESA) free trade agreement (FTA).

However, the country's import tariff regime continues to be restrictive. Sudan's average, is well above levels imposed by most other developing countries, creating disincentives for exporting and hinders ability of agricultural producers to integrate into global supply chains.

Lastly, Yemen and Sudan are on the lowest rank of ease of doing business index at 137/189 and 160/189 respectively, testifying to ample room for improvement. Accordingly, on the Index of Trade Logistics<sup>43</sup> both countries are scoring low, with Yemen falling from 63 down to 151 over the last couple of years.

#### **Yemen**

Yemen became member of the World Trade Organization in June 2014. Yemen has pledged to fully apply WTO provisions in the areas of rules of origin, pre-shipment inspection, anti-dumping, countervailing and safeguard measures, export restrictions, subsidies, trade-related investment measures, free zones and preferential trade under bilateral, regional and other agreements. The country did also bind its agricultural export subsidies at zero upon accession (WTO, Accession Protocol 2014). Yemen's main destination of goods exports: China (41.0%), Thailand (19.2%), India (11.4%), Korea,

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<sup>42</sup> UN Comtrade, Sudan Country Profile 2013

<sup>43</sup> The LPI measures the on-the-ground efficiency of trade supply chains, or logistics performance. This year's edition covers 160 countries. Supply chains are the backbone of international trade and commerce. Their logistics encompasses freight transportation, warehousing, border clearance, payment systems, and increasingly many other functions outsourced by producers and merchants to dedicated service providers.

Republic of (4.4%) and Saudi Arabia, Kingdom of (3.5%) and main origin of goods imports: European Union (27%), United Arab Emirates (9.8%), Switzerland (8.8%), China (7.4%) and India (5.8%). The mostly exported and imported services are transportation and travel.

As an LDC country, Yemen will benefit from technical assistance and other beneficial treatments such as the special and different treatment provisions. However, concerns over its accession due to Yemen being a net importer, relying heavily on agriculture. Hence, international products may compromise “healthy competitiveness” as the Yemeni economy’s capacity to deal with the accession remains under question<sup>44</sup>.

In 2012, the value of merchandise exports of Yemen increased marginally by 1.6 percent to reach 7.1 bln US\$, while its merchandise imports increased substantially by 12.2 percent to reach 11.3 bln US\$. The merchandise trade balance recorded a moderate deficit of 4.2 bln US\$ (see graph below). Merchandise exports in Yemen were moderately concentrated amongst partners; imports were diversified. **80%** of the country’s exports are concentrated in just six countries (Herfindahl Index = 0.224) in 2013, making the country extremely vulnerable in external shocks. Imports were more diversified with 18 partners accounted for 80 percent or more of imports ((Herfindahl Index = 0.049)<sup>45</sup>).

#### **Regional Integration in regards to Trade:**

Based on the League of Arab States (LAS) import structure during 2006-2010, a weighted average of 0.4 tariff duty was applied to all LAS members. Non-LAS members trade with tariffs in the range of 5-6%. Sudan and Yemen due to their status as least developed countries, still benefit from a longer phasing-out of applied tariffs under Greater Arab Free Trade Area at the range of 1 to 2 percent.<sup>46</sup> Yemen is also one of the Member States of the Economic and Social Commission for Western Asia (ESCWA) adopting the Integrated Transport System in the Arab Mashreq (ITSAM). ITSAM aims to facilitate trade and transport between the countries of the region, in order to enhance regional integration and trade flows.

Sudan and Yemen are also benefitting from the EU Generalized System of Preferences, allowing developing country exporters to pay less or no duties on their exports to the EU.

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<sup>44</sup> UN (2014), Support Measures Portal for Least Developed Countries, **Yemen becomes 160<sup>th</sup> member of WTO**, <http://esango.un.org/ldcportal/trade/news/-/blogs/yemen-becomes-160th-member-of-wto?>

<sup>45</sup> United Nations, COMtrade Yemen Profile

<sup>46</sup> International Trade Center (2013), **League of Arab States’ Regional Integration, Opportunities for Trade and Employment** ([http://legacy.intracen.org/marketanalysis/docs/Newsletters/LAS-Opportunities for Trade and Employment Executive Summary.pdf](http://legacy.intracen.org/marketanalysis/docs/Newsletters/LAS-Opportunities%20for%20Trade%20and%20Employment%20Executive%20Summary.pdf))

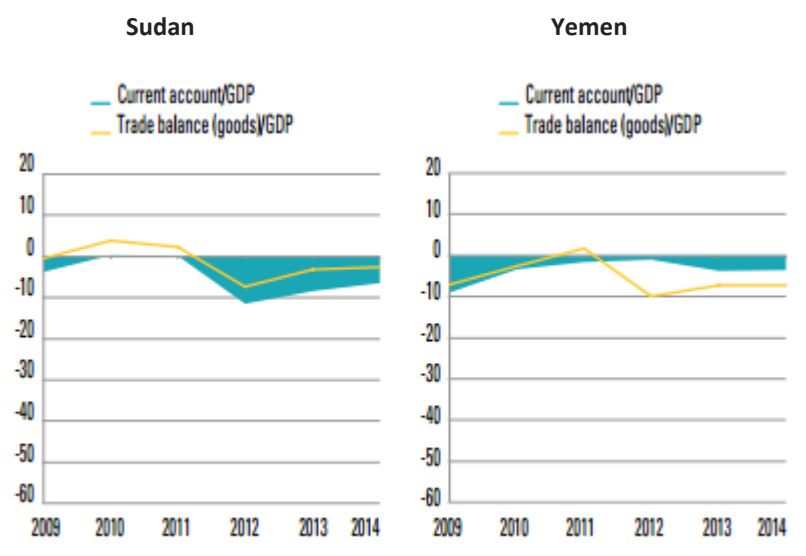
However, regional architecture of trade is very likely to change vastly over the next two years due to the decision of the Third Summit of Arab Economic and Social Development to create a customs union and a free trade area by 2015.

**Table 7:** Merchandise Exports, Share of total exports (Per cent, average)

Country	Total Exports \$ US million	Primary Commodities					Manufactured Goods			
		Total	Food and Agriculture	Fuels	Minerals, metals	Total	Labour intensive and resource intensive manufactures	Low skill and technology intensive manufactures	Medium skill and technology intensive manufactures	High skill and technology intensive manufactures
Yemen	9100	97.5	7.2	87.7	2.6	2.5	0.3	0.6	0.5	1.1
Sudan	5062.8	97.3	10.3	56.9	30	2.7	0.5	0.1	0.4	1.7
Sudan (former)	2.8	99.4	5.2	82	12.2	0.6	0.2	0	0.1	0.2

Source: UNCTAD, LDCs Annual Report 2014

**Table 8:** Trade Balance and Current Account Balance in Arab LDCs



Source: ESCWA, ECONOMIC AND SOCIAL SURVEY 2013/2014, p. 52.

#### D. Commodities

Commodity dependence is prevalent among Arab LDCs, exacerbating their vulnerability. In both Yemen and Sudan, commodity dependence and moderate socio economic development comes as a result of a vicious cycle between the two. Firstly increased vulnerability is the result of over dependence to certain commodities in a high volatile environment and secondly their productive capacity is further rendered by their vulnerability. The solution lies in creating an enabling environment for balancing dependence on

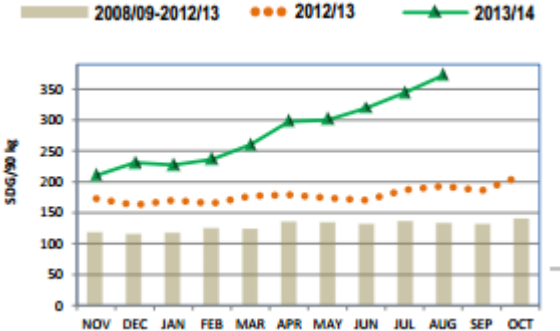
imported inputs against each country’s capacity to export, by strengthening the reliance on domestic and regional markets for “non- traded commodities”, in order to reduce exposure to international price pressures. In conflict torn countries this balance becomes challenging to achieve as instability hinders long term planning due to uncertainty over future financing as well as ill- management of natural resources.

On the global front, international commodity prices decreased in 2013, as a result of a weak global demand and deceleration of growth in emerging economies. Food prices in particular (except of fishmeal and cocoa beans), including prices of agricultural raw materials, declined by 7 percent in 2013 while prices of minerals, ores and metals fell by 5 per cent<sup>47</sup>.

**Sudan**

Likewise, in the Sudan, prices have been extremely volatile to external shocks with a negative impact on poor households’ ability to access basic commodities. Despite increased rainfall and crop performance during 2014, staple food prices continue to be on the rise, well above five year average levels. Political instability and disruptions in the country’s transport arteries have also affected grain price trends.

**Table 9:** Nominal Sorghum prices fluctuations in Khartoum since 2010...



**Source:** The Food & Agriculture Market Information System and Central Bureau of Statistics in Sudan, Monthly Market Bulletin, September 2014

Political commitment towards more favorable policies for main commodities exports are necessary for diversifying Sudan’s economy and substituting for losses from oil decrease after secession. Sudan is for example number one exporter of raw Gum Arabic, a food stabilizer utilized by most soft drinks. Removal of market barriers in the sector, including taxation and removing the monopoly concessions to the Gum Arabic Council on trading and export of raw gum has greatly improved marketing and positively affected prices for producers. Hibiscus is also one important cash crop for farmers (primarily women) living in poverty in rural areas. Low quality, volatility in production and prices, high marketing costs and unattractive macroeconomic policies are some of the main constraints to maximize its potentials. Sudan

<sup>47</sup> UNCTAD (2014), The Least Developed Countries Report 2014.

used to be one of the main producers globally (with an average annual production of 14500 tons<sup>48</sup>), more than 60% of the world production and main exporter of good quality Hibiscus. Global competitors (Nigeria, China and Thailand) are now among the biggest producers. Exports dropped by half in 2006 and producers were obliged to sell at a loss. However, the sector has been revived the last three years in Darfur and with favorable support managed to provide a sustainable income to engaged farmers with substantive room for improvement.

### Yemen

During 2011, prices of staple food such as wheat, flour, sugar, milk and dairy products rose by between 40% and 60%. Meanwhile Yemeni households were constantly under stress to adapt to new food price shocks throughout the last triannium, with about 96% of Yemeni families being net buyers of food<sup>49</sup>. The capacity of a Yemeni household to get hold of basic commodities since 2011, is over dependent on a supply chain based on oil exports, fuel subsidies and food imports. Rural Yemeni households are estimated to spend around 55 per cent of their income on food, water and energy; while for those households living in poverty the percentage can rise up to 70 per cent<sup>50</sup>. This structure is in turn dependant on the government's capacity to channel revenues and foreign currency reserves through the export of oil<sup>51</sup>. However, oil exports have declined by consecutive attacks on the pipelines carrying crude oil to the ports. The rural share of population (around 70%) is mainly employed in agriculture. Despite high absorption of employment in the sector, most basic food is imported and drinking water, mainly in rural areas, is produced using diesel-powered pumps. Yemen is largely dependent on imported food (e.g. 90 per cent of wheat and 100 per cent of rice are imported<sup>52</sup> – staples in the national diet). Energy needs are primarily addressed from liquefied petroleum gas (LPG) canisters or, in the case of the poorest households, wood-burning fires. Yemenis, in urban centers are likely to work in manufacturing or service sector. The majority of households also receive some income from remittances, through remittance agencies and less likely banks. Yet, very few have access to credit – less than four per cent of the country's population use banks and less than 130,000 people have access to credit<sup>53</sup>.

In view of decreasing oil reserves, Yemen is faced with a significant food security threat in the next three years. Consequently the country has limited capacity to import essential commodities, including food

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<sup>48</sup> UNDP Sudan (2010), **Pro Poor Hibiscus Value Chains**,  
[http://www.sd.undp.org/content/sudan/en/home/library/crisis\\_prevention\\_and\\_recovery/hibiscus\\_meeting/](http://www.sd.undp.org/content/sudan/en/home/library/crisis_prevention_and_recovery/hibiscus_meeting/)

<sup>49</sup> UNDP (2013), Conflict Livelihood Interaction in Yemen, Participatory Assessment conducted in Abyan, Taiz, Hajja and Amran Governorates.

<sup>50</sup> World Bank (2005), Household Energy Supply and Use in Yemen (Washington, DC)

<sup>51</sup> Salisbury (2011), Yemen's Economy: Oil, Imports and Elites, Middle East and North Africa Programme Paper MENA PP 2011/02, Chatham House

<sup>52</sup> Ibid, p.4

<sup>53</sup> Arab Credit Reporting Initiative, An Assessment of the Status of the National Credit Reporting System in Yemen (Abu Dhabi: Arab Credit Reporting Initiative, 2011).

and fuel. The Government of Yemen has recognized the importance of diversifying its economic structure to expand manufacturing and exports of non-oil commodities. However, implementation of supporting policies has been slow due to political instability.

**Table 10:** Prices of top ten commodities in Yemen and Sudan

<b>Sudan (former) Top Ten commodities, Export quantity, 2011</b>		<b>Sudan (former), Top Ten commodities Import quantity, 2011</b>	
<b>Commodity</b>	<b>Quantity (t)</b>	<b>Commodity</b>	<b>Quantity (t)</b>
Sesame seed	102600	Wheat	1619474
Molasses	41000	Sugar Refined	421411
Sorghum	27241	Sorghum	290269
Sugar Raw Centrifugal	20053	Maize	103921
Veg.Prod.Fresh Or Dried	18418	Sugar Raw Centrifugal	100976
Bran of Wheat	15774	Millet	67157
Oilseeds, Nes	10796	Lentils	57409
Cotton lint	7442	Palm oil	55900
Maize	5280	Sunflower oil	53300
Bananas	4828	Broad beans, horse beans, dry	50358

**Source:** FAOstats, Accessed in December 2014.

<b>Yemen, Top Ten commodities, Export quantity, 2011</b>		<b>Yemen, Top Ten commodities, Import quantity, 2011</b>	
<b>Commodity</b>	<b>Quantity (t)</b>	<b>Commodity</b>	<b>Quantity (t)</b>
Onions, dry	132423	Wheat	2686857
Bran of Wheat	118675	Sugar Refined	456013
Bananas	91032	Maize	438635
Flour of Wheat	78770	Sugar Raw Centrifugal	207857
Mangoes, mangosteens, guavas	35727	Palm oil	152410
Fresh fruit	22387	Beverage Non-Alcoholic	144323
Sugar refined	21547	Cake of soybeans	111773



Pastry	14090	Fruit juice	85027
Maize	13571	Chicken	81683
Food Prep Nes	9147	Pastry	56685

Source: FAOstats, Accessed in December 2014.

## ***E. Human and Social Development***

### **Sudan**

Despite strict and long standing economic sanctions, prior the secession Sudan had experienced a fast economic growth, high inflows of FDI and relatively low inflation until 2009. By the onset of financial, food and fuel crisis, Sudan had one of the fastest growing oil-led economies. However, poverty remains deeply entrenched and rural, affecting 46.5<sup>54</sup> percent of the population, translating into 14,5 million people. Equity and regional disparities are a major concerns with big discrepancies evident inter state- with poverty levels ranging from a quarter of the population in Khartoum to more than two thirds<sup>55</sup> in Northern Darfur<sup>56</sup>. Quality basic services provision is a major challenge and contributing factor to poverty especially for conflict affected areas and areas of rapid population growth (returnee areas, urban centers). High levels of unemployment and limited productive capacity explain the country's low rates of employment creation. As per the 2008 census (no disaggregated data for North and South), the number of unemployed reached 1.9 million with women's rates doubling those of men's.

Sudan, as is the case in Yemen, is facing a rapid population increase at 2.5% per year with a population of 37 million<sup>57</sup>, out of which above 60% are below 25 years of age. Rapid population increase can be seen as a result of high fertility rates (approximately 5 children per woman) coupled with the large segment of the population in the reproductive age group. At current growth rates, the population is bound to double by 2042. Moreover, Sudan has a very high dependency ratio, translating into 4 persons of dependent age (fewer than 15 and over 65 years) for every Sudanese of working age (15-64 years).

<sup>54</sup> Last available data on poverty for Sudan are from 2009, National Baseline Household Survey where disaggregated data from 15 states of the North. The poverty line is measured using 2,400 calories per person per day as the daily energy intake threshold in addition to a minimal non-food component.

<sup>55</sup> The lowest poverty incidence is in Khartoum State (26%), and the highest is in North Darfur (69.4%)

<sup>56</sup> UN Country Team Analysis, Sudan, Khartoum (2012)

<sup>57</sup> UN Statistics Division, 2012 estimates.

According to the Labour Survey (2011)<sup>58</sup>, 8.9 million people aged 15 years and above were registered as active in the labour market, with paid employment accounting for 42,0%, own account work 39.2% and 18% as unemployed. Growing rates of unemployment among youth between 15-24 years of age is a concern, especially in absence of social protection schemes.

**Table 11:** Selected Social Indicators Sudan

Social Indicators		
Population growth rate (average annual %) <sup>59</sup>	2010-2015	2.1
Urban population growth rate (average annual %)	2010-2015	2.6
Rural population growth rate (average annual %)	2010-2015	1.9
Urban population (%)	2013	33.5
Population aged 0-14 years (%)	2013	41.2
Population aged 60+ years (females and males, % of total)	2013	5.3/4.8
Sex ratio (males per 100 females)	2013	100.7
Life expectancy at birth (females and males, years)	2010-2015	63.8/60.2
Infant mortality rate (per 1,000 live births)	2010-2015	56.2 (60.4/51.7; M/F)
Fertility rate, total (live births per woman)	2010-2015	4.5
Contraceptive prevalence (ages 15-49, %)	2006-2012	9.0
Refugees and other groups of concern to UNHCR	2013	2,070,360
Education: Government expenditure (% of GDP)	2006-2012	n.a
Education: Primary- secondary net enrolment ratio (f/m per 100)	2012	48/54

<sup>58</sup> Sudan Ministry of Labour and public service, Annual Economic Reports (various issues)

<sup>59</sup> United Nations (2014), World Statistics, Sudan Social Development Indicators. All data until indicator on seats held by women are extracted from the World Statistics Yearbook 2014.

<b>Education: Female third level students (% of total)</b>	2006-2012	n.a
<b>International homicides (females and males, per 100 000)</b>	2008-2010	16.7/31.6
<b>Seats held by women in national parliaments as of January 2015 (%)</b>	2014	24.3
<b>Population near multidimensional poverty (%)<sup>60</sup></b>	2014	n.a
<b>Population in severe multidimensional poverty (%)<sup>*</sup></b>	2014	n.a
<b>Population living below \$1.25 a day (%)<sup>*</sup></b>	2014	n.a
<b>Youth unemployment (% of ages 15-24)<sup>*</sup></b>	2014	22.9
<b>Child labour (% of ages 5 to 14)<sup>*</sup></b>	2014	n.a
<b>Share of working poor, below \$2 a day (%)<sup>*</sup></b>	2014	n.a

Sudan's HDI value for 2013 is 0.473, placing the country at 166 out of 187 countries. Between 1980 and 2013, Sudan's HDI value increased from 0.331 to 0.473, an increase of 42.8 percent or an average annual increase of about 1.09 percent. Sudan has witnessed progress in certain socioeconomic indicators the last years; for example life expectancy at birth increased by 7.9 years from 1980 to 2013, mean years of schooling increase by 2.2 years and expected years of schooling by 3.6 years (see Annex).

Infant and under five mortality rates are relatively high with estimates close to 50 and 80 per 1,000 live births respectively. Life expectancy at birth is about 61 years for both sexes, with 63 years for women and 60 years for men. Life expectancy has significantly improved in Sudan (up from 43 years in 1983), although progress has been slower in the last years.

According to the Sudan Household Health Survey 2010, the national Maternal Mortality Ratio (MMR) is 360 per 100,000 live births, but the rate varies widely across regions and is particularly high among the poor rural communities and nomads. Skilled attendance at birth remains low and the country has prioritized human resources in the health sector as a major challenge. Child malnutrition rates are high, at 31.8% in 2010 while the proportion of population below the minimum threshold level of dietary energy consumption is at 28 percent in 2010. Both indicators were almost double of the 2015 MDG target.

<sup>60</sup> \*Human Development Report Office (2014), Databank on Sudan

**Table 12:** 2013 HDI indicators, Sudan and Yemen

	HDI value	HDI rank	Life expectancy at birth (females and males)	Expected years of schooling	Mean years of schooling	GNI per capita (PPP US\$)
<b>Sudan</b>	0.473	166	63.8/60.2	7.3	3.1	3,428
<b>Yemen</b>	0.500	154	64.4/61.7	9.2	2.5	3,945

The net primary school enrollment rate has reached 51% (with 48% for female and 54% for men)<sup>61</sup>. Data from 2009 demonstrate acute regional disparities between states with highest rates achieved in Khartoum, a trend which is still very likely to continue. Existing education facilities in conflict affected states are overcrowded offering a poor learning environment, in turn translating to low enrolment rates. During 2013 alone, new displacement affected over 55,000 primary school-aged children and flooding affected over 140,000 primary school-aged children. Students from poorer, rural households, nomadic communities and particular girls are at a disadvantageous position<sup>62</sup> in relation to access to schooling.

Secondary education receives relatively high rates. Notwithstanding, there is a high number of students who drop out or have to repeat classes (36 percent at their last year of secondary schooling) due to interrupted attendance and poor scores<sup>63</sup>. The gender parity index in terms of higher education in Sudan is closer to Middle East and North African countries, accounting for 56 percent of enrollment in higher education in 2009.

Rapid population growth and urbanization have compounded water availability problems in Sudan, where challenges related to surface water scarcity and high variability of rainfall were already severe. Over half of the country's population is living in and around major urban centers in Darfur resulting in a significant decrease of groundwater tables – some up to 10 meters. Climate change remains a concern in areas such as Norther Darfur, while the country is witnessing its driest years ever recorded.

According to the latest available Sudan Household Survey<sup>64</sup> (2010), over 60% of households had access to improved drinking water (66.6% in urban and 57.7% in rural areas) and 27.1% of the households in Sudan have access to improved sanitation facilities (46.9% in urban and 17.9% in rural areas). Total actual renewable water resources per capita is at 1016 m3/inhab/yr against 6000 as global average.

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<sup>61</sup> UNESCO, Statistics Division 2013.

<sup>62</sup> The most critical determinant of access to education is based on rural or urban residence, with urban children being 17 percent more likely than rural ones to attend school.

<sup>63</sup> World Bank, African Development Series, The Status of the Education Sector in Sudan (2012)

<sup>64</sup> Updated data on access to improved water resources and sanitation facilities in Sudan were not available.

Sustainable management of depleting water resources can be treated as both a consequence and a major driver of conflict for Sudan. Development strategies tackling water resources should go beyond issues of access and consider broader, more equitable management in a conflict sensitive manner.

**Gender equality** is among the key priorities for socioeconomic advancement in Sudan. Women enjoy a quota of at least 25 percent representation in national or state parliaments in the 2008 Electoral Law, which is also reflected in the real political representation of women in the National Assembly. Sudan has also with assistance from UN Women inserted 20 gender related questions in the 2014 Household Survey which will generate the nation's first gender national data on this matter. According to the 2010 MDGs Report, women occupy 28% of the seats in the parliament in 2010. As per the UNDP Sudan Human Development Report GNI per capita was higher for men than for women, 5,153 and 1,692 respectively while the Gini coefficient demonstrated gender discrepancies across all human development indicators except longevity. Sudan ranks 140<sup>th</sup> out of 187 countries in the Gender Inequality Index<sup>65</sup>. Nation-wise 65.5 percent of women and girls have undergone FGM/C as per the Sudan Household Survey of 2010 with rates particularly high in the North. Even more alarming is the fact of 48 percent of married women surveyed, testified that they intended to circumcise their daughters<sup>66</sup>. At last, it is worth noting that Sudan is one of the very few countries that have not ratified the treaty on Convention on Elimination of All Forms of Discrimination Against Women (CEDAW).

**Displacement and Shelter:** The humanitarian situation is reported as deteriorating since 2012 with new, conflict induced displacement present in Darfur. The current number of IDPs is estimated at 3.4 million; a decrease of 2010 numbers of five million. However this is only due to the movement of South Sudanese and the fact that former southern Sudanese IDPs, especially around Khartoum, were no longer counted as IDPs. In reality, IDPs have been gradually increasing throughout the last four years. About 6.9 million people are reported by UNHCR as in need of humanitarian assistance<sup>67</sup>. This represents a 40% increase compared to last year. The 2014 Strategic Response Plan targets 4.7 million people (78% of the total in need of enhanced resilience) composed of IDPs, refugees and asylum seekers, IDP and refugee returnees, South Sudanese, flood and mine affected communities, and non displaced food insecure and severely affected by conflict, distributed across 113 localities in Sudan<sup>68</sup>.

In terms of **HIV/AIDS**, the understanding of the epidemic context in Sudan has substantially increased. Evidence from the 2011 integrated bio-behavioral survey (IBBS) among key populations, *'2010 ANC surveillance rounds and routine programmatic data from VCT and PMTCT sites indicate a two to seven fold higher HIV prevalence among key populations notably in states in the eastern region'*<sup>69</sup> e.g. Red Sea,

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<sup>65</sup> HDRO, Statistics, 2014

<sup>66</sup> UNDG. Sudan Country Analysis 2012

<sup>67</sup> UNHCR (2015), Country Operations Profile Sudan accessed at: <http://www.unhcr.org/pages/49e483b76.html>

<sup>68</sup> Sudan, Strategic Response Plan 2014.

<sup>69</sup> UNAids (2013), [Sudan National AIDS Control Programme - UNAids](#)

Kassala, Blue Nile compared to the HIV prevalence among general population. In view of challenging socio-economic conditions in the post secession era, UNAIDS expects an increase in population's HIV vulnerability and transmission rates<sup>70</sup>.

**Social protection:** Overall pro-poor spending was gradually increasing from 2004 to 2009 and fell again in 2009 to 10.27 percent<sup>71</sup>. The Zakat Fund, a proportion of wealth paid yearly for the benefit of the poor is also widely employed. In terms of social protection schemes, the biggest initiative is the Community Development Fund (CDF) whose objective is to respond to urgent early recovery needs in conflict affected areas. Since 2006, CDF has supported above 1000 community initiatives, including Noth and South Kordofan, Blue Nile and Kassala states and the Abyei area<sup>72</sup>.

### **Yemen**

Yemen is among the poorest countries in the Arab region, with poverty rates rising from 34% in 2006 to 54%<sup>73</sup> in 2012. It has one of the highest population growth rates in the world, and the combination of the population food demands, the crisis and rising food prices has placed the country among the world's most food insecure nations. The population was estimated at 23.8 million in 2012<sup>74</sup>, which at the current growth rate of 3% per annum will bring the country to a twofold increase by year 2033. With such rapid population growth, depleting water resources, and insufficient health care and education capacities, poverty rates are projected to increase and socio-economic development indicators are likely to deteriorate.

Yemen's Human Development Index value for 2013 was 0.500— placing the country in the low human development category—with rank at 154 out of 187 countries. Between 1990 and 2013, Yemen's HDI value increased substantially from 0.390 to 0.500, an increase of 28.2 percent or an average annual increase of about 1.08 percent; however after 2011 the situation has changed. Yemen's 2013 HDI of 0.500 is above the average of 0.493 for countries in the low human development group, yet far below the average of 0.682 for countries in the Arab States. From the Arab States, countries similar to Yemen

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<sup>70</sup> UNAIDS, 2014, Sudan Country Progress Report, accessed at [http://www.unaids.org/en/dataanalysis/knowyourresponse/countryprogressreports/2014countries/SDN\\_narrative\\_report\\_2014.pdf](http://www.unaids.org/en/dataanalysis/knowyourresponse/countryprogressreports/2014countries/SDN_narrative_report_2014.pdf).

<sup>71</sup> MDG's Report Sudan 2010, accessed at <http://www.sd.undp.org/content/sudan/en/home/library/mdg/sudan-millennium-development-goals-progress-report-2010/>

<sup>72</sup> African Development Bank (2014), African Economic Outlook, Sudan

<sup>73</sup> Joint Social and Economic Assessment for the Republic of Yemen (2012), Government of Yemen, World Bank, Islamic Development Bank and European Union

<sup>74</sup> UN Stats, World Statistics Yearbook 2014

in 2013 HDI rank and to some extent relevant to its population size are Djibouti and Sudan, which have HDIs ranked 170 and 166 respectively<sup>75</sup>.

The 2011 political crisis in Yemen devastated the socio economic situation and resulted in slowing down or even halting progress made towards the MDGs achievement. Last available data on MDGs Progress, demonstrate that Yemen, is unlikely to reach any of the MDGs by 2015<sup>76</sup>.

Food insecurity is among the major concerns with over five million people, found to be severely food insecure<sup>77</sup>. Malnourishment and in particular underweight indicator for children under five years of age deteriorated with almost half of all children under five, chronically malnourished 47% out of which 13% suffering from acute malnutrition<sup>78</sup>. The combination of several and moderate food insecurity has exacerbated the hunger indicators further to the level of 10 million people, which represent almost 44.5% of the population of 2012.

In terms of education, the progress both in primary and secondary education has been slow. The Gross Enrollment Ratio (GER) in Yemen is at 81.5% in basic education and 42.5% in secondary. The GER in Yemen reaches 81.5% in basic education and 42.5% in secondary education. This is low compared to regional averages (Middle East and North African countries), where the average of GER in primary and secondary education reached 106% and 70.2% in 2011, respectively, according to the World Bank Indicators. In particular, girls residing in rural areas are among the most vulnerable groups being deprived of access to education facilities. The National Social Protection Monitoring Survey (2012)<sup>79</sup> discloses disaggregated indicators of the urban/rural residences, testifying to girls in rural areas being consistently less likely to attend basic education than urban girls (61 per cent in rural and 86 per cent in urban areas). For boys, the difference is smaller: 84 per cent in urban and 76 per cent in rural areas. In addition, as Yemen provisions separate secondary education facilities for boys and girls, the school availability for boys is greater than for girls.

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<sup>75</sup> HDRO, Human Development Report, 2014, Yemen Country Analysis.

<sup>76</sup> National Millennium Development Goals Report, (2010), Yemen, accessed at <http://www.ye.undp.org/content/yemen/en/home/library/mdg/yemen---national-millennium-development-goals-report/>

<sup>77</sup> WFP 2012 Comprehensive Food Security Survey

<sup>78</sup> See detailed data on malnutrition in Annex

<sup>79</sup> GoY (2012), National Social Protection Monitoring Survey, accessed at <https://yemennutritioncluster/documents/-nspms-national-social-protection-monitoring-survey>

**Table 13:** Selected Social Indicators Yemen

Social Indicators		
Population growth rate (average annual %) <sup>80</sup>	2010-2015	2.3
Urban population growth rate (average annual %)	2010-2015	4.8
Rural population growth rate (average annual %)	2010-2015	2.2
Urban population	2013	33.5
Population aged 0-14 years (%)	2013	40.2
Population aged 60+ years (females and males, % of total)	2013	4.8/4.4
Sex ratio (males per 100 females)	2013	101.7
Life expectancy at birth (females and males, years)	2010-2015	64.4/61.7
Infant mortality rate (per 1,000 live births)*	2010-2015	55(59.1/50.8 M/F)
Fertility rate, total (live births per woman)	2010-2015	4.2
Contraceptive prevalence (ages 15-49, %)	2006-2012	27.7
Refugees and other groups of concern to UNHCR	2013	655,104
Education: Government expenditure (% of GDP)	2006-2012	5.2
Education: Primary- secondary gross enrolment ratio (f/m per 100)	2006-2012	63.0/81.9
Education: Female third level students (% of total)	2006-2012	29.9
International homicides (females and males, per 100 000)	2006-2012	0.6/3.5
Seats held by women in national parliaments (%)	2014	0.3

<sup>80</sup> United Nations (2014), World Statistics, Yemen Social Development Indicators. All data until indicator on seats held by women are extracted from the World Statistics Yearbook 2014.



<b>Population near multidimensional poverty (%)</b> <sup>81</sup>	2014	16.72
<b>Population in severe multidimensional poverty (%)</b>	2014	18.38
<b>Population living below \$1.25 a day (%)</b>	2014	17.53
<b>Youth unemployment (% of ages 15-24)</b>	2014	33.7
<b>Child labour (% of ages 5 to 14)</b>	2014	16.5%/17.6 (M/F)
<b>Share of working poor, below \$2 a day (%)</b>	2014	33.5

Source: UN DESA (2014), Statistical Database, unless otherwise stated, \* ESCWA, \*\*ILO

Progress in terms of maternal mortality ratio has also been slow with 200 per 100,000 births comparing to 270 in 2008<sup>82</sup>. Maternal mortality is also expected to rise as a result of the crisis affecting access to health care facilities among women and in particular in rural areas. While women are primarily affected by unequal access to health care facilities, the percentage is low for Yemeni population in total, with only 43% having access to a public health center<sup>83</sup>. Unequal access to health care facilities is often related to high out-of-pocket expenditures which private households have to bear, reflecting limited availability of free-of-charge services and availability of health insurance. In Arab LDCs, out of pocket payments reach a percentage of 78 per cent for Yemen and 69 per cent for Sudan respectively against regional (ESCWA member states) averages of about one third of total health expenditures<sup>84</sup>.

Yemen has witnessed mixed progress in terms of gender equality. Gender Inequality Index is at 0.733, ranked 152 out of 187 countries. Labour force participation of women is very low, only at 25.2% whereas share of seats in parliament by women is only at 0.3%. Although women enjoy full and equal suffrage with men, in practice they remain excluded from political life. In 2011, there was only one woman (out of 301 seats) in the lower house of parliament and two in the upper house (out of 111 seats)<sup>85</sup>. The latest MDG report shows that disparities are unlikely to be eliminated by 2015. On the positive side, in the National Dialogue Conference (2013), women's participation was increased up to 35 percent. At last, there is no effective legal framework against domestic and sexual violence. While rape is a criminal act, marital rape is not considered as such, exacerbating vulnerabilities of women.

<sup>81</sup> Human Development Report Office (2014), Databank on Yemen

<sup>82</sup> UN Maternal Mortality Inter- Agency Group, Yemen, accessed at [http://www.maternalmortalitydata.org/inner.html?country\\_selection=O](http://www.maternalmortalitydata.org/inner.html?country_selection=O)

<sup>83</sup> ESCWA (2013), Integrated Social Policy Report V: Towards a New Welfare Mix?

<sup>84</sup> ESCWA (2013), Integrated Social Policy Report V: Towards a New Welfare Mix?

<sup>85</sup> UNICEF (2011), Yemen, Gender Equality Profile, accessed at <http://www.unicef.org/gender/files/Yemen-Gender-Equality-Profile-2011.pdf>

**Social protection:** Limited and unequal access to social protection remains an obstacle to social justice in Arab LDC's. Yemen has an established social protection floor which includes the Social Welfare Fund, the Social Fund for Development, the Public Works project, the Fund for Economic Opportunities, Fund for Welfare and Rehabilitation for people with disabilities and the National Program for the development of productive families and community. The Funds cover a wide range of activities from public work projects and employment opportunities, to vocational training, micro-credit and direct cash transfers to communities in need. Programs were scaled up in respond to the crisis, especially in relation to food insecure population, yet they were unable and unprepared to provide a comprehensive and effective solution. Coverage in Yemen is reaching only 8 per cent of people with other countries such as Egypt, Lebanon, Morocco and Tunisia, covering up to 30-40 per cent<sup>86</sup>. Social protection schemes should be revised and perform in line with the country's development vision towards a diversified, resilient economy translating into social transfers boosting the agriculture and fisheries sector with targeting responding effectively to gender disparities across the country.

In terms of HIV/AIDS prevalence, Yemen has low incidences mainly concentrated in commercial sex workers. However, lack of awareness and unregistered cases due to taboos indicate that rates may be higher.

**Unemployment:** Previous economic recessions have demonstrated that youth employment conditions recover at a slower pace than resumptions of economic growth<sup>87</sup>. In 90s, *'countries required an average of 11 years to restore pre-crisis levels of youth unemployment'*<sup>88</sup>. Youth unemployment crises suggest that youth employment challenges are likely to persist longer thereby despite fiscal difficulties and strained budgets, attention should placed into not downsizing financial needs to critical socio-economic sectors which would stimulate pro-poor growth.

The share of youth in Yemen that is neither in education, training or employment (NEET) is currently estimated at 48%. Youth unemployment rates are more than three times higher than for adults while significant gender discrepancies exist as the rate is three times higher for women. Sudan Employment-to-population rate stood at 31.06% and unemployment rate stood at 17%. Youth (15-24) unemployment rate stood at 25.4%<sup>89</sup>.

Decent employment<sup>90</sup> involves among other, opportunities for work that are productive and deliver a fair income, security in the workplace and social protection for families and better prospects for

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<sup>86</sup> ESCWA (2014), *'Participation and Social Protection in the Arab Region'*

<sup>87</sup> UN, World Youth Report 2013, accessed at: <http://issuu.com/unpublications/docs/12iv6isbn9789210558662/35>

<sup>88</sup> *ibid*

<sup>89</sup> No updated data for Sudan exist, Figures are from 2010 SUDAN, MDGs report, accessed at <http://www.undp.org/content/sudan/en/home/mdgoverview/overview/mdg1/>

<sup>90</sup> ILO definition

personal development and social integration. Sudan and Yemen, have pre crisis followed jobless growth policies, encouraging a shortage of productive employment, which deepened existing inequalities and eroded social cohesion. Informal work, underemployment and casual work are prime characteristics of the employment scene in those countries. Stimulating the creation of productive employment and tackling long-term systemic labour market problems will require both political resolve as well as structural changes in the employment policies for both countries with a focus on agricultural outputs and diversifying rural incomes. Youth-led business creation and support through access to finance, long term labour intensive public work programs, informal sector support and women's economic empowerment are some of the supporting activities for structural reform.

**Water resources:** Groundwater depletion has become a critical issue in Yemen since 1980s with articles portraying the country as the globe's first candidate for running out of water<sup>91</sup>. Water scarcity is more acute in the western part of the country, where the majority of the population resides (over 90%). Demand is rising with rapid population growth and increased per capita demand, exacerbating water scarcity. Water resources in Yemen, have declined due to overpumping of aquifers and an unsustainable water management practice called aquifer mining. Over 90% of water goes to service agriculture<sup>92</sup> purposes which in turn contributes just over 6% of GDP. The percent of total freshwater resources withdrawn is 168.6%, demonstrating the high pressure on renewable water resources withdrawal. Annual water deficit currently accounts for 1065 MCM<sup>93</sup>. Total actual renewable water resources per capita is at 88.04 m<sup>3</sup>/inhab/yr<sup>94</sup> against 6000 as global average<sup>95</sup>, while the percent of population with access to improved water sources is 55% and improved sanitation at 53% which has slowly but steadily improved since 1994. However, there is a still wide gap between rural and urban areas.

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<sup>91</sup> Euractiv (2014), UN official: **Yemen could be 'first country to run out of water'**, accessed at <http://www.euractiv.com/sections/development-policy/un-official-yemen-could-be-first-country-run-out-water-303678>; IRIN (2014), **Time running out for solution to Water Crisis**, accessed at <http://www.irinnews.org/report/96093/yemen-time-running-out-for-solution-to-water-crisis>

<sup>92</sup> FAO, AQUASTAT, Last available data from 2005, accessed in November 2014

<sup>93</sup> Ministry of Water and Environment, Yemen (2009), accessed at [http://www.un.org/esa/dsd/dsd\\_aofw\\_wat/wat\\_pdfs/meetings/ws0109/2\\_Yemen\\_Salem.pdf](http://www.un.org/esa/dsd/dsd_aofw_wat/wat_pdfs/meetings/ws0109/2_Yemen_Salem.pdf)

<sup>94</sup> The government provides estimates of each Yemeni's average share of renewable water resource at 125 cubic metres per year is 1/10 of the average in most Middle Eastern countries and 1/15 of world average, figure slightly different than UN- Water estimates, yet still far lower than regional and global averages.

<sup>95</sup> FAO, AQUASTAT, Accessed in November 2014

## ***F. Multiple Crises and Other Emerging Challenges***

### **Climate Change, Displacement and Conflict**

Frequent natural disasters, accelerated desertification, rising sea levels and scarce water resources have led Sudan becoming one of the hotspots of key future climate impacts and vulnerabilities in Africa. Sudan is characterized by arid and semi-arid ecosystems, with desert and semi-desert areas in the northern part of the country. Along the borders with South Sudan, in the east and west alike, climatic conditions are more favorable with low rainfall savannah and Montana vegetation. Air temperatures have been increasing the last fifty years with a frequency of extreme weather conditions, particularly draughts, on the rise. Mean annual temperature is reported at 26 to 32 degrees Celsius while in the north it can reach high forties resulting in stresses and heat related diseases<sup>96</sup>.

Erratic rainfall conditions, coupled with its concentration during short growing periods, exacerbate the vulnerability of rain-fed agricultural systems. The country's inherent vulnerability is related to the fact that food security is determined by rainfall, in rural areas, where the majority of the population resides. Sudan's Ministry of Environment reports a trend of decreasing annual rainfall in the last 60 years (0.5%) and increased rainfall variability as determinants to draughts across the country. Prolonged drought episodes between 1978 to 1987 resulted in widespread human and livestock fatalities and forced migration and displacement of millions Sudanese citizens.

An estimated 50 to 200 km shift on the south of the boundaries between semi desert and desert land has occurred since the establishment of rainfall and vegetation records in 1930s. Estimates of future droughts post a threat to about 19 million hectares of rain-fed mechanized and traditional farms, as well as livelihoods of nomadic and pastoral communities – particularly in Kordofan and Darfur-. This scenario would lead to an approximate 20 percent drop on the country's food production<sup>97</sup>. Sudan is also suffering from severe floods<sup>98</sup>. At last, dust storms, thunderstorms and heat waves have similarly compromised livelihood opportunities. Climate change is adding on the pressure of an already strained economy. Diversification of economic activities could be one measure to strengthen the country's resilience and adverse climate effects.

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<sup>96</sup> UNEP (2010), Data on Average Annual Temperatures accessed at [http://www.grid.unep.ch/index.php?option=com\\_content&view=article&id=73&Itemid=400&lang=en&project\\_id=27B4A862](http://www.grid.unep.ch/index.php?option=com_content&view=article&id=73&Itemid=400&lang=en&project_id=27B4A862)

<sup>97</sup> A WB study (2008) suggests that for each degree in temperature increase, the agriculture will decrease by 10%. The IFAD (2013) Environmental and Climate Change Assessment, showed that the average temperature increase across the country will be around 1.5 to 2,5oC, resulting in a decrease of agricultural output by 15 50 25% percent respectively by 2050.

<sup>98</sup> Two specific types of draughts are evident, during the past decades. The first, during torrential rain when high levels of water overflow the River Nile and its tributaries, usually due to above normal rainy seasons in the Ethiopian Plateau. Such floods occurred in 1946, 1988, 1994, 1998 and 2001. The second type of flood occurs as a result of heavy localized rainfall during the rainy summer season and such incidents were reported in 1952, 1962, 1965, 1978-1979, 1988 and 1997.

## Conflict and climate change

### Sudan

During recurrent drought events conflicts are likely to occur due to competition over strained natural resources. In addition, food shortages can result into famine, followed by displacement. With over 6 million of displaced people and refugees today, Sudan is housing the largest populations of displaced persons globally. The scale of displacement and particular vulnerabilities of affected communities have caused great human suffering and in many cases fueled new conflict over stressed resources.

In Darfur, research on displaced communities has shown that in addition to environmental and economic challenges, there is a strong political element inherent to their vulnerability. The lack of alternative livelihood opportunities has over the years created powerful economic forces that placed individuals into livelihood paths that served themselves as drivers of conflict. Young et al. (2005)<sup>99</sup> highlight local governance patterns and the politicization of the tribal administration as major conflict drivers, rather than the lack of resources. In essence, the administration 'became aligned with group interests and with interests of particular livelihood types'...while 'conflicts disrupt livelihood options they generate others which can potentially fuel the conflict'. Inequalities in terms of access to services and financial support were evident between Darfur and other states and within different livelihood groups in Darfur. The 2014 Strategic Response Plan of Darfur has pledged a substantive amount of resources on generating livelihood opportunities and provision of resources. However, Darfur's past shows that resources, if allocated through non conflict sensitive means are likely to fuel grievances rather than averting them<sup>100</sup>.

### Yemen

Yemen is also high vulnerable to climate related challenges; drought, water scarcity, flooding and sea level rise. As in the Sudan, Yemen has a semi arid to arid climate, with erratic rainfalls severely impacting rain-fed agriculture, which account for more than half of the country's total. Yemen reported that natural disasters have resulted in a loss of \$ 200 million, which cumulative from 2008 amounted to 6 per cent of the country's GDP<sup>101</sup>. Mortalities from natural disasters are high in remote rural communities. Yemen witnesses pockets of severe rural poverty where communities are affected by the cumulative effect of flash floods and drought, further deteriorating already unsafe living conditions. For small rural households, even a minor drought episode can lead to yield losses and can have a devastating impact on food security. Across the country, Yemen faces both extremely dry and wet conditions which together

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<sup>99</sup> Young, H. et. Al (2005) Darfur: *Livelihoods under Siege*. Omdurman: Feinstein International Famine Center, Tufts University, and Afhad University for Women.

<sup>100</sup> Overseas Development Institute (2014), Levine, S. et al. *Conflict, climate change and politics: why a technocratic approach fails the resilience challenge*, HPG Working Paper.

<sup>101</sup> Yemen Official Statement in Second Preparatory Committee on the Post 2015 framework for Disaster Risk Reduction in November 2014 in New York.

with ground water scarcity, intensify risk in water related mortalities and destruct livelihood opportunities, health and education services. The average annual flood related loss for example in Sana'a and its hinterlands is estimated at US \$ 3 million.

Acute weather conditions and limited livelihood opportunities, together with population growth have led to rapid, unorganized urbanization. Food insecurity and unemployment have caused increasing migration to Yemen's hinterlands. In lack of sufficient urban infrastructure, the informal settlements being formed around Sana'a have compromised sanitary conditions, exacerbating vulnerabilities to future risks while also compounding risks from rock and landslides. In particular, the country's urban coastal zones are growing at a rate of 3% surpassing the territories carrying capacity by informal settlements<sup>102</sup> – considered illegal by the government- and thus being excluded from social protection schemes.

### ***G. Domestic Resource Mobilization for Development and Capacity Building***

Domestic Resource Mobilization (DRM) has a great potential for development. It is a necessary step for financing critical service delivery functions, socio-economic development and a sustainable pathway out from aid dependency. In the international framework, DRM was recognized as a top priority by the Monterrey Consensus on Financing for Development in 2002, and was revisited afresh as an alternative way to finance development on the G20 agenda in 2013. Moreover, in the High Level Meeting for Effective Development Cooperation in Mexico in spring 2014, developing nations called upon donors to increase the amount of aid towards DRM from 1 to 2 percent per year.

Declining foreign aid levels will be insufficient to drive development and stability in these countries and in particular in fragile LDCs. The development community is encouraged to look at taxation as a potential source of development finance and a means of simultaneously strengthening state-citizen relationships. Restructuring the tax system in order to raise revenues can positively affect the social contract between a state and its citizenry. An effective and accountable tax system is not only an economic prerequisite for transitioning in a post conflict environment. In fragile settings, it can be treated as a trust building avenue, forming the rules of "bargaining" between citizenry and leadership over mutual responsibilities and obligations.

The economic vulnerability profile of Sudan and Yemen is determined by limited domestic resources, indebtedness and large deficits in the current and trade accounts, financed mainly by loans and grants. Domestic resource mobilization (DRM) can form the foundation for self-sustaining development first by focusing on domestic resources but also by building the bases for attracting and effectively using international investment and assistance<sup>103</sup>. It can strengthen the country's capacity to exercise full

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<sup>102</sup> GFDRR and WB (2011) , "Vulnerability, Risk Reduction and Adaptation to Climate Change, Yemen"

<sup>103</sup> Di John, J. (2010), "Taxation, Resource Mobilisation, and State Performance," Crisis States Research Centre, Working Paper no. 84, London School of Economics, London, [www2.lse.ac.uk/internationalDevelopment/research/crisisStates/download/Policy%20Directions/Taxation.pdf](http://www2.lse.ac.uk/internationalDevelopment/research/crisisStates/download/Policy%20Directions/Taxation.pdf).

ownership on its policy choices and the fiscal freedom to prioritize areas of concern as necessary across its territory. This is pertinent to both countries, as Sudan receives a large amount of Aid for Humanitarian Assistance which could be utilized for building bridges to recovery and strengthening service delivery and Yemen as the country transitions into a federal system and vested interest of different groups need to be accounted in state and budgetary planning and taxation.

State revenues are usually divided into three major groups: taxes, social contributions, and grants and other revenues, which include credits and loans. Many fragile states and LDCs face particular challenges when it comes to a functioning and inclusive tax base as they rely on limited types of resources for their revenue – usually natural resources or customs revenues, exacerbating their vulnerability to external shocks and commodity prices fluctuations. Consequently, these countries heavily rely on taxation on non renewable natural resources (both profits and capital gains) at a rate of 55% for Sudan and 68% for Yemen<sup>104</sup>. Large and informal agriculture sectors, weak technological and technical capacities and real or perceived lack of legitimacy has further undermined the state's efforts towards a well – balanced and inclusive tax base.

Tax revenue as a share for government revenue is 23% for Yemen and 51%<sup>105</sup> for the Sudan. The two poorest countries of the region, show a tax level far lower than that of the region's lower middle-income countries such as the Syrian Arab Republic, Egypt, Palestine and Morocco.

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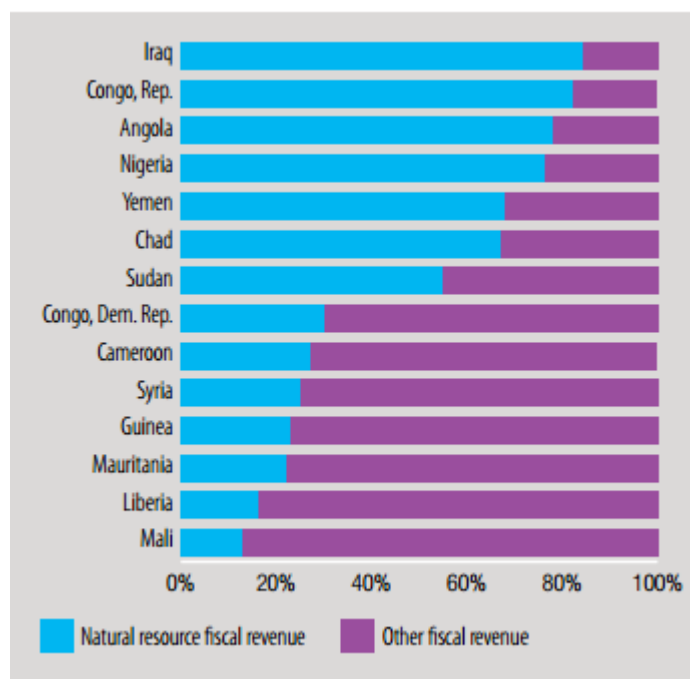
Fjeldstad, O-H. and M. Moore (2007), "Taxation and State-Building: Poor Countries in a Globalised World," Working Paper 11, Chr.

Michelsen Institute (CMI), Bergen, Norway, <http://bora.cmi.no/dspace/bitstream/10202/49/1/Working%20paper%20WP%202007-11.pdf>.

<sup>104</sup> OECD (2014) Fragile States Domestic Revenue Mobilization

<sup>105</sup> ESCWA (2014), Tax Policy in Arab Countries

**Table 14:** How do natural resources affect state revenues in fragile states and fragile LDCs?



Source: IMF (2012), Macroeconomic Policy Frameworks for Resource-Rich Developing Countries, Washington DC<sup>106</sup>

With the collapse of international oil prices in late 2008, the country’s oil revenues—which account for about 60 percent of government revenues and over 90 percent of export revenues—have declined. Although Yemen began producing liquefied natural gas in late 2009, this positive development only partially offset the impact of the drop in oil revenues. Because of the hydrocarbon sector’s dominance of the economy, the loss of oil revenue and continued large energy subsidies had a strong negative impact on public finances and the balance of payments.

**Table 15:** Levels of tax revenue (2000-2012) (as a share of GDP)

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Average
<b>Sudan</b>	5.5	5.8	7.6	7.7	7.7	7.1	6.8	7.1	6.7	..	..	6.8
<b>Yemen</b>	9.3	9.0	9.4	8.9	7.1	7.3	6.9	8	6.7	5.3	6.7	7.6

Source: Yemen: Central Statistical Organisation. GDP data are derived from World Bank Sources, the Sudan: Central Bank of the Sudan;

Note: Two dots (..) indicate that data are not available.

<sup>106</sup> accessed at November 2014, available at [www.imf.org/external/np/pp\\_eng/2012/082412.pdf](http://www.imf.org/external/np/pp_eng/2012/082412.pdf), graph extracted from OECD (2014) Fragile States Report on Domestic Resource Mobilization.

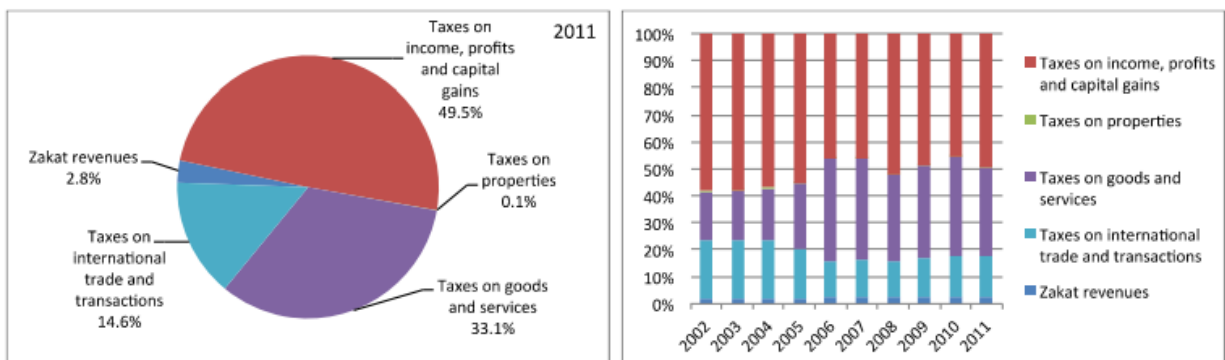


According to Heller, a tax revenue level of 15 per cent<sup>107</sup> of GDP should be the minimal goal for any developing country putting Sudan and Yemen at the worst performing ranges of the Arab Region. To achieve the Millennium Development Goals, the United Nations suggests tax levels to be above 20 per cent of GDP. A recent ESCWA study<sup>108</sup> on taxation in the Arab Region measuring each country's tax capacity and its tax efforts ratio shows great room for improvement for optimal taxation levels for both Sudan and Yemen.

Both countries therefore possess the potential to ramp up their revenue mobilization from taxation and create more fiscal space. This potential suggests that additional tax revenue could contribute to the financing of a social protection floor.

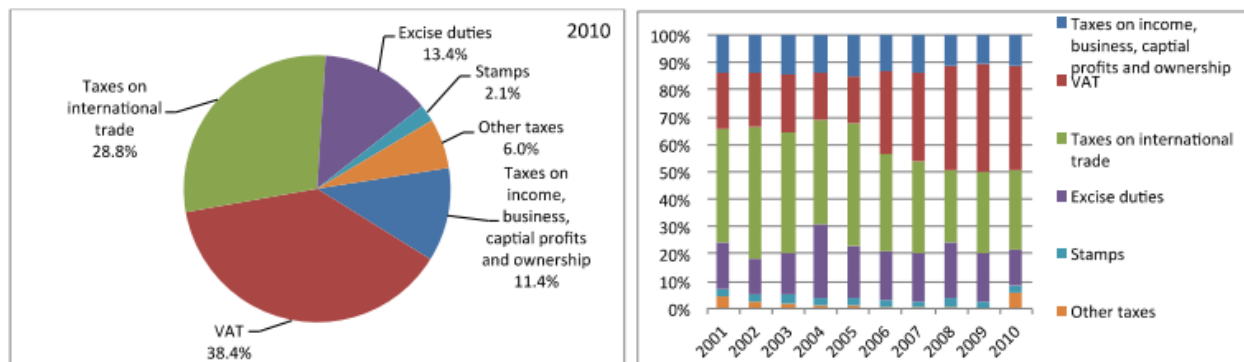
At the same time, government revenues were hard hit not only by the decline in oil revenues but also by a collapse in tax collections, reflecting low tax compliance, during the crisis.

**Table 16: Tax Revenue Composition Yemen**



**Source:** Central Statistical Organization Yemen, published in ESCWA (2014)<sup>109</sup>

**Table 17: Tax Revenue Composition Sudan**



**Source:** Central Bank of the Sudan, published in ESCWA (2014)<sup>110</sup>

<sup>107</sup> ESCWA (2014), op. cit.

<sup>108</sup> Ibid

<sup>109</sup> Ibid.

## Official Development Assistance

Development aid in total increased by 6.1% in real terms in 2013 reaching the highest level recorded. Donors disbursed a total of USD 134.8 billion in net official development assistance (ODA), after two consecutive years of falling trends<sup>111</sup>. Accordingly, there was substantial rise in aid levels to LDCs with bilateral net ODA raising by 12.3% in real terms to about USD 30 billion<sup>112</sup>. Despite these positive trends the aid as a percentage of donors' GNI remains just 0.09 per cent, falling short of the target of 0.15 to 0.2 per cent stipulated by the Istanbul Programme of Action.

**Sudan's** total ODA received, has steadily decreased but this partly reflects separation with South Sudan and decrease in humanitarian assistance servicing emergency response needs in Darfur. Over 50% of ODA received is still earmarked for humanitarian assistance . Catalyzing on humanitarian financing to build bridges to early recovery and development would provide the country the opportunity to maximize benefits from aid.

**Table 18:** ODA disbursed to Sudan in current USD million and as a percent of GNI

	2008	2009	2010	2011	2012
<b>Net official development assistance and official aid received (current US\$ million)</b>	101,500,000	157,040,000	2,076,000	1,124,000	983,000
<b>Net ODA/ GNI</b>	5.1%	4.8%	3.5%	1.9%	1.8%

**Source:** OECD- DAC, data as of June 2014, accessed in November 2014

### Yemen:

Yemen was not until recently a major recipient of official development assistance (ODA) and humanitarian aid, receiving a total of US\$5.5 billion and US\$282 million respectively between 1995 and 2009. Aid to Yemen has remained relatively low with peaks in contributions in 1999, 2001 in the aftermath of major floods in the country and 2009. Since late 2009 the situation has drastically changed with Yemen being among the top 20 recipients of humanitarian assistance with a peak in 2013 at US\$428 million<sup>113</sup>. Funds are primarily used for financing public works project, Social Fund for Development, Humanitarian Efforts, Social Welfare Fund, Rural Access Program and Macroeconomic Stability.

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<sup>110</sup> Ibid

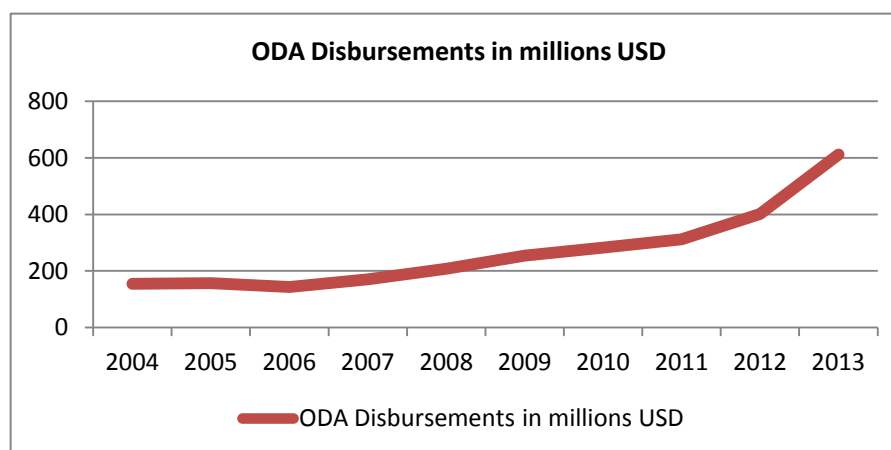
<sup>111</sup> OECD (2013), Key Aid Figures 2013, accessed at: <http://www.oecd.org/newsroom/aid-to-developing-countries-rebounds-in-2013-to-reach-an-all-time-high.htm>

<sup>112</sup> OECD-DAC Database (2014)

<sup>113</sup> <http://www.globalhumanitarianassistance.org/countryprofile/yemen>

Since 2012, a group of like minded donors harmonized their assistance under “The Friends of Yemen” group and pledged \$10.65bn, of which \$10.1bn has been allocated and \$4.54bn disbursed to programmes and projects in support of Yemen’s transition.

**Table 19:** ODA disbursed to Yemen



**Source:** OECD-DAC Statistics, Query on Yemen

Up to the third quarter of 2014, only 39% of total pledges have been disbursed. At last, it is worth noting that still only 50% of Yemen’s Humanitarian Response is funded, putting a high pressure on donors to increase funds to meet urgent needs of Yemeni population<sup>114</sup>. Meanwhile, concerns have been raised towards the country’s impaired capacity to manage and track fund effectively. The launch of the Yemen Aid Management Information System was estimated to start functioning by late 2014, yet it has been delayed. A well defined timeframe for the implementation of intended projects and disbursement of funds should be prioritized by the government and its partners with a strong focus on a fast tracking mechanism for infrastructure projects to restore Yemen’s conflict affected infrastructure.

**Table 20:** ODA disbursements to Yemen in USD millions and as a percent of GNI

	2008	2009	2010	2011	2012
<b>Net official development assistance and official aid received (current US\$ million)</b>	429,610,000	557,850,000	664,230,000	476,120,000	709,390,000
<b>Net ODA/ GNI</b>	1.5%	2.1%	2.2%	1.8%	2.3%

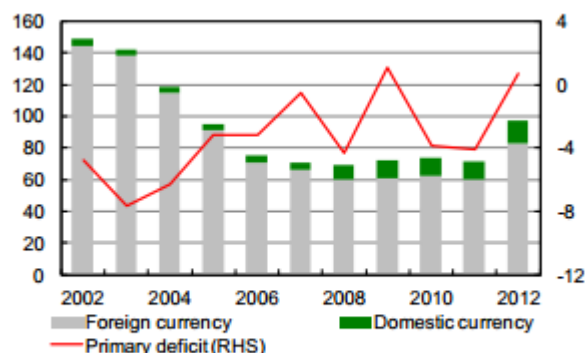
<sup>114</sup> Friends of Yemen, Steering Committee Report presented in Friends of Yemen Ministerial Meeting in New York, September 2014, available at the Executive Bureau for the Acceleration of Aid Absorption and Support for Policy Reforms, Yemen.

### 3. Debt Sustainability

#### Sudan

Sudan and Myanmar remain the two LDCs in “debt distress”. The country has accumulated sizeable external arrears constituting its debt unsustainable. All debt ratios were exceeding their indicative policy-dependent thresholds at end-2012. Sudan’s external debt stock was at \$45.1 billion in nominal terms (end of 2013). The largest part of it, is public and publicly guaranteed (PPG) debt (US\$41.6 billion, of which 88 percent in arrears<sup>115</sup>), and it is owed to bilateral creditors. In present value (PV) terms, the latter corresponds to almost US\$95 billion, or 158 percent of GDP, 1790 percent of exports and 1633 percent of revenues. Disbursements from ODA alongside with concessional loans are estimated at USD 400 million in 2013 and projected at similar levels for 2014-2015. Among the reasons for conservative disbursements is Sudan’s low debt servicing capacity. The country is eligible for debt relief under the Highly Indebted Poor Countries Initiative; however it does not benefit from it until a new more favorable agreement is reached with its key creditors, South Sudan and donors. Engaging and re-negotiating with its main creditors is a critical step towards any effort to decrease the debt burden, as even after any traditional debt relief scenario, Sudan will still have a heavy stock of external debt. In essence, a common front with South Sudan towards creditors would strengthen the countries’ bargaining power, particularly in view of the surpassed deadline of the “zero option” for debt apportionment.<sup>116</sup>

**Table 21:** Stock of Public Debt, in percent of GDP accruing unsustainably



Source: Sudanese authorities, World Bank, and IMF staff estimates.

<sup>115</sup> Article IV Consultations, IMF Country Report No. 12/298, Accessed at: <https://www.imf.org/external/pubs/ft/dsa/pdf/2013/dsacr13317.pdf>

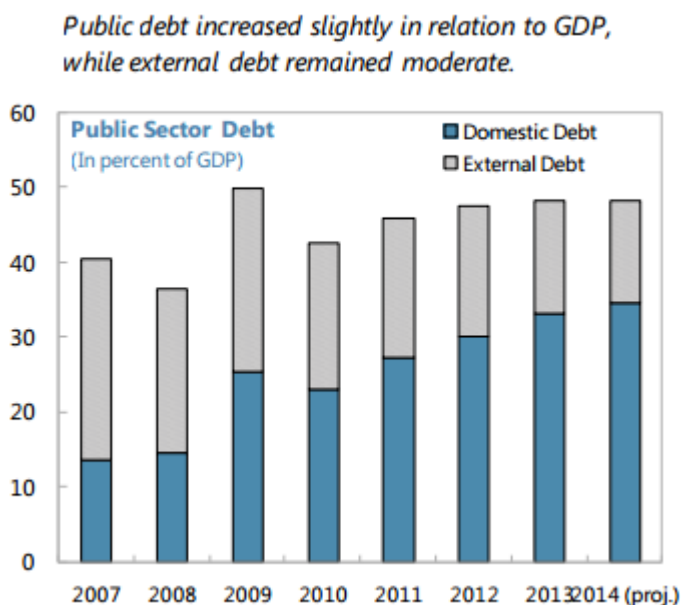
<sup>116</sup> African Economic Outlook (2014), Sudan Country Analysis: p.8 Under the 2012 agreement, if Sudan had by September 27th received sufficient international commitments on debt relief, it would have opted for the "zero option" on apportioning debt, whereby it would retain all of the debt while South Sudan would take on none. Absent debt relief, the expectation was that the two governments would agree on a specific division of the debt between the two countries.

Under current scenario and debt management projections, the country will need to avoid borrowing at non-concessional terms and negotiate on financial support only on concessional terms to support critical development expenditures while also nurturing international political commitment towards its inclusion in the HIPC initiative for debt relief.

### Yemen

On the contrary, Yemen is faced with moderate risk of debt distress<sup>117</sup>. The country's public external debt-to-GDP/of which public and publicly guaranteed remains at relatively low levels of 16.4/ 13.7 percent of GDP, respectively (end of 2014). However, despite relatively low levels of external debt, the PV of total public debt-to-GDP ratio amounts to 49 percent, surpassing the national benchmark of 38 percent. Public domestic debt is large, amounting to increased vulnerabilities. Creditors are mainly domestic and consist of the Pension Fund, commercial and Islamic banks a telecommunication company. Amidst shock, the broad domestic coverage of debt can result to significant rollover and interest rate fluctuations, threatening distress levels.

**Table 22:** Debt to GDP ratio (domestic and external)



**Source:** Yemen Ministry of Finance, graph extracted from International Monetary Fund and World Bank: Article IV Consultations 2014, page 12

<sup>117</sup> To assess debt sustainability, debt burden indicators are compared to indicative thresholds over a 20-year projection period. A debt-burden indicator that exceeds its indicative threshold suggests a risk of experiencing some form of debt distress. A country is in debt distress when it is already having repayment difficulties.

The stock of public external debt is also assessed as moderate<sup>118</sup>, due to the country's primarily concessional borrowing. Of the total external debt of 6.2 billion \$USD, half is owed to multilateral credit institutions and the other half to bilateral (\$1.2 billion), Saudi Arabia (\$0.4 billion), Japan (\$0.3 billion), and Kuwait (\$0.2 billion). Yemen has borrowed more recently on some non-concessional terms from the Arab Monetary Fund to address imminent budget financing needs. Total borrowing from the AMF has risen from around \$99 million at end 2010 to about \$260 million, and an additional \$100 million loan was signed and disbursed in 2013. However, given that the total amount of loans is relatively small compared to GDP and they all include a high grant element, these loans are not estimated to severely impact on debt sustainability. While the debt profile remains sustainable in a scenario of moderate risks under stability, it remains subject to substantial risks, including decline in oil production, exports and political instability<sup>119</sup>.

Economic risk analysis related to debt, highlights the issue of fiscal decentralization as the country transitions into a federal state as critical. The new constitution is expected to provide a roadmap to a new federal system with its implications on the government's fiscal planning and policy. Adequate control of expenditure and debt contracting to ensure sufficient time for capacity building and fiscal order will be essential to maintain debt at sustainable levels.

Foreign Direct investment (FDI) inflows into LDCs increased by 14 per cent to \$USD 28 billion, while the global share of inflows to LDCs is still very low, at only 2% percent<sup>120</sup>.

**Table 23: FDI flows 2008-2013 (continued)** in Millions of dollars

Country	2008	2009	2010	2011	2012	2013
<b>Sudan</b>	2,600	2,572	2,894	2 692	2 488	3 094
<b>Yemen</b>	1555	129	189	-518	-531	-134

Source: UNCTAD, World Investment Report 2014.

### Sudan

Foreign Direct Investment inflows for Sudan are registered above 3.0 billion USD for 2013, being among the highest among fragile states (preceded by Nigeria and Sudan) whilst Yemen comes at the lowest group of FDI recipients globally, at below 0.1 million USD. The vast majority of FDI's are concentrated in the oil sector (exploration/development/production/downstream), services, transport and agriculture.

<sup>118</sup> **moderate risk:** when debt burden indicators are below the thresholds in the baseline scenario, but stress tests indicate that thresholds could be breached if there are external shocks or abrupt changes in macroeconomic policies; For more information on debt sustainability analysis refer to The Joint World Bank–IMF Debt Sustainability Framework for Low-Income Countries Factsheet, published September 2014.

<sup>119</sup> Most recent Debt Sustainability Analysis<sup>119</sup> (2011 DSA (EBS/12/37—Supp. 1; 3/22/12) has updated projection for debt based on the assumption that oil exports will steadily decline at a rate of approximately 3 percent a year instead of previous one projecting oil exports to be disrupted suddenly.

<sup>120</sup> UNCTAD, World Investment Report 2014

The Bank of Sudan reports that foreign investments in the oil sector totalled \$19.7 billion according to the Ministry of Energy <sup>121</sup>.

Net foreign investments in the oil sector consist of 74.71 per cent of total registered capital, with the remaining 25 per cent distributed across the other sectors of the economy <sup>122</sup>(19.81 per cent for the services sector, 3.73 per cent for the industrial, 1.53 per cent for the transport, and 0.22 per cent for the agricultural sector). Despite the low, compared to other areas, number of investments in agriculture, several positive trends have emerged since South Sudan's secession. Arab investors (publicly, semi-publicly and privately owned firms) are renting sizeable land for longer periods while the government did provide incentives such as customs exemptions for machinery and agricultural outputs, profit transfers, tax exemptions for periods up to 10 years, no restrictions on exporting produce and others. While the oil sector has been the country's primary growth driver the past years, with agriculture accounting for more than one third of its GDP, similar favorable policies can assist the country in diversifying inflows.

Despite unfavorable business environment, Sudan has not witnessed significant decreased in its FDI inflows. Primary investors come from the Arab Region by almost 60%, Europe and a small segment from Asia, reflecting primarily China's presence in the country.

### Yemen

Yemen suffered from a disinvestment climate with significant decreases in FDI inflows (negative) following the 2008 global financial crisis, falling from US\$1.55 billion in 2008 to US\$129 million in 2009 and 134 million in 2013. This decrease of 91 per cent was one of the largest in the ESCWA region in 2009 and therefore contributes to Yemen's ranking as one of the countries in the region receiving the least FDI in 2009<sup>123</sup>. While global and regional FDI witnessed partial recovery in the following three years, Yemen as well as other Arab conflict affected countries has failed to attain pre-crisis levels with still negative indicators of inflows. In particular, Yemen witnessed a \$0.4 billion or 75 per cent fall in divestment in 2013, one of the lowest ranks in LDCs globally.

Most foreign investment, as in the Sudan are concentrated on oil, gas and other minerals but the telecommunications sector also got some attraction, before riots commenced in 2011. Despite the

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<sup>121</sup> CMI (2012), op. cit.; Will the Sudanese Paradox Continue?, accessed at : <http://www.cmi.no/publications/file/4595-will-the-sudanese-paradox-continue.pdf>

<sup>122</sup> ibis

<sup>123</sup> ESCWA (2009), Foreign Direct Investment Report, Technical Paper.

abundant investment opportunities in the country, until political circumstances permit a more stable environment, investors are most likely to continue being deterred<sup>124</sup>.

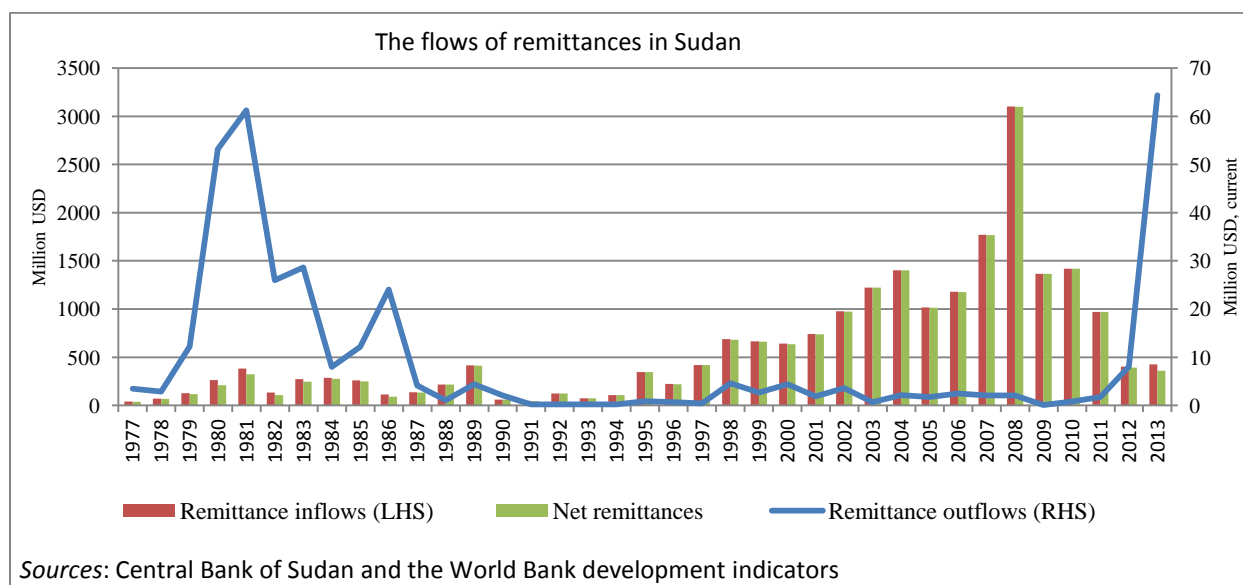
On the institutional framework, Yemen has made some efforts to enhance its attractiveness as a business destination. The establishment of the General Investment Authority (GIA) is for example Yemen’s primary agency tasked with promoting investment and coordinating government’s efforts to this end. Promoted areas include industries, mining, transport, touring, housing, fishery and marine biology sector. The geological diversity characterizing Yemen has led to a significant variety in mineral wealth, largely unexplored. The Government of Yemen reports the existence of economically viable quantities of gold, zinc, silver as well as copper and nickel as a means to diversify its investments.

While investors come primarily from the Arab region, Yemen has during 2014 succeeded, despite unfavorable environment, to attract financing and technical support on electricity and energy sectors from emerging economies such as Brazil.

#### 4. Remittances

##### Sudan

**Table 24:** Remittances flows in Sudan



Published in ESCWA (2015), forthcoming study on Remittances in Sudan

<sup>124</sup> FDI Intelligence Unit, Yemen Country update accessed at <http://www.fdiintelligence.com/Locations/Middle-East-Africa/Yemen/Political-instability-steers-investors-from-Yemen>)



Remittances Profile: As per the above, the officially recorded net remittances averaged 14.9% of the foreign earnings from exports (about 2.2% average of GDP) prior to the oil boom in Sudan over 1977-1999. During the oil boom (2000-2011), the ratios of remittances to exports and GDP, inclusive of oil contribution increased, respectively to 19.5% and 3.4%<sup>125</sup>. After secession of South Sudan we witness an increase in outward remittances, mainly due to high numbers of economic migrants from Egypt and transfers of Southern Sudanese and migrant workers in the oil industry.

According to data from the most recent Labor Survey by the Ministry of Human Resources over half of the migrants are concentrated in Saudi Arabia (50.3%) followed by South Sudan (9.9), Libya (7.28%) and United Arab Emirates. Accordingly, Saudi Arabia is main sending sources of remittances accounting for (65.3%) followed by United Arab Emirates (14.2%), Egypt (6.1%) and Qatar (4.6%)<sup>126</sup>.

The country is facing daunting challenges in its efforts to mainstream recommended IPoA actions on capitalizing benefits of remittances flows due to ill performing banking institutions further exacerbated by imposed sanctions.

In regards to sanctions, the USA one side economic sanctions against Sudan since 1997 effectively reduce the role of corresponding bank services particularly after the sealing of the Comprehensive Peace Agreement in 2005. In essence, the ratios of the foreign correspondent banks assets and liabilities to total banks assets decreased, respectively from 18.6% and 26.7% in 1996 to 6.1% and 2.6% in 2013<sup>127</sup>. In 2014 the BNP Paribas, leading French was fined by USD 8.9 billion bridging sanctions imposed on Sudan. In 2012, the British banks HSBC and Standard Chartered have paid, respectively USD 1.92 billion and USD 667 million for transferring money on behalf of Sudan and Iran.

At last, illicit financial flows leaving Sudan amount to USD 16,568 billions between 1974-2008<sup>128</sup>, which also reflects the volume and extent of informal channeling of funds.

**Table 25:** Remittance inflows in million of USD and as a percent of GNI

Country	Millions of dollars						As a percent of GNI				
	2000-2008	2009	2010	2011	2012	2013e	2000-2008	2009	2010	2011	2012
<b>Yemen</b>	1303	1160	1526	1404	1404	1469	8.6	4.3	5.1	5.2	4.6

<sup>125</sup> ESCWA (2015), Study on Remittances in Sudan, forthcoming

<sup>126</sup> International Organization for Migration, IOM (2013), Migration in Sudan: Sudan Country profile, updated in March 2014

<sup>127</sup> *ibid*

<sup>128</sup> Global Financial Integrity (2010), **Illicit Financial Flows from Africa, Hidden Resources for Development, Washington DC.**; the amount is calculated by the World Bank Residual (CED) model and the Trade Misinvoicing model (Gross Excluding Reversals or GER method using bilateral IMF Direction of Trade Statistics).

<b>Sudan</b>	1009	1394	1100	442	401	461	4.1	2.9	1.8	0.7	0.7
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Source: UNCTAD 2014, Least Developed Countries Annual Report

### Yemen

Yemen, traditionally witnessed a large outflow of labor and permanent migrants. According to the latest available census data the number of Yemeni migrants was estimated at 1.8 million in 2004. The majority of Yemeni migrants are located in Saudi Arabia (894 thousand or 78.8% of the total amount; in the United Arab Emirates, representing 5.3%, the United States of America by 5.2%, and lastly Jordan and Britain of about 1.7% and 1.5%<sup>129</sup>, respectively. The country is still trying to find a viable solution for the population, returning from the Gulf after 1990-1991 war. Most recently, the Kingdom of Saudi Arabia (KSA) domestic labor market restructuring (Nitaqat changes) resulted in massive returns of foreign migrant workers since April 2013. Due to its land proximity with KSA, IOM reports that many are in need of urgent humanitarian assistance.

**Table 26:** Yemeni Migrants Distribution

Yemeni Migrants distribution		
Country	1998	2010
<b>Saudi Arabia</b>	٧٠٠٠٠٠٠	٨٩٤٤١٠٩
<b>Emirates</b>	٥٠٠٠٠٠	٦٠٤٤٠١
<b>USA</b>	٤٠٠٠٠٠	٥٨٤٣٤٢
<b>Jordan</b>	٢٠٠٠٠	١٩٠٥٩١
<b>UK</b>	٢٢٠٠٠٠	١٦٠٥٦٨
<b>Palestine</b>	-	٩٤٩١٧
<b>Sudan</b>	٥٠٠٠٠	٤٤٦٣٨
<b>Iraq</b>	-	١٠٨٩٣
<b>Bahrain</b>	٥٠٠٠٠	١٠٣٥٤
<b>Djibouti</b>	٢٥٠٠٠٠	٨٤٥
<b>Occupying Israel</b>	-	٥٣٠١٥
<b>France</b>	٣٠٠	١٠٩٢٣
<b>Germany</b>	٢٠٠٠٠	٢٠٨١٧

<sup>129</sup> ESCWA (2014), Remittances Study in Yemen (in Arabic)

<b>Canada</b>	١٤٠٠٠	١٤٢٧٠
<b>Other southern countries</b>	-	4,787
<b>Other northern countries</b>	-	2,712
<b>Total</b>	٨٠٢٤٣٠٠	١٤١٣٤٤٦٨٧
<b>Source: World Bank, Data &amp; Research Prospects: Bilateral Estimates of Migrant Stocks in 2010<sup>130</sup></b>		

## ***H. Governance***

Sudan’s governance system has been stressed over decades due to protracted conflict and insecurity, markedly compromising efforts for long term planning and sound public financial management systems. At the same time, governance deficits reflecting the inability of the government to mediate demand for power and resource sharing and address imbalances between the center and the periphery has contributed to the root causes of conflict. Secession with South Sudan in 2011, was the outcome of the successful implementation of the Comprehensive Peace Agreement between the GoS and the Sudan’s Peoples Liberation Movement. However, tensions have not ceased to exist with the most prominent one present in the “Three Protocol Areas” (Blue Nile and South Kordofan states and Abyei area) where peace agreements are to be implemented. Tensions have aggravated in the aftermath of the creation of the Sudan Revolutionary Front (SRF) in November 2011; an armed coalition (comprising SPLM Northern Sector (SPLM-N) and all Darfur rebel movements) that advocates for the forceful removal of the government.

On the institutional side, Sudan has a bicameral parliament, consisting of 450 member National Assembly with 60 percent of seats elected by majority voting in geographical constituencies and 40 percent by proportional representation, including 25 percent for women. Civil participation in national policy decisions is limited and often hindered by lack of access to information or even the very basic opportunities to effectively voice their needs.

The National Congress Party (NCP) is leading the government. Strained resources following secession with South Sudan have resulted in fiscal shocks accompanied by austerity measures and public discontent. Wide-scale demonstrations during 2013 led to 50 deaths, 250 wounded and 600 arrests.<sup>131</sup>In

<sup>130</sup> <http://go.worldbank.org/JITC7NYTTO>

<sup>131</sup> African Economic Outlook (2014),op. cit. p 11

2013, the country came at 170<sup>th</sup> place out of 179 countries by Reporters without Borders due to the government's control of public media<sup>132</sup>.

Despite advances on the judicial sector, challenges remain and primarily relate to transparent and accessible to all judicial institutions as well as critical human and financial capital to increase coverage of all regions. Conflict affected areas, such as North Darfur, only three out of seven criminal courts are operational, all in El Fasher in addition to 39 over 72 functioning rural courts. Participation and resolve into justice is low with only 16 percent of the population indicating confidence in fair treatment if they are arrested or file a complaint with local law and order institutions.

Among the major challenges for the government include a) its capacity to ensure security, rule of law and exert legitimate authority by responding to diverse needs of communities across its territory and b) increase its performance in effective and equal service delivery and natural resource management in a manner that addresses the political and social division within and among communities.

In terms of Human Rights, Sudan has made advancements including the mainstreaming of human rights provision in its constitutional and legal framework, including the establishment of the Advisory Council on Human Rights and the proposed Human Rights Commission, provisions on the rights and protection of women and children, freedom of beliefs and protection of the freedom of expression. However, Sudan has not yet ratified key international human rights treaties, such as the Convention against Torture and Other Cruel, Inhuman and Degrading Treatment, and the Convention on the Elimination of All Forms of Discrimination against Women. The universal periodic review (UPR) of the Human Rights Council in May 2011 highlighted continuing discriminatory laws against women and the prevalence of sexual and gender-based violence in Darfur as major concerns. In addition, effective implementation of the human rights policies on the ground remain slow and uneven across governorates. Most recently, on January 29<sup>th</sup> 2015 the Sudanese Writers Union announced that the government had ordered its closure, which is only one of many unions and independent think tanks that the GoS has outlawed. A result oriented framework that sets out a timeline for tangible realization of human rights policies across the respective institutions was among key recommendations to the GoS<sup>133</sup>. This would enable a more equal access to justice which mean that all people stand to benefit from improved and fair access to judicial institutions.

In terms of corruption the government faces challenges common in conflict affected and resource rich states, severely undermining stability. According to the 2013 Global Corruption Barometer, over 70% percent of respondents thought that state institutions, including NGOs are corrupt. The country also

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<sup>132</sup> Reporters without Borders (2014), '*ELEVEN NEWSPAPERS SEIZED IN LESS THAN A WEEK*'

<http://en.rsf.org/sudan-eleven-newspapers-seized-in-less-10-03-2014,45967.html>

<sup>133</sup> OHCHR, Sudan (2013): [Report of the Independent Expert on the situation of human rights in the Sudan \(A/HRC/27/69\)](#)

performs poor in the World Bank's Worldwide Governance Indicators<sup>134</sup>. However, the GoS has demonstrated commitment towards fighting corruption and is benefiting from regional initiatives such as the "Arab Anti-Corruption and Integrity Network" (ACINET), an Arab regional mechanism that brings together governmental and non-governmental entities for consultation and cooperation on anti-corruption issues in the Arab Region<sup>135</sup>.

## **Yemen**

In Yemen, as in the Sudan, the quality of governance systems and service provision has been put into test following the popular uprising and socio-economic and political tensions in 2011. After 33 years in power, Yemen's president Ali Abdallah Saleh resigned in May 2011, and the country began its political transformation which has continued to present day. Underlying institutional weaknesses have been unable to address root causes of conflict evident in four separate fronts: the Houthis in the North, grievances in the south, the presence of Al-Qaeda in the Arabian Peninsula (AQAP) and public discontent with the government across the capital Sana'a. The socio-economic and political tensions in Yemen led the country to the verge of civil war, which was partly defused, with the mediation and support of the GCC countries following by a transition agreement in November 2011 which established a Government of National Unity; a Military Committee for Establishing Safety and Security; election of a new president, constitutional and electoral reform and a National Dialogue.

The National Dialogue Conference (NDC) was formed to formulate and guide the country's transition process. The NDC comprised of eleven working groups - 565 members - concluded its work in January 2014. The NDC resolutions guarantee freedom of religion; recommended formation of nonsectarian government; prohibited illegal financial or military support from foreign powers; made restrictions on ownership of weapons; proposed a cap on military spending and called for addressing the feuds which contributed to the conflict<sup>136</sup>. The NDC recommendations also included extending the presidency for another year in order to implement certain reforms and oversee transition process, and restructuring of parliament and the Shura Council in order to ensure more equitable representation. These recommendations were incorporated into a draft new constitution which was submitted before the Parliament in January 2015.

The governance and administrative division of Yemen has been as complex as the country's history and social fabric. The country has been administratively divided into 22 governorates and into 333 districts which are further subdivided into 2210 sub-districts and then into 38,284 villages<sup>137</sup>. At the local level,

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<sup>134</sup> For more information on the WB

<sup>135</sup> More information on the Arab Anti-Corruption and Integrity Network can be found at:  
<http://www.arabacinet.org/>

<sup>136</sup> Holzapfel, P. B. (2014). *Yemen's Transition Process: Between Fragmentation and Transformation*. Peaceworks 95. Washington, D.C. United States Institute of Peace.

<sup>137</sup> Mitchell, R. (2012). What the Social Sciences Can Tell Policy-Makers in Yemen. *Middle East Journal*, 66(2), 304.

governance membership has usually reflected the tribal composition of a particular area. In an effort to end complaints of centralization of powers in Sana'a and reverse political and economic marginalization of the country's south, the NDC also recommended adoption of a new decentralized, federal system of government comprising of six federal regions, and two special status cities, Sana'a and Aden<sup>138</sup>. A disagreement among the Huthis, President Hadi, socialists who opted for only two regions, north and south, over the language in the draft constitution relating to the new federal arrangement has made Yemen's transition period even more volatile. In January 2015, following the Huthis' control of the capital, the President Abdu Rabu Mansur Hadi and the prime minister were put under house arrest by the Houthis, creating a governance vacuum.

AQAB has also gained ground and become stronger since its establishment in 2009. The group's formation is the outcome of a merger between al Qaeda's Yemeni and Saudi branches. The government vacuum following the Arab spring assisted AQAB in taking advantage of the situation and intensifying attacks across the country.

This recent wave of instability in Yemen, Huthis advancements in the north and takeover of Sana'a, has seriously put Yemen's transition process into question. Current governance deficit, if further destabilized, could lead to dissolution of Yemen in its present configuration. The southern region has been advocating for its secession for a while, and has increased this rhetoric following the Huthis' recent advancements. The draft constitution at the time of government dissolution in January 2015 was still to be presented to the committee overseeing the implementation of NDC outcomes.<sup>139</sup> The Houthis have issued an ultimatum to political stakeholder to reach an agreement and abide on their views on how to govern the country by February 4<sup>th</sup> 2015. Even if an agreement is reached it is highly unlikely that the leadership vacuum, over the last three years, will end soon.

Looking at the preceding six years, data (see below) for Yemen from the Worldwide Governance Indicators (WGI) 2014 against some of the Istanbul Programme of Action targets present a mixed report card with little or no progress made from 2008 to 2013. Both Yemen and Sudan's scores in WGI, if compared with other LDC's, brings them at the lowest quintile with Sudan having among the worst rates in terms of corruption and voice and accountability (lowest 2 to 6 percent).

**Table 27:** Sudan, WGI

<b>Percentage rank against all other LDC's (WB)</b>		<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Voice and Accountability</b>	SDN	0.11	0.09	0.08	0.08	0.06	0.06
<b>Political Stability and Absence of Violence/ Terrorism</b>	SDN	0.04	0.04	0.02	0.02	0.06	0.08
<b>Government Effectiveness</b>	SDN	0.26	0.23	0.21	0.19	0.19	0.1

<sup>138</sup> Holzpfel, P. B. (2014). *Yemen's Transition Process: Between Fragmentation and Transformation*. Peaceworks 95. Washington, D.C. United States Institute of Peace.

<sup>139</sup> Yemen Draft Constitution (2014), accessed at <http://www.constitutionnet.org/vl/item/yemen-draft-constitution-2015>

<b>Regulatory Quality</b>	SDN	0.11	0.15	0.17	0.19	0.06	0.08
<b>Rule of Law</b>	SDN	0.17	0.26	0.17	0.29	0.29	0.27
<b>Control of Corruption</b>	SDN	0.09	0.17	0.14	0.17	0.04	0.04

**Table 28:** Yemen, WGI

<b>Percentage rank against all other LDC's</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Voice and Accountability</b>	0.26	0.22	0.20	0.15	0.17	0.26
<b>Political Stability and Absence of Violence/ Terrorism</b>	0.11	0.07	0.07	0.06	0.02	0.04
<b>Government Effectiveness</b>	0.50	0.35	0.41	0.34	0.30	0.38
<b>Regulatory Quality</b>	0.59	0.65	0.67	0.53	0.66	0.60
<b>Rule of Law</b>	0.41	0.35	0.35	0.21	0.26	0.32
<b>Control of Corruption</b>	0.57	0.35	0.26	0.23	0.21	0.21

## ANNEX I:

### Graduation Criteria Progress for ESCWA member states

LDCs are defined as least developed countries requiring special support measures due to their structural impediments to growth. For identifying least developed countries, three criteria are used and reviewed every three years by the Committee for Development:

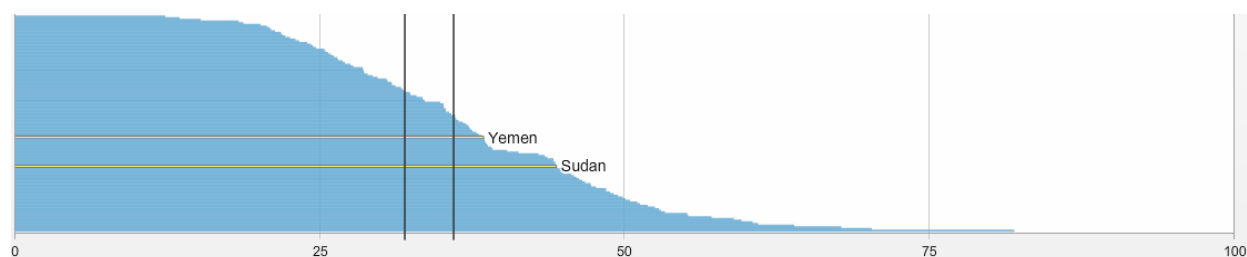
- Gross national income per capita
- Human Assets Index
- Economic Vulnerability Index

Despite the availability of special support measures by the international community and the effort of the LDCs themselves, relatively little progress has been achieved. Yemen, even though far from the graduation thresholds was witnessing gradual progress up to 2011. However, political instability and internal conflict has exacerbated vulnerabilities inherent to its structural impediments to development. All three indices are expected to remain stable or deteriorate for the next triennial review in 2015.

### Yemen

	2006	2009	2012
Economic Vulnerability Index <sup>140</sup>	42.1	44.9	38.5
Human Assets Index <sup>141</sup>	48.3	52.1	52.3
GNI per capita	523.3	766.7	1 020

### EVI rates comparing to all LDCs

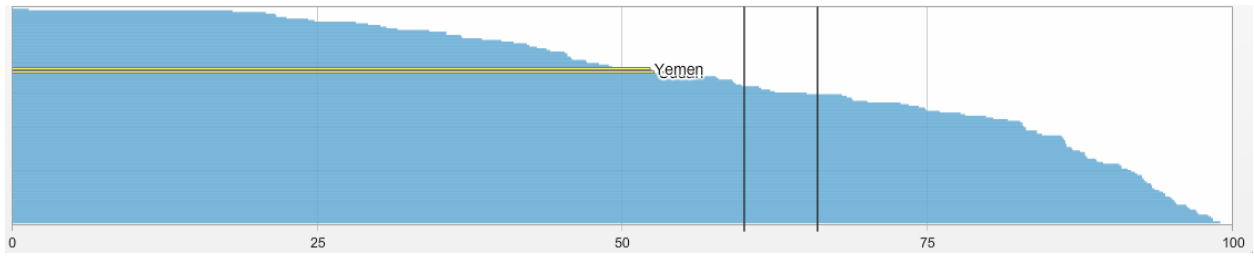


### HAI rates compared to all LDCs

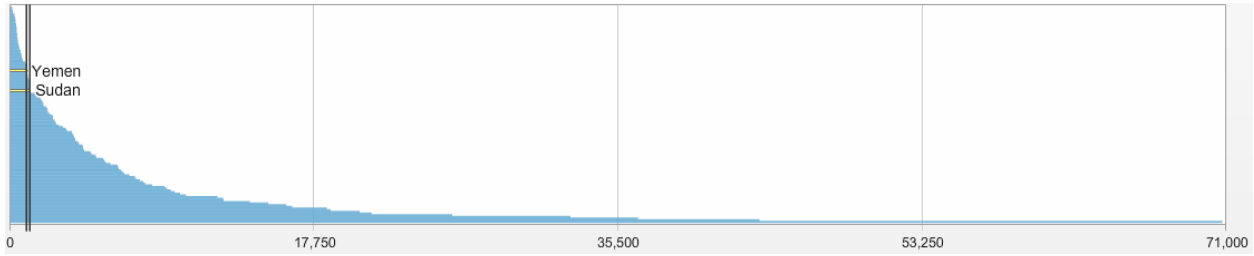
<sup>140</sup> The economic vulnerability index (EVI) measures the structural vulnerability of countries to exogenous economic and environmental shocks. The EVI contains eight indicators, which are grouped into various sub-indices.

<sup>141</sup> The human asset index (HAI) is a measure of the level of human capital. It consists of four indicators, two on health and nutrition and two on education





GNI rates compared to all LDCs



Source: LDC Data Retrieval, UN DESA accessed at [http://www.un.org/en/development/desa/policy/cdp/ldc/ldc\\_data.shtml](http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_data.shtml), in December 2014.

**ANNEX II: DATA**

<b>SUDAN</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>World Development Indicators</b>						
GNI per capita, PPP (current International \$) a	2,950	2,960	3,000	3,380	3,470	3,230
Population, total a	34,040,065	34,853,178	35,652,002	36,430,923	37,195,349	37,964,306
GDP (current US\$) a	54,527,549,913	53,149,439,401	65,632,081,240	67,320,779,804	63,152,209,705	66,565,889,417
GDP (current US\$) b	..	60,550,000,000	69,692,000,000	69,871,000,000	71,454,000,000	61,975,000,000
GDP growth (annual %) a1	3.01	3.23	3.47	-3.29	-10.1	-6
GDP growth (annual %) b	7.78	4.49	6.49	1.86	0.43	3.6
<b>Agriculture, Food Security and rural development</b>						
Agricultural irrigated land (percentage of total agricultural land) a	1.2	1	..	1.4	..	..
Agricultural land (%land area) a	57.5	57.3	57.3	45.7	47.4	..
Agriculture, value added (constant 2005 US\$) a	8,536,991,104	8,472,759,535	8,373,633,372	8,301,862,770	12,342,953,557	..
Agriculture, value added (% of GDP) a	25.8	26.2	24.6	25.4	28.7	28.1
Agriculture, value added (annual % growth) a	3.34	-0.75	-1.16	-0.85	48.67	..
Agriculture, value added (current US\$) a	13,363,614,234	13,112,185,468	15,297,656,321	16,394,234,288	17,490,660,764	18,050,450,229
Agriculture, value added per worker (constant 2005 US\$) a	1,237.06	1,207.97	1,175.41	1,147.9	1,682.51	..
Child employment in agriculture (% of economically active children ages 7-14) a	67.53	..	..	..	..	..
Child employment in agriculture, female (% of female economically active children ages 7-14) a	59.7	..	..	..	..	..
Child employment in agriculture, male (% of male economically active children ages 7-14) a	71.7	..	..	..	..	..
Malnutrition prevalence a	..	..	..	..	..	..
Stunting a*	38.3 a*	..	35	..	..	..
Underweight a*	27a*	..	32	..	..	..
<b>Trade and commodities/ International Integration</b>						
Trade in services (% of GDP) a	5.4	4.6	4.2	4.7	4.8	4.6
Merchandise Trade (% of GDP) a	38.6	33.8	32.7	28.1	21.4	25.5
Time required to start a business (days) c	39	36	36	36	36	36
Foreign Direct Investments, net inflows (% of GDP)	3.1	3.3	3.1	3.4	3.7	3.3
Foreign Direct Investments, net inflows( in millions of dollars)	2,600	2,572	2,894	2,692	2,488	3,094

<b>SUDAN</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Science, Technology and Innovation</b>						
Fixed-telephone subscriptions d	366,200	370,423	544,984	483,617	424,586	415,571
Mobile telephone subscriptions d	11,991,469	15,339,895	18,093,231	25,056,185	27,658,595	27,657,875
Fixed broadband subscriptions d	44,625	..	13,500	17,430	24,789	44,662
Active mobile-broadband subscriptions d	..	..	..	6,920,215	7,495,779	9,681,340
Percentage of individuals using the internet d	..	..	16.7	17.3	21	22.7
Liner Shipping Connectivity Index a	5.4	9.3	10.1	9.3	..	..
Percentage of Households with internet d	..	..	15	21	29.3	29.3
Percentage of Households with computer d	4.63	5.8	9	14	14	15.3
<b>Economic Indicators</b>						
GDP (constant 2005 US\$)	33,534,615,460	34,618,501,355	35,822,262,365	34,642,158,898	31,143,300,850	29,273,457,009
GDP (current US\$)	54,527,549,913	53,149,439,401	65,632,081,240	67,320,779,804	63,152,209,705	66,565,889,416
GDP per capita (constant 2005 US\$)	777	780	785	832	837	771
GDP per capita, PPP (constant 2011 international \$)	3,289.89	3,303.21	3,326.67	3,524.04	3,545.11	3,264.77
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
GDP Growth projections a	2.51	2.75	3.01	..	..	..
GDP Growth projections **	3.708	4.574	5.084	5.248	5.369	..
General government final consumption expenditure (% of GDP)	12	12.48	10.67	10.33	8.6	7.5
Gross capital formation (% of GDP)	24.5	24.4	23.03	21.56	20.69	21.76
Gross domestic savings (% of GDP)	29.08	20.46	25.54	23.58	13.91	15.2
Health expenditure, total (% of GDP) e	7.4	7.4	6.5	6.7	7.2	..
Imports of goods and services (% of GDP)	19.5	19.9	17.2	15.5	16.76	16.12
Industry, value added (% of GDP)	33.41	24.55	28.42	27.35	22.43	21.68
Inflation, GDP deflator (annual %)	19.57	3.96	19.56	22.65	39.8	49
Manufacturing, value added (% of GDP)	5.6	5.9	5.9	6.3	7.8	8.1
Merchandise trade (% of GDP)	38.5	33.7	32.7	28.1	21.4	25.5
Research and development expenditure (% of GDP)	..	..	..	..	..	..

SUDAN	2008	2009	2010	2011	2012	2013
<b>Education f</b>						
Net enrolment rate, primary, both sexes (%)	..	..	..	..	51.54	..
Net enrolment rate, primary, female (%)	..	..	..	..	48.59	..
Net enrolment rate, primary, male (%)	..	..	..	..	54.42	..
Net enrolment rate, primary, gender parity index (GPI)	..	..	..	..	0.893	..
Net enrolment rate, secondary, both sexes (%)	..	..	..	..	31.55	..
Net enrolment rate, secondary, female (%)	..	..	..	..	30.44	..
Net enrolment rate, secondary, male (%)	..	..	..	..	32.62	..
Net enrolment rate, secondary, gender parity index (GPI)	..	..	..	..	0.933	..
Mean years of schooling g	3	3.1	3.1	3.1	3.1	3.1
Education Index g	0.293	0.304	0.306	0.306	0.306	0.306
<b>Population and Primary Health</b>						
Under -five mortality rate (deaths per 1,000 live births) h	87.6	85.4	83.3	81.1	78.8	76.6
Infant mortality rate (deaths per 1,000 live births) h	57.5	56.3	55.1	53.8	52.5	51.2
Maternal mortality rate (deaths per 100,000 births) h	800	..	730	..	..	360
Contraceptive prevalence (modern methods %) a	..	..	9	..	..	..
HIV prevalence (percentage of population aged 15-49) i	0.2	0.2	0.2	0.2	0.2	0.2
<b>Youth development</b>						
Youth literacy (percentage of population aged 15-24)	..	..	..	..	..	..
Female literacy (percentage of female population aged 15-24)	..	..	..	..	..	..
<b>Shelter, Water and Sanitation</b>						
Percentage of Population using an improved drinking water source i	..	..	..	..	..	..
Urban	..	51	50	50	50	..
Rural	..	67	66	66	66	..
<b>Gender equality and empowerment of women g</b>						
Gender Inequality Index	..	..	0.708	0.611	0.604	0.628
Share of seats in parliament	..	..	16.8	24.2	24.1	24
Population with at least some secondary education, female (% of aged 25 and above)	..	..	12.8	12.8	12.8	..
Labour Force Participation Rate, female	32.3	30.8	..	30.9	31.2	..

<b>SUDAN</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Governance a</b>						
Voice and Accountability	-1.62	-1.66	-1.72	-1.77	-1.77	-1.78
Political Stability and Absence of Violence/ Terrorism	-2.47	-2.65	-2.66	-2.53	-2.27	-2.2
Government Effectiveness	-1.27	-1.27	-1.37	-1.39	-1.46	-1.53
Regulatory Quality	-1.47	-1.25	-1.33	-1.3	-1.51	-1.44
Rule of Law	-1.41	-1.23	-1.3	-1.22	-1.21	-1.25
Control of Corruption	-1.48	-1.21	-1.26	-1.23	-1.51	-1.49
<b>Percentage rank against all other LDC's k</b>						
Voice and Accountability	0.11	0.09	0.08	0.08	0.06	0.06
Political Stability and Absence of Violence/ Terrorism	0.04	0.04	0.02	0.02	0.06	0.08
Government Effectiveness	0.26	0.23	0.21	0.19	0.19	0.1
Regulatory Quality	0.11	0.15	0.17	0.19	0.06	0.08
Rule of Law	0.17	0.26	0.17	0.29	0.29	0.27
Control of Corruption	0.09	0.17	0.14	0.17	0.04	0.04
<b>Multiple Crises and Emerging Challenges a</b>						
External debt stocks, public and publicly guaranteed (PPG), (DOD, current US\$) a	13,120,088,000	13,706,519,000	14,444,080,000	15,092,997,000	15,697,051,000	16,395,083,000
Debt service (PPG and IMF only, % of exports of goods, services and primary income)a	2.88	5.58	4.1	5	8.7	..
Public and publicly guaranteed debt service (% of GNI)a	0.6	1	0.8	0.8	0.6	0.4
Total debt service (% of GNI)a	0.7	1	0.8	0.8	0.6	0.5
Total debt service (% of exports of goods, services and primary income) a	3	5.6	4.2	5.1	7	3.5
Net ODA received (% of GNI) j	5.1	4.8	3.5	1.9	1.8	..
Aid (ODA) disbursements in millions of USD j	1,823.12	1,911.65	1,539.23	672.95	471.24	740.65
Debt forgiveness grants a	1,600,000	30,700,000	750,000	730,000	5,330,000	600,000
Total reserves (% of total external debt) a	6.9	5.2	4.7	0.9	0.9	0.9
External debt stocks (% GNI) a	40.2	43.3	37.2	34.5	38.7	47.9

**Notes:**

a: World Bank Data , accessed in November 2014

a1: GDP Growth Data from WB are updated following South Sudan's secession

a \* data from 2008 column are dated back in 2006

b: Central Bureau of Statistics Sudan

c: Annual Doing Business Reports, World Bank, accessed in November 2014

b: National Statistical Office, Central Bureau of Statistics Sudan

d: International Telecommunication Union, Statistics Division

e: World Health Organization, Statistics Division

f: UNESCO Statistics, accessed at:

[http://data.uis.unesco.org/MetadataWebApplication/ShowMetadata.aspx?Dataset=EDULIT\\_DS&Coords=%5bEDULIT\\_IND%5d.%5bNER\\_1\\_CP%5d&ShowOnWeb=true&Lang=en](http://data.uis.unesco.org/MetadataWebApplication/ShowMetadata.aspx?Dataset=EDULIT_DS&Coords=%5bEDULIT_IND%5d.%5bNER_1_CP%5d&ShowOnWeb=true&Lang=en)

g: Human Development Report Office, United Nations Development Program / Barro and Lee (2013) UNESCO Institute of Statistics and HDRO estimates

h: UN Inter-agency Group for Child Mortality Estimation (IGME) in 2013

i: The 2009 estimate was based on three rounds of HIV surveillance in the North and 2006 surveillance in the South. The estimated HIV prevalence was 1.1% including Southern Sudan and 0.67% for North Sudan. UN AIDS SNAP Progress Report 2011

j: OECD- DAC Statistics, Query on Sudan

k: Author's calculations on LDC's based on Worldwide Governance Indicators

\*\* : IMF, World Economic Outlook Database, October 2014

Yemen	2008	2009	2010	2011	2012	2013
<b>World Development Indicators a</b>						
GNI per capita, PPP (current International \$)	3,990	4,180	4,200	3,490	3,690	3,820
Population, total	21,703,571	22,229,625	22,763,008	23,304,206	23,852,409	24,407,381
GDP (current US\$)	30,397,203,369	27,838,718,233	31,743,751,169	29,207,296,703	31,992,801,303	35,954,502,304
GDP growth (annual %)	4.01	4.13	3.31	-15.08	2.46	4.15
<b>Agriculture, Food Security and rural development a</b>						
Agricultural irrigated land (percentage of total agricultural land)a	..	..	..	..	..	..
Agricultural land (%land area)	1.2	1	..	1.4	..	..
Agricultural land (%land area)	57.5	57.3	57.3	45.7	47.4	..
Agriculture value added per worker (constant 2005 US\$)	..	..	..	..	..	..
Agriculture, value added (% of GDP)	..	..	..	..	..	..
Agriculture, value added (annual % growth)	..	..	..	..	..	..
Agriculture, value added (constant 2005 US\$)	..	..	..	..	..	..
Child employment in agriculture (% of economically active children ages 7-14)	..	..	77.89	..	..	..
Child employment in agriculture, female (% of female economically active children ages 7-14)	..	..	60.98	..	..	..
Child employment in agriculture, male (% of male economically active children ages 7-14)	..	..	70.41	..	..	..
Malnutrition prevalence b	..	..	..	..	..	..
Stunting	57.7 *	..	..	47	..	..
Underweight	43.1*	..	..	36	..	..
<b>Trade and commodities/ International Integration a</b>						
Trade in services (% of GDP)	11.6	11.9	11.8	12.2	11.1	..
Merchandise Trade (% of GDP)	59.6	55.5	54.7	67.6	60.5	60.4
Time required to start a business (days)	13	12	12	12	40	40
Foreign Direct Investments, net inflows (% of GDP)	5.1	0.5	0.6	-1.8	0	-0.4
<b>Science Technology and Innovation c</b>						
Fixed-telephone subscriptions	961,000	997,000	1,046,263	1,075,000	1,104,000	1,143,000
Mobile telephone subscriptions	6,445,000	8,313,000	11,085,000	11,668,000	13,900,000	16,844,700
Fixed broadband subscriptions	26,000	54,000	84,000	109,000	167,300	256,800
Active mobile-broadband subscriptions	..	0	0	21,000	48,108	..
Percentage of individuals using the internet	6.89	9.96	12.35	14.91	17.45	20
Liner Shipping Connectivity Index a	14.4	14.6	12.5	11.9	13.2	19
Percentage of Households with internet	2.2	2.54	2.93	4	4.69	4.7
Percentage of Households with computers	3.3	3.77	3.96	4.63	5.05	5.6

Yemen	2008	2009	2010	2011	2012	2013
<b>Economic Indicators a</b>						
GDP (constant 2005 US\$)	18,579,046,277	19,347,259,733	19,989,098,341	16,973,064,608	17,392,278,684	18,115,050,571
GDP (current US\$)	30,397,203,369	27,838,718,233	31,743,751,169	29,207,296,703	31,992,801,303	35,954,502,304
GDP growth (annual %)	4.01	4.13	3.31	-15.08	2.46	4.15
GDP per capita (constant 2005 US\$)	856	870	878	728	729	742
GDP per capita, PPP (constant 2011 international \$)	4,420	4,494	4,534	3,761	3,765	3,832
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
GDP Growth projections a	3.66	3.76	5.2	..	..	..
GDP Growth projections **	4.577	4.68	5.166	5.856	5.611	..
General government final consumption expenditure (% GDP)	..	..	..	..	..	..
Gross capital formation (% of GDP) i	..	19.79	19.81	15.48	18.17	17.62
Gross domestic savings (% of GDP) i	..	6.51	9.88	11.96	13.33	2.31
Health expenditure, total (% of GDP) j	5.11	5.31	5.12	4.98	5.52	..
Imports of goods and services (% of GDP)	..	..	..	..	..	..
Industry, value added (% of GDP)	..	..	..	..	..	..
Inflation, GDP deflator (annual %)	14.47	-8.7	13.78	15.3	0.97	7.89
Manufacturing, value added (% of GDP)	..	..	..	..	..	..
Merchandise trade (% of GDP)	59.64	55.47	54.67	67.56	60.51	60.35
Research and development expenditure (% of GDP)	..	..	..	..	..	..
Foreign direct investment, net inflows (% of GDP)	5.11	0.46	0.59	-1.77	-0.04	-0.37
<b>Education d</b>						
Net enrolment rate, primary, both sexes (%)	76.46	..	81.75	..	86.27	..
Net enrolment rate, primary, female (%)	69.13	..	73.8	..	78.53	..
Net enrolment rate, primary, male (%)	83.5	..	89.39	..	93.7	..
Net enrolment rate, primary, gender parity index (GPI)	0.827	..	0.825	..	0.838	..
Net enrolment rate, secondary, both sexes (%)	..	..	39.9	..	42.28	..
Net enrolment rate, secondary, female (%)	..	..	30.71	..	33.65	..
Net enrolment rate, secondary, male (%)	..	..	48.79	..	50.6	..
Net enrolment rate, secondary, gender parity index (GPI)	..	..	0.629	..	0.664	..
Mean years of schooling	2.2	2.4	2.5	2.5	2.5	2.5
Education Index g	0.313	0.321	0.328	0.339	0.339	0.339



Yemen	2008	2009	2010	2011	2012	2013
<b>Population and Primary Health e</b>						
Under -five mortality rate (deaths per 1,000 live births)	69.1	66.6	64.3	62.1	60	..
Infant mortality rate (deaths per 1,000 live births)	49.5	47.5	45.5	43.7	42	40.4
Maternal mortality rate (deaths per 100,000 births)	270	..	200	..	..	..
Contraceptive prevalence (modern methods %)**	19.2	..	..	..	..	..
HIV prevalence (percentage of population aged 15-49) a	0.1	0.1	0.1	0.1	0.1	0.1
Youth development a	..	..	..	..	..	..
Youth literacy (percentage of population aged 15-24)a	..	..	..	..	87	..
Female literacy (percentage of female population aged 15-24)a	..	..	..	..	78	..
<b>Shelter, Water and Sanitation f</b>						
Percentage of Population using an improved drinking water source	..	..	..	..	..	..
Urban	72	72	72	72	72	..
Rural	47	47	47	47	47	..
<b>Gender equality and empowerment of women g</b>						
Gender Inequality Index	..	..	0.853	0.769	..	0.747
Share of seats in parliament	..	..	0.7	..	0.7	0.7
Population with at least some secondary education, female (% of aged 25 and above)	7.6	7.6	7.6	7.6	7.6	..
Labour Force Participation Rate, female	20.1	19.9	..	25.2	25.2	..
<b>Governance a</b>						
Voice and Accountability	-1.23	-1.28	-1.34	-1.41	-1.39	-1.35
Political Stability and Absence of Violence/ Terrorism	-1.99	-2.32	-2.42	-2.42	-2.41	-2.35
Government Effectiveness	-0.87	-1.08	-1.02	-1.13	-1.28	-1.2
Regulatory Quality	-0.71	-0.62	-0.6	-0.81	-0.7	-0.74
Rule of Law	-0.98	-1.09	-1.07	-1.27	-1.27	-1.16
Control of Corruption	-0.69	-1.02	-1.16	-1.19	-1.23	-1.2
<b>Percentage rank against all other LDC's k</b>						
Voice and Accountability	0.26	0.22	0.20	0.15	0.17	0.26
Political Stability and Absence of Violence/ Terrorism	0.11	0.07	0.07	0.06	0.02	0.04
Government Effectiveness	0.50	0.35	0.41	0.34	0.30	0.38
Regulatory Quality	0.59	0.65	0.67	0.53	0.66	0.60
Rule of Law	0.41	0.35	0.35	0.21	0.26	0.32
Control of Corruption	0.57	0.35	0.26	0.23	0.21	0.21

Yemen	2008	2009	2010	2011	2012	2013
<b>Multiple Crises and Emerging Challenges a</b>						
External debt stocks, public and publicly guaranteed (PPG), (DOD, current US\$)	5,695,549,000	5,875,389,000	5,933,000,000	5,876,398,000	6,912,340,000	6,883,542,000
Debt service (PPG and IMF only, % of exports of goods, services and primary income)	2.63	3.56	2.75	2.75	..	..
Public and publicly guaranteed debt service (% of GNI)	0.7	0.8	0.8	0.9	0.8	0.8
Total debt service (% of GNI)	0.99	0.98	0.9	1	0.8	0.8
Total debt service (% of exports of goods, services and primary income)	2.7	3.6	2.8	2.6	2.7	2.8
Net ODA received (% of GNI)a	1.5	2.1	2.2	1.8	2.3	..
Aid (ODA) disbursements in million USD h	508.09	195.57	165.84	170.45	292.55	688.57
Debt forgiveness grants (current US\$)a	21,160,000	1,190,000	1,100,000	1,120,000	1,010,000	1,010,000
Total reserves (% of total external debt)a	129.1	103.8	88.9	70.5	81.4	69.7
External debt stocks (% of GNI)a	22.1	25.1	22.3	23.7	24.5	22.1

**Notes:**

a: World Bank Database, accessed in November 2014

b: Joint Malnutrition dataset from UNICEF, World Bank and WHO - See more at:  
<http://data.unicef.org/nutrition/malnutrition#sthash.zfKnR0qa.dpuf>

\*: data from 2003

c: International Telecommunication Union

d: UNESCO Statistics

e: UN Inter-agency Group for Child Mortality Estimation (IGME) in 2013

f: UN WATER, GLAAS

g: Human Development Report Office, United Nations Development Program

h: OECD-DAC Statistics, Query on Yemen

i: Yemen, Central Statistical Organization

J: World Health Organization, Statistics Division

k: Author's calculations on LDC's based on Worldwide Governance Indicators

\*\* : IMF, World Economic Outlook Database, October 2014

\*\*\*: UN Statistics Division, MDGs Database