

**‘Reforming in a New Era of Partnership’  
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Republic of Yemen  
London CG Meeting  
15-16 November, 2006**

Mr. President, Excellencies, Esteemed partners, Ladies and Gentlemen...

Yemen was known as "Arabia Felix" or "Prosperous Arabia" by the Old Greeks and the Romans. This was due to her sophisticated irrigation schemes, rain water harvesting and participation in international trade routes of silk, frankincense and other commodities like the famous Mocha coffee.

Unfortunately, the country went through centuries of conflict and a growing tendency toward introversion and seclusion from the outside world to the extent the Europeans would come to call it “terra incognita” or “the unknown land”.

Yemen's isolationism led to a considerable lag in her development, as much of global progress bypassed the country. During the last half century, Yemen tried hard to open up to the outside world in spite the frequent violent conflict cycles.

More recently, with the assistance of donor partners, Yemen has attempted to overcome the challenges that accumulated over centuries. As a result, we are here today in this landmark Consultative Group Meeting to launch a new era of partnership for Yemen’s future.

As you will have noted, we have developed a coherent national policy document: the National 5-Year Development Plan for Poverty Reduction and its investment plan: the Public Investment Programme.

I would like to dwell a little on Yemen’s core challenges and related priorities in the new Plan.

Most of you are well familiar with Yemen’s challenges and resource scarcities. Despite our oil resources, per capita Gross National Income stood at around US\$600 in 2005 - less than the average for Sub-Saharan Africa.

Poverty stands at 36% of the total population, 41% for rural areas.

Yemen's human resource deficit is daunting. Illiteracy among those above the age of 10 stood at a staggering 46% in 2004. Education drop-out rates are unacceptably high, especially among females.

Around 10 million Yemenis have neither access to health services nor to electricity. More than two million children have no access to basic education. Moreover, around 70% of the 20 million Yemenis are under 24 years that need to have perspectives in life that would protect them against the fanatic and destructive influences.

In addition, there are significant gender and regional disparities – across virtually all social and economic sectors. Much remains to be done. The government is determined to continue its rigorous efforts to overcome disparities in areas such as illiteracy, access to land and productive assets.

The investment climate remains constrained, aggravated by regional and global security issues. Also, Yemen's energy, transport, and water and sanitation infrastructure is heavily underdeveloped.

The economy is highly skewed by a dwindling oil sector that is poorly linked to local industry and capacities, yet still accounts for almost 93% of all exports. This has major implications on the fiscal sustainability of the economy, although the government is rigorously negotiating new concessional agreements with various oil and gas companies.

Unemployment rose to 17% of the workforce and to 34% among the youth by 2005, while agriculture continued as the main direct or indirect source of income for 74% of the population. At the same time, Yemen is one of the world's most water-scarce countries, and groundwater resources are being depleted at alarming rates.

Despite the gloomy picture I have painted for you, most indicators actually represent improvements to the grave situation before. We are making progress.

In recent years, real GDP growth has been positive. Manufacturing rose by about 5% a year. In some promising sectors, growth was closer to 20%. Roads, transportation, water, sanitation, health and education services have all improved - some significantly so.

We are making progress.

But Yemen is also challenged by an unusually distorted image: A 'least developed country' that is largely seen as part of the affluent Arabian Peninsula... while our economic and development realities are much closer to those of Sub-Saharan Africa.

Perhaps this confused image of the country partly explains the curiously low levels of aid for Yemen so far...

To give you an example: in 2003, the average per capita aid for Yemen was around \$13. The global average for all LDC's has been around \$33. As a share of the GDP, the

picture is even more puzzling: Yemen receives just 12% of the average aid-to-GDP ratio for all LDC's.

But today we are here to start a new chapter together: A new era of partnership for development, supported by a renewed commitment to urgent reforms.

Yemen's reforms were initiated at the time of unification in 1990. An ambitious structural reform programme was initiated in 1995 with support from the Bretton Woods Institutions and other donors. These were largely concerned with the establishment of a market-oriented system: macroeconomic stabilisation, price and trade liberalisation, and privatisation. Simultaneously, we launched initiatives to minimise the negative impact of structural adjustments on vulnerable groups. This social safety net system has grown and improved to-date.

Reforms were carried into the new Millennium. Civil service, financial and fiscal reforms were strengthened under the Second Five-Year Plan and the first PRSP. The national decentralisation programme came into effect in 2002, following the first local council and governorate-level elections in April 2001. But these reforms were generally approached in a piece-meal manner.

It is *not going to be* business as usual.

We will implement deepened reforms in administration and governance systems at an accelerated pace, and across all branches: the executive, the judiciary and the legislative, in addition to strengthening the security apparatus. The reforms will cover issues related to accountability, transparency and quality of public services, as well as combating corruption.

Improving the business environment is an absolute priority. The private sector will continue to be encouraged in investing, especially in such promising sectors as fisheries, agriculture, tourism, gas and manufacturing. Similarly, private sector role in the provision of basic services and infrastructure will be strongly supported with a decentralised approach.

Much of our success will hinge on our ability to engage more fully in regional and global markets and to ensure donor support. We intend to promote exports and attract foreign investment. The Government with the GCC is hosting in February 2007 a regional conference to promote investments in Yemen.

The Plan includes tax and customs reforms to promote business and trade, and to reduce transaction costs and red tape.

The reforms have been led by HE President Ali Abdullah Saleh who has been the driving force behind the whole process. This confirms the political will and ensures its sustainability into the future.

Decentralisation and women's empowerment are among top priorities. Hence, planned reforms will affect the electoral system too.

Civil society participation will be supported, and human rights will be enhanced in all areas. We are strongly committed to fight corruption. In 2006, we have already seen the passing of the Financial Disclosure Bill. Just this month, the Cabinet approved the new Procurement Law. The parliament is expected to finalize and issue the anti-corruption law very soon.

The new Plan is supported by a comprehensive and detailed Public Investment Programme. The PIP is the first of its kind in Yemen, and provides a clear indication of the National Development Plan's investment needs. Priority is granted to human resource development, rural development and infrastructure. It includes a range of well-designed projects that reflect the structure of the Plan. Most of the projects also include detailed feasibility studies and even many of them are ready for tendering.

The Plan needs \$7.8 billion dollars of external funding over 5 years. Of this, \$1 billion has already been programmed by our donor partners – leaving a \$6.8 billion financing gap that we hope to attract support for. Of this, \$5.5 billion is needed for disbursement for the period 2007-10, and another \$1.3 billion for the period beyond in order to complete projects launched during the Plan period.

In an inter-dependent world economy, we also recognise that we must strengthen our partnerships. Yemen has an important role to play in helping to bolster cooperation and stability in a highly vulnerable region. It is against this background that we are setting out our plans for our development partners here in London today.

This emerging new partnership is tri-partite, comprising: Yemen, the 'traditional donor community', and the Gulf Cooperation Council member countries. This year, we have moved increasingly closer to our GCC brethren, who have been fully involved in the organisation of this landmark meeting for the first time. Such integration will create mutual benefits for both sides. We also have our sight set on WTO accession.

I would like to conclude by a special note of thanks to the World Bank for its valued and continued support to Yemen, and in the organisation of this meeting. We are also sincerely appreciative of the GCC's support here. Last, but not least, we heartily thank the Government of the UK for so generously hosting this meeting through DFID, and also the strong commitment to support Yemen's development by substantially scaling up its development assistance.

Finally, I would like to make a final remark by quoting the visionary Danish minister of Foreign Affairs Mr. Moller who affirmed that "assisting Yemen to overcome its challenges and provide its young population with hope and decent life is an investment in the future of the region".