Yemen Economic Update

Yemen Economic Update is a quarterly report that consists of five sections. The first section highlights major economic and policy developments. The second section provides “flash indicators” for key economic variables that are available on a monthly or quarterly basis from the Government of Yemen. The third section uses different data sources to compare one development indicator in Yemen with other countries in the MENA region and countries with similar GDP per capita and population. The fourth section summarizes new legislation, publications, data, conferences, and donor activities. The fifth section provides contact information and recent World Bank operations and activities in Yemen. Occasionally, special topics are featured in the Update.

Economic and Policy Developments

(i) Key Policy Developments:

For the third time in the post-unification era, Yemeni citizens cast their vote in the Parliamentary elections on 27th April 2003. The elections were characterized by large voter registration (particularly among women), large voter turn-out (76% of total registered voters), participation of all political parties, lack of violence and considerable international and local monitoring.

The ruling GPC party retained its majority in Parliament by securing more than 226 seats of the 301 total seats. The Islah party (45 seats) was the second largest party in Parliament followed by the Yemen Socialist Party (7 seats). About 14 independent candidates also succeeded in the elections.

The newly elected Parliament held its first session in early May when all members took the oath and then voted for the Parliament Speaker and the new Board. Sheikh Abdullah bin Hussein al-Ahmer was re-elected as the Speaker of Parliament. The Parliament also selected its former Board (Deputy-Speakers) for the new Parliamentary session. Members were also assigned to specialized parliamentary committees.

Mr. Abdel Kader Ba-Jamnal was reappointed as Prime Minister and he formed a new cabinet in May 2003. The new cabinet included 18 new ministers and a female minister for human rights. A new Ministry for Water and Environment was created while culture and tourism were merged into a new ministry. In addition, 10 ex-ministers were appointed to the Shoura Council and a former member of the Presidency and former secretary-general of the Yemen Socialist Party, Mr. Salem Saleh Mohammed, was appointed as an advisor to the President.

During the celebration of the unification day (22 May 2003), President Saleh issued a general amnesty for the remainder of the 1994 Civil War leaders. The amnesty, which was highly praised domestically and internationally, covers the 16 leaders against whom there were court sentences.

President Saleh mandated the new government to focus on the following four priorities: (i) continuation of the economic, financial, administrative and judicial reform processes; (ii) fighting poverty, unemployment and promotion of investment; (iii) development of the education system and its utilization in the development process; and, (iv) improving security and domestic stability.
The new Cabinet presented its program to Parliament on June 7th. In addition to the implementation of the Second Five-Year Plan and the Poverty Reduction Strategy (PRSP), the program aims to realize a 4.7% growth rate in non-oil sectors, reduction of poverty by 13%. It also emphasizes the continued support to the decentralization process, enhancing the role of the civil society and women in the development process, upgrading of the education sector and promotion of investment and private sector initiatives.

The new Government program stressed the importance of the administrative, financial and economic reform program as well as ensuring political and social stability and preserving domestic security. More efforts towards curbing corruption and strengthening the social safety net will be undertaken. The program puts more emphasis on the “promising sectors” and focuses on legal and judicial reforms. Other sectoral targets in the government program include raising telephone connections to cover 3 million lines by 2009, raising electricity coverage to 60% of total population and reduction of losses to 20%.

(ii) Economic Developments:

GDP growth is estimated at 2.9% in 2002, down from an average growth rate of 4.2% in the two previous years. The relatively slow growth was due to lower than expected growth in the quarrying and mining sectors as well as manufacturing and public utilities. The Government projects a growth rate of 3.9% in 2003 and actual outcome will largely depend on the performance of the oil sector and acceleration of economic activities in tourism and transport sectors which were adversely affected in the last twelve months.

While the CPI inflation rate declined markedly in the second half of 2002 and ending the year at 4.2%, it rose sharply to double digits in the first quarter of 2003 (see Flash Indictors). The inflation rate started to decline again to single digit during April-May 2003.

After the approval of the budgetary supplement in the last quarter of last year, the fiscal deficit in 2002 was estimated at 1.3% of GDP following two years of fiscal surplus. The total budget, however, was balanced in the first quarter of 2003 and the outlook for the whole year largely depends on oil prices.

The exchange rate depreciated rapidly in January-February 2003. It has since then stabilized at about US$/YR 183. In the meanwhile, foreign exchange reserves continued to build-up in the second quarter of the current fiscal year. By end of May 2003, the country’s total external reserves reached US$ 4.7 billion which cover more than a year and half of imports of good and services.

Recent estimates of the balance of payments in the first quarter of 2003 show that the trade balance recoded a surplus of US$ 157 million (compared with US$ 93 million in Q1 of 2002). However, the balance of the current account declined to US$ 79 million (compared with US$ 92 million in Q1 of 2002) due to the increase in the deficit of the services balance and the income balance. The net current transfers (mainly workers remittances) improved in the first quarter at about US$ 317 million.

(iii) Other Economic News:

- Aden Free Zone is currently paving with asphalt 6,000 meter roads in Aden governorate. It also allocated 32,000 hectares for a zone for heavy industries.
- TransGlobe Energy continues exploring for oil wells in Block S-1.
- UNDP and the Ministry of Planning and International Cooperation (MoPIC) signed a grant agreement with a total amount of US$ 3.1 million for financing PRSP implementation. The World Bank and Oxfam (UK) will also contribute funds to MOPIC during 2003-2006.
- The US Agency for International Development (USAID) has reopened its mission in Yemen. The agency will focus its activities on basic health care, primary education, and income and food security in selected poor rural areas of the country.
- A Macro-Economic Committee was formed to oversee the preparation of the budget for the next fiscal year 2004. It is chaired by the Prime Minister.
- A Chinese Petrochemical Corporation has signed an agreement with the Ministry of Oil for oil exploration in an area of 2000 square kilometers in the east of Yemen. The company is expected to execute the project in two phases of three years each at the cost of US$ 10 million.
Flash Indicators

(i) GDP:
The Central Statistical Organization (CSO) is currently updating the national accounts for the period 1998-2002. The next issue of the Update will highlight the most recent estimates.

(ii) Government Finance:
The Ministry of Finance (MoF) has recently released quarterly data on actual revenues and expenditures for central government and local authorities for the first quarter of 2003 (Table 2). Actual current revenues increased over budget projections by 12% for the central government and fell short of budget projection for local government by 36%. Oil revenues in the first quarter reached YR 115 billion (compared with budget projections of YR 99 billion). Income tax collections for both central and local government increased over budget projections by 11%. While the transfer of subsidies at central level increased by 44%, it decreased by 23% at local levels reflecting perhaps poor reporting. Actual spending at the central level also exceeded budgetary projection but the reverse was true at the local levels. Overall the total budget was balanced by the end of the first quarter of 2003.

(iii) External Sector
The Central Bank of Yemen (CBY) has recently released preliminary figures of the balance of payment (BOP) for 2002. Based on the latest estimates, the BOP surplus in 2002 reached US$ 0.5 billion (5% of GDP) in comparison with a surplus of US$ 0.65 billion (7.0 of GDP) in the previous year (Table 3). The current account surplus in 2002 declined by about 44 (to US$ 0.41 billion) mainly due to the deterioration in the services and income balances and slight decline in unrequited transfers (mainly official transfers). Despite the increase in oil exports, the surplus of the trade account declined mainly due to 13% increase in merchandise imports. The services and income balances remained negative, as was the case in the previous years. Net FDI inflows totaled US$ 64 million in 2002 compared with US$ 135 million.

The CSO also released preliminary data on Yemen external trade for 2002. Yemeni exports are mainly dominated oil exports (90% of total exports earnings). The decline in oil prices resulted in the decline in export revenues. In 2002, non-oil exports improved over the previous year. With regard to imports, Yemen still suffers from a huge trade deficit of food and non-food commodities with a total amount of YR 375 billion (US$ 2 billion).
Recent estimates of the balance of payments in the first quarter of 2003 show that the trade balance recorded a surplus of US$ 157 million (compared with US$ 93 million in Q1 of 2002). However, the balance of the current account declined to US$ 79 million (compared with US$ 92 million in Q1 of 2002) due to the increase in the deficit of the services balance and the income balance. The net current transfers (mainly workers remittances) improved in the first quarter at about US$ 317 million.

(iv) Inflation:
CPI Inflation, which declined markedly in the last half of 2002, increased sharply in the first quarter of 2003 before its decline in the second quarter. The twelve-month inflation rate dropped from 20% in June 2002 to 4.3% in December 2002. Inflation rate (y-on-y) exceeded 14% in February 2003. Seasonal factors (Eids, etc.) and the rise in Qat prices were the main factors behind the hike-up in prices. It slowed down in March (10.6%) and returned to single digit in April and May 2003 (at 7.4% and 8.4% respectively). Again the decline in Qat prices and the stabilization in the exchange rate were among the main factors behind the slower increase in the CPI index.

(v) Foreign Reserves and Domestic Credit:
Yemen’s foreign reserves increased by 4% during the first quarter of 2003 compared with 8.7% during the fourth quarter of 2002. This took place despite the increase in the sale price of Yemeni oil from US$ 24.3 per barrel during the fourth quarter of 2002 to US$ 30.5 per barrel during the first quarter of 2003 (Table 5). The CBY used some of the foreign exchange proceeds to oil to stabilize the exchange rate in the first quarter of the current fiscal year. Nonetheless, total foreign exchange reserves exceeded US$ 4.65 billion by end of April 2003, covering more than a year and half of imports of goods and services. Similarly, domestic credit increased from YR 665 billion in December 2002 to YR 696.8 billion in April 2003.

(vi) Monetary Aggregates:
Broad money grew by 21% in April 2003 compared with 20.6% in the first quarter of 2003. The increase in the narrow money growth rates was slightly slower than broad money. Nevertheless, the rate of growth of narrow money increased in March to 13.6%
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(up from 4.3% in February) and further by 18% in April. The composition of money supply during 2002 shows that narrow money constituted 46% and quasi money constituted 54% of the broad money supply. By the end of April 2003, these ratios changed to 44% and 56%, respectively, reflecting a shift in holdings of currency outside the banking system in 2002 to quasi deposits in 2003. In addition, the foreign currency deposits that were 35% of total deposits in 2002 rose to 36% in 2003, reflecting a gradual increase in dollarization trends.

(vii) Interest Rates:
Interest rates on savings and (3 month, 6 month and 1 year) deposits remained unchanged at 13% since July 2000. Lending rates, however, stepped up slightly from 15-20% range in the last two years to 15-21% range since October 2002. The 3-month Treasury bill rate is averaged around 11% during the last six months.

(viii) Exchange Rate:
The Yemeni Rial continued its slow depreciation against the US dollar since January 2003. It depreciated from an average of US$/YR 178.17 in December 2002, to US$/YR 181.47 in January 2003, and further to US$/YR 183.7 by end of March. It stabilized around US$/YR 183 during March-May 2003. The major reasons behind the relatively rapid depreciation during the first quarters included fiscal expansion in the last quarter of 2002, seasonal factors and the uncertainties in the region during the war in Iraq.
The Tobacco Sector in Yemen

1. Introduction

Yemen has a long history of Tobacco’s cultivation, processing, consumption and trade. Tobacco is mainly cultivated on coastal areas of Hodeidah, Hadhramout, Mahra, Aden, and Lahj governorates. It is also cultivated in some inland valleys in Hadhramout, Abyen, Shabwah, and Aljouf. In general, the quality of Yemen’s tobacco has a first-rate standard, however, it is only good for water-pipes (*shesha*) and as snuff (*shamma*) but not for manufacturing of cigarettes. Until early 1970s, Yemen only engaged in traditional tobacco processing and trade for local consumption and sometimes for export as a raw material to regional countries in particular to Egypt, Saudi Arabia and other Gulf States. It was only in 1973 when the first factory for manufacturing of cigarettes was established in Aden (South Yemen) by a Yemeni businessman. At the same time, a similar cigarette factory was also established in Hodeidah of North Yemen as a joint stock firm formed by several Yemeni businessmen as well as the Northern government with a total share of 28%.2

This note reviews the main characteristics of Tobacco industry in Yemen including its agricultural and manufacturing activities, analyzes the contribution of Tobacco industry to the country’s economy and identifies the major constraints that face the manufacturing of cigarettes in Yemen (e.g. inputs and regulations).

2. Tobacco Cultivation

Hodeidah governorate contains about 90% of the total tobacco cultivation areas in the country (Table 1), followed by Hadhramout with 7%. This has been mainly determined by low altitude (coastal areas), weather and the availability of water in these governorates. Overall, Tobacco cultivation areas represent 5% of total area cultivated by cash crops. Total tobacco production increased from 8,600 metric tons in 1996 (YR 0.6 billion) to 12,000 metric tons (YR 2.7 billion) in 2001. This could be compared with the increases in Qat production, which rose from YR 45 billion to YR 62 billion during the same period.

3. Tobacco Manufacturing

The number of total operating establishments in Tobacco manufacturing was 133 in 1996, which increased to 143 in 2001. According to the establishment size in 2001, the large establishments were 3, medium establishment 17, and small were 123 (Table 2).

The Yemeni private entrepreneurs own a high percentage of the Tobacco manufacturing. However, the government still has a large share in the two largest cigarette factories in Aden and Hodeidah (40% and 28%, respectively). The tobacco-manufacturing sector employs more than 1,200 persons accounting for 1.3% of the total labor force in the manufacturing sector. The large establishments employ 89% of the total sectoral employment, followed by small enterprises (10% and) medium establishments (1%). The employees are classified into three

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1 Sheikh Saleh Salem Ba-Thuawab was a Yemeni immigrant in Tanzania who came to Aden in 1970. He initially established a Match Company and then he established a National Cigarette Company in 1973. In 1978, his company was nationalized by the communist regime and it was not returned back to him until 1990 when North and South parts of Yemen were unified.

2 Currently there are three cigarettes factories in Yemen: (1) National Cigarette and Match Industries in Aden, which produces Pallmall and Radfan brands. It was 100% owned by Mr. Saleh Ba-Thuwab but after its confiscation in 1978, the government returned it back 60% of the shares of the factory to Mr. Ba-Thuwab; (2) United Industries Company in Taiz, which was established in 1984 by Hayel Saeed Group. It produces four cigarettes brands King Size Rothmans, Rothmans – Lights, Rothmans- International, and Ghamdan; and (3) Yemen Company for Tobacco and Matches that was established in 1974 in Hodeidah as a joint stock company with 28% of government share. It produces three products Mareb, Saba and Kamaran. British Rothmans Company used to have a representative in Yemen for supplying the three-cigarette company with raw tobacco. It was closed in 1999. Therefore, the number of large establishment declined from 4 to 3.
groups: permanent, family members and temporary. The permanent employees represent about 75% of the total employment, followed by 17% for family members, and 7% for temporary workers.

Most of the Yemeni Tobacco enterprises are small with less contribution to output and value added (Table 3). Total cost of inputs in Tobacco manufacturing in 1999 was estimated at YR 10 billion, the total output was YR 19.6 billion and the valued-added of the sector was about YR 10 billion. Large establishments (2% of the number of total establishments) bear 99% of the total cost of inputs and contribute 99% of the total value of outputs and 99% of the total value-added. The ratio of total inputs to total outputs is 50% (50% for large, 40% for medium and 19% for small enterprises respectively).

4. Contribution of the Tobacco Industry to the National Economy

The Tobacco sector (including cultivation and manufacturing), contributes to the agricultural and manufacturing value-added. The average share of the Tobacco cultivation to agricultural value-added averaged 1.3% during 1996-2001. In addition, the average share of the value-added of Tobacco manufacturing to the value added of non-oil manufacturing at market prices increased from 9% in 1991, to 15% in 1995, and further to 19% in 1998. This indicates that Tobacco manufacturing was highly responsive to the trade reforms implemented since 1995. However, this share declined to 15% in 1999 and further to 11% in 2001 (Table 4). The Tobacco manufacturing also contributes to the creation of job opportunities. It employed about 1% of the total manufacturing labor force (95,000 workers).

Tobacco manufacturing contributes to total fiscal revenues in the form of both direct and indirect taxes (including income, production and consumption taxes as well as taxes on value-added and custom tariffs on imported raw material). Yemen’s total indirect taxes revenue in 1999 was YR 55 billion (of which taxes from manufacturing sector including oil sector were YR 10 billion or 18% of total indirect taxes). Tobacco manufacturing contributed about 85% of the total indirect taxes paid by the whole manufacturing sector. It also contributed 35% of total custom revenues paid by the manufacturing sector in 1999.

The average price of a kilogram of raw tobacco (traditionally processed) increased from YR 118 in 1995 to YR 211 in 1999 before declining to YR 196 in 2000. In general, the prices vary from one governorate to another depending on the availability of tobacco in the market and the size of the demand. Overall, the prices in the governorates that cultivate tobacco are relatively cheaper than in those that do not grow Tobacco.

Despite the rapid growth of both Tobacco cultivation and manufacturing in the second half of the 1990s, the industry is still oriented on domestic demand and its contribution to export earnings is still small. Total raw tobacco exports increased from YR 0.52 million in 1995 to YR 33 million in 2000 while total imports for raw tobacco that are mostly used by cigarette factories increased from YR 1.3 billion to YR 3.9 billion during the same period with an average ratio of raw tobacco exports to imports at about 0.3%.
With regard to Cigarettes, the total value of cigarette exports increased from YR 188 million in 1995 to YR 211 million in 2000. On the other hand, the total value of cigarette imports increased from YR 142 million in 1997 to YR 1.1 billion in 2000. The average ratio of the value of cigarette exports to imports continued to decline reflecting the dramatic increase of the value of cigarette imports. Yemen does not export much of its cigarette products because of the high competition in neighboring and regional markets. Hayel Saeed Group used to export its products to Iraq but stopped recently and Aden factory has only exported a limited amount to Djibouti. Kamaran has some limited exports to Saudi Arabia and sometimes to other Gulf states. However, many brands of cigarettes imported to the local market either officially or smuggled. It is anticipated that local demand for cigarettes will be covered by Kamaran (40%), Aden factory (20%) and Taiz factory (20%). One-fifth of the demand will be covered mostly by smuggled or imported cigarette. Overall, Yemen is net importer of tobacco and its products including cigarettes (Table 7) with a huge trade deficit of tobacco and its products averaging YR 4.4 billion (US $24 million in 2003 dollar).

5. Major constraints that face Manufacturing Sector

The Government of Yemen is committed to remove constraints and obstacles that hinder the growth of manufacturing sector, including the Tobacco industry. Based on the 1996 survey as well as discussion with several private entrepreneurs on tobacco manufacturing, the major constraints that confront Yemeni Tobacco industry include the following:

(i) **High Reliance on Imported Raw Materials**: Tobacco manufacturing in Yemen is largely dependent on imported raw materials. The main reason is that local raw materials are not of good quality for cigarette manufacturing. The import duty on raw materials and the bureaucratic process of importing materials are additional obstacles to the manufacturing process.

(ii) **Government Regulations**: The result of a recent survey on private sector development conducted by the World Bank (2001) shows that bureaucratic interactions between public sector and private sector are one of the obstacles facing manufacturing development. A lot of complaints have been voiced that practices are totally different from what regulations instruct. There are widespread of corrupt practices and regular government interference, which hinder manufacturing activities. About 30% of manufactures complain about lack of sufficient protection of local production and about the burden of direct and indirect taxes (Table 8). Yet, indirect tax does not form a major concern for medium and small enterprises. The overlapping of responsibilities of the government agencies supervising manufacturing activities is perceived to be about 35% for large and medium establishments leading to confusion and conflict of interests among them.

(iii) **Unfair Competition, Smuggling and Dumping**: Tobacco manufacturers usually complain that Yemeni manufactured goods face unfair competition. They argue that while the government removed all bans on imports, it has to: (1) remove all the bureaucratic obstacles facing manufacturers; (2) reduce taxes on imported raw materials; (3) curb smuggling and dumping and enforcing the existing laws; and (4) construct industrial zones with all the necessary services such as electricity, water, communications, transportation and sanitation facilities. Indeed, the government set a plan in 1997 to establish three industrial zones, in Aden, Hodeidah, and Mukallah but none of these three projects has been implemented so far. The pace of competition has dramatically increased since 1995 when government removed all bans on imports. However, smuggling and dumping also increased over the last few years. In most cases, the smuggled products are of lower quality but they have been marketed very well in Yemen due to their lower prices. Other obstacles that lead to unfair competition include the fact that tariffs on imported inputs are almost equal to tariffs on final imported goods and secondly manufacturers claim that they were taxed twice: production and sales taxes. This results in increasing the prices of local manufactured goods, which
indirectly discourage public’s interest in local products, and ultimately make local products less competitive compared with imported final goods.

6. Prospective for Expansion of Tobacco Manufacturing
Tobacco manufacturers indicate that they benefited a lot from economic reform measures that were adopted since mid-1990s. First, they work now more independently and are more responsive to market needs that lead to improving the efficiency, efficacy and quality of local manufactured goods. Second, while trade liberalization measures created strong competition for local manufactured goods, the quality of local manufactured goods has improved and started to compete locally and internationally.

Tobacco manufacturing in Yemen faces the same obstacles that are experienced by other processing industries in the country including the scarcity of local raw materials and increasing reliance in imported inputs. However, there is a potential to develop local raw materials to be utilized by tobacco enterprises through expansion of tobacco cultivation and improved agricultural extension.

There are also more problems that inhibit the expansion of Tobacco manufacturing in Yemen including unfair competition in the domestic market resulting from smuggling and dumping and production at low quality to enhance exports. Despite the above obstacles, if government policies address these constraints, the prospects for local manufacturing will improve and Yemen cigarettes may be able to compete in international and regional markets.
Yemen Compares: Tobacco Consumption

The World Bank posted a report on “Economics of Tobaccos for the Middle East and North Africa (MNA) region” on its website http://www1.worldbank.org/tobacco/. The report is based on data obtained from the United States Department of Agriculture, International Labor Organization, International Agency for Research on Cancer, and Food and Agricultural Organization. In this issue of Yemen Update, the Tobacco profile of Yemen is reviewed and compared other with Middle Eastern countries.

Total cigarette consumption in Yemen was 5.7 billion pieces, accounting for 0.11% of the world total consumption and 3% of Middle East total consumption. Assuming that only one person per household consumes cigarettes, the average consumption is 2,603 pieces per household per year. Cigarette consumption per person in Yemen (15 years old and over) is estimated to be 26 packs in 1999. It is the lowest in MNA region compared with 28 packs in Iran, 53 packs in Egypt and 78 packs in Libya and 128 packs in Lebanon. However, smoking prevalence in Yemen is the second largest in MNA region after Lebanon with about 40% of adults are smoker; yet the total number of cigarettes smoked per smoker is the lowest in the region with only 58 cigarettes per smoker compared with 243 in Lebanon, 256 in Tunisia, 323 in Saudi Arabia and 418 in Oman (Table A1).

Comparing Yemen production of tobacco leaf to other countries in MNA region, Yemen contributes by 17.3% of total tobacco leaf production in the region (ranked third). Despite the enactment of a law banning the growing of tobacco, Egypt remains the largest cigarette manufacturer and consumer in the region.

With regard to the health impact, mortality from smoking-related diseases in MNA region is much higher for men than for women, reflecting much higher smoking prevalence rates among men. In Yemen, there were about 400 male and 20 females deaths per 100,000 resulting from Trachea, lung, and bronchus cancer during 1990s compared with about 1500 males and 100 females deaths in Morocco. The number of deaths from lip, oral and pharynx cancer per 100,000 persons in Yemen was about 50 males and 25 females during the 1990s compared with 900 males and 500 females in Iran.

### Table A1: Cigarette Consumption in MNA Region

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage Share of Total MNA Consumption (%)</th>
<th>Cigarettes Smoked Per Smoker (number)</th>
<th>Annual Cigarette Consumption per Adult (packs)</th>
<th>Overall Smoking Prevalence (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oman</td>
<td>418</td>
<td>28</td>
<td>7</td>
<td></td>
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<tr>
<td>Iran</td>
<td>13</td>
<td>189</td>
<td>28</td>
<td>15</td>
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<td>Kuwait</td>
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<td>Yemen</td>
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<td>26</td>
<td>40</td>
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<tr>
<td>Lebanon</td>
<td>3</td>
<td>243</td>
<td>128</td>
<td>53</td>
</tr>
</tbody>
</table>

### Figure A1: Tobacco Leaf and Cigarette Production

Source: FAO and USDA
What’s New?

Laws, Decrees and Agreements (April – June 2003):

- Presidential decree (No. 6 for 2003), appointing Mr. Abdulqader Ba-Jammal as the prime minister of the new government and instructed him to form the new cabinet.
- Republican decree (No. 105 for 2003), appointing 35 ministers of the new cabinet.
- Presidential decree (No. 7 for 2003), appointing Mr. Salem Saleh Mohammed as “An Advisor for President Saleh.
- Presidential decree (no 8 for 2003), appointing 10 former ministers as members of the Shoura Council.
- Republican Decree No. 71 endorsing the “Protocol of Tourism Cooperation between Yemen and Lebanon” was passed on April 16, 2003.
- Republican Decree No. 72 ratifying “Yemen-Lebanon Cooperation Agreement in the field of Vocational Training” was passed on April 16, 2003.
- Republican Decree No. 73 ratifying “Yemen-Lebanon Agreement to Launch Regional Air Passenger Services” was passed on April 16, 2003.
- A republican Decree No. 74 ratifying the “Principle of Russian-Yemeni Friendship Association” was passed on April 16, 2003.
- Republican Decree No. 75 ratifying “Yemen-Lebanon Protocol of Cooperation in the Field of Measurements and Standards” was passed on April 16, 2003.
- Republican Decree No. 76 ratifying “Yemen-Lebanon Cooperation Agreement in the Field of Education” was passed on April 16, 2003.
- Cabinet Decree No. 154 regarding the “Formation of the Macro-Economic Committee for the Fiscal Year 2004” was passed on April 19, 2003.

Publications:

- The Ministry of Transportation and Maritime Affairs published the first issues of its quarterly “Transport and Maritime Affairs Magazine”.
- “Al-Mutaheda” bulletin was issued by the United Insurance Company dealing with vital insurance issues. The bulletin will be published on a quarterly basis.

Data and Statistical Information:

- Central Bank of Yemen (CBY) “Review of Monetary and Banking Developments” was released in April 2003.
- Latest mineral surveys confirmed the following reserves in Yemen: (i) marble (885 million cubic meters); (ii) granite (1.5 billion cubic meters), (iii) volcanic glass (64 million cubic meters); (iv) clay (20 million cubic meters); (v) gypsum (160 million cubic meters); (vi) limestone (13.5 billion cubic meters); (vii) fluorite (13 million cubic meters); (viii) zeolite (500 million cubic meters); (ix) silica
(160 million cubic meters); (x) basalt (138 cubic meters); (xi) quartz (13 million cubic meters); and, (xii) rock salt (300 million cubic meters).

Conferences and Workshops (January-March 2003):

- A Workshop titled “Children Shape Tomorrow” was organized by Ebhar Foundation for Childhood and Creativity in cooperation with the Friedrich-Ebert Stiftung Foundation during 12-24 April 2003.
- A Course on “Women’s Legal, Social and Family Rights” was organized by the National Population Council and UNFPA during 11-13 May 2003.
- The Course on “Administrative Planning” was organized by the International Muslim Women Union during 10-14 May 2003.
- A training course “Documentation Is the Nation’s Memory” was organized by the Yemen Club for Information and Technical Education during 10 May – 1 June 2003.
- A workshop on “Globalization, Gender and Fighting Poverty” was organized by the Supreme Council for Woman Affairs and Center of Arab Women for Training and Research in collaboration with UNFPA during 25-27 May 2003.

Donor Activities:

- An agreement was signed between the Ministry of Planning and International Cooperation and the Islamic Bank for Development for funding construction of the Engineering College in Aden University at the cost of 7 million Islamic Dinars.
- An agreement was signed between the Ministry of Planning and International Cooperation and the Islamic Bank for Development for funding electricity services in Hajjah Governorate through a 7-million Islamic Dinars credit.
- An agreement was signed between the Ministry of Planning and International Cooperation and the Islamic Bank for Development for the assistance to the Tax Authority for a credit totaling 176,685 Islamic Dinars.
- An agreement was signed between the Supreme National Committee for Human Rights and UNDP for a grant to strengthen national human rights capacities for the amount of US$ 1.8 million.
- The European Union has granted Yemen € 7 million to support WTO accession project over a period of 5 years.
- A cooperation agreement was signed between the Governor of Marib and the US Embassy for the support of an agricultural experimental project for the amount of US$ 100,000.
- An agreement was signed between Yemen and the Arab Fund for Economic and Social Development for financing a power-generation project in Marib for the amount of 25 million Kuwaiti Dinars (equivalent to US$ 85 million).
- A Memorandum of Understanding was signed between Yemeni and Japanese governments for development and economic projects for the amount of ¥ 847 million.
- “National Integrated Water Resources Management” support program was established between UNDP, National Water Resources Authority and the Ministry of Planning and Development with US$ 2.5 million contribution from UNDP, US$ 0.65 million contribution from Yemeni government with parallel financing of $3.08 from the World Bank’s Groundwater and Soil Conservation project and US$1.2 million from KFW for Sa'adah project.
A program to assist Government of Yemen to coordinate and monitor poverty was signed between UNDP and Ministry of Planning with US$ 1.3 million contribution from UNDP, US$ 282,200 contribution from Capacity 21 Fund and US$ 709,700 contribution from the Government of Yemen.

Al-Hazm hospital was opened in Al-Jouf, which has been rebuilt and equipped under GTZ financing at a cost of YR 57 million.

On 14 June 2003, UNDP signed an agreement with the Ministry of Planning and International Cooperation and the Ministry of Justice for a grant of US$ 2.2 million for the modernization of Yemen’s Judicial Sector.
# World Bank Operations in Yemen


<table>
<thead>
<tr>
<th>#</th>
<th>Name of the Project</th>
<th>Effectiveness Date</th>
<th>IDA Amount (In million US$)</th>
<th>Credit (In million US$)</th>
<th>Disbursed (In million US$)</th>
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<tr>
<td>1</td>
<td>Education Sector</td>
<td>March 23, 1995</td>
<td>33</td>
<td>21.8</td>
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<td>2</td>
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<td>3</td>
<td>Social Development Fund</td>
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<td>4</td>
<td>Southern Governorates Agricultural Privatization</td>
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<td>5</td>
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<td>6</td>
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<td>7</td>
<td>Public Works II</td>
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<td>8</td>
<td>Sana’a Water Supply and Sanitation</td>
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<td>Legal and Judicial Reform</td>
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<td>10</td>
<td>Port Cities Development Program</td>
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<td>13</td>
<td>Social Development Fund II</td>
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<td>Basic Education Expansion Project</td>
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<td>15</td>
<td>Irrigation Improvement</td>
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<td>Rural Water Supply and Sanitation</td>
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<td>17</td>
<td>Taiz Municipal Development &amp; Flood Protection</td>
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<td>18</td>
<td>Rural Access Improvement</td>
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<td>19</td>
<td>Health Reform Support</td>
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<td>20</td>
<td>Higher Education Learning and Innovation</td>
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<td>21</td>
<td>Urban Water Supply and Sanitation</td>
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<td></td>
<td>Total</td>
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<td>759.3</td>
<td>268.3</td>
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</tbody>
</table>

To get more information about the projects, please refer to the Yemen Economic Update No 10.
World Bank’ Missions to Yemen (April – June 2003)

Human Resources Development Sector:
• Yasser El-Gammal (Sr. Operations Specialist) was in Yemen for the supervision of the Vocational Training Project and the Social Fund for Development during April 28 – May 8, 2003.
• Sameh El-Saharty (Sr. Health Specialist) visited Yemen during May 5– 9, 2003 for the supervision of Health Reform Support Project.
• To finalize “Understanding Children Work Action Plan” and to discuss with the government country research for disadvantaged children, Iqbal Kaur (Research Analyst) visited Yemen during May 22-26 and May 31–June 6, 2003.

Natural Resources Sector:
• For the supervision of Southern Governorates Project, Jean-Francois Barrés (Lead Agricultural Economist) visited Yemen during May 6–16, 2003.
• Nejdet Al-Salihi (Consultant) visited Yemen during June 4–12, 2003 for the supervision of Southern Governorates and Seeds Agricultural Services Projects.
• For the supervision of Southern Governorates Project, and Mr. Matthias Grueninger (Rural Development Specialist), visited Yemen during June 3-15, 2003.

Infrastructure Sector:
• For the financial supervision of Public Works, Sana’a Emergency Power and Rural Access Projects and the launch of Port Cities Development Program including training on the Bank financial requirements, Josephine Masanque, Sr. Financial Specialist, visited Yemen during May 9 –30, 2003.
• To provide training for Arabic Bidding Documents for the Project Implementation Units (PIUs) in the framework of Rural Access Program, Badr Kamel (Operations Officer) visited Yemen during May 12 –16, 2003.
• For the supervision of Rural Access Program, Andreas Schliessler (Sr. Transport Economist) and Ramiz Al-Assar (Sr. Transport Planner) visited Yemen during May 5–15, 2003.

Social and Economic Development Sector:
• To launch the Public Expenditure Management work in Yemen, Ide Gnandou (Senior Economist) and Serif Sayan (Consultant) visited Yemen on May 29 – June 4, 2003.
• John Macgregor (Sr. Operations Officer) visited Yemen during May 16 – June 2, 2003 for ongoing work on decentralizations and Public Expenditure Management.


Country Unit:

Mr. Mahmood Ayub (Country Director) and Mr. Habib Fetini (Country Program Coordinator) visited Yemen during May 29- June 2, for consultations with the new cabinet and to follow-up on the Bank programs in Yemen.

Samia Msadek (Manager, MNACS) and Hisham Waly (Sr. Financial Management Specialist), visited Yemen during May 30 – June 2 to discuss preparations for Yemen’s CFAA.

Mr. Tarig Allouba and Mr. Waleed Al-Murshid (IFC) visited Yemen during Mar 25-29, 2003 to review IFC program in Yemen.

Heidi Hennrich-Hanson (Chief Administrative Officer) was in Yemen during June 13-16, 2003 for a familiarization visit to the World Bank Sana’a Office.
**Contact Information**

**Sana’a Country Office**

Address: P.O. Box 18152, Hadda Area, St. No. 40 off Damascus Road, Sana’a, Republic of Yemen

Telephone: (967) 1 413710, (967) 1 421623-8; Fax: (967) 1 413709, (967) 1 418733

<table>
<thead>
<tr>
<th>Role</th>
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<tr>
<td><strong>Country Manager:</strong></td>
<td>Robert Hindle</td>
<td>Ext. 237</td>
</tr>
<tr>
<td><strong>Administrator:</strong></td>
<td>Marian Saleh</td>
<td>Ext. 238</td>
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<tr>
<td><strong>Information Technology:</strong></td>
<td>Abdullah Haroon</td>
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<td><strong>Accounting:</strong></td>
<td>Rebecca Shenbagam</td>
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<td>Abubaker Zaidan</td>
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<tr>
<td><strong>Economic Development:</strong></td>
<td>Nadir Mohammed</td>
<td>Ext. 241</td>
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<td>Ousmane Diagara</td>
<td>Ext. 233</td>
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</table>

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