Socio-economic context and role of agriculture

Yemen is a lower-middle income country and is ranked the second poorest country in the Near East and North Africa region with 34.8 percent of the population living under the national poverty line. Currently about 43 percent of the population is food insecure – just two percent less than in 2011. The country’s dependency on food imports further aggravates this situation.

Yemen’s economy is heavily dependent on oil exports, representing about 90 percent of export earnings and income from oil production constituting 70 to 75 percent of government revenue. Agriculture is a vital sector in the Yemeni economy and is the main source of employment for about 37 percent of the population. Natural resource management and water consumption concerns are highly relevant for the agriculture sector. Of the 90 percent of available water used for agricultural production, 37 percent goes to the production of qat, an addictive cash crop.

The dominant issues facing agriculture in Yemen are: low productivity, severe resource constraints (especially water scarcity), inadequate marketing systems, low human resources capacity, lack of infrastructure facilities and production technologies, and insufficient supply of inputs. Furthermore, the increased production of qat is overtaking production of food crops. The role of government in the agricultural sector has been declining in recent years. Furthermore, other factors such as climate change, ethnic conflicts, and lack of security are becoming increasingly problematic. These constraints have prevented the agricultural sector from making a larger contribution to rural incomes, national GDP, and addressing the trade imbalance in food items.

![Table of selected indicators](data:image/png;base64,iVBORw0KGgoAAAANSUhEUgAAAIoAAADcCAYAAAAO192iAAAAGXRFWhơnJ0AAAAHdElNR0vWaAAAAAlwSFlzZ0VXuX77AAAAAElFTkSuQmCC)
1. Government objectives in agriculture, food and nutrition security

The main policy frameworks governing agriculture and economic development in Yemen are the following:

i. The 3rd Five-year Socio-Economic Development Plan for Poverty Reduction (DPPR) 2006–2010 focused on improving the enabling environment for investment and stimulating economic growth, resulting in an annual average growth rate of 7.1 percent.

ii. The 4th DPPR 2011–2015 identifies four priorities (i) stimulating economic growth and reducing unemployment; (ii) strengthening social protection; (iii) accelerating progress on the Millennium Development Goals; and (iv) enhancing good governance.

The National Agriculture Sector Strategy (NASS) 2012–2016 aims at raising domestic food production, increasing rural incomes and employment, and ensuring sustainability of the environment and natural resources.

iv. National Food Security Strategy (NFSS) 2011–2015 states the following objectives: (i) to reduce food insecurity by one third by 2015, (ii) to ensure 90 percent of the population are food secured by 2020, and (iii) to reduce child malnutrition by one percent annually. To achieve these objectives, the NFSS set out a 7-Points Action Plan.

2. Trends in key policy decisions (2007-2013)

2.1 Producer-oriented policy decisions

In general, the agricultural sector received a very small share of public spending (only 0.4 percent in 2007). Limited government capacities disable the provision and development of innovative technologies in crop, livestock and fisheries sub-sectors, and the enhancement of producers’ access to improved inputs and markets. However, based on the NASS’s strategic priorities, the government is trying to put emphasis on rebuilding the public investment plan and increase public spending in agriculture.

Provision of input subsidies

The government has provided modest agricultural input subsidies such as fertilizers and seeds as well as diesel over the period 2007–2013. Moreover, the Ministry of Agriculture and Irrigation (MAI) is expanding cash crop cultivation; for example, providing modest support to coffee production programmes. The Ministry collaborated with the Public Institution for Breeding of Improved Seeds (PIBIS) to distribute seeds and seedlings to farmers at reduced (or even symbolic) prices during the 2007–2013 period. Also, the government launched the National Programme for Production of Grain in 2007, as response to soaring prices and high dependence on food imports. One of its main functions is seed distribution and machinery support for smallholder farmers.

Concurrently, the Ministry of Finance has also transferred extra budget to PIBIS in order to compensate for the increasing price of seeds and fertilizers.

Decline in credit allocated to small farmers

In 2008, the Agriculture and Fisheries Production Promotion Fund allocated budget to the Agriculture Cooperative Credit Bank to be channeled in the form of soft loans to the National Programme for Production of Grain.

The Bank provides loans (short, medium and long) to small farmers; however, due to the Bank’s policy of shifting towards commercial activities in 2009, credit allocation to small farmers has gradually decreased by 99 percent from 2005 to 2009.

Focus on land policies to attract investment

Although another previously adopted law limited foreign land ownership to 49 percent; in September 2007, the Yemeni Cabinet passed legislation allowing foreigners to acquire and own land in order to improve enabling environment and promote investment in the agricultural sector. Moreover, in 2008, the government approved a law for Land Registration based on international best practices. This legislation is an attempt to address land disputes which are a major hindrance to investment.

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5 IFPRI, 2012, Beyond the Arab awakening: policies and investments for poverty reduction and food security, Washington, DC.

6 These programmes also provide capacity development for coffee farmers and the ministry conducts specific research studies on coffee farming and markets, and facilitates farmers access to water and irrigation.
2.2 Consumer-oriented policy decisions

Food insecurity is a critical issue in Yemen: more than 30 percent of the population is undernourished. In 2009, a National Nutrition Strategy was drafted but information on this is scarce. Only in 2013 did the Cabinet issue a decree concerning necessary measures to address widespread malnutrition in the country. The government has taken various measures to ensure access to food; ranging from price control on basic food items to social safety net programmes. These programmes are heavily dependent on donor funding, which means their sustainability is questionable.

Attempts to reform fuel subsidies

Fuel subsidies provided in Yemen were the highest in the Middle East and North Africa (MENA) region, representing about 20 percent of government expenditures in 2007, more than the total combined spending on education, health and social transfers. The government was under pressure to reform its fuel subsidies, therefore it increased fuel prices by about 25 percent in 2010 as a first step. This reform is expected to alter the production costs of economic activities in the short run, while freeing up substantial resources for the government that can be used for alternative spending.

Proactive governmental role in food price control

Yemen phased out food subsidies in the 1990s. However, the government has taken a series of decisions to regulate the market and control prices of foodstuffs. In 2007, a list of fines was issued for violations in posting and declaring food prices. In 2008, the Minister of Industry and Trade delegated the responsibility of setting the price of bread to the municipality capital Sana’a. In 2010, the Ministry approved regulatory, legal and administrative mechanisms to deal with the counterfeited and expired goods. In addition, in 2011 a specialized prosecution office for industry and trade was established to prevent the manipulation of staple food prices and reduce business irregularities. A reduction of commodity prices to reflect the improvement of the Yemeni Riyal exchange rate against foreign currencies, was encouraged in 2010.

Increased cash transfer programmes

The government, along with development partners, has increased the budget for social safety net programmes following the food crisis in 2007–2008 and the fuel reform in 2010. The Social Welfare Fund (SWF) provides unconditional cash transfers, ranging from YER 2 000 (US$ 9.3) to YER 4 000

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8 World Bank, 2007, Yemen towards qat demand reduction, Report No. 39738-YE.
10 The increase was 15 percent for petrol, from 60 to 70 YER per liter (US$ 0.2), and 14 percent for diesel, from 30 to 35 YER (US$ 0.14).
SWF is the government’s primary social assistance mechanism, it contributes to reducing poverty by increasing the access of poor communities to basic social and economic services, building the capacities of local partners, and empowering communities and local authorities.

The SFD was established in 1997 and has similar objectives to SWF.

PWP was established in 1996 under the supervision of the Ministry of Planning and International Cooperation (MOPIC) and funded by the World Bank.

Emergency food aid programmes intensified and focus on nutrition

Due to Yemen's high levels of food insecurity and limited agricultural production, several emergency food aid programmes were scaled up by development partners to address the food crisis and its aftermath.

The Yemen Economic Corporation (YEC) in coordination with WFP, implemented direct food distribution and supplementary feeding initiatives in 2007/08. WFP also supported the Ministry of Health and Ministry of Education from 2007 to 2011 to implement emergency food aid programmes:

- The programme with the Ministry of Health targeted pregnant and lactating women, children 6-24 months, malnourished children below the age of 5, and other vulnerable groups. The programme delivered a monthly take-home food basket with special food products fortified with micronutrients and minerals.
- The programme with Ministry of Education aimed at promoting enrolment and school attendance of girls at all grade levels. Local councils in coordination with schools delivered take-home rations as ‘food-for-education’.

2.3 Trade-oriented policy decisions

After 13 years of negotiations, Yemen signed the official accession protocol to the World Trade Organization (WTO) at the end of 2013. Foreign trade liberalization had been at the core of the government’s economic reform programme since the 1990s.

Promotion of foreign and domestic trade

Foreign and Domestic Trade Acts were introduced in 2007 to accelerate the WTO accession process. The Foreign Act aimed to: (i) enforce supervision on foreign trade, development and advancement; (ii) import and export management on the basis of free trade; and (iii) promotion of export diversification. The Domestic Trade Act aimed at stabilizing supply of locally produced and imported goods, stimulating various trade sectors, regulating domestic trade according to the free market mechanism, and ensuring availability by encouraging construction of stockpiling infrastructure.

Government involvement in import restrictions and tariffs

Yemen has maintained seasonal import restrictions on selected fruits and vegetables since 2010 to protect domestic producers. Where no restrictions apply, food commodities are subject to an additional duty of 35 percent over and above the ordinary tariff of 25 percent. These restrictions are expected to be lifted upon Yemen’s full accession to the WTO.

Water scarcity is one of the main constraints for the agriculture sector in Yemen. Of the 90 percent of available water used for agricultural production, 37 percent goes to the production of qat.

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Increase of government role in grain reserves
The private sector controls the entire wheat import supply chain as the government privatized all public reserves back in the 1990s. The 2007/08 food crisis highlighted the vulnerability of Yemen to food price volatility in the world market. The food price surge in 2011, which led to riots in Yemen, provided a rationale for the government to have emergency physical stocks of grains that can be released at times of crisis.14

In this context, the government encouraged the establishment of grain silos and flour mills through the Domestic Trade Act. Furthermore, the government established a Food Council to oversee the stabilization of food availability and prices in the local market. In 2008, the government directed the Yemen Economic Corporation (YEC) to restructure and rebuild cereal silos. In 2009, the Parliament approved an agreement with the Islamic Bank to buy equipment to construct strategic grain silos with a budget of US$ 21.25 million.

3. Emerging issues
The financial crisis in 2009 and the subsequent drop in oil prices had a devastating impact on Yemen, slowing economic growth almost to a halt, including agricultural growth.15 This, coupled with the political turmoil of 2011, has driven the country to the brink of economic collapse; therefore, growth acceleration will be the key for Yemen to overcome deep economic crisis and reduce poverty and food insecurity.

Commitment to reform and improve livelihoods
The transitional government of Yemen has recently been working with regional and international partners on “The Transitional Programme for Stabilization and Development (TPSD) 2012-2014”. This programme along with the fuel subsidy reform, and the updated NASS (2013-2017) which has a new focus on agricultural investment, reflect the renewed commitment to reform and revitalize rural livelihoods.

Necessity to reorganize national priorities
Yemen’s agricultural sector has shrunk by an annual rate of 1.7 percent on a per capita basis since the year 2000,16 mainly due to limited natural resources being inefficiently utilized for the expansion of qat production. This negative agricultural growth with widespread food insecurity calls for a reinvigorated strategy for agriculture in support of food security. The government has taken some important first steps towards this objective, and higher priority could be given to increasing the production of grains through intensification, diversification (shifting away from qat cultivation), more effective natural resources management, and implementation of an efficient programme for strategic grain reserves.

14 During the 2011 crisis, between January and November, the price of wheat in Sana’a increased by 90 percent on average.
16 IFPRI, 2012, Beyond the Arab awakening: policies and investments for poverty reduction and food security, Washington, DC.