



Yemen Food Security Information System (FSIS) Development Programme

The FSIS Programme is Funded by the European Union and Implemented by FAO and the Food Security Technical Secretariat/MoPIC

YEMEN FOOD SECURITY UPDATE

March 31, 2015

INCREASED CONFLICT, CIVIL INSECURITY AND POLITICAL INSTABILITY FURTHER AGGRAVATE AN ALREADY PRECARIOUS FOOD SECURITY SITUATION

The Yemen Food Security Information Systems (FSIS) Development Programme is funded by the **European Union** and implemented by the **Food and Agriculture Organization** of the United Nations (FAO) and the **Food Security Technical Secretariat (FSTS)** of the Ministry of Planning and International Cooperation (MoPIC).

The **Objective** of the FSIS programme is to assist and support the efforts of the Government in establishing a conducive institutional set up for food security decision-making supported by a relevant, effective and sustainable National Food Security Information System.

The FSIS Programme is an institutional capacity building project being implemented at national and governorate levels

The **Food Security Update** is one of the regular/periodic products that the FSIS programme will undertake to produce, to provide updates and analysis on food security and nutrition situation in Yemen.

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Highlights

- Nearly 10.6million people (about 43% of the population) were assessed to be food insecure by end of 2014, and need assistance, with 4.8million facing a food security emergency. This figure is expected to rise as livelihoods get disrupted and more people get displaced.
- Political instability, civil insecurity and hitherto localized conflicts have degenerated into full-blown war; this has put into further jeopardy an already precarious food security of millions of Yemenis.
- Yemen imports 90-95% of its staple foods. The ongoing conflict has started to disrupt market supply and distribution, food imports and transportation networks and cause price increases of both imported staples and local agricultural produce.
- Yemen relies heavily for foreign exchange on oil and gas exports. Production and revenue from both are disrupted and reduced by the insecurity/conflict, and reduced world oil prices. This is causing serious budgetary difficulties for the government.
- The crucial social welfare and safety nets programs including the public works and budgetary support that have been implemented with the support of the World Bank and GCC countries have been suspended. This will result in a serious reduction in incomes for millions of poor households who relied on these sources.
- The government instituted austerity measures have highly reduced public investment and project funding. If the budgetary crunch worsens government employees and their dependents (about 26% of the population) may lose their incomes – this may result in civil strife and anarchy, which will worsen the already conflict situation;

Background and summary

The Republic of Yemen is one of the most food insecure countries in the Arab region. Since the 2011 crisis the country has witnessed a worsening of food security and livelihood conditions due to a web of



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multiple perpetuating shocks, including socio-political unrest, human migrations (from the Horn of Africa and expulsions from Saudi Arabia), armed-conflict and civil insecurity in many parts of the country, as well as fast-depleting natural resources, especially water.

Approximately 75 percent of the country's population lives in rural areas while nearly half of the population is below 15 years of age. Average unemployment rate is about 40 percent and is highest among the 15-24 and 25-29 age groups at 52.9 percent. In a late 2014 multi-stakeholder analysis led by FAO and corroborated by an earlier WFP-led assessment, about 10.6million Yemenis face either a food insecurity Emergency or Crisis. National Global Acute Malnutrition (GAM) levels stood at 12.7 percent, a level that is classified as "serious" by WHO. Stunting levels are at about 43%. The worst affected are the poor groups including women and children from among the small-scale farmers and sharecroppers, landless laborers, nomadic herders and artisanal fishermen scattered in rural settlements, poor urban neighborhoods and Internally Displaced Persons (IDPs). Humanitarian and development efforts, though significant, have been insufficient to address this huge need.

Renewed conflict and political instability since September 2014 exacerbated by an armed insurgency has caused the security situation to deteriorate rapidly in a country that was already facing localized and low-level conflict since 2011. This was followed by a political vacuum by mid-January 2015 as the President and government resigned. In late March 2015 the situation escalated into a complex conflict situation following the start of an external military intervention and the intensification of armed clashes among armed groups especially in the southern governorates. This situation is threatening further displacement (in a country that already has a high number of displaced people), a deterioration of the food insecurity situation, and malnutrition. In February 2015, the UN Office for the Coordination of Humanitarian Affairs (UNOCHA) estimated that about 61 percent (about 16million) of the nearly 26million Yemenis would require humanitarian assistance, if the civil insecurity and conflict situation escalated.

The heightened state of insecurity has already seriously disrupted government services, as well as humanitarian and development efforts. It has also already caused a suspension or disruption of safety nets, public works, cash transfers and other support programmes that supported millions of the poorest households. The ongoing military intervention is an ominous sign that the food security and nutrition situation among Yemenis will deteriorate further and more rapidly.

Current Food Insecurity and Expected Trends

a) Key food security outcomes in Yemen

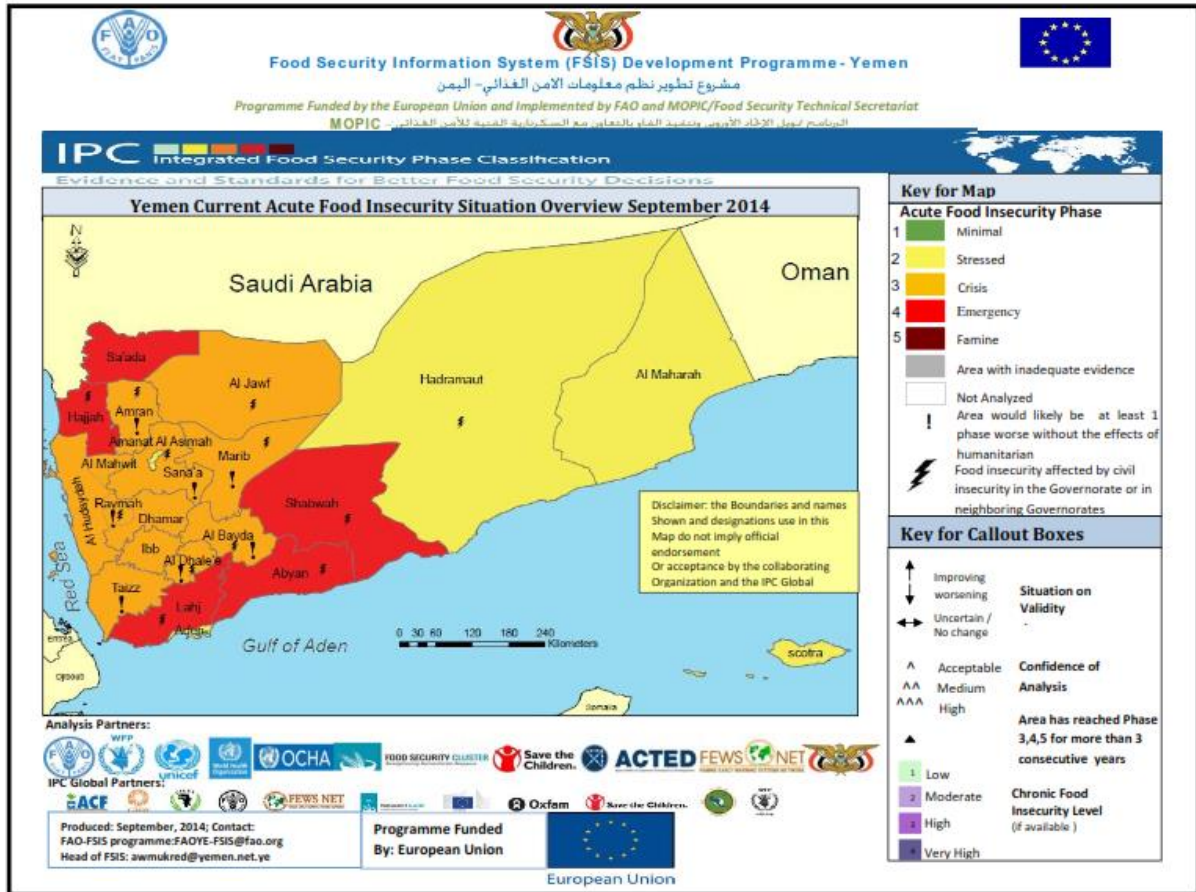
The Integrated Food Security Phase Classification (IPC) analysis conducted in September 2014 by FAO, WFP, government and other partners, classified five governorates (Hajjah, Sa'ada, Shabwa, Abyan and Lahaj) as facing a food insecurity emergency (IPC Phase 4). These governorates are currently among the worst affected by the war.

Twelve governorates were classified as facing a food security "Crisis" or IPC Phase 3. These are: Hodeidah, Rayma, Al Daleh, Al Beyda, Ibb, Taiz, AlMahweet, Sana'a (rural), Mareb, Dhamar, Amran and Aljawf.

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Of the 10.6million food insecure people across the country, about 4.8million were in Emergency Phase, while 5.8million were in Crisis Phase. With the rapid escalation of the conflict and insecurity, the food security situation is expected to deteriorate significantly (IPC Map is provided below).



b) Key Food Insecurity drivers and trends

Below are key food insecurity drivers and expected trends following the deteriorating insecurity:

- Food Imports and availability** - Yemen imports 90-95 percent of its staple food. Imported food availability and prices have remained stable until the start of the recent escalation of the conflict. But market infrastructure, food production and distribution facilities are already being directly affected by the conflict and this has started to cause an increase in food prices – marginally in Sana’a and more sharply in the southern states of Aden, Lahaj, Abyan and Shabwa. A reduction in the general income levels, or further damage to or disruption of port facilities and food importation and distribution infrastructure will seriously reduce food availability in the markets and increase price in the coming weeks and months.



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Yemen's import requirements was about 4.1million tons annually in 2013 and 2014, about 3million tons being wheat, 700,000 being maize (for both human and animal feed) and 400,000 tons of rice. During 2014 actual imports were 3.4 million tons of assorted foodstuffs. According to the Ministry of Industry and Trade (MoIT), 82% of the total imported food commodities is consumed and as of 23 Feb. 2015 around 866,627 tones were in stock which is enough to cover 3-4 months of the country's needs, and before the current escalation of the conflict, markets had reported sufficient supply of foodstuffs. Although international wheat prices declined by about 7 percent between December 2014 to January 2015, local wholesale prices rose by 2-3 percent during this period, while the food inflation rose marginally from 3.5 percent to 3.6 percent. Although supply and prices have kept fairly stable during the past six months of insecurity (Sep.2014-Mar.2015), the situation is expected to change rapidly if the current escalated war situation continues, as it will disrupt infrastructure, trading activities and increase risks and uncertainty among traders.

- **Agriculture, Local Food Production and Markets** – Agricultural work force (including crop farming and livestock production) employ about 54 percent of the unskilled labor force (Ministry of Agriculture records). If agriculture activity is disrupted, as expected, the labor opportunities will be reduced. The current military operation and heightened civil insecurity is expected to have other negative effect on a number of aspects, even in the short and medium terms. These include:
 - Increased risks to markets and logistical infrastructure – already a number of food warehouses and food production facilities have been attacked. These will disrupt food distribution and supply and increase prices. Prices staple and essential commodity prices will therefore continue to rise if the conflict continues.
 - Cross-border trade in agricultural (vegetables and livestock) produce with Saudi Arabia could be disrupted due to increased military activities; this will particularly affect farmers in Hodeida, Hajjah and Sa'ada governorates.
 - If it continues for a period of months, the conflict will have negative impacts on agricultural labor opportunities and availability, as more men may get engaged in the fighting and there is increased civil strife, and banditry.

Despite the heightened insecurity situation, prior to the current escalated conflict, there had not been any serious change or rise in the supply or prices of locally produced food commodities and vegetables, except those caused by seasonal fluctuations; the previous season was near-normal. The markets have also been generally successful in stabilizing the supply of locally produced foodstuffs and prices. As the farming season is beginning, usually it is expected that unskilled farm labor opportunities will increase, but the conflict is likely to badly affect both agricultural activities and labor opportunities during the current season.

- **Heavy Reliance on Oil and Gas Revenues** – Yemen relies very heavily on crude oil and natural gas exports for its foreign exchange. A report by the Central Bank of Yemen (CBY) indicated that the crude oil export dropped from 22.6 million barrels by November 2013 to 15.4 million barrels by November 2014. Also oil revenues dropped by half (1.4 billion US dollar) in the period from January to October 2014, compared to 2.4 billion US dollar in 2013. This was caused by a combination of falling



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international oil prices and disruption in production within Yemen owing to civil insecurity and sabotage. Natural gas production has also been disrupted causing gas shortages during the first quarter of 2015; this resulted in increased black-market prices of up to 100% of the usual YER.1250 per 13kg gas cylinder. Yemen imports refined oil and subsidizes these products for its population, and both diesel and petrol are used to power irrigation pumps for agriculture. With reduced revenues and foreign budgetary support, oil supply may reduce and prices increase, in the medium to longer term.

- **Safety Nets, Development and Humanitarian Support to the Poorest Households Slowing Down** - The World Bank, Gulf countries and other Western donors (under the Friends of Yemen) have been funding programmes to support the budget and subsidies, and provide financial assistance to the poorest households. These programmes provided much needed incomes for millions of families to support their consumption needs, avoid malnutrition, and build assets. They include:
 - Public Works Projects for the improvement of rural infrastructure (such as feeder roads) funded by the World Bank, has provided temporary employment for about two million people since the beginning of the project;
 - The cash for work programme implemented by Social Fund for Development (SFD) use to create economic opportunities benefiting 800,000 people through the cash transfer up to September 2014.
 - The social safety net programme implemented by the Social Welfare Fund (SWF) provides cash transfers to more than 60 percent of the poor and most vulnerable families (1.5 million families).

Recently, the World Bank suspended its support to a number of these programmes. Assistance from Gulf countries has also been reduced or suspended. This is likely to cause a serious reduction in incomes of millions of the poorest families who relied on these donor supported programmes and therefore worsen food insecurity.

Humanitarian and development support is also provided by the UN Agencies, donors, and NGOs. The UN and other aid agencies continue to work, despite the unstable security situation, although the start of the recent external military intervention resulted in the evacuation of all UN and NGO international staff members. Nevertheless the implementation of critical humanitarian assistance continue through their local partners and national staff, but under more difficult circumstances. Development support in partnership with the government offices has been slowing down since the resignation of the government in January 2015. Also, physical delivery of support to those in need, including displaced persons will become a challenge, especially due to the heightened risks from attacks for such deliveries.

- **Internally Displace Populations**

Even prior to the current escalated conflict situation, Yemen had a large number of displaced persons as a result of continued armed clashes among different rival groups. All of them rely on heavily on humanitarian assistance. The current conflict will not only disrupt support to existing displaced persons but is expected to create more displacement of populations.



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According to the Government's Executive Unit for IDPs, the number of internally displaced were 666,916 persons (110,192 families) mainly from Sadah, Al-jawf, Amran, Al-Beidah, Abyan and Shabwa governorates, all within or to the neighboring Governorates. Some 148,107 were displaced in 2014, including from AlDale'e. It is estimated that 235,536 individuals had returned to their villages of origin by 2014. The majority of the returnees were from Abyan governorate. Around 80-90% of the IDPs are living outside camps integrated with the host communities and receiving humanitarian assistance on monthly basis.

WFP, UNHCR and other national and international NGOs in coordination with the Government Executive Unit for IDP's provide humanitarian support to the IDPs and returnees. Starting in March 2015, the government and humanitarian agencies were working to close two camps in Haradh and AlMazrak (in Hajjah governorate) by encouraging voluntary repatriation. They returnees would be supported with transportation (by the government) and assistance by humanitarian agencies (WFP, UNHCR, etc) to help them settle in their original villages. This programme will be disrupted by the conflict, as more persons are likely to be displaced.

- **Public Investment** - According to the latest information from the Ministry of Planning and International Cooperation (MoPIC), the Public Investment Program (PIP) for 2014 with total budget of YER. 591,193,384 faced implementation challenges due to the continuing political stalemate and power vacuum in the central government, resulting in the ceasing of budget allocation and authorization to projects. A Ministry of Finance decree released in February 2015 confirmed this when it instructed all ministry offices and public institutions to minimize and/or suspends operations and administrative expenses of projects covered by government except the salary of employees. The reduced public expenditure will have a reduced trickle-down effect on other sectors of the economy (e.g. labor opportunities), thereby affecting incomes and food security of the poorest families.
- **Budgetary crisis and unemployment** - The reduced production of oil, closure of foreign embassies, suspension of key bilateral funding sources, and the recent evacuation of international staff of UN and NGOs, foreign exchange availability is expected to reduce. There are already indications of a reduction in foreign exchange availability although there is currently neither a widespread restriction on financial transaction involving hard currencies, nor a depreciation in the value of the Yemeni Riyal, which has stayed stable over the last 12months or so. The central bank has also assured that there is sufficient foreign exchange reserves to cover the import bill of the most important commodities (MoPIC, March 2015).

However, it is expected that this situation will be short-lived as bilateral and multilateral budgetary support are shrinking due to the current conflict situation. A further scarcity of hard currency will not only increase the chances of the devaluation of the Yemeni Riyal, but it will also pose a serious strain on the economy in ensuring the import of basic commodities including medical supplies and services. It is also expected that subsidies for refined oil will be affected and this could cause an increase in oil oil prices. This will negatively affect agricultural production which heavily relies on pump irrigation (especially vegetables and the cash crop *qat*).



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The real GDP growth in 2014 was estimated to drop by 12.6% (according to MoPIC), likely reducing the per capita incomes from 1,343 to 1,260 US dollar. This is expected to decline rapidly in 2015 under the current conflict situation

The worsening financial crisis, reduced bilateral budgetary support, declining oil revenue and the absence of strong central government to regulate the micro and macro-economic factors, may result to a collapse of the economy. This could result in the government not being able to pay basic salaries for its employees and provide basic services. This will cause serious income loss for millions of people who depend on civil service salaries (about 26% of the population), increase destitution, which may further fuel civil unrest. Yemen's unemployment is already very high, averaging over 40 percent and about 60 percent among the youth (AI Monitor); the loss of government salaries to employees will result in massive unemployment and income crisis.

Proposed Actions and Recommendations

- Increased preparedness measures needed to provide life and livelihood saving support for populations that are likely to be newly displaced and those becoming more food insecure.
- Measures to ensure that markets are functional, including ensuring a smooth flow of exports and imports. This will ensure continued supply and distribution of food and essentials.
- Increase livelihood protection and resilience building, for those populations that are facing food security crisis. Investment in social safety net programmes, public works, rural infrastructure development, and other employment-rich interventions would help boost incomes for the poor.
- Increase efforts to build peace and reconciliation to reduce conflict and civil insecurity, as it is prerequisite for any improvement in livelihoods and food security situation.
- Continue budgetary support/financial assistance to critical sectors of the economy to sustain employment opportunities in the public and private sector to sustain household incomes.
- Increase the coordination of food security and nutrition information management systems in order to continue providing evidence-base for humanitarian and early recovery decision-making.