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APPRAISAL REPORT
OF
THE AID PROGRAM
IN
YEMEN

Operations Appraisal Staff
Office of the Auditor General
A.I.D.

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Introductory Note

The Near East Bureau, USAID/Yemen and the Embassy, SER/MO, SER/IT, and SER/PM submitted written comments on the draft of this report. In addition, the former Administrator, Mr. Parker, commented on a summary of the major findings and recommendations of the draft report. These comments, including any reservations expressed within them, have been carefully considered. Where appropriate, the comments are included or reflected in the text of the report or in modifications of the findings and recommendations.

We are pleased to note that many of the original recommendations made by the OAS team orally to USAID/Yemen at the time of its departure, to the Assistant Administrator of the Near East Bureau and key staff members in August, and in the draft report were regarded as helpful and have already been implemented or are in the process of implementation.

PART I - GENERAL

A. Purpose and Scope

Yemen was selected for appraisal in order to ascertain whether AID could carry out an effective assistance program in a country which is primarily medieval under the "new directions" for foreign assistance enacted by Congress in 1973 and 1974 (the "mandate"). The appraisal is also a general examination of the effectiveness of the AID program in Yemen and possibilities for its improvement.

AG/OAS prepared for this appraisal in the late spring and early summer of 1976 in Washington. Background information was developed through interviews with NESAs Bureau members and other AID officials who had traveled to Yemen on TDY or who had served there on a permanent basis, and with officials of the IBRD who were responsible for coordinating assistance to Yemen.

Available books, articles and internal AID documents and reports on Yemen and the surrounding area were consulted. At the request of the Counsellor for Overseas Development at the British Embassy in Washington (who is also the alternate UK Director at the IBRD), OAS members met with the Deputy Secretary of the Ministry for Overseas Development in London, who had recently returned from Yemen, as well as with other ODM officials responsible for the UK's aid program to Yemen at the Near East.

In July and August, the OAS team made a field tour to Yemen and visited the major population centers--Sana (the administrative capital), Taiz, Hodediah--as well as traveling to Mocha, Marib, Manaca, Zabib and numerous small villages. Meetings were held with Yemeni officials at the cabinet and subcabinet level, with the British Ambassador, the German Chargé d'Affaires, the UNDP Resident Representative, representatives of the United Arab Emirates and other neighboring Arab countries, as well as with representatives of Catholic Relief Services, U.S. businessmen, U.S. Embassy, USAID and Peace Corps officials and others. The U.S. Ambassador, who was on home leave during the OAS visit was met in Washington in September.

B. Summary Background

The Yemen Arab Republic, a country approximately the size of Arizona, is located on the Red Sea in the southwest corner of the Saudi Arabian Peninsula. Its population is approximately 6.3 million; World Bank estimates its per capita income at \$180; and an estimated 80 percent of the labor force working within the country is engaged in agriculture. Roughly one million Yemeni work outside the country in Saudi Arabia or other Arab Gulf States.

U.S. economic assistance to Yemen totaled \$9.5 million in FY 1976 including the transitional quarter. Although precise and comparable data are not available on assistance from other donors, during roughly the same time period assistance or commitments from Arab donors was approximately \$95 million, assistance from international agencies (primarily IDA) was \$23.8 million, and assistance from other D.A.C. countries was \$10 million. The USSR, Eastern European countries, and China also provided technical, economic, and military assistance to Yemen, although no figures are available on their recent contributions or commitments. Thus, while the U.S. is presently the largest non-Arab free world donor to Yemen, it still is a relatively minor donor, contributing probably less than 10 percent of Yemen's total external assistance.

Although our assistance to Yemen can be justified on the grounds that it meets the Congressional Mandate, there is little question that there is also a political motivation in maintaining good ties with the Yemeni because of Yemen's strategic position in the southern part of the Arabian Peninsula and on the eastern flank of the entrance to the Red Sea, which provides a major shipping route to Europe. Furthermore, although Russian military assistance is presently being phased out, as late as 1973 both the Russian and Chinese presence was very strong, and considerable assistance from communist countries is expected to continue. Furthermore, it is in the American interest to encourage Western-oriented governments around the periphery of Saudi Arabia. To quote the 1978 Congressional Presentation, "assistance to Yemen . . . enhances the prospects for continued stability in the Arabian Peninsula."

C. Summary of Major Findings

1. The present AID program in Yemen began less than four years ago on very short notice and with little opportunity for advance planning. The political situation at that time dictated high-visibility capital projects, in particular the construction of urban water supplies. Living and working conditions for AID personnel were extraordinarily difficult. Under these circumstances we believe the Yemen Mission has performed well. Now, however, AID's mandate, Yemen's development needs, and the role AID can best play in Yemen require a new direction in programming. Enough time has elapsed so that the Mission should not have to function on a short-term "immediate-response" basis.

2. An AID program in Yemen can be justified on a development basis in accordance with AID's normal criteria. Basically, Yemen meets the qualifications of the Congressional Mandate; its per capita income is estimated at \$180.

3. Notwithstanding the justification for development assistance, current USAID activities are presently producing few tangible results in addressing the needs of Yemen's rural poor majority.

4. In view of Yemen's institutional weaknesses and manpower constraints, and our lack of knowledge of how to effect social change in Yemen, we do not believe that either AID or the Yemeni are equipped to mount a large-scale rural development program in Yemen.

5. Notwithstanding USAID's expressed intention to move out of the field of construction of water supply systems, the FY 1978 ABS proposes funding the construction of several systems in major population centers, funding which we believe could be better supplied by other donors. In addition, the Sana Emergency Water Supply System constructed by AID is not providing free water to the urban poor as originally planned, and the rural water supply project is encountering numerous difficulties.

6. Approximately one-half of the working-age males are employed outside the country, remitting a substantial amount of their earnings to their villages. This factor has been largely omitted from AID planning and programming for Yemen, notwithstanding its social impact on the status and role of women in a traditional Moslem society, its effects on the amount and type of agricultural production, and the fact that remittances make available considerable private funds at the village level.

7. The Yemeni central government administrative structure is barely developed. The country prepared its first formal budget in 1973; college graduates are in short supply; and there are even fewer officials with graduate level or professional training.

8. Yemen has received large amounts of resources from Kuwait, UAE, and Saudi Arabia. Although these countries provide much higher levels of assistance to Yemen than does the U.S., their development staffs have minimal experience in project development and design.

9. The total foreign donor pipeline (roughly estimated at over U.S. \$300 million) suggests that Yemen may have reached a point of capital resources indigestion because of institutional and manpower constraints.

10. Except for engineering, the Mission lacks project design and evaluation capability and officers with skills in economics or the social sciences, although this situation has been partially remedied since the time of the OAS visit.

11. AID/W support in providing Mission staff and logistical support has been inadequate, although SER/MO argues that the Mission has been delinquent in requesting AID/W support. For a variety of reasons, it is difficult to attract personnel to Yemen. Furthermore, frequent staff turnover has resulted in a high vacancy rate. This

in turn has created pressure on the staff at post and has resulted in generally poor morale and a disproportionate amount of time spent by Mission management on housekeeping and personnel functions.

12. There is an extraordinarily high level of turnover among the local staff. Competition for even semiskilled Yemeni in Sana is high; the Mission's wage scale cannot match those of neighboring Arab governments and many foreign firms. In general, local national employees leave USAID within about three months of employment there.

13. Quat, a mild narcotic, is an integral part of Yemeni life. Little is known on the U.S. side about its effects on Yemen's economy, even though it is Yemen's largest and most profitable cash crop.

14. For a variety of reasons Yemen has not shown a dramatic increase in population growth during the past decade. Family planning is not officially endorsed or opposed by the Yemeni government, but is practiced by a small proportion of the urban population through private clinics.

15. Considering the fact that Yemen is a traditional, conservative Moslem society, the Government of Yemen appears comparatively concerned with the participation of women in development.

D. Summary Recommendations

1. That, until we have more knowledge about how to effect social change among the Yemeni, USAID attempt only pilot testing of rural development projects. This recommendation appears to be being implemented at the time of the issuance of this final report.

2. That USAID/Y plan no further construction of water supply systems in Yemen unless (1) the U.S. is truly the donor of last resort, and (2) the design of such systems assures that the poor majority are the primary beneficiaries of the USAID investment.

3. That USAID take into account the effect of emigrant departures and their regular remittances in designing USAID projects for the Yemen, particularly those involving agriculture, women, health and nutrition, and family planning.

4. That USAID consider using its comparatively limited financial resources to develop and design a shelf of assistance projects responsive to the AID mandate. Capital resources would be contributed by Arab donors who are prepared to participate in capital projects, but who have comparatively less experience and technical expertise in carrying out assistance programs. Initially, USAID should contact Arab donors and obtain at least informal assurance regarding their willingness to use such project designs.

5. That AID's policy of financing training in the U.S. only for project-oriented, advanced-degree candidates be modified in the case of Yemen to permit general-purpose undergraduate participant training.

6. That SER/PM make a point of assigning to Yemen experienced middle-level officers on the way up within the Agency for whom such an assignment results in career advances. A special effort should be made to have all USAID/Y vacancies filled by July 1, 1977, and personnel assigned to the Mission should have skills in project design and evaluation, in economics and the social sciences. Ideally, at least one member of the staff should be fluent in Arabic. An SER team should be sent to Yemen to review the situation and make specific recommendations for improvement of living conditions at post and logistic support to USAID/Y.

7. That AID work with State to raise the pay scale for local national employees. We concur in supplying a limited number of third-country nationals while a Yemeni staff is being established.

8. That research be undertaken to discover the effect of quats on agricultural production and the economy.

9. That some preliminary demographic research should be done (perhaps in coordination with other donors) about whether Yemen will need a family planning program in the future.

PART II - ELABORATION OF RECOMMENDATIONS AND OTHER OBSERVATIONS

A. Introduction

Listed below seriatim are the summary recommendations contained in Part I.D. of this report with a fuller explanation of how our findings led to our recommendations regarding the USAID/Yemen program. In addition, this part contains certain other observations and findings which we did not deem significant enough to put in the Summary Findings and Recommendations.

B. Elaboration of Recommendations

Recommendation No. 1: That, until we have more knowledge about how to effect social change among the Yemeni, USAID attempt only pilot testing of rural development projects. This recommendation appears to be being implemented at the time of the issuance of this final report.

Yemen is generally described as a subsistence agricultural economy. From 70 to 80 percent of the resident population lives in rural areas and most engage in some sort of agricultural production. The degree to which it is a subsistence economy is a matter of some question because (1) estimates vary widely as to the number of farmers whose primary crop is quat, produced for cash (See Part II.B.8), and (2) some of the emigrant worker remittances are spent on food.

We found that Yemen qualifies for development assistance under the terms of the mandate. Its GNP per capita income is estimated at \$180; its literacy rate is less than 10 percent; infant mortality is estimated at 40-50 percent; its central government institutional capacity is barely developed (see Part III.E.).

At the time of the OAS visit, USAID/Y had three small operating projects in the area of food production and nutrition. These were the Sorghum and Millet Project (030), the Tropical and Subtropical Horticulture Project (024), and the Poultry Development Project (019). Basically, the two agricultural research projects consisted of several small plots of land used as experimental farms within the city of Sana. The Poultry Development Project (019), for which funds were first obligated in May 1975, consisted as late as September 1976 of two empty chicken houses near the USAID office building. Two highly-trained consultants, earning more than \$50,000 a year, have been living in Sana for almost a year, but due to a variety of factors, including the present conflict in Lebanon and the unavailability of suitable strains of chickens and chicken feed, the project has only recently begun to get off the ground.

As our Summary Finding No. 1 indicates, we realize that the USAID/Yemen program began on quite short notice, with little time for advance planning. Nevertheless, at the present time very few tangible results have been accomplished in achieving the mandated goals of helping Yemen's rural population.

According to USAID/Y, one of the handicaps facing the Sorghum and Millet Project (030) is the fact that Yemen consists of many physical microenvironments with varying soil types, amounts of rainfall, and extremes of temperature. Besides the dramatic differences in altitude created by wadis, there are also considerable annual variations in the amount of rainfall and the appearance of frost. Although farmers the world over are, of course, subject to the vagaries of the weather, agricultural experts feel the problem is especially severe in Yemen, particularly since the basic conditions are so hostile. Therefore, they state it is especially difficult to attempt to duplicate country-wide farming conditions on two small experimental plots in Sana.

Another fundamental problem limiting the success of 0030 is the question which is equally applicable to 0031 (Rural Development). If 0030 can develop markedly improved strains of sorghum and millet which would be applicable throughout the country, how can this information be effectively disseminated to the farmers? The facile answer is through agricultural extension--a system which was successful in the United States, but which has proved of limited value in many LDCs.

The reasons for the general failure of successful replication of U.S. agricultural extension programs in LDCs include the unwillingness of the trained local extension worker to get his hands dirty rather than working in an office where he can keep his shirt sleeves clean and, frequently, the difficulty of persuading American technicians to work or live in remote areas where living conditions are primitive.

In Yemen there is conflicting evidence as to whether Yemenis would change their agricultural practices if they were informed of improved techniques. The conventional wisdom, frequently repeated by many Westerners who know Yemen, is that the Yemeni are highly motivated to learn new ways of doing things, and that their traditional society presents no obstacle to social change. There is indeed some evidence of this. Yemeni interviewed by the OAS team appeared to be not merely curious about modern Western society, but eager to adopt Western concepts as rapidly as possible. For example, Yemeni in villages in the remote countryside expressed knowledge of and eagerness to acquire a television set (Television has only been operating for a few hours a day in Sana during the past year.); official policy encourages the education of women; the traditional bride price was lowered by decree in early August; unquestionably, substantial remittances are being spent on automobiles, trucks, pumps, as well as numerous consumer

goods. All observers agree that Yemen is progressive compared to its northern neighbor, Saudi Arabia, in that Islamic law is not so rigidly enforced in regard to the purdah of women, the toleration of alcoholic beverages, ritual prayers, etc.

On the other hand, Peace Corps Volunteers who lived for some months in a rural village attempting, among other things, to teach the villagers to grow tomatoes and vegetables to improve their diet, reported no interest on the part of the villagers in this experiment, even though the Volunteers actually grew a sample plot for their own consumption.

Still, potatoes and to some extent carrots can be seen in the marketplaces of even small hamlets. The introduction of these vegetables to the Yemeni is almost universally attributed to the German Agricultural Extension Program. The director of the program, who has been in Yemen for more than five years, believes that the Yemeni will accept agricultural innovation if they observe that the innovation produces a cash profit or other immediate practical benefit. He and others stated that the Yemeni are generally too superstitious or too short-range in outlook to perceive the long-term benefits of improved health to be derived from better nutritional practices.

Nonetheless, there remains little hard evidence as to whether the Yemeni are or are not motivated to accept social and technological changes.

NE Bureau Comment

The Bureau apparently concurs with the OAS view that knowledge on this point is lacking, stating, "It is not clear to what degree this is a limitation, as the Yemeni farmer seems (underlining added) to respond well to the market mechanism and there is a functioning informal communications system between and within villages." As stated above, and also in our discussion on quat growing (Part II.B.8), we found disagreement among the experts on this issue, and believe more information on this subject should be obtained.

Other general constraints on social change in LDCs are present to an even greater degree in Yemen. Because of the scarcity of unskilled, semiskilled and skilled labor, it is difficult to recruit and retain counterparts to work even on the experimental farms in Sana (with a few notable and loyal exceptions). Plans for sending Yemen Government (YARG) technicians into the villages have been implemented only sporadically; some employees told the OAS team that USAID receives little cooperation from the present Ministry of Agriculture; and the prospect of YARG rural extension workers living in remote villages for extended

periods of time seems presently improbable. Every Yemeni with a high school education has been a city boy, albeit with the village connection that almost every Yemeni has.

USAID/Yemen Comment

The Mission notes that cooperation between the Ministry of Agriculture and USAID has been "excellent" and that both the sorghum and millet project and the poultry project have each been provided with four counterparts. Possibly better relationships have developed since the time of the OAS visit, or possibly different elements of the Mission had different views of the cooperation between the Ministry and USAID. In any case, there is certainly agreement between USAID and OAS that (a) there are a few (8) loyal workers on the agricultural and poultry projects and (b) that it is difficult to find additional counterparts because of the competition for trained manpower in Yemen.

Therefore, while OAS joins in the Mission's hope that the Ministry will "make every effort to furnish qualified people . . . when additional counterparts are required," we stand by our original conclusion that there are severe problems in implementing these projects outside of Sana. An "effort" by the Ministry to provide qualified counterparts does not alter the fact that these persons may not be available (for a number of reasons), and that such lack of personnel may severely hamper these projects going beyond the purely experimental/research stage, and moving into the countryside.

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Similar problems exist with American technicians living and working in Yemen's rural areas. Living conditions are primitive enough in the major cities (see Part II.B.6); the villages lack even the most basic amenities to which American technicians are accustomed. Graphic evidence of this is provided by the fact that no Peace Corps Volunteers reside outside the major population centers. Although a few Volunteers and U.S. technicians do go into the field for a few days at a time to work on water projects, no one has seriously proposed that American technicians be settled for any extensive period of time in the rural areas.

The NE Bureau, in commenting on the 1978 ABS, did indicate a desire to involve PVOs more actively in the development process for just this reason, and suggested the use of IVS volunteers, Commonwealth Development Fund, as well as the Peace Corps (which increased from 26 to 44 Volunteers in the fall of 1976). However, all such arrangements are highly tentative and the logistical problems of health care, communications, and language barriers will, we believe, continue to provide formidable barriers to work by these organizations which have experience in "roughing it."

Nonetheless, for an agricultural extension program or an integrated rural development program to be successful in Yemen, we believe it must have personnel who are willing to live and work in the rural areas, who possess some Arabic language capacity, some cultural sensitivity, and who have the dedication and zeal to show the Yemeni rural poor ways in which the quality of their life can be improved.

We think that it was very useful for the NE Bureau to sponsor a workshop in Washington on October 22, 1976, which brought together social scientists, anthropologists, political scientists, and economists with recent experience in Yemen. Regrettably, the disagreement among the "experts" on some of the most fundamental questions about Yemen posed by AID officials shows how inadequate is our knowledge of the country. Program design and project formulation is clearly hampered when basic data is lacking. Or to put it another way, how wise is it to invest AID dollars in social change when we do not understand the society we are attempting to change?

On the other hand, presumably AID has made a decision to provide assistance to Yemen, and the entire AID program can hardly come to a halt while we wait for the researchers to finish their studies. On balance, therefore, we support the use of information obtained by these social scientists (particularly those who are Arabic speaking) and we recommend the continued use of such technicians in designing small-scale pilot testing projects. Perhaps the most fruitful approach is to design projects so that we can learn while we act and thus act and learn at the same time.

Similarly, while the fruits of the existing agricultural research projects may not be harvested for many years, we support their continuation as long as they do not promise more than they can produce and are not duplicative of the work of other donors.

Therefore, in view of Yemen's institutional weaknesses and manpower constraints, and our lack of knowledge of how to effect social change in Yemen, we do not believe that either AID or the Yemeni are equipped to mount a large-scale rural development program in Yemen.

Bureau and Mission Comments

We are pleased that the Rural Development project has been limited in scope and that the Mission and Bureau concur that it is not "feasible to undertake a large-scale rural development project in the Yemen at this time." We are also pleased that the Mission is exploring OPGs to PVOs in this area in accordance with our findings and recommendations.

We do, however, fail to perceive the "inconsistency" pointed out by the Bureau in recommending a limited pilot Rural Development program

and at the same time recommending greater emphasis on projects benefiting the rural poor and designing projects to tap remittances at the village level. We completely agree with the Bureau that the Rural Development project "might provide an entrée into programs which mobilize local resources and add importantly to a clearer understanding of development prospects in rural areas." Our point is simply that the project should not be too ambitious until more personnel can be obtained to work in the rural areas, and that research on the above-described problems should be built into the project design.

Recommendation No. 2: That USAID/Y plan no further construction of water supply systems in Yemen unless (1) the U.S. is truly the donor of last resort, and (2) the design of such systems assures that the poor majority is the primary beneficiary of the USAID investment.

When the U.S. resumed assistance to Yemen in 1973, the political situation dictated high-visibility, quick-impact type projects. Furthermore, since AID's previous program in Yemen had involved the construction of water supply systems, it seemed logical to continue work in the water area. However, as we stated in Summary Finding No. 1, AID's mandate, Yemen's needs, and the role AID can best play require a change in programming.

OAS is concerned that certain projects advanced by USAID/Yemen continue to be of a high-visibility, politically-dictated type not really focused on the long-range development needs of the rural poor who comprise 80 percent of Yemen's population. These projects involve the construction of water supply systems for urban centers. Although the NE Bureau and certain officials at the Embassy and at USAID indicated apparent agreement with OAS's preliminary conclusion that U.S. assistance should now be moving out of the water supply area as rapidly as possible, we note with some concern that the approved ABS for FY 1978 initiates a new program for feasibility studies for construction of water systems in 15 secondary cities, and for construction of water systems in some of these cities.

The PID for this project (0029) and a PID for the construction of some of these systems (0041) have already been approved by AID/W. In 1978,

* Almost all AID water projects in Yemen involve the supply of water for domestic use, not for agricultural or industrial use.

** Some Embassy and Yemeni officials indicated to us a distinct preference that AID continue in high-impact capital projects such as the construction of roads or water supply systems.

\$680,000 is planned for obligation for the studies. AID/W has stated that AID participation in the construction of the systems will be limited to \$3 million rather than the \$6.5 million requested by the Mission. However, political considerations, including the desires of the Yemeni for high-visibility projects, plus inflation and generally escalating construction costs, could result in a much greater AID commitment to an essentially capital project. The project was retitled Rural Centers Water/Sewerage Studies Water/Sewerage Construction Rural Market Centers rather than Secondary Cities Water Systems. However, the two projects, by whatever names they are called, remain the same: design and construction of water systems in the major population centers in Yemen besides its three largest cities--Sana, Taiz, and Hodediah. If past history is a good guide, these systems may not result in providing water to the poor in these towns (see discussion below of the Sana Emergency Water System).

AID/W has indicated an intention to condition its participation on substantial participation by other donors--a condition we support, because Yemen has no shortage of capital available to it from its Arab neighbors. Nonetheless, the question is: Why should there be any AID participation in the capital construction costs?

With a \$10 million loan for the expansion of the Taiz water system scheduled for obligation in August of CY 1977, the primary orientation of U.S. assistance toward water appears likely to continue to persist.

Bureau/Mission Comments

Both the Bureau and the Mission objected to the OAS findings and recommendations regarding construction of water systems.

It should be noted OAS was not criticizing the justification of investments made up to this point in the water field but rather viewed with concern continued construction of water supply systems. We are pleased that the Bureau remains "very much open on whether to proceed further in the water resources sector"; and we certainly concur in its willingness to consider "whether AID can effectively cast itself in the role of catalyst for attracting other donor investment by doing feasibility studies for water and other projects" (see Summary Finding No. 8 and Recommendation No. 4).

We are also pleased that the Mission agrees with OAS that USAID/Y is at a "turning point" and that its future role should be in "agriculture, manpower, rural development and the identification and design of projects." In addition, the OAS concern that the Mission not be involved in the construction of new water systems is allayed by the Mission commitment that in the secondary towns water project "construction is proposed to be limited to no more than three to five of them in the

event other donors can not be induced to pick up costs of all of them. Thus earmark (sic) of some funds for construction is insurance only since mission intends to be funder of last resort."

If, indeed, the earmarking of construction funds is "insurance only," and if indeed an active and genuine attempt is made to enlist other donor support for construction costs, there seems to be no disagreement between OAS and the Mission. It is the temptation to continue what the Mission is most expert at and what the Yemeni want because of its high-visibility character (big capital projects) that OAS noted and cautioned against. To further buttress our belief that AID funds need not be used for construction of these systems, the Mission comments that the Arab donors themselves are generally interested in high-visibility projects such as construction of water systems.

In regard to Taiz, OAS fully appreciates that a \$10 million commitment was made almost two years ago and did not intend to imply that AID should not honor that commitment. However, we recommend that additional costs above the original \$10 million (caused by delays, inflation, etc.) be picked up by other donors and that USAID not be involved in an expansion of the project beyond its original scope.

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Furthermore, there is no reason to assume that the same problems which have plagued other AID water projects will not persist in future ones. For example, Project 022 (Rural Water Supplies), described glowingly in the 1977 Congressional Presentation as having met an annual goal of bringing potable water to an average of 15 villages a year since 1973, has in fact resulted in only 12 presently-operating wells. (Some other wells have been drilled but are inoperative because the proper pumps are not available.)

We also question the appropriateness of justifying the provision of nonpotable water under the Health category of the FAA. In fairness to the Mission, it argues that it has never concentrated on supplying potable water either through the urban or rural water projects, but that the provision of water itself results in many related benefits; i.e., (1) the availability of water means that clothes, dishes and people can be washed, even if the water is not safe for drinking, (2) drinking water can be, and frequently is, boiled for coffee or tea, and (3) women do not have to spend so many hours walking to faraway wells.

Another factor which has been cited to justify water projects in Yemen has been that free water would be supplied to the urban poor at centrally-located public hydrants. However, on-site inspection of the Sana emergency water system (constructed in 1975 as an interim

measure while the IBRD was designing and planning the total Sana water system) revealed that there were no public hydrants operating.

When questioned about this, some USAID officials stated that the public hydrants in Sana should be opened for at least a part of the day, and that they were not located because of the hours at which OAS members attempted to find them. Other USAID officials said that the National Sewage and Water Authority (NSWA), a branch of the Ministry of Public Works, preferred to cap the public hydrants in order to sell the water from the Sana pumps to paying customers. NSWA senior officials were noncommittal on this issue, emphasizing (a) they could not necessarily prevent private individuals from tapping into the public pipes and diverting water for their own use, and (b) the importance to NSWA of being a self-supporting entity through the revenues it collected from the distribution of water.

The situation raises a more general dilemma which confronts AID in many countries. On the one hand, it is consistent with AID objectives to encourage the development of self-supporting public institutions within the LDCs; on the other, there is the "mandate" requirement to help the poor majority. Is it better over all to have an independent water system which is not dependent on further external financial assistance, or should water, the most precious of Yemen's resources, be available free to the poorest of Yemen's urban majority? Rate structures can probably be devised which permit some water free, some at a lower rate for the "medium income population," and some water to the wealthiest, although it is far from clear that this would result in a financially viable water system.

Both OAS and the auditors (see comments on page 15 regarding the AAG/NE Audit Report No. 5-279-77-8) found that in regard to the Sana System, the public hydrants were closed off. In its memorandum on the draft report dated January 19, 1977, the Mission agreed that while "there have been instances where spigots were not turned on" the Mission was taking action to see that all presently installed hydrants as well as those yet to be installed would be turned on daily.

We trust that this will be the case, but feel that the Mission somewhat begs the issue in stating that "85 percent of the water now available for use in Sana is supplied from the USAID sponsored project." Turning on public hydrants for a few hours a day, if in fact it should be done, still results in most of the USAID-supported water going to paying customers, thus returning us to the fundamental dilemma.

OAS has no general answers to the overall question of self-supporting institutions vs. assistance to the poor. However, our comment on the Sana project is that thus far it has operated primarily to achieve the former objective rather than the latter.

Besides NSWA, a Rural Water Division exists in the Ministry of Public Works. However, for various reasons, including the fact that the counterpart relationship between the Rural Water Division and some USAID officials was not good at the time of the OAS visit, the fact that the head of the Rural Water Division is not a trained engineer, and the fact that he is under pressure from various tribal sheiks to dig wells in their villages even when there is no sound basis to believe that water exists there, the prognosis is doubtful for the successful transfer of responsibility and equipment to the YARG (as required by the ProAg) under Project 022 (Rural Water), and for a successful assumption of responsibility by the YARG in implementing 029 and 040 (Water Systems and Rural Market Centers).

Feasibility studies for many of the cities proposed to be surveyed under the Rural Market Centers Water Project already apparently are on file at the Rural Water Division. These studies were prepared by UNDP technicians and could be used for construction at any time, according to one USAID engineer. The USAID Director indicated that he was not aware of any such UNDP studies, and if they existed he stated that they were unlikely to be of adequate detail for construction.

In addition, the IBRD has indicated an intention to build water systems in Damar and Ibb, two of the 15 cities in the project. The Mission indicated that Damar and Ibb were dropped from the list of 15 cities after it was informed of the Bank's decision, and apparently two other cities have been substituted.

These comments are not intended as a detailed review of these projects, but as an indication of the problems facing water projects in Yemen-- difficulty in finding experienced counterparts, lack of coordination among donors, and political pressures on the YARG in selecting the sites for government largess.

These problems are, of course, endemic to all development projects in Yemen, but given the mandate de-emphasizing infrastructure projects and AID's expressed intention to phase out water projects in Yemen, we question the desirability of any commitments to Yemen for further construction of water systems.

It should be noted that Audit Report No. 5-279-77-8 on the Yemen Development Program issued by the Area Auditor General on December 30, 1976, confirmed both the OAS concern about the availability of water to the urban poor under the Sana Emergency Water Project and the possibility of a successful transfer of responsibility to the Rural Water Division under Project 022 (Rural Water Supplies).

In regard to the Sana system, the Audit Report found that most of the public hydrants installed under the project have been shut off to the city's poor. In regard to O22, the report found that there was a lack of professional counterparts in the Rural Water Supply Division, and there were not adequate "assurances that well-digging activities are for legitimate purposes."

Therefore, in line with our Summary Recommendation No. 4, we believe USAID and AID/W could more appropriately devote their current substantial engineering talent to assessing and, if necessary, designing water systems to be financed by other donors where reasonably firm commitments for carrying out these projects are made by the other donors prior to the initiation of the study. In addition, AID should concentrate on completing commitments already made for the O22 project and the Taiz system, with emphasis on training Yemeni personnel at all levels and shifting responsibility to YARG officials for the maintenance and use of project equipment.

Recommendation No. 3: That USAID take into account the effect of emigrant departures and their regular remittances in designing USAID projects for the Yemen, particularly those involving agriculture, women, health and nutrition, and family planning.

Yemen differs from most AID countries in receiving so much of its economic resources from the remittances from overseas workers. Although there are no precise figures on the numbers of Yemeni males working outside the country (estimates range from 600,000 to 1.5 million), all observers agree that as a consequence Yemen (1) is a labor-scarce economy and (2) because of remittances, its actual income is considerably greater than reported in any official figures. Best estimates put remittances currently at U.S. \$1.5 million daily, not including invisibles such as imported or smuggled goods, raising per capita income from U.S. \$120 to at least U.S. \$180, and GNP from approximately U.S. \$780 million to \$1300 million.* Furthermore, these figures are based on FY 1975 data, and Embassy sources suggest that remittances may be considerably higher.

Most of the workers are in Saudi Arabia, although an increasing number are employed in other states on the Arabian Gulf, particularly members of the United Arab Emirates.

Historically, there have always been some Yemeni working abroad--in particular in East Africa, Vietnam and the United States. (One of the Embassy's tasks in Sana is to deliver Social Security checks to Yemeni who worked in the United States and then returned to Yemen.)

*See memorandum of September 23, 1976, from D.H. McLlelland to Bradshaw Langmaid (LOU). This has led some to argue that there is no economic justification for concessional financial assistance to Yemen.

The phenomenon of massive emigration is, however, comparatively new, beginning with the vast exploitation of petroleum reserves in Saudi Arabia and the Gulf States in the early sixties.

The impact of this outward migration and the remittances has thus far not been adequately reflected in the Mission's program planning and project design. For example, most observers told the OAS team that the terraces, which have historically provided the basis for Yemen's agricultural productivity, are disintegrating in many areas because women do not or cannot carry the stones to rebuild them. The effect of this on current agricultural productivity is unclear: (One senior member of the Central Planning Office ("CPO") said productivity would be down 40 percent within this calendar year.) However, it is not disputed by anyone that the disappearance of the terraces means that the most arable soil, which has been carefully preserved by these terraces for centuries, can be washed away after even one flash flood.

Women, it is generally assumed (without any reliable data), perform more work in the fields when able-bodied men are absent, although historical data suggest they have always performed a great deal of agricultural manual labor. It would seem likely that in a household lacking a dominant male figure, more decision-making and authority would be exercised by women; however, social scientists expert on Yemen were unwilling to commit themselves on this point.

What happens to the remittances? Again no hard data are available, and there is disagreement among the experts. Clearly, some is used for land speculation, thus contributing to the general inflationary spiral without assisting development. Other amounts are spent for better houses and for consumer goods such as radios, bicycles, and textiles. A substantial amount is also spent on quat, raising the price of this commodity and thus increasing its production.

There appears to be general agreement that the bulk of the remittances are returned to the villages from which the workers come, through a complicated "agent" system, but how much is spent within the village for productive items such as pumps, agricultural equipment, etc., and how much is simply retained "in the mattress" is unknown. Unfamiliar with a banking system (Yemen's Central Bank was established only three years ago, and paper currency only recently introduced), many informed observers believe that a major portion of the remittances are merely hoarded, often in the form of gold.

Ways of freeing up these funds for productive investment should be a top priority for development planning for Yemen. Unlike most AID recipients, where assistance funds must be doled out to the rural poor from the central government, usually through layers of frequently inefficient intermediaries, in Yemen some funds are already in the hands of the target population and represent a potent resource for development.

The question then is: How can Yemen stimulate spending of these remittances for productive development purposes? Obviously, attitudinal changes must be involved, and we question whether there is prior experience within AID in dealing with a genuinely comparable problem. To the extent such knowledge exists, it should be made available to the Yemeni; to the extent it does not, we believe prompt emphasis should be placed on developing it.

Recommendation No. 4: That USAID consider using its comparatively limited financial resources to develop and design a shelf of assistance projects responsive to the AID mandate. Construction would be financed by Arab donors who are prepared to participate in capital projects, but who have comparatively less experience and technical expertise in carrying out assistance programs. Initially, USAID should contact Arab donors and obtain at least informal assurance regarding their willingness to use such project designs.

Yemen receives assistance from the Kuwait Fund, the Arab Fund, the United Arab Emirates (formerly Abu Dhabi Fund), as well as from Saudi Arabia and Iraq. Although there is a possibility that the Saudis may cut their budget support to Yemen this year, basically Yemen's oil-rich neighbors have indicated a willingness to help their poor Arab brother as long as he needs and wants their help.

The problem is that administrators of these Arab Development Funds have virtually no experience in technical assistance project development and design. Only recently wealthy themselves, their primary concept of development is the construction of capital projects--e.g., the UAE plan to finance a road from Maribe to Sana, and a television station in Taiz. The Saudis have hired a Japanese firm to drill wells.

A rough estimate of Yemen's present foreign donor pipeline is that it exceeds U.S. \$300 million. This suggests to us that Yemen is near the point of capital resource indigestion because of its institutional and manpower constraints.

To the extent that AID possesses technical expertise in planning and designing projects of both a capital and noncapital nature, we believe it should concentrate its limited resources on such an effort rather than on implementing capital projects. Not only is this in accordance with the mandate, it is the most efficient use of the AID dollar. Unlike some AID recipients, Yemen does not lack capital resources.

In this connection, we note with approval the 1978 ABS plan for water, agriculture, and education sector surveys, as well as a land classification and soil survey. These studies, which are comparatively modest in cost, should bring U.S. technical expertise to bear on fundamental constraints to development in Yemen. Upgrading the data

collection and analysis ability of the YARG Department of Hydrology is a step toward human resources development. Better knowledge of current land type and usage should contribute to greater agricultural productivity. The use of an expert in Moslem water law in the water survey is a welcome addition, since so little is known about water rights in different parts of the country; and we similarly believe the assistance of an anthropologist in the agricultural sector survey would be useful.

As described in the ABS, the education sector survey would provide a valuable role in appraising the UNESCO/World Bank education project and assessing the problems and potentialities of the University of Sana. Furthermore, we believe that the ABS plan for a pilot project in functional literacy is an appropriate way of attempting to tackle the communication problems between the experts in the cities and the rural poor. Many Yemeni have transistor radios, and there are tentative plans to expand television beyond Sana. Such programs have worked successfully in other AID countries, and if carefully planned they might accomplish some of the integration goals of the more ambitious rural development and agricultural projects.

Our only concern in regard to these studies is that (1) they be done in coordination with other donors so they are not duplicative, and (2) more importantly, when completed, they do not lie idle in a bookcase but actually be used.

Recommendation No. 5: That AID's policy of financing training in the U.S. only for project-oriented, advanced-degree candidates be modified in the case of Yemen to permit general-purpose undergraduate participant training.

Participant training financed by AID has been one of the most successful aspects of our assistance to Yemen. Since aid was resumed in 1973, more than a hundred students have been trained or are being trained in the U.S., and another hundred or more have been or are being trained in third countries.

Until the civil war in Lebanon closed the American University of Beirut, it was an ideal place for undergraduate-level training of Yemeni who were likely to become future leaders of their country. Although it required a reasonably high level of English language competence and was oriented in some degree toward American cultural values, it had the advantages of being geographically and culturally closer to Yemen than a U.S. college. The closing of AUB put a severe strain on the Yemen training program, and we are pleased to note that at least 20 of the AUB students were placed at American colleges this year.

Although current AID policy regarding participant training (see Chapter 31 (e) of Handbook 10) generally discourages undergraduate study, we believe that Yemen is a country where an exception should

be made to this general rule. First, the return rate to Yemen has been 100 percent so far, and almost all participants have returned to work for the central government or its agencies. Second, most men and women are anxious to study in the U.S. rather than in Arab countries or in the Eastern Bloc countries. Third, and more important, there is such a deficiency of trained manpower that the presence of college graduates is essential to the country's development.

This recommendation to permit undergraduate training for Yemeni participants was endorsed by the Ambassador, USAID/Y and SFR/IT, both for its potential political and developmental impact. Therefore, we were a bit surprised by the Bureau's response that undergraduate training in Lebanon and Egypt is more appropriate, particularly in view of the current situation at the American University of Beirut. Nevertheless, we are pleased that they "will continue to consider sympathetically U.S. undergraduate training also."

All parties seem to agree that undergraduate training is one of our most crucial assistance contributions to Yemen, and we hope that the Near East education sector study in March will result in an expansion of AID assistance to Yemen in this area.

One possible additional advantage to U.S. training should perhaps be mentioned. To the extent that a few Yemeni go on for postgraduate training (as physicians or engineers), it is preferable that their undergraduate preparatory studies be conducted in English. When this is possible in neighboring Arab countries, there is no problem. However, when participants are sent to Arabic-speaking colleges there is wasted time and effort as they must relearn basic science and mathematics skills in English at the postgraduate level.

A major obstacle to undergraduate training in the U.S. has been the lack of English language capacity. However, under the auspices of the U.S. Public Affairs Office, English classes are now being held daily for potential participants. In addition, many Yemeni secondary school graduates do not have the qualifications for entry into an American undergraduate institution. Supplementary education, both at Sana University and certain colleges in the U.S., is being used to help fill that gap.

Like other projects in Yemen, the participant training program is not lacking in difficulties. Theoretically, each participant must be sponsored by the ministry for which he or she is going to work upon return, and then the application for training must be processed through the CPO. The shortage of staff at the Mission resulted in no single person being responsible for training at the time of the OAS visit, and there has been some difficulty between the Mission and AID/W in terms of notifying students which institution they will be attending.

In addition to the basic participant training program, training is an integral part of numerous other projects, including the agriculture and water projects. Because of the frequently-mentioned scarcity of skilled labor, we believe these components are the most essential part of any of these projects.

Ideally, project-related training pays off in producing counterparts who can continue work which AID has started and who can also train other Yemeni. General undergraduate training plays an obvious role in developing Yemen's human resources and in training future national leaders.

Recommendation No. 6: That SER/PM make a point of assigning to Yemen experienced middle-level officers on the way up within the Agency for whom such an assignment results in career advances. A special effort should be made to have all USAID/Y vacancies filled by July 1, 1977, and personnel assigned to the Mission should have skills in project design and evaluation, in economics and the social sciences. At least one member of the staff should be fluent in Arabic. An SER team should be sent to Yemen to review the situation and make specific recommendations for improvement of living conditions at post and logistic support to USAID/Y.

One of the most serious difficulties of the USAID program in Yemen has been the fact that it has tended to be considered a post of last resort and consequently has tended to have a disproportionate share of retirement-tour and problem case placements. Even though many USAID/Y staffers do not fit into these categories, the entire morale of the Mission can be severely affected by these special cases.

SER/PM Comments

SER/PM objects to comments on "retirement tour placements" in Yemen and states that ". . . we do not see the significance of the comment without clarification." The comment may be clarified by pointing out that it is reasonably common knowledge within the Agency that persons who are completing their last tour prior to retirement frequently are less motivated to perform with the same degree of zeal and energy that may have characterized their work in previous assignments. Furthermore, this problem applies not only to the current situation in Yemen, but to past staffing of the post. Certain current problems may be attributed to the placement policies for Yemen which applied in past years.

SER/PM also objects to the use of the term "problem case placement." While there appears to have been recent improvements in the quality of personnel assigned to Yemen, in general the record indicates to us there has been difficulty in recruiting sufficient numbers of the Agency's better personnel, resulting in frequent staff turnover and a constantly high vacancy rate. SER/PM acknowledges itself that "Yemen is not an easy post to staff."

The frequent staff turnover and high vacancy rate create pressure on the overworked staff at post at any given time. The difficulty in obtaining logistic support and the day-to-day problems of living and working in Yemen further exacerbate the inclination of competent middle-level personnel to accept an assignment in Yemen.

Examples of the problems which USAID personnel face daily in Yemen include the great difficulty in obtaining domestic help because of the general shortage of manpower in Yemen. This presents a serious problem for a family with young children, in a country where appliances such as washers, dryers, freezers, vacuum cleaners, etc., are in short supply. Even when available, the frequent power shutdowns in Sana may result in spoilage of perishable foodstuffs in a refrigerator or freezer. Break-downs of all mechanical equipment, whether in the office, the home, on the road, or on a project can result in real crises as personnel wait for days, weeks, or even months to have their typewriter, their automobile, their kitchen stove or toilet repaired.

Although in many other posts it also is not possible to obtain potable water, the lack of domestic help means that personnel must spend off-work hours boiling and filtering their own water, or carrying large bottles of water daily from the well available at the USAID campsite.

The lack of adequate communications facilities among the American community is another factor which disturbs morale and interferes with the efficient carrying out of USAID's tasks. Since the USAID campsite has no telephone, all communication with the Embassy and Yemen Government offices, most of which are approximately 20 minutes away by car, must take place by written messages, or in the case of the Embassy, by shortwave radio.

The effect that logistic problems have upon morale was perhaps best illustrated by the comment made by the wife of a senior USAID official who noted that because of the lack of recreational and other facilities, U.S. personnel spent 90 percent of their time in their homes or their offices. Although the Embassy does show movies weekly, and although a small swimming pool was opened at the Embassy this summer, Sana's "night life" is nonexistent, and there are few sports facilities available. Evening social life among Americans, Yemeni, and members of the diplomatic community is hampered by the lack of communications and adequate transportation. Most USAID employees do not have privately-owned vehicles because of the long period of time it takes to ship cars from the U.S. and the congestion in the port of Hodediah. Therefore, they must depend upon an erratic motor pool for transportation to and from work, as well as to any social or recreational events.

Real attempts are being made to remedy this situation by the Mission's new Executive Officer. (It should be noted that the Mission lacked an

Executive Officer for almost nine months.) However, the enormity of the problem confronting him and his half-filled staff make it an overwhelming one.

What is the answer to this dilemma? We recommend, and it is our understanding that the Near East Bureau concurs, that SER take two steps to remedy this situation. One, a conscious attempt should be made to assign competent middle-level foreign service personnel to Yemen. Hopefully this could be accomplished without the unpleasantness which is associated with forced placement. Two, a deliberate attempt should be made to improve the living conditions of USAID personnel stationed in Yemen, particularly by sending a qualified SER team to review the situation and make recommendations for improvement of living conditions at the post.

These two steps, if the Agency chooses to take them, would certainly result in a drastic improvement in the morale of personnel serving in Yemen and could also result in a marked change in the quality of assistance furnished by AID to Yemen. In other words, the self-defeating spiral described in Finding No. 11 could turn into an upward spiral. A mission that is fully staffed with competent AID personnel would be attractive to other competent middle-level personnel. A mission with adequate logistic support in the office and in the home would function more effectively. Ideally, foreign service personnel should see Yemen as a challenge--a post in which they can prove themselves--rather than a post to be avoided at all costs.

The decision to make these changes will not be an easy one. In order to alter the image of Yemen to that of a desirable post, AID/W, and particularly various elements of SER, must spend considerable time and resources considering ways in which the logistic problems described above can most expeditiously be remedied.

SER/MO Comment

As mentioned in Summary Finding No. 11, SER/MO objected strongly to the draft report's criticism of AID/W's inadequate support of USAID/Yemen. They argued (1) that the Mission was delinquent in filing requests for waivers of off-shore procurement of vehicles, approval of air shipment of household effects, and furnishing SER/MO with copies of purchase orders; (2) that USAID/Y has not provided SER/MO with adequate data on alternative means of transporting shipments of commodities and personal effects, thus limiting SER/MO in performing its backstopping role; and (3) in summary, that "after review of our files, we are satisfied that in the area of logistic support, most of the problems identified in the report can be remedied by properly-directed attention at the Mission level."

They also state that SER/MO has spent a "significantly disproportionate time in assisting the mission during CY 76."

Without getting into a "Who struck John?" evaluation at the time of this issuance of this report, we would make the following observations: (1) Many of the problems noted by OAS in July and August of 1976 were certainly the result of the Mission's lack of an executive officer until the early summer of 1976; (2) other problems which SER/MO may be concentrating on in CY 1976 may not have received adequate AID/W attention in CY 1975, thus producing a carry-over effect; (3) all parties agree with the basic OAS finding that the logistical support situation is extraordinarily difficult in Yemen; (4) all parties agree that some improvement is taking place; and (5) all parties agree that action on the OAS recommendation of AID/W TDY assistance is essential to further improve the situation.

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Most especially, the Agency must implement the basic principle that foreign service personnel have committed themselves to serve worldwide. Regrettably, often there appears to be a tacit assumption within the Agency that the Agency is not committed to the implementation of that principle. The Yemen Desk Officer and other Near East officials freely acknowledge that it is extraordinarily difficult to attract competent personnel to Yemen. AID personnel who might improve the program in Yemen suddenly become "essential" to some other job in the Agency because they are personally unwilling to take the assignment, and their superiors are sympathetic. Although there are some genuine medical limitations on service in Yemen (Sana's altitude is approximately 7,500 feet), and although there is no suitable secondary school facility in the country, these same deficiencies exist at other posts where people are eager to serve. So serious is the personnel shortage that in fact some Americans, both contract and direct hire, serving in Yemen probably should not have received medical clearance for the country, thus again exacerbating the problem of frequent staff shortages because of medical evacuations.

Leaving aside the question of low staff morale and poor living conditions, there are other social constraints which make Yemen a less-than-desirable post. Although not as strict as Saudi Arabia to the north, Yemen fundamentally is a traditional Moslem society. Certain unpleasant events in May 1976 (which resulted in the expulsion of two Americans) coincided with an official Yemeni and American policy that there should be no "fraternizing" between Yemeni women and American men. "Fraternizing" between Yemeni men and American single women is uncommon and presumably equally frowned upon. Consequently, the post is a very difficult one for single persons because of the small number of single people in the non-Yemeni community. Similarly, because of the lack of secondary school facilities, it is understandable that families with teenage children would prefer an alternative post.

Therefore, ideally, healthy active married couples (including those with elementary-school-age children) are those who are most likely to have successful tours in Yemen.

Acceptance and implementation of these recommendations in the end will turn upon an Agency decision to treat Yemen as an important part of our foreign assistance program rather than, as some see it, as a mere "stepchild" within the Agency as a whole. There are many ways in which Yemen can be considered the Agency's "stepchild," but the personnel situation perhaps most graphically illustrates the lack of importance AID attaches to our assistance program in this country.

The above should not necessarily be considered a reflection on the present USAID management in Yemen. The present Mission Director was chosen for his expertise in the area in which initially the U.S. wanted to make an immediately-visible political impact (water for domestic use) and because of his prior knowledge of and good relationships with the Yemeni. Even allowing for the recent appointment of certain key staff members, he has never been given the adequate management elements on his staff to allow for a smooth-functioning mission. In addition, the Mission presently lacks sufficient personnel with skills in project design and evaluation, in economics and the social sciences. We are pleased that some progress has been made in this area since the time of the OAS visit; notably, bringing on board a program evaluation officer, and two IDIs trained in economics and agricultural economics, respectively.

None of the USAID staff had any formal Arabic language training nor any Arabic language capacity except for a few words picked up in daily conversation, or in the case of one or two officers, some simple Arabic learned from a private tutor. On the contrary, at least five members of the Embassy staff are expert in Arabic. When the OAS team raised the question of whether USAID personnel should have at least rudimentary Arabic language training, the general response was negative. The Ambassador, the DCM, and other Embassy personnel who had at least an R-4 in Arabic felt that a minimum of 24 months of Arabic training was necessary in order to achieve a level of proficiency sufficient for the transaction of government business. More than one official was quoted as saying that six months of Arabic was worse than none at all because a partial knowledge of a highly subtle and complex language might result in more gaffes and possibly serious misunderstandings than working through a translator.

It should be noted that the Arabic spoken in Yemen is different from the Arabic in many other Arab countries and that the mastery of Yemeni Arabic itself is not simple for someone who is experienced in either reading or speaking Arabic elsewhere. Furthermore, English is now the official second language of Yemen and some high officials, as well as the younger generation of high school and college students possess a reasonable degree of English language facility.

Notwithstanding the foregoing, we believe that the lack of an Arabic speaker on the USAID staff is a serious disability. While we recognize that it would be considered impracticable (and is in fact almost certainly highly improbable) for AID to invest two years in Arabic training in order to send someone to the Yemen, we nevertheless believe that it would be sensible personnel policy to at least make a check of all Arabic-speaking personnel within the Agency and to give them priority in assignment to Yemen. This recommendation, like others regarding personnel and the priority of resources to be assigned to Yemen does take into account the fact that, at the present time, immediate political exigencies may dictate the utilization of scarce personnel and resources in certain other countries in the Middle East.

Although the Mission is complying minimally with the new PBAR requirements, this, like other AID/W requests, contributes to the strain placed on an understaffed, overworked Mission. Evaluation documents, including PARs, have been filed irregularly, particularly in late 1975 and early 1976, although there has been a real improvement during the last six months as the Mission points out in its comments.

Of course, an argument can be made that AID/W requirements for monthly, and quarterly reports, projections, and comments of all kinds occupy so much of USAID's time that it cannot effectively carry out its program. However, similar arguments have been made by almost every mission in the field. Undoubtedly, the problem is more severe in missions like Yemen and Afghanistan, where living and working conditions are especially primitive. Nonetheless, our assessment is that advance planning and compliance with AID requirements for project design, (with the exception of the engineering field) and evaluation fall below the performance of a typical mission. And, we reiterate, this situation should be remedied if the Mission continues to augment its staff with personnel who have skills in these areas and in economics and social sciences.

This recommendation regarding the skills of personnel assigned to the Mission is consistent with our Recommendations 1, 2, 3 and 4 regarding a shift in basic programming for Yemen.

One bright note on the personnel scene: the Yemen Mission certainly deserves an A+ in terms of affirmative action compared to other missions appraised by OAS. Although there is no special element of the Mission concerned with this problem, top level of management have demonstrated a willingness to accept or promote qualified persons regardless of their race, sex or national affiliation.

Recommendation No. 7: That AID work with State to raise the pay scale for local national employees. We concur in supplying a limited number of Third-Country Nationals while a Yemeni staff is being established.

The problem of pay for local national employees creates an additional, serious burden on efficient management of the Mission. Three factors make it almost impossible for the American Mission to retain local national employees for more than an average of three months: (1) the severe labor shortage, (2) a continuing high rate of inflation, and (3) the fact that more attractive wages can be offered by other employers, public and private, who are not bound by the pay scale which constrains the U.S. Mission.

Because of the severity of the problem, almost a year ago at the Mission's request, State contracted for a local-hire wage survey in Yemen. The results of the survey, which were questioned at the time and which were out of date by the time of the OAS visit, resulted in a denial of the Mission's request for an increase in wages for local nationals.

Further urgent requests by the Mission, including personal pleas by the Ambassador while he was in Washington in September, have not resulted in relief, even though both the British and the UNDP (two of the 12 organizations surveyed which were at that time roughly on a parity with the U.S.) have substantially increased their salaries and benefits.

The problems created by this situation are enormous: an employee is barely trained for his job before leaving for a higher-paying job; there are chronic vacancies among the local staff, which require American personnel to neglect their regular duties to carry out the tasks of the local nationals; a disproportionate amount of time is spent in interviewing, hiring and processing local nationals; and morale is poor among the local staff, which results in low productivity.

SER/PM Comment

We note with approval that SER/PM concurs with our recommendation that USAID/Yemen have a more liberal policy in the employment of TCNs, particularly in view of the shortage of qualified local-hire employees and their rapid turnover. Nonetheless, OAS believe that SER/PM and SER/MO should continue to pursue with State an attempt to change or reinterpret regulations so that Yemeni local-hire employees could receive salaries commensurate with those of other employees within Yemen.

Although, as the SER/PM comment points out, some USAID/Y employees use their training there to make them "competitive in the lucrative Saudi Arabia market," the OAS team found that there was considerable loyalty on the part of the local national employees if they felt that USAID/Y was giving them a competitive break vis-a-vis other employees in Yemen. In other words, more money outside Yemen was not the only temptation; a more typical reason for turnover is that the local nationals could get significantly better-paying jobs within Sana.

Future inflation can only exacerbate what is described by many as an intolerable situation. We concur with USAID and the Embassy that the urgency of prompt action in this area cannot be overestimated.

Recommendation No. 8: That research be undertaken to discover the effect of quat on agricultural production and the economy.

As every observer of the Yemeni scene knows, quat is an integral part of Yemeni existence. Although it apparently is chewed in some parts of East Africa, its dominance in the entire Yemeni social, political, and economic areas of Yemeni life is one of the most distinctive and unique factors affecting the country.

Not a great deal is known about these glossy green leaves which are chewed daily for two to four hours by almost all Yemeni who can afford to purchase them. Under a three-year grant from the Drug Enforcement Agency, two American social scientists and consultant physicians and psychiatrists are attempting to study the physiological and psychological effects of the drug. At the end of two years their findings are inconclusive. Many British and American observers have stated that quat is basically a mild depressant, while others have stated that its effect is that of a stimulant.

There seems to be a consensus, however, that (1) it is a comparatively mild narcotic, (2) its daily chewing is essential for the conduct of any serious political or business decision at any level of Yemeni society, (3) it is an even more fundamental lubricant of social interchange than is alcohol in Western society, (4) the ritual of quat chewing is an integral part of the life of almost every Yemeni, man or woman, from the lowest to the highest level of society, and (5) quat growing and chewing have increased markedly during the past 20 years. In the afternoon, many Yemeni, including some workers on USAID projects, normally have a large wad in their left cheek--a spectacle which may surprise the unprepared visitor into believing that two-thirds of the population have contracted mumps on one side.

Since it is not clear that quat chewing results in any physiological damage, value judgments regarding quat tend to center around its social and economic effects. A few Western-educated Yemeni decline to chew, or do so rarely because they believe it is physically harmful, but this may be attributable to a general disinclination to associate themselves with traditional practices.

Opponents of the practice argue that it destroys an enormous amount of productive time and energy--three or four hours of a normal Western working day. Although some work is performed during the quat chewing time, it is usually done by those who cannot afford daily quat, those who are tied to Western work hours, or those who work and chew at the

same time. They also cite the considerable increase in alcoholic consumption by Yemeni as being directly related to a common belief that after being stimulated by quat-chewing one must drink in order to come "down" and go to sleep. Others say the increase in drinking is simply due to the Westernization of Yemen,

Other arguments against quat chewing and cultivation are that (1) it increases malnutrition (Yemeni typically eat very little after quat chewing and it apparently affects the quality of the milk of a nursing mother.) and (2) even a farmer who does not chew a great deal is more likely to grow quat, a profitable cash crop, than food for his family.

One persuasive argument that has been advanced in favor of increased quat growing is that, because of its great popularity, Yemen has developed a surprisingly sophisticated agricultural market system without outside assistance--something which AID has tried to create in other LDCs with varying degrees of success. This is considered particularly remarkable because of the mountainous terrain, the inaccessibility of many villages, poor transportation facilities, etc. Quat, by its nature, is a highly perishable commodity and is considered edible only on the day it is harvested. How then is it transported from remote hamlets to the urban areas where it is a daily staple for most of the middle-class and well-to-do?

When a crop is ready (and it should be remembered that there are dozens of varieties of this leaf, causing different effects and considered to be of highly varying qualities), the tender young leaves are picked at two or three a.m., wrapped in large parcels, and carried on the backs of relays of villagers up and down mountain and vale until a road of some sort is reached. Donkeys may be used if the footpaths permit, as may be bicycles or motorbikes. When eventually a main road is reached, the farmer may simply sell it to one of the many vendors which dot the major highways of Yemen, or it may be picked up by a car, taxi or truck for transportation to the city. Financial arrangements between the landowners, the farmer, the transporter and the seller vary, of course, from region to region, but there is no question that fresh quat is harvested, sold and consumed within 12 hours every day in Yemen, even though some of it may be grown in areas that can only be reached after an eight-hour journey by foot.

One advantage of quat, of course, is that it is comparatively lightweight--a man who could carry 15 kilos of his own quat and sell it without any intermediary would probably receive about \$180, or more than the estimated per capita income of the average Yemeni.

The government has imposed a quat tax, collected theoretically at the time of sale, but those records which exist regarding quat tax revenues do not show that it has greatly enlarged the government's coffers.

Taxis and trucks carrying enormous bundles of the leaves are frequently stopped at the outskirts of population centers by soldiers, but it is alleged that the tax is often simply paid in kind to the soldiers, who consume it on the spot. Most observers do attribute the increased consumption of quat as related to the increased economic well-being of the Yemeni. Families who historically chewed only once or twice a week now chew several times a week or daily; women chew more frequently than in the past; people chew for more hours and seek better quality. If remittances fell off sharply, presumably the demand (and the price) would also decline because people would have less money to spend on what was formerly a luxury item. However, whether this would result in simply a return to the cultivation of subsistence grains such as sorghum or millet is an unknown fact. In any case, unquestionably quat has been one factor in transforming Yemen into a money economy.

Since little is known about land tenure arrangements in Yemen, and since these arrangements vary from area to area, it is difficult to generalize definitively about who benefits from the increased quat cultivation. However, most observers say quat is grown by all categories of farmers in Yemen, by sharecroppers, by peasants who own small portions of land, and by large landowners. Certainly much of quat is grown by small landowners on their own family plots (even though they may also be sharecropping someone else's land), thus suggesting that quat growing tends to be an equalizer in terms of income distribution.

As in all other matters regarding Yemen, considerably more research needs to be done on where, when, and why quat is planted, and whether the substitution of cash crops such as coffee, fruits or nuts is feasible or desirable. We believe, however, that the importance of this commodity in terms of the agricultural economics cannot be underestimated.

It is for these reasons that we recommend research into the effect of quat on Yemen's economy, and the incorporation of the findings of such research into the design of agricultural and rural development projects by the Mission.

Recommendation No. 9: That some preliminary demographic research should be done (perhaps in coordination with other donors) about whether Yemen will need a family planning program in the future.

The birth rate for Yemen has been variously estimated at between 2.4 to 3.0 percent, but, like all statistics in Yemen, this is merely a guess. Possibly because of the high rate of infant mortality (estimated at between 40-50 percent), the prevalence of numerous debilitating diseases, the recent drought, and the civil war, Yemen has not shown a dramatic increase in population (by best estimates) in the past decade.

However, some observers feel that population increase will be a severe problem in the future once infant mortality is reduced and life expectancy increased.

The effect of working emigrants on the birth rate is another factor which is almost totally unknown, presumably because emigres vary so widely in the length of time they stay away from home, and the length of time they remain when they return. Estimates of the time spent away from the village ranged from six or eight months to five or six years. Although, theoretically, a returning husband could impregnate his wife annually if he returned for only one month out of the 12, one would expect that the absence of a third to a half of the working-age male population would lower the birth rate.

Although the YARG does not officially endorse or oppose any family planning program, several private clinics (including a Swedish one in Taiz and a British one in Sana) distribute contraceptives to women clients with the knowledge of Yemeni government officials. Response by women is reportedly enthusiastic; supposedly the Swedish clinic cannot keep enough pills in stock to satisfy the demand. In the British facility, husbands are required to accompany the wife and approve of the decision, but there also the numbers of acceptors are high. After receiving contraceptives in the British clinic, women are required to return every six months; so far the return rate is 80 percent.

Traditionally, of course, Islamic culture views having many children, particularly many sons, as desirable, and an attempt to encourage the government to set family planning as one of their high development priorities at this time seems premature in view of Yemen's other serious problems.

However, we do recommend that USAID/Y consider doing some preliminary demographic research (perhaps in coordination with other donors) to determine whether and when Yemen will need a more comprehensive family planning program.

If a family planning program is eventually initiated, the ideal forum for such a program would be a series of rural maternal child health clinics which are sorely needed in any case, because of the average Yemeni woman's relative ignorance of the rudiments of basic sanitation and nutrition. Staffing such MCH clinics is the critical obstacle to their use. AID is limited in the number of medical personnel it can supply; Yemeni women who are educated enough to serve in such outposts almost universally consider such a job distasteful and "beneath them." It has been suggested that the government could raise the status of nurses by increasing their pay (presently only one-third that of doctors), but it seems more likely that the fraction of educated, ambitious young Yemeni women have their eyes set on a more prestigious career than serving as a paramedic or home economics instructor in a primitive village.

C. Other Observations

1. The Status of Women in Yemen

Surprisingly, for a traditional, conservative Moslem society, the attitude of the Yemeni government toward the participation of women in the development process seems comparatively liberal. Although most women are veiled in the cities, this is viewed by most sophisticated observers as a symbolic facade rather than real evidence of the woman's relegation to a completely secondary role within the society. Women in the smaller villages and in the countryside are frequently unveiled, often speak openly to foreign visitors, and clearly play a forceful role in the management of domestic affairs. Girl children are also attending schools at a rate which is approximately one-fourth of that of boys; there are two secondary women's schools in Sana, and at least two in Taiz. Women (primarily unveiled) serve in most, if not all, of the ministries of the central government, and a few serve in professional rather than clerical positions. Women comprise almost one-half (or approximately 600) of the workers in the Chinese textile factory--one of Yemen's few industrial enterprises. In addition, since the inception of the participant training program in 1973, Yemen has consistently sent women among the participants, and many more are eager to be trained abroad.

All of the foregoing should not be considered as an indication that the traditional Moslem segregation between the sexes does not prevail in Yemen. Even in those few families who have traveled to or have been educated in the Western world, men and women still eat separately, socialize separately, have separate bathing and toilet facilities, and generally observe the custom of males who are not members of the immediate family not seeing the female members unveiled in the home. Furthermore, there is no question that the majority of Yemeni women perform the most difficult physical tasks, whether it be preparing the food and cleaning the house within the city or carrying water and tilling the fields in the countryside.

In addition, it is accepted almost without question that the Yemeni male is the absolute master of the family in terms of family decision-making. Under the Koranic code, of course, a Yemeni man may have up to four wives simultaneously and may divorce any one of them by the simple practice of saying "I divorce you" three times. In practice, however, polygamy is not common in Yemen--the general explanation being that a man cannot afford to support more than one, or at the most two, wives. Just as with many other aspects of Yemeni society and culture, the surface has only been scratched with regard to the status of Yemeni women.

However, these observations can be made: Many Yemeni officials who spoke with the OAS team (one of whose members was a woman) expressed interest in (1) their daughters obtaining the same level of education as their sons, (2) acceptance of the idea that women could serve at the Cabinet level as soon as they were sufficiently qualified professionally, and (3) a remarkable acceptance of the fact that in the modern world the role of women is radically different from that in Yemen's former medieval society. This impression is confirmed by some Arabists at the Embassy who have served in Saudi Arabia as well as Yemen.

Several speculations may be made regarding this comparatively liberal attitude. One possible cause which was mentioned in our Summary Finding No. 6 is the emigration of more than half of the male work force to Saudi Arabia and other Gulf States for extended periods of time. Women who must run a household, tend crops, and make all sorts of financial and domestic decisions without a dominant male figure are almost certain to achieve considerable independence and self-esteem which would be lacking if the men were at home. Also, since Yemen has historically been an agriculture-based society (as opposed to many Arab countries where nomadic livestock herding has been a dominant occupation), it could be speculated that the women have strong ties to the land, the crops, and other products of their efforts. Finally, since Yemen is in the process of going almost directly from Middle Ages into the last quarter of the twentieth century--from the camel to satellite stations--it may be possible that changes in traditional mores can occur more quickly than in countries like the United States or Western Europe where social change has evolved more slowly. As noted above, these are all basically speculations because of the paucity of data on this and many other aspects of Yemeni cultural and social life. Furthermore, as the Mission pointed out in its comments, many OAS impressions on this subject were gained by discussions with Western-educated Yemeni.

However, in our judgment, the bottom line is that for a country which is so backward by most of the standards of development and so conservative by tradition, the Yemeni government appears to be concerned about the participation of women in all aspects of the development process.

2. Possible Saudi-Yemen Labor Agreement on Working Emigrants

Most of the Yemeni who work abroad work in Saudi Arabia where they tend to perform relatively menial tasks. Some members of the Embassy staff in Sana feel that both the Yemeni and the Saudis would be benefited by a joint agreement regularizing Yemeni labor in Saudi Arabia. They point out that the Yemeni should be entitled to a minimum wage, that they should be given more training and other employee benefits. Such an agreement, they argue, would inure also to the benefit of the

Saudis because they would have a more stable, better trained, contented labor force close at hand, and thus would not have to resort, as they frequently do, to Korea and Japan for better skilled technicians.

In addition, there could be on the part of both governments better knowledge and control of the numbers of workers crossing the border, the amounts of remittances received, and the appropriate timing for labor migration.

Our understanding is that indeed Yemeni workers in Saudi Arabia are probably underpaid, badly housed, and receive no health or pension benefits. Obviously, it would be preferable if this apparent social injustice could be remedied. Equally obvious is the benefit to Yemen's development if the emigres have received on-the-job training in Saudi Arabia. However, the decision of the U.S. to intervene in the negotiation of such an agreement is essentially a political matter which falls without the purview of OAS review. If the political decision should be made that such an agreement is feasible, we do believe that AID participation in its implementation could be justified on the basis of the developmental benefit for Yemen, perhaps through a PASA with the Department of Labor.

On this point, USAID/Y stated in its comments on the draft report that any decision on such an arrangement with the Saudis was basically political; they did argue, however, that simply from the point of view of Yemen's long-term internal development, it might be better if emigration were "stringently curtailed."

3. PL 480

Historically, Yemen has been a recipient of Title II food shipments, primarily wheat. However, concerns in the spring of 1976 about the use of Title II wheat under a food for work program administered by Catholic Relief Services prompted AID/W to order the complete termination of the Title II program. Many of the deficiencies of the Title II program had been pointed out a year previously by visiting auditors, and a subsequent audit report noting that little corrective action had been taken almost certainly caused the AID/W action. After urgent appeals from the Ambassador and USAID, the Title II program was permitted to continue on a greatly reduced basis, with the food to be used primarily for refugee feeding, maternal child health feeding and other institutional feeding.

The Mission, in the 1978 ABS, indicated a desire to enter into a Title I agreement with Yemen, with the intent of applying the local currency generated from the Title I sales to "developmental objectives." We note with approval that AID/W rejected this request on the grounds that Yemen has neither a foreign exchange nor local currency shortage

for development projects. Furthermore, the importation of wheat on concessional terms could possibly increase the occurrence of irregularities which have plagued Title I programs in other parts of the world.

PART III - BACKGROUND INFORMATION

A. General

U.S. assistance to the Yemen Arab Republic (YAR) began in 1959 and was abruptly terminated in May 1967, shortly before Yemen broke diplomatic relations with the U.S. at the time of the Seven Day War in June 1967. Relations were resumed late in 1972 and an AID program established early in 1973.

During the 1962-1967 period, AID constructed the Mocha-Taiz-Sana road, and built a water supply system for Taiz, the country's second largest city. In addition, more than a hundred self-help projects were completed, including construction of some village wells, short access roads, and schools.

Since 1973, U.S. assistance to Yemen has totaled \$17.1 million (obligated funds). The largest amount allocated during this period has been a \$10 million loan for the design and construction of an addition to the Taiz water system. Ongoing grant projects include a participant training program, a poultry development project, two agricultural research projects, a water and mineral survey, and a rural water supply project. A rural development project has been on the drawing board for three years, but a project paper has yet to be approved and we believe rightfully so until certain problems have been resolved in the project design.

B. Geography

Yemen has been characterized as having a harsh, inhospitable climate and terrain. Notwithstanding this fact, however, its agricultural productivity and potential is by far the highest of any country on the Saudi Arabian Peninsula. Some historians in fact estimate that Yemen once supported a population of 12 million persons, and note that it was considered the breadbasket of the Peninsula in early Islamic times. It contains three basic geographic regions: (1) the Tihama, a 60-mile-long, 30-mile-wide stretch of humid desert along the Red Sea, (2) a gradually-rising central area with peaks and valleys containing considerable arable land, and (3) an area to the north and east of Sana which progressively is more arid and eventually merges with the empty quarter of Saudi Arabia. Rainfall varies from area to area and year to year, but averages about 19 inches. The entire central landscape is marked by deeply-eroded riverbeds called wadis, which, during the rainy season, carry large quantities of water until they disappear into the sand of the Tihama. The mountainous terrain of the central area has made communication, transportation, and agricultural production difficult, but the Yemeni have coped with the latter problem by the centuries-old device of terracing arable land.

C. History

Prior to 1962 when the last Imam (or traditional ruler) was overthrown, Yemen was characterized by many scholars as one of the most isolated and feudal countries in the world. Communication and control between Yemen and the outside world were almost nonexistent, with radios, telephones, and telegraphic communication limited only to the Imam and his closest advisors. Few foreigners were permitted to visit the country, and education, except for the Koranic schools, was practically nonexistent. It was a male-dominated society in accordance with orthodox Moslem law. Local rule was tribal and there was considerable tribal conflict. A distinguished foreign visitor summed up his visit in the fifties by saying, "The Yemen is the country struggling hardest to enter the eleventh century."

From 1962 to 1968 there was a civil war between the "Royalists," or supporters of the late Imam, and the "Republicans" who had overthrown him. The Republicans were supported by approximately 40,000 Egyptian troops. This war took place primarily in the northern part of what is now the Yemen Arab Republic.

The People's Democratic Republic of Yemen, or South Yemen, including the port of Aden, declared itself independent of British protection in 1970 after seven years of fighting and factional struggles among various radical elements in southern Yemen. South Yemen is ruled by a radical left-wing regime and has close ties with the Communist world. It does not have diplomatic relations with the U.S. Saudi Arabia, however, recognized South Yemen in early 1976. Although there are racial, religious and tribal differences--as well as differences in political ideology--between the Yemens, many Yemeni consider the two Yemens essentially one country sharing a common heritage vis-a-vis other nations in the Arab world.

During the 1962-68 civil war, Yemen began to open up to the outside world. The United States, the West Germans, Russia, China and the UNDP had active aid programs, thus bringing a number of foreigners into the country. Yemeni participants were educated abroad in the countries of the aid donors, and in other Arab countries; some girls began to go to school; and the opening of paved roads and a modern port at Hodediah facilitated communication within the country and with the outside. In addition, although some Yemeni had left to work outside the country, the number of Yemeni emigres increased substantially.

Severe drought in the late sixties and early seventies further taxed a country already strained by the prolonged civil war and Egyptian occupation. After diplomatic ties with the U.S. were broken, the only U.S. assistance was PL 480 Title II food assistance administered through Italian Embassy representatives in Yemen.

D. Cultural, Racial, and Religious Differences

The Yemeni can be divided primarily into two religious groups, the Zeidis and Sunnis (Shaffis), who represent two sects of the Islamic religion. The Zeidis tend to live in the northern part of Yemen, and the Sunnis in the south. Generally speaking, the Zeidis live in the countryside (although many can be seen now on the streets of Sana); they have closer tribal loyalties and are considered more fierce and warlike. Sunnis, on the other hand, more frequently live in the towns and cities, and engage in commerce and service occupations.

Also, generally speaking, Sunnis are considered to be more ambitious, industrious, eager to accept social change, and learn Western ways, while Zeidis are viewed as more traditional and xenophobic. Zeidis are less likely to be literate and comparatively few speak English. As a consequence, much of the commerce and governmental business with the outside world is carried on by the Sunnis. Furthermore, although there were many exceptions, Zeidis tended to side with the Republicans in the revolution against the Imam, although many of them fought for hire for the Royalists.

Being politically and religiously more conservative and living in the north, the Zeidis tend to have closer ties with Saudi Arabia and tend to play a prominent role in the military government of Sana. The bureaucrats and technocrats, on the other hand, who deal with Westerners, are more frequently Sunnis.

One other factor which is not widely mentioned in the literature but which cannot be ignored is the presence of Turkish blood among much of the upper strata of Yemen. Because the period of Turkish colonialism was so hated by the Yemeni, the presence of Turkish blood in the Yemeni tends to be ignored. However, the Turkish influence is evident in the racial characteristics, the language, the architecture, the religion, and the culture of modern-day Yemen.

Although there has been considerable discussion in the literature about the caste system of Yemen, it is generally agreed that both caste and religious loyalties are not so significant as they once were. There is apparently some prejudice toward Yemeni having dark skin coloring, particularly those with Negroid features and kinky hair, who are found most frequently in the Tihama. On the other hand, Yemeni, who for one reason or another fled to East Africa (particularly Somalia) during the past decade and who have returned to Yemen, hold positions of power and responsibility in business and government-- often because of their better education and familiarity with the outside world.

As with so many other aspects of Yemen, too little is known about the impact of religious, racial and cultural differences on social change in the country. Furthermore, because of the rapid changes which have been occurring within the past few years, data which may have been valid when they were obtained may well be out of date. A single example cited by an Arabic-speaking social scientist who visited Yemen in 1976 was that a friend of his changed from being a Zeidi to a Summi when he decided to give up farming and become a businessman.

The foregoing generalizations naturally must be considered gross and oversimplified in the extreme; they are mentioned only to point out the complexity of the situation facing a technician who wishes to implement social change in this society.

E. Current Economic and Social Situation

Presently, Yemen has a plethora of aid donors, falling into four basic categories: Communist, U.S. and Western European, Arab, and various international organizations. With the exception of the construction of capital projects, such as roads, airports, hospitals, schools, water systems, and the presence of foreign-made items such as automobiles, transistor radios, and various imported consumer items, economic development in Yemen is still minimal compared to most countries in the world. Similarly, the administrative infrastructure is minimal.

Despite the hundreds of millions of dollars of assistance in recent years, schools stand empty for lack of teachers; medical care by Western standards is practically unavailable; imported equipment can be maintained only with the utmost difficulties; water from the million-dollar water systems is frequently not potable. Best available figures suggest that only approximately 8 percent* of the population is literate; that the per capita income is less than \$200; that the infant mortality rate is between 40 and 50 percent. All observers comment on the paucity of skilled manpower within the country.

The central government exercises little administrative control beyond the major urban areas; political parties are unknown; political and military power is wielded primarily on the basis of family and tribal ties; there is no legal system in the Western sense of the world.

From a trade point of view, Yemen's exports have remained negligible for the past five years, while imports have steadily grown. In FY 1975 the major exports--cotton, coffee, skins and hides, and quat--brought

*All of these estimates are rough because of the scarcity of reliable data (e.g., the first census of Yemen was completed by a Swiss team only in 1975).

in less than \$13 million while imports exceeded U.S. \$258 million, resulting in a \$245 million trade deficit that year. In FY 1976, Yemen sustained a \$362 million trade deficit.

However, due to worker remittances from abroad, and external foreign aid, the country's balance of payments situation was, and continues to be favorable. Worker remittances for CY 1976 are estimated at approximately U.S. \$1.5 million a day or more than \$530 million annually, not including goods not accounted for in the trade figures. Even for FY 1975, remittances totaled U.S. \$225 million. This, combined with \$93 million of external foreign assistance during that year, overcame the \$245 million trade deficit for FY 1975 discussed above.

Consequently, Yemen's official international reserves at the end of FY 1975 were U.S. \$250 million and are expected to continue to grow. Furthermore, some observers have speculated that because of widespread hoarding of remittances, possibly in gold, there may be a much larger component of "unofficial foreign exchange reserves."

Because of a minute tax base, the budget of the central government operates at a chronic deficit (U.S. \$19 million in FY 1975)--a deficit which is ordinarily made up by a cash budget support grant from Saudi Arabia.

Inflation for the past few years has ranged between 25 and 35 percent annually; 30-35 percent is the best estimate for CY 1976.

According to World Bank data, YAR's external public debt was estimated on June 30, 1975, at U.S. \$409 million, of which U.S. \$157 million was undisbursed. Debt service for 1974-75 was estimated at U.S. \$4.6 million, equivalent to 35 percent of total merchandise exports, but to only 2 percent of the total export of goods and services (including workers' remittances). However, because of the large World Bank projects in Yemen, the country's debt service obligations are likely to rise to approximately U.S. \$24 million this year and to continue at a relatively high level for the next decade.

Due to institutional and manpower constraints, the best available figures indicate that developmental expenditures were approximately 58 percent of amounts projected to be spent during FY 1973-74 and FY 1974-75, resulting in \$100 million plus pipeline for this period alone. Figures for the total pipeline are not available but could reasonably be estimated as in excess of U.S. \$300 million.

F. YAR Planning

A Central Planning Organization (CPO) was established in 1970 within the office of the Prime Minister. Now staffed by approximately 30

college graduates and a number of other employees with the equivalent of a high school education, the CPO is developing a five-year plan for the period from CY 1977 to CY 1981. This promises to be a more sophisticated sequel to the "Three Year Programme" (first circulated within the government in 1973), which attempted to project development and investment plans for 1973-1976.

The director of the CPO and his deputy at the time of the OAS visit both have PhDs in economics, speak excellent English, and are in almost daily contact with USAID and Embassy personnel. The CPO has begun to gather statistical and economic data and has published a socioeconomic report for the years 1970-1971, as well as a 1975 manpower survey.

G. Donor Coordination

We found coordination among the donors to be better than might be anticipated for a country with a weak central government structure and a large amount of external assistance. The CPO attempts to coordinate all assistance as well as all training overseas. At the ministry level, however, there may be problems. For example, the Ministry of Agriculture was apparently reluctant to bring all donors together to discuss agricultural research and extension. Coordination often is interdonor and informal; British and U.S. geologists meet to discuss common problems and findings; German agricultural farm workers socialize and share findings with their American and British counterparts. There appears to be less coordination among the Arab donors, and much less among the Arabs, The Communists and the Westerners, than there is among the Western donors. Notwithstanding this fact, we found relatively little duplication of assistance efforts by the various donors. However, better coordination of donor assistance in implementation of the CPO's development plans would obviously be desirable.