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Developments

This paper provides background information to the staff report on the 1981 Article IV consultation discussions with the People's Democratic Republic of Yemen, which was circulated as SM/81/214 on November 9, 1981, and is tentatively scheduled for discussion on Wednesday, December 16, 1981.

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INTERNATIONAL MONETARY FUND

PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN

Recent Economic Developments

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P.D.R. of Yemen - Basic Data

Area 112,000 square miles  
Population (mid-1978) 1.8 million

	<u>Actuals</u>				<u>Budget</u>
	1977	1978	1979	1980	1981
<u>(In millions of Yemeni dinars)</u>					
Public finance					
Total receipts	60.3	69.2	69.8	111.0	115.2
Tax revenue	28.4	33.6	43.1	67.9	65.6
Nontax revenue	11.6	20.3	17.2	34.2	20.1
Foreign grants	20.3	15.3	9.5	8.9	29.5
Total expenditures	103.1	119.7	127.1	165.7	219.0
Current expenditures	47.6	61.7	76.7	96.7	112.5
Capital expenditures	55.5	58.0	50.4	69.0	106.5
Overall deficit (-)	-42.8	-50.5	-57.3	-54.7	103.8
Financing					
Net foreign borrowing	24.2	32.4	21.9	29.8	64.9
Banking system	10.4	14.6	23.1	17.2	38.9
Discrepancy	8.2	3.5	12.3	7.7	--
					<u>June</u>
					1981
Money and credit					
Changes in:					
Domestic liquidity	42.7	27.5	49.5	68.7	2.2
Money	33.7	28.4	41.3	49.7	2.4
Quasi-money	9.0	-0.9	8.2	19.0	-0.2
Net foreign assets	12.5	31.0	20.9	12.8	-18.5
Net domestic assets	30.2	-3.5	28.6	55.9	20.7
Claims on Government (net)	10.4	14.6	23.1	17.2	18.8
Claims on nongovernment sector	18.0	9.4	2.7	36.7	13.2
Other items (net)	1.8	-27.5	2.8	2.0	-11.3
<u>(In per cent)</u>					
Domestic liquidity	44	20	29	32	1

P.D.R. of Yemen - Basic Data (Concluded)

	<u>Actuals</u>			<u>Prelim.</u>
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
<u>(In millions of SDRs)</u>				
Balance of payments				
Goods, services, and private transfers (net)	-112.3	-67.1	-41.8	-168.7
Exports	40.2	31.4	30.0	45.8
Imports	-327.5	-325.9	-333.2	-514.8
Services, net	14.6	21.6	18.7	32.5
Private transfers	160.4	205.8	242.7	267.8
Official loans and grants	107.6	105.4	67.5	129.4
Grants	47.6	30.5	18.4	63.6
Loans, drawings	58.0	66.1	44.6	65.6
Loans, repayments	-1.2	-0.9	-3.6	-7.1
Trust Fund loans	3.2	9.7	8.1	7.3
Private capital and errors and omissions (net)	37.6	28.7	23.8	62.3
Overall balance (deficit-)	32.9	67.0	49.5	54.1
International reserves (end-year)				
Gross reserves of Bank of Yemen	85.7	148.2	166.6	196.5
Net foreign assets of banking system	37.1	114.2	172.3	221.4
Disbursed external debt outstanding (end of period)	...	...	...	478.0





## I. Production, Employment, Prices, and Development Planning

### 1. Introduction

Prior to its independence, the P.D.R. of Yemen had an economic structure consisting of a prosperous service sector centered around the Port of Aden and largely subsistence sectors in agriculture in the hinterland and fishing along the coast. The closure of the Suez Canal in 1967 and the withdrawal of budgetary support from the United Kingdom precipitated a sharp economic downturn.

In the early 1970s the authorities launched efforts to transform the structure of the economy along socialist lines. The chief aims of the Government's development policy were raising the standard of living of the population and the diversification of the economy. A Three-Year Plan (1971/72-1973/74) followed by the First Five-Year Plan (1974-78) witnessed an intensive drive toward the expansion of the infrastructure and the development of fisheries and agriculture, as well as a small manufacturing sector. The substantial rise in public investment was made possible by an inflow of foreign aid and mobilization of domestic resources.

Despite the considerable development of the commodity-producing sectors in the 1970s, the output of these sectors still accounts for less than one half of GDP. At present, agriculture and fisheries account for about 13 per cent of GDP and industry for about 14 per cent. The construction sector accounts for another 14 per cent, while the sectors of trade, transport and communication, hotels and restaurants, and finance for about 35 per cent and government services for about 22 per cent of GDP. Agriculture is heavily dependent on rainfall and therefore subject to sizable fluctuations in output. The modern fisheries sector was built up largely in the 1970s and has become an important foreign exchange earner. The industrial sector is dominated by a petroleum refinery but also includes light consumer industries. The Port of Aden, previously the mainstay of the economy, is increasingly geared toward dry cargo operations related to the imports and exports of the country. Finally, the government services sector has expanded as a result of the development effort and by increased employment in education, health, and other services.

A complete system of national accounts statistics is not available but estimates of the gross domestic product (Appendix Table 16) are available. However, the lack of reliable price deflators, along with a number of other statistical deficiencies, limits the usefulness of GDP estimates. Reports of actual production, however, suggest average annual real growth rates of GDP of over 8 per cent for the period 1976-79. In 1980, however, a decline in production in both agriculture and industry was largely responsible for a drop in the estimated real growth rate to about 1 per cent.

## 2. Agriculture and animal husbandry

The P.D.R. of Yemen's agricultural resource base is fairly restricted, limited by poor soil quality and a strong dependence on rainfall for water availability. Although the sector contributes only about 10 per cent of total GDP, it accounts for more than 40 per cent of the labor force and about one fifth of total exports. Total arable land is estimated at about 500,000 acres; cultivated acreage is, however, about one quarter of this area. The dependence of agriculture on seasonal rains (March-May and July-September) accounts for sizable fluctuations in the cultivated area. The main crops produced are cotton, sesame, wheat, cereals, fruits and vegetables, and qat.

Following the 1968 and 1970 agrarian reform laws and the general restructuring of agriculture, the sector now comprises 35 state farms with a total area of 30,000 acres, 44 production cooperatives covering about 345,000 acres, and a very small number of private farms in remote areas. State farms function on a straightforward state ownership basis with workers receiving fixed wages (more recently, incentive payments have also been introduced). Cooperative farms are presently either "production sharing" cooperatives with collective production and distribution of income, or "service sharing" types with individuals working their own separate holdings and paying fees for collective inputs and services, e.g., use of water, pesticides, equipment, etc. All agricultural supplies, marketing, and processing concerns are state owned. In 1980 the "Public Corporation for Agricultural Services" was established for centralizing the provision of agricultural inputs which was earlier handled by several government agencies.

Since the early 1970s, the authorities have undertaken efforts to expand the irrigation infrastructure, resulting in the withdrawal of some acreage from cultivation pending its reclamation. Recurring flash floods and technical problems have recently delayed the progress and productivity of such investments. Although a considerable proportion of investment resources has been devoted to expanding the agricultural infrastructure (drilling of wells, diversion canals, and "wadi" development programs), an important constraint faced by agriculture in the P.D.R. of Yemen remains its weak infrastructure.

Recently, the agricultural sector has been experiencing shortages of labor especially in the eastern provinces, due to the increase in labor emigration in the second half of the 1970s. To counter these labor shortages, agriculture is moving toward the use of more capital-intensive techniques. Presently, all preplanting operations along with the harvesting and threshing of wheat have been completely mechanized in the Shabwa and Hadramout provinces. Further mechanization of agricultural operations is under way for other crops and areas.

Overall agricultural production has not increased significantly in the past few years (Table 1 and Appendix Table 17), reflecting mainly adverse weather conditions but also inadequate infrastructure and technical and

administrative difficulties. Except for cotton and vegetables, the production of all major crops declined or stagnated in 1978. In 1979 a number of crops reported output increases; cotton, however, exhibited a decline in output that continued through 1980 due mainly to insufficient rainfall. The decline in cotton production is also attributed to the impact of irrigation and soil improvement schemes that kept some of the agricultural land out of production. These schemes are expected to bring under cultivation a substantial amount of land (especially in the Abyan delta) by 1982. Prospects for 1981 are expected to be good, with cotton recovering to its 1979 levels and other crops posting further gains.

Table 1. P.D.R. of Yemen: Output of Main Crops, 1976-80

(In thousands of tons)

	1976	1977	1978	1979	1980 <u>1/</u>
Cotton	9.3	4.9	10.4	6.6	4.6
Sesame	1.9	2.9	1.9	1.7	1.5
Wheat	10.0	8.6	6.8	7.4	7.8
Cereals	18.1	22.8	18.1	18.8	19.9
Fodder	99.0	51.6	73.1	111.6	134.7
Vegetables	31.4	30.3	33.1	41.5	34.9
Melons	7.9	8.9	9.0	9.0	8.6
Fruits	15.3	12.9	13.2	13.8	14.9
Dates	13.2	13.6	15.0	15.0	...
Qat <u>2/</u>	1.3	1.3	0.8	1.0	1.0

Source: Appendix Table 17.

1/ Preliminary.

2/ Based on tax proceeds on qat production.

In recent years the authorities have taken some measures to provide greater incentives for agricultural production which had been adversely affected by the slow adjustment of producer prices to reflect rising costs. In 1979 controls on prices of vegetables and fruits were ended. Moreover, since 1978 cooperative farms have been allowed to sell 40 per cent of their produce in the free market. In addition, producer prices of several crops including grains were increased with further increases contemplated for 1982 (Appendix Table 18). The Government has also introduced a wider application of a system of incentive payments in state farms, along with the development of work productivity norms. Further efforts are being devoted to improving the collection, transport, distribution, and marketing of crops throughout the agricultural sector.

Animal husbandry has been fairly widespread among the nomadic population of the country, while a sizable modern subsector of state farms for dairy and poultry products has been established in recent years. The movements in animal production are attributable largely to droughts. The development effort at present consists primarily of improvements in the management of existing livestock resources with the help of an advisory team set up in 1978 with assistance from the United Nations Development Program. Although poultry farming was adversely affected by disease in 1979, output has recovered considerably in 1980 and is expected to reach 1,000 tons by 1985. Other projects on hand include an increase in egg production from the 1980 level of 10 million to 50 million by 1985.

### 3. Fisheries

The P.D.R. of Yemen's coastline is among the most productive fishing areas in the world. Species include pelagic (surface-related) species like sardines and tuna, as well as others like cuttlefish, lobsters, shrimp, squid, and green turtles. It is estimated that at present less than one third of the sustainable yield of fishery resources is utilized leaving room for sizable expansion in the sector.

As in the agricultural sector, fisheries are organized along cooperative and state-managed lines. The sector is composed of small-scale fishermen organized into cooperatives, a large-scale modern fishing fleet managed by the public sector, a joint P.D.R. of Yemen/Soviet fishing venture, and fishing activities undertaken by Japanese companies on a royalty basis. The public sector, the joint venture, and the Japanese concession all operate on exportable species. The supply of species consumed domestically is left to the cooperatives sector. The internal marketing, export, and cold storage are handled by a newly created (September 1979) National Marketing Corporation within the Ministry of Fish Wealth. At present, 37 vessels are working the coast of the P.D.R. of Yemen, with 17 vessels belonging to the public sector fleet. The Government is projecting additions of five more 1,000-ton vessels at the rate of one a year under the Second Five-Year Plan, 1981-85.

While the fish catch has generally increased in recent years, technical problems with the fishing fleet, lack of incentives to improve productivity, and limited shore facilities have hampered the realization of the potential of the industry. To improve production conditions in the sector, steps were taken in 1978 to expand repair facilities in Aden and to provide technical assistance. Among financial incentives, the monthly sea allowance for state fishermen was increased from YD 15 to YD 30 and extra payments were introduced for every ton of catch above certain preset targets. As for the fisheries cooperatives, the Government permitted in late 1978 different prices to be charged for the various fish species, and beginning in January 1980 the cooperatives were allowed to sell 40 per cent of their output at up to 50 per cent above the State's selling prices. Price increases for domestic varieties were being considered for the 1982 season to match steadily increasing input costs.

Although showing a general increasing trend, fish output declined sizably in 1978 following exceptionally low temperatures during the breeding season. Marked improvements over the 1978 catch were achieved in both 1979 and 1980. Prospects for 1981 and the near future are not, however, considered good. Fish output is expected to show a sharp drop in 1981, with a marked shift toward species usually directed for domestic consumption, and a drop in export species (cuttlefish, shrimp, and lobsters). Both developments are attributed tentatively to biological and climatic changes which are being investigated by both Yemeni and Japanese researchers. In regard to processing operations, the fishmeal plants have consistently operated at well below capacity. Moreover, the low 1981 catch and soaring input costs (labor, fuel, and equipment) have prompted the Government to stop fishmeal production altogether in the 1981-82 season (October-May).

#### 4. Industry

##### a. Petroleum refining

The Aden refinery is the P.D.R. of Yemen's single most important industrial establishment and employer. Built in 1954 by British Petroleum, it was transferred to the P.D.R. of Yemen by mutual consent in May 1977. The refinery has an installed capacity of 8.5 million tons, using the hydroskimming process which produces a large proportion (50 per cent) of lower distillates (fuel oil), and is thus geared essentially toward bunkering fuel. With the closure of the Suez Canal in 1967 and the introduction of long-haul ships, total refinery production dropped steadily as demand for bunkering declined. The refinery now specializes almost wholly in refining for customers on a fee basis.

The refinery's prospects are constrained by a number of technical problems and the inadequacy of its ancillary facilities. Chief among its problems are a restricted product mix, a low berthing capacity for its harbor facilities (ships of 55,000 long tons or less), deteriorating storage capacity, and power supply constraints. Furthermore, the refinery is faced with increasing competition from other, new refineries established or due to be established soon in the area (Kuwait, Abu Dhabi, and Saudi Arabia). These enjoy considerable cost advantages owing to their more modern technology.

Almost all of the petroleum refining during 1977, 1978, and 1979 was of crude supplied by the Governments of Iraq, Kuwait, the Socialist People's Libyan Arab Jamahiriya, and the U.S.S.R. In 1980 throughput reached 3.4 million tons, thus remaining at the 1979 level and up from the 1978 level of 1.8 million tons. The foreign sources of crude petroleum included Abu Dhabi, Kuwait, the U.S.S.R., France, India, and the Socialist People's Libyan Arab Jamahiriya. The refinery also processed 500,000 tons of crude for the P.D.R. of Yemen's National Oil Company. In 1981 throughput is expected to reach 3.1-3.2 million tons with contracts from Iran, Kuwait, the U.S.S.R., and France.

b. Other manufacturing

In addition to the oil refinery, the P.D.R. of Yemen has a small but growing manufacturing sector producing mostly light consumer goods. The sector is in large part publicly owned, but there are also a number of very small private enterprises. Government policy has recently been encouraging "mixed" (private/public) enterprises, leading to a growing number of concerns where Yemeni nationals, especially migrant workers abroad, may participate. The sector caters essentially to the domestic market. Besides traditional activities such as salt mining, construction, and ship repair, this sector includes textiles, tomato canning, vegetable oil factories, along with manufacturing units for plastic goods, footwear, aluminum products, paints, and liquid batteries.

Data on the production of individual industries show a marked slow-down in 1979 (Table 2). Most industries, however, recorded a recovery in 1980 with the notable exception of some that have a dominant share in employment, e.g., textiles, footwear, ship repair, and tomato canning, all of which exhibited sizable declines in production. The causes for such declines can be identified as shortages in electric power supply and labor availability (for all industries), delays in the provision of some imported inputs, lower agricultural production (tomato canning), and inadequate wage incentives (textiles). The authorities have attempted to deal with these problems and prospects for 1981 are considered good; real growth for the industrial sector is expected at about 10-12 per cent over 1980 levels.

As for the price and incentive structures, the Government began in January 1980 a review of the industrial price structure under a newly created Price Control Bureau with authority for fixing prices. Prices of some commodities were raised in view of recent increases in wages, fuel, and other input prices, and a continuing review of product prices is maintained. Steps are also being taken to increase industrial productivity through incentive payments to workers on the basis of production performance.

Industrial expansion plans figure prominently in the current Five-Year Plan (1981-85). These include the expansion of existing factories (tomato canning and knitwear manufacturing) and the establishment of new enterprises, for example, a 250,000 ton per year cement factory and a spinning mill with a capacity of over 2,000 tons per year.

Table 2. P.D.R. of Yemen: Production of Main Industries, 1976-80

	Unit	1976	1977	1978	1979	1980 <u>1/</u>
Cotton lint	Tons	2,943	1,809	3,535	2,240	2,240
Vegetable oils	"	3,956	2,593	...	...	...
Oilcakes	"	6,134	6,101	...	...	...
Fish meal	"	--	1,568	1,364	626	1,368
Aluminum utensils	"	373	399	507	402	287
Tomato canning	"	--	1,119	1,203	1,361	1,228
Fish canning	"	--	303	592	57	216
Flour milling	"	34,862	37,595	38,440	31,138	31,763
Wheat bran	"	--	5,194	8,849	9,514	11,063
Fish oil	"	--	412	606	317	424
Paper bags	"	261	455	426	436	521
Plastic utensils	"	69	109	149	188	266
Nails	"	224	153	327	240	297
Foam rubber	"	295	431	501	680	619
Tiles	Thousands	1,116	942	869	870	1,456
Shirts	"	382	574	472	429	322
Leather	"	149	35	28	43	78
Salt mining	Thousand tons	37	101	65	25	15
Leather shoes	Thousand pairs	47	76	134	143	94
Plastic shoes	" "	800	978	1,378	763	122
Rubber sandals	" "	--	228	378	927	633
Matches	Thousand gross	358	323	332	193	400
Dairy products	Thousand liters	4,538	5,945	4,369	3,600	5,153
Paints	" "	508	680	1,194	1,302	1,516
Perfumes	" "	10	27	26	11	8
Textiles	Thousand meters	2,644	5,192	3,291	2,500	1,890
Cement blocks	Thousand pieces	175	259	327	330	502
Cigarettes	Millions	678	768	982	1,089	1,248
Electricity	Million kwh	153	163	198	197	223
Water	Million liters	16,170	17,030	19,412	18,469	19,547
Aerated water	Million bottles	24	28	34	38	16
Ships repaired	Number	415	369	422	330	309
Liquid batteries	"	--	11,957	20,448	18,000	12,778

Source: Central Statistical Organization.

1/ Preliminary.

## 5. The Port of Aden

Until the closure of the Suez Canal in 1967, the port was among the largest bunkering ports in the world. The closure of the Suez Canal resulted in a sharp decline in the number of ships calling at the port and in bunkering activities. Transit traffic recovered partially following the reopening of the Canal in 1975 (Table 3). The number of ships using the port further increased in 1977 due to congestion in the ports of neighboring countries (namely, Hodeidah and Jeddah). The expansion of these latter ports in 1978 and 1979, however, reduced the traffic through Aden Port. Thus, Aden's handling of cargo bound for the Yemen Arab Republic alone fell from a peak of 130,000 tons in 1977 to less than 40,000 tons in 1978 and to some 4,000 tons in 1979. Due to increased overall traffic in 1980, however, the total number of ships calling recovered from 2,149 in 1979 to 2,436, with net registered tonnage up 23.6 per cent. Technological advances in the world freight fleet and the introduction of long-haul ships have reduced the proportion of Suez Canal traffic calling at the port. Furthermore, the port is facing increasing competition in its bunkering services due to the high price of its fuel. Dry cargo operations, however, have expanded rapidly, and the handling of the P.D.R. of Yemen's own import and export traffic, along with repair and servicing operations, is becoming the mainstay of the port's activities. Existing loading and unloading capacity is insufficient at the peak of the import season, resulting in delays of up to one month. Moreover, the port has been faced with occasional shortages of casual labor and dock workers.

Table 3. P.D.R. of Yemen: Activity in Aden Port, 1976-80

(In thousands of long tons)

	1976	1977	1978	1979	1980
<b>Ships</b>					
Number of ships calling	2,336	2,605	2,215	2,149	2,436
Net registered tonnage	9,945	10,738	9,605	10,186	12,597
Average tonnage per ship	4.26	4.12	4.34	4.74	5.17
Dry cargo imported	387	618	578	481	667
Dry cargo exported	80	79	88	52	74
Oil imports	1,779	1,811	1,892	3,651	3,763
Oil exports	1,311	1,294	1,526	2,819	3,269
Fuel and gas oil bunkers	563	591	413	397	573
<b>Dhows <sup>1/</sup></b>					
Number of dhows calling	234	196	167	139	136
Net registered tonnage	25	20	21	18	17
Dry cargo imported	3	1	1	2	1
Dry cargo exported	12	12	11	6	8

Source: Central Statistical Organization.

<sup>1/</sup> Powered barges of small tonnage used mainly for coastal trade.



The port authorities have undertaken and are further planning major expansion operations in the port. The servicing capability was improved considerably in 1978 and 1979 through expansion of the water barge fleet and deep-freeze plants, increase in repair facilities, and acquisition of a floating dock with a capacity of 4,500 tons. The development plan includes projects for the expansion of berthing capacity and port facilities.

On the financial side, the port has experienced consistent surpluses since 1976, except for 1978 when capital and maintenance expenditures increased. Some port dues were increased in 1980 with all fees, charges, and dues for port services undergoing extensive revisions. These revisions are expected to lead to increases in revenues beginning in 1982.

The authorities also expect to complete by 1983 an expansion in the Port of Mukalla that includes the building of two berths with a capacity of 200,000-250,000 tons. The project is being financed with assistance from the Socialist People's Libyan Arab Jamahiriya, the Kuwait Fund for Arab Economic Development, and the Arab Fund for Economic and Social Development as part of a multipurpose development plan for the Mukalla area. The port would serve as a fishing harbor as well as for the handling of some of the country's import and export cargo.

#### 6. Construction

In the early years of independence, the construction sector was underdeveloped due to the lack of public investment and the drying up of private investment (mainly housing) expenditures. Although the modest investment expenditures of the First Three-Year Plan provided the initial impetus for the growth of the construction sector, it was in the second half of the 1970s, with the sizable increase in both private and public investment expenditures, that the construction sector experienced a boom. It is estimated that the sector grew at an annual rate of 14 per cent in real terms during the period 1975-80. Along with public sector expenditures, private sector investment in housing grew dramatically, fueled in large part by increased workers' remittances from abroad. Private investment in housing is estimated to have grown from YD 3 million to YD 15.5 million over the same period. Thus, employment in construction grew from 22,000 to 30,400 during this period. The interim years of 1979 and 1980 between the two Five-Year Plans were used for consolidating existing investments and witnessed a greatly reduced level of public investment. Despite the strong growth of private sector demand for housing, the rate of growth of the construction sector decreased somewhat. At present, the sector accounts for about 14 per cent of GDP at factor cost, up from about 5 per cent in 1973.

Private sector enterprises still account for an appreciable proportion of the construction sector. The large-scale investment programs undertaken by the P.D.R. of Yemen have also led to the use of foreign contractors in the construction industry. Thus, in 1980 private contractors were responsible for about 44 per cent of gross output (up from 31 per cent in 1975), public sector contractors for 40 per cent (38 per cent in 1975),

and foreign contractors for 16 per cent (down from 30 per cent in 1975). Private contractors are composed of a traditional subsector in housing construction for the private sector and about 15-20 medium-size private concerns which represent the modern private construction subsector. Besides private sector housing construction, these contractors accounted for about 25 per cent of public investment in building construction in 1980. The public sector contractors' activity is concentrated mainly in the social sectors such as education, health, and public housing, along with infrastructure. Foreign contractors work exclusively on government civil works projects across a broad range of sectors. Increasingly, foreign contractors bring in their own labor force along with their own machinery.

At present, the construction sector suffers from a shortage of skilled labor. Furthermore, the public construction sector appears to have growing difficulties of attracting and retaining qualified management and skilled labor in the face of competition from private sector contractors. Wages in the private sector are higher and more flexible than in the public sector, thus imposing an additional burden on public sector firms. As a consequence, public sector construction wages and benefits have been raised repeatedly and, to counter low productivity problems, various "piece work" incentive schemes have been introduced. Furthermore, the Government has recently resorted to the import of migrant workers for employment in the public corporations. The Ministry of Construction has in addition established a training center in 1977. The center trains workers in skills of various specializations (masonry, carpentry, welding, etc.). To date, all its trainees have been absorbed without difficulty into the public and private sectors.

Apart from rising labor costs, the construction industry is facing sharp increases in the cost of building materials. Although some are produced domestically (concrete blocks, precut panels, floor tiles, and mud bricks), the construction sector boom has led to a significant increase in imports of building materials.

The Second Five-Year Plan (1981-85) with its sizable investment program is expected to maintain the pressures on the construction sector for the foreseeable future. Civil works expenditures account for YD 310 million or 61 per cent of total development expenditures. To help alleviate the construction bottleneck, the Plan proposes that 43 per cent of the civil works contracts be awarded to foreign contractors, another 50 per cent would be carried out by public sector enterprises, while only 7 per cent would go to the private sector. Private sector demand for housing is also expected to exert pressure on the construction sector.

## 7. Employment, wages, and prices

### a. Employment and wages

The P.D.R. of Yemen has a relatively small population estimated at 1.9 million in 1980. The majority--about two thirds--lives in rural areas. The potential labor force is estimated to be about 800,000. The actual

labor force, however, does not exceed 410,000, largely because of low female participation rates. The Government has been actively involved through wage/labor legislation in attracting women to the labor force. Open unemployment, severe in 1967 and immediately afterward, has virtually disappeared as a result of the government employment policy. A relatively large proportion of the labor force is in the public services sector (21 per cent) with about 40 per cent in agriculture and the remainder mainly in construction, trade, and transport, each accounting for about 7 per cent to 9 per cent of the total.

Labor migration to the neighboring oil producing countries has been a major development of the 1970s. Consequently, as mentioned earlier, the P.D.R. of Yemen is experiencing increasing shortages of skilled and semiskilled labor in all major sectors of the economy, notably in construction and industry. Accordingly, domestic labor movements seem to be toward the construction sector where wages have risen substantially. To remedy the labor shortages, the Government has endeavored to intensify efforts to improve labor skills by vocational and technical training, along with allocating substantial expenditures to the education sector.

Except for a 10 per cent increase in 1975, public sector wages had been effectively frozen since 1972. In September 1979 a reorganization of the wage structure along with major increases resulted in a net increase in wages of about 40 per cent. Wage increases for the Aden refinery were limited to a 6 per cent rise across-the-board. No further increases were implemented in 1980. The Government, in pursuing a policy to increase productivity, did however step up the use of incentive payments and productivity bonuses throughout the economy. Moreover, the Government is increasingly resorting to relative wage movements in order to direct labor shifts in the domestic economy toward those sectors experiencing the greatest shortages.

b. Prices

The P.D.R. of Yemen does not have comprehensive price data for the economy as a whole. The available series consist of a wholesale price index (Appendix Table 19) <sup>1/</sup> and a cost of living index for Aden (Table 4). The cost of living index is based on weights derived from a household consumption survey of a 1969 sample of government employees in Aden. Since most prices in the P.D.R. of Yemen are controlled, the indices record primarily the result of administrative decisions. Thus, as international price and wage increases were passed along to consumers, the cost of living index rose by 6.4 per cent in 1978, 9.7 per cent in 1979, and 10.9 per cent in 1980. This last increase reflected mainly increases in prices of foodstuffs and fuel.

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<sup>1/</sup> Figures for the wholesale price index for 1980 were undergoing substantial revisions and were not available.

Table 4. P.D.R. of Yemen: Cost of Living  
Index for Aden, 1976-80

(1969 = 100)

	Relative Weights	1976	1977	1978	1979	1980
General index	100.0	194	204	217	238	264
Foodstuffs	50.9	201	203	217	230	256
Fuel, water, and lighting	3.5	207	216	227	261	341
Rent	6.0	75	75	75	75	75
Clothing	9.0	349	389	407	409	433
Household supplies	3.6	184	208	210	254	268
Qat, tobacco, and alcoholic beverages	10.0	201	209	230	298	347
Other	17.0	125	147	156	181	194
Annual rate of change in per cent		3.6	5.1	6.4	9.7	10.9

Source: Central Statistical Organization.

The system of price controls has evolved over a number of years. By the end of 1975 most consumer goods became subject to direct price controls, which consist of fixing retail prices to include prescribed wholesale and retail trade margins. In the determination of prices, the authorities have been guided by the principle that if subsidies are deemed essential they should be given to the final user in order not to distort resource allocation in production. Accordingly, all inputs to agriculture are provided at cost (except for very distant locations where part of the local transport costs are borne by the Government), and no direct subsidies are accorded to the manufacturing sector where prices are determined by a 5 per cent to 20 per cent profit margin over costs. In determining consumer prices, the authorities have been guided by a desire to maintain long-term stability, especially in the case of certain food items deemed essential; however, action has been taken periodically to raise prices in response to persistent or irreversible increases in import or production costs. Thus, the prices of wheat, flour, rice, milk powder, sugar, ghee, cooking oil, and tea have been maintained unchanged since 1974 and are supported by the Price Stabilization Fund (PSF). The resources of the fund consist mostly of the proceeds of a 10 per cent import duty surcharge on imports other than foodstuffs, a 5 per cent tax on the profits of public sector enterprises, 80 per cent of commissions earned on public sector imports, and profits from the sale of goods whose import prices are lower than the fixed domestic prices.

In 1979 the cost of the subsidy operation was about YD 6 million; in 1980 it rose to YD 9 million. These subsidies were wholly financed by accumulated surpluses in the fund and profits from the sale of sugar whose international prices had dropped below the fixed domestic price. Increases in the price of cigarettes and beer were enacted in 1980 also essentially to counter this deficit. In 1981 the deficit from the subsidization operations of the PSF is expected to be higher but still within the limits of its accumulated surpluses.

## 8. Energy

The P.D.R. of Yemen has no known sources of conventional energy (oil, gas, coal, or hydro). Although exploration and seismic surveys indicate some potential for oil resources, no commercial discoveries have been made so far. At present, exploration is being undertaken by Italian, Canadian, and Soviet concerns on a production-sharing basis. The Five-Year Plan (1981-85) allocates a relatively important amount of resources for geological surveys and mineral exploration. Unconventional sources (geothermal, solar, wind, and biomass energy) are also being explored, albeit at the experimental and research stages.

Petroleum derivatives account for over 90 per cent of the P.D.R. of Yemen's energy consumption. More traditional fuels like animal waste, wood, and agricultural residue are being gradually abandoned for liquefied gas and kerosene. The extension and development of the road network and general transport infrastructure is considered a main element behind such shifts. Consumption of petroleum products increased at an average rate of 3 per cent per annum between 1974 and 1980 (Appendix Table 20). Electricity consumption grew at somewhat higher rates. Sizable increases in the domestic transport fleet and the rise in expenditures on housing and consumer appliances occasioned by the large inflow of remittances account for the growth in energy consumption. In 1980 sharp increases in the prices of petroleum products were put into effect (Table 5). These amounted to an average increase of about 120 per cent for motor gasoline and 50 per cent for gas oil, along with increases in most other products. These price adjustments brought the price of gasoline to well above international levels, while the prices of other products remain below import prices. Profits from the sale of gasoline are used to offset the cost of subsidizing other products.

Petroleum prices are under review and specific proposals for adjusting them upward are being considered. Electricity rates, which have not been changed since 1974 when they were set at 16 fils/kwh for household consumption and 27 fils/kwh for industrial and commercial consumption, are also under review with the aim of adjusting them to reflect recent increases in fuel costs. The electricity shortages experienced in 1980 are expected to be alleviated by the completion by June 1982 of a 32-Mwt power station. A further capacity increase of 32 Mwt is planned for 1984.

Table 5. P.D.R. of Yemen: C.i.f. and Retail Prices  
of Petroleum Products, 1979-80

(In Yemeni dinars per imperial gallon)

	1979		1980	
	C.i.f. <u>1/</u>	Retail	C.i.f. <u>1/</u>	Retail
Motor gasoline (super premium)		0.490		1.100
Motor gasoline (premium)	0.321 <u>2/</u>	0.475	0.432 <u>2/</u>	0.950
Motor gasoline (regular)		0.450		0.900
Gas oil	0.287	0.245	0.422	0.350
Kerosene	0.294	0.265	0.443	0.400
Liquid petroleum gas (per 12.5 kg cylinder)	...	1.225	...	1.750
Fuel oil	0.199	0.210	0.268	0.210

Source: Yemen National Oil Company.

1/ IBRD, Commodities and Export Projections Division.

2/ Gasoline 95 Ron.

In view of the urgent need for energy conservation, the authorities recently established an Energy Commission. Its membership comprises representatives from all major energy users in the country along with members of the University of Aden. Its purpose is to establish guidelines for the rationalization of energy consumption throughout the economy.

#### 9. Development planning 1/

Development policy in the P.D.R. of Yemen is pursued within the framework of comprehensive social and economic planning. The country's first comprehensive planning experience was under the Three-Year Development Plan (1971/72-1973/74). This was followed by the First Five-Year Plan (1974/75-1978) and the Second Five-Year Plan (1981-85)--at present in its first year of implementation. The objectives of development planning have remained broadly the same since the introduction of the Three-Year Plan in 1971. These include the raising of the standard of living of the population, the expansion of the infrastructure and restructuring of the economy, and the diversification of the production base with an overall emphasis on the commodity-producing public sector (agriculture, fisheries, and import-substituting industry). The emphasis on each of these goals

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1/ For a description of the planning machinery and the first two development plans, see SM/77/90 (4/26/77), pp. 23-31, and SM/71/132 (5/18/78), pp. 21-25.

was shifted with the evolution of the economy. The First Three-Year Plan, coming in the wake of a general slump in the economy with the attendant high rates of unemployment, was primarily concerned with job creation through labor-intensive public investment programs. The emphasis, as dictated by the underdevelopment of the economy, was on infrastructure projects and quick-yielding investments in the productive sectors. Actual Plan expenditures varied considerably from targets because of their dependence on foreign financing. Almost 90 per cent of development expenditures in the Three-Year Plan was financed from external sources. The global investment targets for 1971/72-1973/74 were YD 40 million in 1971/72 prices; these were subsequently reduced to YD 32.4 million in current prices and the actual expenditures were YD 25 million (77 per cent of targets).

The First Five-Year Plan (1974/75-1978) saw a major change in the economic environment of the country. During the Plan period shortages in manpower caused a shift in emphasis away from labor-intensive projects. Furthermore, larger inflows of foreign aid and a generally improved balance of payments position led to a considerable relaxation of the foreign exchange constraint. Accordingly, the original investment target set at YD 75 million was repeatedly revised upward and set finally at YD 276 million (Appendix Table 21). The implementation rate--although lower (71 per cent)--nevertheless constituted a remarkable achievement over the previous Development Plan. Sectoral allocation for the Plan remained largely in line with its targets. Slightly more than one third of total investments was absorbed by the agriculture and fisheries sector, followed by the communications and construction sectors (29 per cent), the social services sector (17 per cent), and the industrial sector (11 per cent).

The Plan was financed through the Development Fund (DF), self-financing by firms, foreign project loans, and domestic bank borrowing (Appendix Table 22). The major portion of receipts of the DF consists of foreign grants and nonproject loans; other receipts include contributions from salaries of government employees and transfers of 50 per cent of net profits of public sector enterprises. Thus, total foreign resources financed a little more than three quarters of investments implemented in the Plan period. Most of the foreign financing was in the form of grants and soft-term loans.

The Second Five-Year Plan, initially intended to begin in 1979, was rescheduled to cover the period 1981-85 as a result of the recommendations of the Council on Arab Economic Unity asking member countries to synchronize their five-year development plans. Thus, 1979 was used to consolidate existing investment projects and strengthen the newly installed capital base. Actual expenditures declined to YD 52 million from the previous year's peak of YD 60 million (Appendix Table 23), representing also a lower implementation rate (64 per cent compared with 70 per cent in 1978), reflecting increasing manpower shortages, infrastructural inadequacies, and growing bottlenecks in the construction sector. The major part of investment expenditures was directed toward agriculture

and fisheries (34 per cent), followed by communication and construction (30 per cent), social services (21 per cent), and industry (9 per cent). Foreign financing continued to play a dominant role (Appendix Table 24). Nevertheless, financing by the domestic banking system increased significantly in 1979.

Nineteen-eighty continued to be a year of consolidation although investments in new projects resumed on a small scale. The shares of investments in agriculture and fisheries and communications and construction were reduced to 23 per cent each, while the share of industry was raised to 25 per cent. In pursuing a policy of fulfilling the population's basic needs, the share of social services (schools, hospitals, etc.) was increased to 24 per cent. Total actual investment expenditures reached YD 74.5 million, equivalent to an unprecedented 81 per cent implementation rate, due mainly to a shift toward increased use of foreign and private contractors and imported skilled labor.

The 1981-85 Plan aims at achieving the same goals as those of previous plans. However, greater emphasis is placed on expanding investments in power, electricity, and water supply so as to solve the construction sector's bottlenecks and to further expand the existing infrastructure. Greater emphasis is also placed on geological and mineral surveys. Total investment in the five-year period is planned at YD 508.2 million, in 1980 prices, distributed almost equally throughout the last four years of the Plan (about 19 per cent per year) with a higher ratio budgeted for 1981 (22 per cent). In line with the Plan's emphasis on the productive sectors, 19 per cent of total investment spending is allocated to construction and transport, 28 per cent to mining, industry, agriculture and fisheries, and 18 per cent to power, fuel, and water supply (Table 6).

About 30 per cent of the financing of Plan expenditures is expected to be from domestic sources (19 per cent government transfers of earmarked revenues, 6.3 per cent bank borrowing, 4.7 per cent self-financing) and 70 per cent (YD 355.3 million) from foreign sources. The availability of foreign financing is not expected to be a constraint on Plan implementation, as YD 312 million has already been committed. Debt service payments are expected to increase moderately as 15 per cent to 20 per cent of the foreign financing is in grants, with the remainder in soft loans with long maturities.

The labor force is expected to increase by 100,000 by 1986. With a population growth rate estimated at between 2.6 per cent and 2.9 per cent, the dependency rate would be reduced from 3.3 per cent to 3.0 per cent per employed individual. Productivity is to be raised by one third through increased reliance on training programs and wage incentives throughout the economy. The educational system is being restructured to fulfill the Plan's requirements of skilled labor. After eight years of basic schooling, which incorporates rudiments of vocational training, students are allowed to choose directly between continuing in an academic course in high school or pursuing a vocational education in specialized schools. Accordingly, greater emphasis is being placed on building and staffing training and vocational schools with the help of a number of international organizations.



Table 6. P.D.R. of Yemen: Development Expenditures and Sources of Finance Under the Second Five-Year Plan, 1981-85

(In millions of Yemeni dinars)

	1981	1982	1983	1984	1985	Total
Expenditures by sector						
Industry	32.7	30.2	28.2	27.7	28.6	147.6
Fuel, water, and power	(19.8)	(19.2)	(16.4)	(17.7)	(18.4)	(91.6)
Manufactures	(5.0)	(6.0)	(6.9)	(4.9)	(5.1)	(28.0)
Agriculture and fisheries	23.8	18.8	16.0	15.1	13.4	87.4
Transport, communication, construction and trade, restaurants and hotels	30.6	22.4	21.2	20.8	22.5	117.6
Social services	<u>26.8</u>	<u>26.3</u>	<u>32.5</u>	<u>34.5</u>	<u>35.0</u>	<u>155.5</u>
Total	114.1	97.9	98.1	98.2	99.7	508.2
Sources of finance						
Government	29.4	20.3	15.9	15.8	15.3	96.9
Banking system	7.0	7.2	8.4	5.1	4.1	32.1
Self-financing	7.6	4.9	3.7	3.5	4.0	23.9
Foreign financing	69.9	65.2	70.0	73.7	76.1	355.3

Source: Ministry of Planning.

## II. Public Finance

### 1. Structure of the public sector

The public sector consists of the Central Government, three extra-budgetary funds (Price Stabilization Fund, Defense Fund, and Martyrs' Fund), six governorates (provinces), several municipalities, and a large number (over 70) of public corporations and mixed enterprises. All of these public entities keep separate accounts, and little information is available outside the Central Government. Until recently, the transactions of the Central Government have been effected through separate ordinary and development budgets. The ordinary budget is on a cash basis, with the fiscal year coinciding with the calendar year. It is prepared by the Ministry of Finance and covers regular recurrent expenditures, including interest and amortization of the public debt, and its receipts consist of a variety of tax and nontax revenues, including a statutory contribution of a portion of after-tax profits of public enterprises. The development budget is formulated by the Ministry of Planning and includes investment expenditures of implementing ministries and public sector enterprises.

The sources of financing of development outlays are four: the Development Fund (including certain foreign loans in cash and in kind, foreign grants, domestic transfers from salaries of public servants, and 50 per cent of after-tax profits of public entities); external project loans; self-financing by public enterprises; and borrowing from the banking system.

During 1981 the authorities took the first steps to consolidate this dual system into a unified budget under the Finance Ministry. The unification is being implemented in phases. In 1981, and for the next couple of years, the Planning Ministry retains major responsibility for the capital budget, but over time general responsibility for budget preparation will shift toward the Ministry of Finance. The latter has been strengthening its regional subtreasuries with the assistance of the Bank of Yemen in anticipation of increased responsibility for development spending. The first unified budget, for 1981, appears in Appendix Table 25.

The Martyrs' Fund serves the specialized purpose of providing survivors' benefits to the families of those who died in the independence struggle. Its outlays consist entirely of pensions and administrative overhead, while its revenue comes from taxation, contributions of public sector employees, and transfers from general receipts of the Central Government (Appendix Table 26). The proceeds of the PSF <sup>1/</sup> include a 5 per cent additional tax on corporate profits, a surcharge on imports (other than foodstuffs) equivalent to 10 per cent of the import duty rates, and 80 per cent of the commissions earned on public sector imports. The PSF's expenditures include the cost of subsidies on essential food items as well as the transport costs required to unify the prices of the subsidized items throughout the country. While no detailed information on the PSF's accounts is available, deficits in its basic operations have been recorded in recent years. These shortfalls have been financed by past accumulated PSF surpluses and by the sale of other commodities whose international prices have dropped relative to domestic prices (e.g., sugar). No information is available on the Defense Fund.

## 2. Central government operations

### a. Introduction and recent overall trends

A consolidation and summary of central government operations during 1976-80 and official budget estimates for 1981 appear in Table 7. Owing to a general improvement in data, these figures differ somewhat from those presented in earlier reports. First, new data provided this year allowed the identification and separation of the revenue and financing components of the DF for the period 1977-80 (Appendix Table 27). Because of the unavailability of the required information, all DF receipts had been classified previously above the line (i.e., as revenue items).

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<sup>1/</sup> A description of the PSF is given on p. 12.

Table 7. P.D.R. of Yemen: Summary of Central Government Operations, 1976-81

	Actuals					Budget
	1976	1977	1978	1979	1980 1/	1981
(In millions of Yemeni dinars)						
Total revenue and grants	47.62	60.33	69.25	69.77	111.04	115.17
Tax revenue 2/	19.68	28.37	33.61	43.13	67.94	65.61
Nontax revenue 3/	6.03	11.57	20.33	17.18	34.19	20.09
Foreign grants 4/	21.91	20.39	15.31	9.46	8.91	29.47
Total expenditure	76.62	103.16	119.76	127.06	165.66	218.98
Current expenditure 5/	39.15	47.63	61.72	76.70	96.69	112.50
Capital expenditure 6/	37.47	55.53	58.04	50.36	68.97	106.48
Overall deficit	-29.00	-42.83	-50.51	-57.29	-54.62	-103.81
Financing	29.00	42.83	50.51	57.29	54.62	103.81
External financing						
Foreign borrowing (net) 7/	20.00	24.20	32.40	21.90	29.80	64.90
Drawings 8/	(20.50)	(24.70)	(32.80)	(23.50)	(33.00)	(69.90)
Amortization	(-0.50)	(-0.50)	(-0.40)	(-1.60)	(-3.20)	(-5.00)
Domestic financing						
banking system 9/	25.40	10.40	14.60	23.10	17.20	38.91
Statistical discrepancy 10/	-16.40	8.23	3.51	12.29	7.62	--
(In per cent of GDP) 11/						
Total revenue and grants	42.4	43.1	45.8	39.6	56.5	50.9
Tax revenue	17.7	20.3	22.3	24.5	34.6	29.0
Nontax revenue	5.4	8.3	13.5	9.8	17.4	8.9
Foreign grants	19.5	14.6	10.1	5.4	4.5	13.0
Total expenditure	68.2	73.7	79.3	72.1	84.3	96.9
Current expenditure	34.9	34.0	40.9	43.5	49.2	49.8
Capital expenditure	33.4	39.7	38.4	28.6	35.1	47.1
Overall deficit	25.8	30.6	33.4	32.5	27.8	45.9
Financing						
Foreign borrowing (net)	17.8	17.3	21.4	12.4	15.2	28.7
Domestic bank financing of deficit	22.6	7.4	9.7	13.1	8.8	17.2

Sources: Tables 8 and 9 and Appendix Tables 21, 22, 23, 24, and 25.

1/ Provisional.

2/ Includes tax revenue from ordinary budget and Martyrs' Fund.

3/ Includes nontax revenue from ordinary budget, Martyrs' Fund (contributions from employees) and Development Fund (contributions from salaries of public servants, and 50 per cent of net profits of public entities).

4/ Includes Development Fund grants in cash and in kind and unclassified receipts believed to be grants. The 1976 and 1981 figures also include an unknown amount of loans.

5/ Includes expenditures under the ordinary budget and Martyrs' Fund expenditures.

6/ Consists of expenditure under the development budget excluding expenditures financed by public entities.

7/ Data for 1976-80 are from balance of payments statistics.

8/ Includes Trust Fund loans.

9/ Data for 1976-80 are from monetary statistics.

10/ Due partly to fact that the central government budget is not on a strict cash basis.

11/ At factor cost.

The separation of revenue and financing components for 1977-80 in the revised table results in a major adjustment of the overall deficit/GDP ratio. Since appropriate data for 1981 were not available, the overall deficit in this year is still underestimated, with all estimated DF receipts again placed above the line. Second, figures for the extra-budgetary Martyrs' Fund have been included in the consolidated budget, since for fiscal analysis these pensions and their financing are similar to corresponding items in the ordinary budget. Third, capital expenditure, as presented in the consolidated budget, is less than the total expenditure under the development budget by the amount of self-financed outlays of firms and corporations; these outlays are excluded from Table 7 because this is a consolidation of central government expenditures. <sup>1/</sup>

The fiscal position of the Central Government improved considerably during 1980, as it had in 1979, with the overall deficit again decreasing as a proportion of GDP. <sup>2/</sup> Within two years the deficit was reduced from an historical high in 1978 of 33.4 per cent of GDP to 27.8 per cent in 1980. But, whereas the 1979 movements had been due mostly to reductions in development expenditures and constraints on the growth of current outlays, the 1980 improvement reflected rapid advances in overall receipts (by 59.2 per cent) which more than offset large increases in expenditures (30.4 per cent). On the other hand, the budget estimates for 1981 indicate a reversal of these recent trends and a marked worsening of the fiscal situation. Total receipts are expected to rise by only 4 per cent, while expenditures are budgeted to increase by 32 per cent, with the result that the overall deficit as a proportion of GDP is expected to increase to about 46 per cent, higher than at any point in the previous five years.

On average, about 60 per cent of the financing of the fiscal deficit has come from foreign borrowing. <sup>3/</sup> Financing of the deficit by the domestic banking system has been much less consistent, with a mean over the five-year period of about 43 per cent but with a rather wide range of values. In terms of proportions of GDP, foreign borrowing has averaged about 18 per cent (again omitting 1979 from consideration), while bank financing has tended to move about 9-10 per cent over the most recent four years.

Considering only development expenditures financing, the relative contribution from various sources during 1976-80 has remained reasonably stable, with about 53 per cent coming from the DF, 34 per cent from foreign project loans, some 4 per cent from self-financing by firms and corporations, and about 8 per cent from the banking system. Compared with the pattern in

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<sup>1/</sup> An equivalent amount of self-financing by firms and corporations has been excluded from the DF receipts which previously was placed above the line. Thus, the net effect is to leave the magnitude of the overall deficit unaffected but to reduce the levels of both expenditures and receipts.

<sup>2/</sup> Because of inadequacies in the estimation of GDP, ratios in terms of GDP should be used with caution.

<sup>3/</sup> With the exception of 1979 when external aid disbursements declined in connection with a slowdown in actual development expenditures.

the past, the 1981 budget estimates seem markedly different in two important respects. Foreign project loans are expected to account for over 60 per cent, while the Development Fund will provide only 26 per cent of the financing.

b. Trends in revenue and grants, 1976-80

During 1976-80 total receipts grew at an average rate of 23.6 per cent per annum, which raised their ratio to GDP from about 42 per cent to almost 57 per cent over the four-year period. Their buoyancy to GDP over this same period was 1.56. During the same period, foreign grants decreased at an average rate of about 20 per cent per year, reaching 10 per cent of total receipts in 1980. This movement reflects a general tendency toward increased reliance on domestic resources to finance the country's development effort.

An examination of the conventionally computed measures of "tax effort" (Table 7) shows that the ratio of taxes to GDP moved steadily from 17.7 per cent in 1976 to 34.6 per cent in 1980. Although this ratio is probably smaller than calculated because of the lack of comprehensive statistics of GDP, it is likely to be considerably above that of other developing countries and compares favorably even with most industrialized countries. Similarly, when one computes more refined indices which attempt to take account of countries' relative levels of development and structural difficulties in mobilizing resources, the figures for the P.D.R. of Yemen turn out to be relatively high. <sup>1/</sup>

During the period 1976-80, the buoyancy of tax revenue with respect to GDP was 2.38, a comparatively high value which is based on both periodic discretionary adjustments in the tax structure and growth in tax bases. The composition of the Central Government's ordinary revenues (Table 8), excluding the nonfinancing elements of the extrabudgetary Martyrs' Fund and DF which were included in Table 7, seems to have remained remarkably stable. Import duties have accounted for the largest share (over 40 per cent), followed by taxes on income and profits (roughly 33 per cent) and on goods and services (about 20-22 per cent). Typically nontax revenues have accounted for about 20 per cent of ordinary revenues, although in 1978 they jumped to 28 per cent, due mainly to an unusual transfer to the Treasury of about YD 3 million from the extrabudgetary PSF. Although constituting about 20 per cent of ordinary revenues in 1980, nontax receipts rose by 63 per cent over 1979 because of a nonrecurring item of nontax revenue (sales of scrap) and profits of public financial institutions.

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<sup>1/</sup> See "International Comparisons of Taxation for Selected Developing Countries, 1972-76" by A. Tait, W. Gratz, and B. Eichengreen in International Monetary Fund, Staff Papers, March 1979. Certain data difficulties with the P.D.R. of Yemen caused slight alterations in approach (e.g., 1977-78 figures were used, whereas the larger sample was based on the period 1972-76) which probably biased the ITC index number upward. Still, several attempts to compute the numbers under various assumptions all resulted in estimates in the upper end of the "high" range (1.115-1.720).

Table 8. P.D.R. of Yemen: Central Government Ordinary  
Revenues, 1976-81

(In thousands of Yemeni dinars)

	Actuals					Budget
	1976	1977	1978	1979	1980 1/	Estimates 1981
Tax revenue	<u>19,685</u>	<u>28,282</u>	<u>33,589</u>	<u>43,036</u>	<u>67,846</u>	<u>65,516</u>
Taxes on income and profits	7,591	9,036	10,047	12,474	24,098	23,040
Corporations, of which: public sector entities	(5,569)	(6,608)	(7,244)	(9,267)	(20,443)	(18,827)
Individuals	[4,600]	[5,855]	[6,315]	[8,204]	[19,137]	[17,820]
Wages and salary income	(191)	(396)	(409)	(463)	(549)	(550)
Taxes on goods and services	(1,831)	(2,032)	(2,394)	(2,744)	(3,106)	(3,663)
Cotton	4,811	6,569	7,900	9,675	12,180	14,226
Cigarettes	(146)	(213)	(5)	(204)	(138)	(190)
Petroleum products	(2,200)	(3,345)	(4,320)	(4,907)	(6,126)	(7,150)
Fruits and vegetables	(1,051)	(1,193)	(1,100)	(1,975)	(2,093)	(1,780)
Qat	(349)	(381)	(249)	(248)	(275)	(262)
Other	(662)	(657)	(1,033)	(1,257)	(1,530)	(1,700)
Industrial products	(403)	(346)	(518)	(484)	(1,251)	(540)
Taxes on international trade	(--)	(434)	(675)	(600)	(767)	(2,604)
Import duties	6,355	11,369	14,052	19,187	29,320	26,250
Other taxes	(6,355)	(11,369)	(14,052)	(19,187)	(29,320)	(26,250)
Stamp duties	928	1,308	1,590	1,700	2,248	2,000
Nontax revenue	(928)	(1,308)	(1,590)	(1,700)	(2,248)	(2,000)
Public sector entities	<u>6,029</u>	<u>6,607</u>	<u>12,920</u>	<u>11,176</u>	<u>18,170</u>	<u>19,974</u>
Nonindustrial sales and charges	2,400	2,190	3,135	4,267	6,339	8,002
Administrative fees	2,766	3,075	8,214	5,522	6,171	8,377
Sales of government property	619	1,056	1,154	1,072	1,370	1,595
Total revenues	244	286	417	315	4,290	2,000
	<u>25,714</u>	<u>34,889</u>	<u>46,509</u>	<u>54,212</u>	<u>86,016</u>	<u>85,490</u>

Source: Ministry of Finance.

1/ Provisional.

There were only a few minor adjustments made in the tax system during 1980, relating first to some adjustments in amounts deductible under the individual income tax law (No. 5 of 1980) and, second, to increases in the specific taxes on cigarettes (42 per cent, on average) and beer. A summary of the tax system appears in Appendix Table 28, along with the accompanying schedules of customs duties (Appendix Tables 29 and 30).

The changes in total receipts over the five years ended in 1980 can usefully be divided into three subperiods. During 1976-78 these receipts grew at a rapid rate of 13.3 per cent per year, despite the sharp fall in foreign grants. The 1979 overall receipts were almost stagnant, rising by less than 1 per cent from 1978, due mainly to a fall in nonindustrial sales and charges, coupled with a drastic decline (38.2 per cent) in foreign grants which offset a 28.3 per cent growth in tax revenues. The sharp increase (59.2 per cent) in revenues in 1980 was caused largely by a combination of discretionary changes made in 1979, whose revenue impact was not realized until 1980, and rapid growth in the two most important tax bases underlying these rate adjustments (the volume of imports and public corporate profits). The unusually high surpluses realized by the public sector entities, heavily weighted by markedly higher interest earnings abroad on Bank of Yemen reserves, likewise pushed up the nontax revenues, since part of after-tax public corporate profits is also transferred to the Treasury. Similarly, because surpluses in this sector are important to both the DF and self-financing of capital projects, the improved performance of public sector enterprises meant larger increases in these remaining major components of overall receipts.

c. Trends in expenditure, 1976-80

During 1976-80 total expenditures grew at an average rate of 21 per cent per year, which raised their ratio to GDP from about 68 per cent to about 84 per cent over the five-year span. The relative amounts devoted to current and capital purposes have also varied considerably over time, with current expenditures having grown smoothly and strongly, about 23 per cent per annum, while capital outlays tended to increase in discrete steps but averaged about 13 per cent per annum. The steady growth of the former reflects the natural increase in recurrent expenditures, such as government administration, education, health, pensions, etc., as well as by increases in defense expenditure. The capital spending decline in 1979 was due to a policy shift in that year toward consolidation and reorganization of the development effort prior to inauguration of the Second Five-Year Plan. In 1980, however, capital outlays rose by 37 per cent, reflecting the determination of the Government both to accelerate development expenditures and to complete ongoing projects.

As was the case with revenues, the composition of the Central Government's ordinary expenditure <sup>1/</sup> has remained quite stable during the period 1976-80 (Table 9). An economic classification of ordinary expenditure indicates that roughly 50 per cent goes to wages and salaries, about 43 per cent to material supplies and miscellaneous, about 5 per cent to transfer payments, and the remainder to debt service. Similarly, the functional classification of ordinary expenditure remains more or less constant as follows: general administration, 20 per cent; defense and security, 46 per cent; education and guidance, 18 per cent; health, social, and community services, 9 per cent; economic services, 5 per cent; and debt service, 2 per cent.

While a classification either by function or economic categories is unavailable for capital expenditure, a useful sectoral analysis may be made of "development expenditure." The sectoral distribution of these outlays was relatively stable for the first four years, with industry receiving 9 per cent; agriculture and fisheries, 36 per cent; communications and construction, 30 per cent; social services, 19 per cent; and geological and mineral surveys, 7 per cent (Table 10). The 1980 distribution reallocated funds significantly from this pattern, with industry being increased to 25 per cent at the expense of both agriculture and fisheries as well as communications and construction, which were reduced to 23 per cent each, and with other categories remaining about the same.

It is difficult to compare the expenditure pattern of the P.D.R. of Yemen, both capital and current, with that of other countries because of data limitations. An attempt to place the country within the context of the recently devised "international expenditure comparisons," <sup>2/</sup> however, did provide at least some preliminary results. Measured against what one might expect the country to spend when compared with other countries, the P.D.R. of Yemen appears to spend significantly more on general administration (which is expected in a centralized system); somewhat less on defense and security; <sup>3/</sup> about as expected on education; and much less than expected on health, pensions, and welfare.

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<sup>1/</sup> The Central Government's ordinary expenditure is obtained by deleting expenditures of the Martyrs' Fund from current expenditures.

<sup>2/</sup> See A. Tait and P. Heller, "International Comparisons of Government Expenditure: A Starting Point for Discussion," International Monetary Fund, DM/81/53.

<sup>3/</sup> It should be noted that this analysis excludes the extrabudgetary Defense Fund.



Table 9. P.D.R. of Yemen: Central Government Ordinary Expenditures, 1976-81

(In thousands of Yemeni dinars)

	Actuals					Budget
	1976	1977	1978	1979	1980 1/	Estimates 1981
Administrative and functional category	39,154	47,373	61,400	76,163	96,016	116,826
General administration	9,662	11,951	9,653	12,753	19,003	28,675
General administration	(5,815)	(6,871)	(2,959)	(2,656)	(4,038)	(3,300)
Finance and economy	(2,676)	(3,434)	(4,598)	(7,400)	(11,908)	(22,270)
Other	(1,171)	(1,646)	(2,096)	(2,697)	(3,057)	(3,105)
Defense and security	17,134	20,026	30,803	36,065	42,714	46,736
Education and guidance	6,332	8,207	11,801	14,178	17,492	19,958
Health	2,244	2,666	3,515	5,123	6,271	6,102
Social services	479	516	532	780	1,060	1,826
Pensions	(479)	(516)	(532)	(780)	(1,060)	(1,826)
Community services	642	1,385	1,349	1,705	2,086	2,090
Local townships	(642)	(1,385)	(1,349)	(1,705)	(2,086)	(2,090)
Economic services	2,317	1,972	2,782	3,175	4,107	5,367
Public works and communications	(1,464)	(865)	(1,347)	(1,664)	(1,954)	(2,533)
Agriculture	(853)	(1,107)	(1,119)	(1,156)	(1,708)	(2,160)
Fisheries	(--)	(--)	(316)	(355)	(445)	(674)
Other unallocable:						
debt service	344	650	965	2,384	3,283	6,072
Economic classification	39,154	47,373	61,400	76,163	96,016	116,826
Wages and salaries	20,239	24,350	29,779	37,776	50,803	56,080
Materials and supplies	16,732	20,604	28,600	33,187	38,776	42,874
Transfer payments	2,138	2,246	2,575	3,759	4,237	12,872
Public debt interest	(299)	(477)	(519)	(943)	(1,083)	(1,072)
Subventions to local authorities	(156)	(181)	(195)	(173)	(241)	(298)
Pensions	(479)	(516)	(532)	(780)	(1,060)	(1,826)
Contributions to foreign organizations	(183)	(254)	(155)	(283)	(318)	(570)
Subsidies to economic organizations	(231)	(354)	(228)	(--)	(--)	(155)
Financial contributions to public entities 2/	(536)	(217)	(643)	(1,018)	(763)	(8,000)
Other	(254)	(247)	(303)	(562)	(772)	(951)
Municipal grants	[50]	[30]	[30]	[30]	[30]	[55]
Cultural and social contributions	[204]	[217]	[273]	[532]	[742]	[896]
Repayment of public debt--principal	45	173	446	1,441	2,200	5,000

Source: Ministry of Finance.

1/ Provisional.

2/ These funds are used primarily for capital formation.

Table 10. P.D.R. of Yemen: Development Expenditures and Sources of Finance, 1976-81

(In millions of Yemeni dinars)

	Actuals					Budget
	1976	1977	1978	1979	1980 1/	Estimates 1981
Expenditures by sector						
Industry	4.59	4.04	4.95	4.51	18.27	25.24
Agriculture and fisheries	16.30	18.56	20.20	17.99	17.21	23.86
Communications and construction	10.36	17.29	20.35	15.73	16.90	24.84
Geological and mineral surveys	2.22	5.75	3.07	2.78	4.30	7.54
Social services	5.76	11.70	11.18	10.95	17.54	32.66
Total	<u>39.23</u>	<u>57.34</u>	<u>59.75</u>	<u>51.96</u>	<u>74.22</u>	<u>114.14</u>
Sources of finance						
Development Fund	21.91	32.85	36.20	24.77	32.84	29.47
Banking system	2.12	6.05	2.49	5.66	8.04	7.09
Self-financing by firms and corporations	1.76	1.81	1.71	1.60	5.25	7.66
Foreign project loans	13.44	16.63	19.35	19.93	28.09	69.92
Total	<u>39.23</u>	<u>57.34</u>	<u>59.75</u>	<u>51.96</u>	<u>74.22</u>	<u>114.14</u>

Source: Ministry of Planning.

1/ Provisional.

d. The 1981 budget

Table 7 provides the official budget for 1981. The budgeted overall deficit amounts to about 46 per cent of projected GDP and greatly exceeds actuals of previous years, due to low estimates of receipts and high estimates of expenditures. Underlying the marginal change in total receipts (a 3.7 per cent increase) are projected small declines in tax revenue, coupled with a 41 per cent decrease in nontax revenue. On the other hand, foreign grants are expected to rise by 231 per cent due to commitments already received under the financing of the Second Five-Year Plan. It might be noted that this new level of grants would bring this source of revenue back to levels similar to those experienced in the mid-1970s although, as a percentage of total receipts, foreign grants would still

account for less than one half of what they did in the earlier years. As for expenditures, total spending is projected to increase by 32 per cent, greater than at any rate in the previous five-year period, mainly due to the very high rate of increase (54 per cent) in capital spending.

Based on preliminary actuals for the first half of the year and experience of previous years, the actual outcome for the year as a whole is likely to show a much smaller deficit than indicated by the budget estimates.

### III. Money and Credit

#### 1. Institutional background

Until nationalization in 1969 the P.D.R. of Yemen's banking system consisted of a Currency Authority and eight commercial banks, seven of which were foreign owned. The nationalized commercial banks were amalgamated in April 1970 in the National Bank of Yemen which has since been the country's only commercial bank. The Bank of Yemen was established in August 1972 to succeed the Currency Authority and assume the powers of a central bank. The overall responsibility for supervision of the banking system is vested in a Board of Directors, which is chaired by the Governor of the Bank of Yemen, and includes the Central Bank's Deputy Governor, the General Manager of the National Bank, the Deputy Ministers of Agriculture, Finance, Industry, and Planning, a technical expert appointed by the Prime Minister, and a representative of the General Confederation of Workers.

The Bank of Yemen issues the currency, supervises commercial banking operations, controls the transactions in foreign exchange, acts as the Government's banker, and implements monetary policy. The Bank of Yemen prepares annual estimates of the credit needs of the Development Plan and the import program. For several years the Bank has also sought to implement annual financial programs aimed at limiting overall monetary expansion within reasonable levels. The Bank of Yemen's other policy interventions have consisted primarily of setting the interest rate structure. The Bank has an informal agreement with the National Bank to maintain a minimum reserve equivalent to 4 per cent of deposit liabilities.

The commercial and specialized banking activities are entrusted to the National Bank of Yemen which is represented in all of the country's governorates. The number of commercial bank branches reached 28 by 1980, with a concentration of banking facilities in areas with considerable development activity or a large number of families receiving remittances from Yemenis working abroad. In addition to domestic deposits, the bank's liabilities include amounts deposited in foreign currency by nonresident Yemenis (Appendix Table 33). The lending operations, on the other hand, comprise almost wholly of advances to the public sector enterprises (Appendix Table 34); the latter have been prohibited from direct lending and borrowing activities amongst themselves since 1977. The Manager of the National Bank

has discretion to grant loans of up to YD 10,000. Advances in the range YD 10,000-130,000 have to be approved by the Management Committee of the banking system's Board of Directors. Loans in excess of YD 130,000 require approval of the Governor of the Bank of Yemen who has to refer applications to the Board of Directors if the loan amount is higher than YD 150,000.

## 2. Recent monetary developments

Monetary developments during the five years ended 1980 were characterized by sharp fluctuations in the growth of domestic liquidity (money and quasi-money), reflecting changes in the public sector needs for credit and the balance of payments position (Table 11). Credit to the public sector was to finance part of the development spending of the Government and imports as well as stocks of public sector organizations. With respect to the balance of payments, since 1976 when a small deficit was recorded overall annual surpluses were registered, exerting an expansionary impact; these surpluses peaked at YD 31 million in 1978 and declined to YD 12.8 million in 1980. Following a sharp acceleration in the growth of domestic liquidity in 1976 to a record 46 per cent, a decelerating trend occurred in 1977 (to 44 per cent) and 1978 (to 20 per cent). The small reduction in the rate of growth in domestic liquidity in 1977 was due to an improvement in the financial position of the Government which helped offset the impact of a large growth in claims on the public sector organizations. In 1978 the slowdown in monetary growth, occurring despite the large balance of payments surplus, was brought about by the slower pace of economic activity associated with lower government development spending and a decline in overall credit to public sector organizations due to a slowdown in imports.

In 1979 the rate of growth of domestic liquidity accelerated to 29 per cent in response to an expansionary impact exerted by increases in net domestic assets and net foreign assets of the banking system. Net domestic claims rose by YD 28.6 million, representing mainly government recourse to the banking system amounting to YD 23.1 million and to a lesser extent a small rise in claims on public sector organizations (YD 2.7 million). The rate of increase of claims on Government (27 per cent) was much higher than that recorded in each of the previous two years and resulted mainly from a step-up in the growth of current expenditure and the need to finance a higher share of the development effort in view of a reduction in the flow of foreign borrowing and grants. The rate of growth of claims on the nongovernment sector declined sharply because the public sector organizations witnessed a reduced level of activity associated in part with a lower level of development spending.

Table 11. P.D.R. of Yemen: Factors Affecting Changes  
in Domestic Liquidity, 1976-81

(Changes during period)

	1976	1977	1978	1979	1980	Jan.-June	
						1980	1981
(In millions of Yemeni dinars)							
Domestic liquidity	30.9	42.7	27.5	49.5	68.7	32.3	2.2
Money	26.1	33.7	28.4	41.3	49.7	25.8	2.4
Quasi-money	4.7	9.0	-0.9	8.2	19.0	6.5	-0.2
Net foreign assets <u>1/</u>	-2.8	12.5	31.0	20.9	12.8	15.9	-18.5
Net domestic assets	33.7	30.2	-3.5	28.6	55.9	16.4	20.7
Claims on Government (net)	25.4	10.4	14.6	23.1	17.2	14.7	18.8
Claims on nongovernment sector	7.6	18.0	9.4	2.7	36.7	8.8	13.2
Other items (net)	0.7	1.8	-27.5	2.8	2.0	-7.1	-11.3
(In per cent)							
Domestic liquidity	46	44	20	29	32	15	1
Claims on Government (net)	69	17	20	27	16	13	15

Source: Appendix Table 31.

1/ Adjusted for valuation changes due to exchange rate fluctuations with offsetting entries under "other items net."

In 1980 a further acceleration in the rate of growth of domestic liquidity took place (32 per cent), which was brought about principally by a sharp increase in claims on the nongovernment sector. Net domestic assets of the banking system rose by YD 55.9 million, of which only YD 17.2 million was accounted for by a rise in claims on Government. The slowdown in the rate of growth of credit to the Government (16 per cent compared with 27 per cent in the previous year) resulted from a major improvement in government revenue which enabled the Government to finance its higher level of development and current spending. The large increase in claims on the nongovernment sector was caused by the increased level of payments for imports, mainly petroleum products due to higher prices, and larger volumes of consumer commodities, as well as by the recourse of

some of the organizations to the banking system to finance part of the development effort. The balance of payments exerted a smaller expansionary impact on domestic liquidity (YD 12.8 million) than that exerted in the previous two years, due to the weakening of the external position caused by larger imports. Data for the first half of 1981 indicate that domestic liquidity rose by only 1 per cent, compared with 15 per cent for the same period of the previous year, due to a turnaround to a deficit in the balance of payments. Net domestic assets had an expansionary impact of YD 20.7 million caused by rises in claims on both the government and non-government sectors; however, the balance of payments had a contractionary impact of YD 18.5 million which reduced the overall expansionary effect.

A considerable part of the Government's expenditures in the P.D.R. of Yemen is financed by official aid from abroad rather than by withdrawals from the domestic income stream in the form of tax and nontax revenues. It is helpful to study the monetary developments under these circumstances through an alternative presentation which measures the domestic sector's liquidity-creating impact not only by taking account of the changes in its debtor position vis-a-vis the banking system, but also by estimating its balance of payments situation (Table 12). For the government sector this provides an estimate of the extent to which the Government's foreign exchange receipts were absorbed through payments abroad. This estimate, plus the change in the Government's net debtor position with the banking system (derived from banking data), would equal the domestic budget deficit, i.e., the excess of the domestic fiscal expenditures over domestic budgetary receipts.

While the distribution of external payments and receipts between the government and nongovernment sectors according to these calculations is not fully satisfactory, Table 12 suggests that the changes in liquidity attributable to the Government's operations were considerably different from those shown in the standard presentation of the data in Table 10. The external receipts of the Government were at a high level in the three years ended 1978; however, budgetary payments abroad were also high during these three years so that the Government's external payments account showed a small surplus in 1976, which declined in 1977 and was in balance in 1978. In 1979 loans and grants from abroad declined while there was no comparable fall in the foreign exchange component of budgetary outlays, so that the government sector had a balance of payments deficit of YD 11 million. In 1980 government external receipts picked up markedly due to larger grants and loans for development, but so did external expenditures due to development outlays. Consequently, the overall government external accounts reverted to a balanced position. Therefore, the impact of fiscal operations on domestic demand would appear to have been considerably lower than that indicated by the Government's bank-financed deficit in 1979 and close to it in 1980.

Table 12. P.D.R. of Yemen: Alternative Presentation of Factors Affecting Domestic Liquidity, 1976-80

(In millions of Yemeni dinars)

	1976	1977	1978	1979	<u>Prelim.</u> 1980
1. Expansionary effect of government operations	<u>33.5</u>	<u>11.6</u>	<u>14.6</u>	<u>12.0</u>	<u>17.6</u>
a. Government's external balance (deficit-)	<u>8.1</u>	<u>1.2</u>	<u>--</u>	<u>-11.1</u>	<u>0.4</u>
External receipts	<u>37.5</u>	<u>43.2</u>	<u>44.9</u>	<u>29.9</u>	<u>58.2</u>
Loan drawings (net)	(20.0)	(24.2)	(32.4)	(21.9)	(29.6)
Grants	(16.0)	(19.9)	(12.5)	(8.0)	(28.6)
Refinery taxes <u>1/</u>	(1.5)	(--)	(--)	(--)	(--)
External payments <u>2/</u>	-29.4	-42.0	-44.9	-41.0	-57.8
Ordinary budget	(-3.9)	(-4.7)	(-6.1)	(-7.2)	(-9.6)
Development budget	(-25.5)	(-37.3)	(-38.8)	(-33.8)	(-48.2)
b. Government bank borrowing (net)	25.4	10.4	14.6	23.1	17.2
2. Expansionary effect of non-government operations	<u>-3.3</u>	<u>-29.3</u>	<u>40.4</u>	<u>34.7</u>	<u>49.1</u>
a. External surplus or deficit (-) <u>3/</u>	-10.9	11.3	31.0	32.0	12.4
b. Bank borrowing	7.6	18.0	9.4	2.7	36.7
3. Changes in other items (net)	<u>0.7</u>	<u>1.8</u>	<u>-27.5</u>	<u>2.8</u>	<u>2.0</u>
Memorandum items:					
Changes in domestic liquidity (1+2+3)	30.9	42.7	27.5	49.5	68.7
Overall balance of payments (1a+2a)	-2.8	12.5	31.0	20.9	12.8
Net domestic assets (1b+2b+3)	33.7	30.2	-3.5	28.6	55.9

Sources: Table 11, Appendix Table 31, and staff estimates.

1/ Refinery taxes were paid in foreign exchange until 1976.

2/ Estimated at 10 per cent of ordinary expenditures and 65 per cent of development expenditures.

3/ Obtained as a residual from the overall balance of payments surplus or deficit as shown in the banking statistics and the Government's external surplus as indicated above.

The nongovernment sector's balance of payments position turned around from deficits in 1976 to growing surpluses up to 1979 which declined in 1980. The chief underlying cause has been a substantial inflow of workers' remittances which have grown at a time when imports have remained under restraint. The decline in the surplus in 1980 was brought about by a sharp increase in the imports of the nongovernment sector.

The growth of domestic liquidity averaged some 34 per cent a year during the five-year period ended 1980. At the same time, the growth of real output is estimated to have averaged no more than 5 per cent a year, while the cost of living index rose by an annual average of about 8 per cent. While the monetization of the economy appears to have been expanding, the considerable increase in domestic liquidity, which tapered off in 1980, appears to have resulted in an overhang of cash balances as demand pressures were restricted through a rigorous implementation of controls on prices and distribution of goods.

### 3. Interest rate structure

Until 1977 the interest rates chargeable on advances were in the range of 5-8 per cent depending on the purpose of the loan. Since January 1978 borrowers in the public sector and the cooperatives are entitled to the preferential rate of 3 per cent for financing projects included in the development plan; projects outside the development plan are financed at 4 per cent (Table 13). Loans to the public sector trading companies carry an interest of 6 per cent. All other loans are charged an interest of 8 per cent.

No interest is paid on demand deposits. The interest on savings deposits was increased from 3 per cent to 5 per cent as of January 1978. Fixed deposits carry different interest rates depending on both the type of depositor and the maturity of the deposits which are available for periods ranging between 3 months and 12 months. The rates paid to resident depositors vary between 1 per cent and 2 per cent for the public sector and cooperatives in the range of 4-6 per cent for others. Fixed deposits in foreign currency by nonresident Yemenis receive preferential interest rates that vary between 5 per cent and 9 per cent depending on maturity.



Table 13. P.D.R. of Yemen: Interest Rate  
Structure as of August 31, 1981

(In per cent per year)

	Public Sector and Cooperatives	Mixed, Private, and Foreign Sectors	Yemenis Resident Abroad <u>1/</u>
Deposits			
Current	nil	nil	nil
Savings	nil	5.0 <u>2/</u>	5.0
Fixed			
3 months	1.0	4.5	5.0
6 months	1.5	5.0	7.0
12 months	2.0	6.0	9.0
Loans and advances			
Commercial and personal	6.0 <u>3/</u>	8.0	--
Industrial, agricultural, and fisheries:			
Within development plan	3.0	8.0	--
Outside development plan	4.0	8.0	--

Source: Bank of Yemen.

1/ For deposits in foreign exchange only.

2/ Applies only to individuals and is subject to a ceiling of  
YD 5,000.

3/ Applies only to the National Company for Home Trade, the National  
Company for Foreign Trade, and the Victory Trading Company.

#### IV. The External Sector

##### 1. An overview

The balance of payments of the P.D.R. of Yemen has been characterized by large deficits in the trade account and considerable inflows of foreign aid and workers' remittances. The economy is heavily dependent on imports of consumption, investment, and energy requirements. Import payments grew very rapidly in 1980-81 owing to an acceleration of development activity as well as to a relaxation of consumer goods imports. Although export earnings recovered in 1980-81 from the depressed level of the previous two years, they still equal only a small proportion of import payments. The widening trade deficit has been covered by substantial inflows of workers' remittances and foreign loans and grants related mostly to the development budget. The overall balance had been chronically in deficit for several years through 1976, leading to a depletion of reserves. For the years 1977-80, however, the balance of payments recorded overall surpluses and helped to restore reserves to a reasonable level (Table 14).

##### 2. Balance of payments developments, 1976-80

###### a. Exports

Export performance during the five-year period ended 1980 was marked by a downturn in 1977-79 and a recovery and expansion to a new peak in 1980 (Appendix Table 35). This fluctuation mainly reflects changes in domestic exports. Re-exports have traditionally formed an important part of total export earnings, reflecting the importance of Aden as an entrepot. However, over the five-year period there has been no growth in the value of re-exports, and their share in total exports fell from 42 per cent in 1976 to 35 per cent in 1980. The stagnation in re-exports is largely attributable to the diversion of a good part of the growing transit trade of the area to other ports in neighboring countries as a result of the easing of congestion in these ports and the improvement in their facilities.

Domestic exports have come to be dominated by fish exports as a result of the development of the fisheries sector in the early 1970s. Following an increase of 46 per cent in 1977, fish exports declined by 64 per cent in 1978 owing to a decrease in the fish catch caused by exceptionally low temperatures in the breeding season (Appendix Table 36). There was a partial recovery of fish exports with an increase of 61 per cent in 1979, and a further expansion of 87 per cent brought the value of fish exports to a new peak in 1980. Cotton exports, which have been traditionally important in the exports of the P.D.R. of Yemen and which now constitute the second largest component, have had an uneven performance during 1976-80. While part of the acreage under cotton cultivation has been set aside in recent years for land reclamation projects, the actual area cultivated was further affected adversely by poor rainfall in 1977 and 1979. Improved weather conditions led to a threefold rise in cotton exports in 1980, almost entirely reflecting an increase in volume. Other traditional exports of appreciable magnitude are coffee, hides and skins, and salt.

These exports, however, have been relatively stagnant in recent years. The P.D.R. of Yemen has also developed a small export trade in manufactured consumer goods such as textiles, clothing, and plastic goods; the total value of such exports rose from YD 109,000 in 1976 to YD 640,000 in 1980.

Table 14. P.D.R. of Yemen: Summary Balance of Payments, 1976-80

(In millions of SDRs)

	1976	1977	1978	1979	Prelim. 1980
Goods, services, and private transfers	-83.5	-112.5	-67.1	-41.8	-168.7
Exports (f.o.b.)	38.4	40.2	31.4	30.0	45.8
Imports (c.i.f.)	-247.8	-327.5	-325.9	-333.2	-514.8
Services (net)	22.6	14.6	21.6	18.7	32.5
Private transfers (net)	103.3	160.4	205.8	242.7	267.8
Miscellaneous capital and errors and omissions	-17.8	37.6	28.7	23.8	93.4
Private long-term capital	--	--	--	--	--
Private short-term capital	--	--	--	--	31.1
Net errors and omissions	-17.8	37.6	28.7	23.8	62.3
Official loans and grants	90.2	107.6	105.4	67.5	129.4
Official grants received	40.1	47.6	30.5	18.4	63.6
Drawings on loans received	51.4	58.0	66.1	44.6	65.6
Repayment of loans	-1.3	-1.2	-0.9	-3.6	-7.1
Trust Fund loans	--	3.2	9.7	8.1	7.3
Drawings from AMF	--	--	--	--	--
Overall balance	-11.1	32.9	67.0	49.5	54.1
Allocation of SDRs	--	--	--	4.5	3.8
Counterpart to valuation changes	0.3	1.7	10.2	4.0	-8.7
Monetary movements 1/ Monetary authorities	10.8	-34.6	-77.2	-58.0	-49.2
Use of IMF credit	-24.9	-11.4	-61.7	-15.5	-25.8
Deposit money bank	13.2	--	-5.0	-13.7	-8.4
	22.5	-23.2	-10.5	-28.8	-15.1

Source: Appendix Table 35.

1/ Increase in assets (-).

The pattern of the direction of exports shows few changes over the five-year period 1976-80. Japan remains the largest single customer, accounting for 45 per cent of the P.D.R. of Yemen's exports in 1980 (Appendix Table 37). Italy and the People's Republic of China each account for 10 per cent and Singapore for 8 per cent of total exports. Among Arab countries, the Yemen Arab Republic and Saudi Arabia have become considerably important buyers of the P.D.R. of Yemen's exports in recent years.

b. Imports

All imports into the P.D.R. of Yemen are controlled through an annual foreign exchange budget. Between 1976 and 1980 total import value recorded a twofold increase which occurred almost entirely in 1977 and 1980. In the intervening years, imports stagnated principally because of the deceleration of the development effort, although a decline in food imports in 1979 was also a contributory factor. The slowdown in development activity in 1978-79 caused the value of imports of machinery and equipment to be, on average, 26 per cent lower than the 1977 level (Appendix Table 38). With the pickup of development expenditure in 1980, these imports rose by 42 per cent in that year. Food imports increased by 62 per cent in 1980, chiefly due to a rise in import volume necessitated by the need to replenish stocks.

Industrial countries remain the major suppliers of the P.D.R. of Yemen, accounting for about 50 per cent of total imports in 1976-80 (Appendix Table 39). Japan was the single most important supplier in 1980, providing 26 per cent of total imports, followed by the United Kingdom (11 per cent), Australia (10 per cent), and France (8 per cent). Among the socialist countries, the People's Republic of China and the U.S.S.R. are the largest suppliers, while among other countries the Yemen Arab Republic, India, and Hong Kong are also suppliers of considerable importance.

c. Services, transfers, and nonmonetary capital

The net services account has shown a positive, though small, balance in recent years; in 1980 the surplus was SDR 32.5 million. The principal credit items are port earnings from shipping services and interest income on the foreign assets of the banking system. Income from shipping services has been rising steadily since the reopening of the Suez Canal due to the increase in traffic and, in some years, to the increase in the tariff of charges. Interest receipts rose slowly in 1977 and 1978 but increased sharply by 80 per cent in 1979 and by 96 per cent in 1980 to a level of SDR 22.9 million.

Private transfers, chiefly remittances of Yemenis working abroad, constitute the largest single source of foreign exchange. After a big surge in 1976, the rate of increase in remittances has declined gradually from 55 per cent in 1977 to 10 per cent in 1980. The continuing increase in the flow of remittances is attributed to the rising flow of emigrants as well as to measures taken by the authorities to encourage such remittances.

These measures include assurances given to emigrants regarding the safety of the funds transferred to the P.D.R. of Yemen and the encouragement of private housing construction. Receipts of official grants have fluctuated between a low of SDR 18.4 million in 1979 and a high of SDR 63.6 million in 1980. The major part of these grants was associated with the development budget.

Receipts of official project loans averaged SDR 58.5 million in 1976-78 but dropped to SDR 44.6 million in 1979 with the deceleration of development expenditures. In 1980, as development expenditures increased, project loan drawings rose to SDR 65.6 million. Repayments of loans were very small until 1979 when the completion of the grace period in the initial loans obtained for financing the development plans led to a rise in repayments to SDR 3.6 million; in 1980 they rose further to SDR 7.1 million. The total outstanding debt is estimated at SDR 478 million at the end of 1980 (Appendix Table 40). Of this amount, SDR 366 million represents loans from bilateral sources, the chief among them being the U.S.S.R. (SDR 160 million) and the People's Republic of China (SDR 94 million). Outstanding loans from multilateral sources amounted to SDR 112 million, roughly one half of which were IDA loans. According to calculations made by the World Bank, the terms of the loans have been very favorable in general: an average interest rate of about 2 per cent, maturity of approximately 24 years, and a grace period of 5 years.

d. Monetary movements

Almost the entire stock of official reserves is held by the Bank of Yemen, which maintains a 50 per cent cover against currency in circulation and its sight liabilities. The National Bank of Yemen is permitted to hold foreign assets as working balances; its foreign liabilities consist mainly of balances due to banks abroad and foreign currency deposits of nonresidents. Total net foreign assets of the banking system had fallen to SDR 2.5 million in 1976 as a result of the cumulative deficits of several years (Table 15). The surpluses of the four ensuing years led to a rise in net foreign assets to SDR 221.4 million at the end of 1980, equivalent to five months of imports of that year.

3. Balance of payments in 1981

Indications are that the balance of payments outturn for 1981 will be unfavorable. The main factor behind this reversal of the trend of the previous four years is an expansion in imports which is not matched by projected increases in workers' remittances and foreign aid receipts.

Table 15. P.D.R. of Yemen: Net Foreign Assets, 1976-81

(In millions of SDRs) 1/

End of Period	December				June	
	1976	1977	1978	1979	1980	1981
Bank of Yemen	33.76	45.23	111.85	141.11	175.16	159.58
Foreign assets	70.59	85.73	148.19	166.62	196.45	185.03
Gold	(0.62)	(1.00)	(0.93)	(1.34)	(1.39)	(1.33)
IMF reserve tranche	(--)	(--)	(--)	(--)	(9.44)	(--)
Holdings of SDRs	(3.04)	(3.58)	(2.96)	(3.54)	(--)	(3.74)
Foreign exchange	(66.93)	(78.15)	(141.30)	(155.74)	(173.86)	(168.64)
Subscription to AMF	(--)	(3.00)	(3.00)	(6.00)	(11.76)	(11.32)
Foreign liabilities	-36.83	-40.50	-36.34	-25.52	-21.29	-25.45
Use of IMF credit	(-36.83)	(-36.83)	(-31.87)	(-18.18)	(-9.76)	(-5.88)
Other	(--)	(-3.67)	(-4.47)	(-7.34)	(-11.53)	(-19.57)
National Bank of Yemen	-31.30	-8.15	2.33	31.17	46.24	7.48
Foreign assets	25.62	56.44	35.62	79.32	100.06	54.11
Foreign liabilities	-56.92	-64.59	-33.29	-48.15	-53.82	-46.63
Government	0.03	0.02	0.02	0.02	0.02	0.02
Total (net)	2.49	37.10	114.20	172.30	221.42	167.08

Source: Bank of Yemen.

1/ Conversions have been made at the following rates: YD 1 = SDR 2.4919 for 1976; YD 1 = SDR 2.3835 for 1977; YD 1 = SDR 2.2223 for 1978; YD 1 = SDR 2.1978 for 1979; YD 1 = SDR 2.2425 for June 1980; YD 1 = SDR 2.2700 for December 1980; and YD 1 = SDR 2.1861 for June 1981.

The value of imports is expected to rise but at a slower rate than in 1980, mainly because of a projected appreciable increase in imports of capital goods and petroleum products; in the case of consumer goods, in view of the substantial increase in the previous year, the increase in 1981 is expected to be relatively small. Overall export receipts are expected to rise somewhat, almost entirely on account of cotton exports: fish exports are estimated to be lower than in 1980 owing to a decline in the catch of exportable species. Net service receipts are expected to be somewhat lower than in the previous year because of increased payments of interest on foreign debt, coupled with a stagnant level of interest receipts on international reserves. Receipts of workers' remittances, however, are expected to continue to rise in 1981. The deficit on goods, services, and private transfers is expected to be larger than in 1980. The major part of the financing of this deficit would be in the form of foreign loans and grants. In the first half of the year the P.D.R. of Yemen obtained SDR 23.4 million as loans from the Arab Monetary Fund under the automatic and ordinary loan facilities. Despite these drawings a drawdown of reserves is expected for the year as a whole.

## V. Exchange and Trade System

### 1. Payments system

#### a. Exchange rate

The currency of the P.D.R. of Yemen is the Yemeni dinar, which is pegged to the U.S. dollar, the intervention currency, at YD 1 = US\$2.89524. Buying and selling rates for major currencies are officially quoted by the National Bank of Yemen, based on the buying and selling rates for the U.S. dollar in markets abroad. From June 1, 1980 the National Bank of Yemen began to quote rates for travelers' checks and banknotes different from those for telegraphic transfers. On August 31, 1981 buying and selling rates for the U.S. dollar for telegraphic transfers were YD 0.343 and YD 0.350 per U.S. dollar, respectively. There are no taxes or subsidies on purchases or sales of foreign exchange.

Trade-weighted effective exchange rates for the Yemeni dinar have remained within a narrow range since the beginning of 1978 through 1980 but have appreciated since then: export-weighted rates indicated an appreciation of 13 per cent during January-August 1981, and import-weighted rates showed an appreciation during the same period of 17 per cent.

#### b. Administration of exchange controls

Beginning December 4, 1967 all payments and transfers to nonresidents were made subject to prior approval of the Director of Exchange Control. Several regulations and ad hoc decisions were issued, modifying the pre-independence system and imposing additional controls on payments for invisibles, surrender of export proceeds, receipts from invisibles, and capital movements. These regulations were subsequently incorporated in

the Exchange Control Law (Law No. 16 of 1971, which came into effect on April 21, 1971) and in the Exchange Control Manual issued by the Exchange Control Committee created under the Law.

The administration of exchange controls is carried out by the General Department for Exchange Control of the Bank of Yemen through the Foreign Exchange Committee (hereinafter referred to as the Committee), which has delegated certain powers to the Director of Exchange Control, a member of the Committee. Exchange transactions must be carried out through the National Bank of Yemen, the only authorized bank dealing in prescribed currencies. 1/

Other dealers in foreign exchange, who may deal only in travelers' checks and banknotes, are classified into ordinary money changers and secondary dealers. Ordinary money changers, whose principal business is to sell and purchase foreign exchange for their own accounts or for the account of the National Bank, are permitted to deal in currencies not on the prescribed list. Secondary dealers, such as hotels, travel bureaus, and retail stores selling tourist goods, are permitted to accept payment in foreign exchange only from their customers and are required to surrender the receipts in foreign exchange to the National Bank no later than the following business day. While the authorized bank and money changers are allowed to charge a commission for the purchase and sale of foreign exchange as specified by the Committee, secondary dealers may not do so.

c. Nonresident accounts

Nonresident accounts may be held by persons not resident in the country. The principal type of nonresident account is the external account in Yemeni dinars. Subject to certain conditions, Yemeni nationals working abroad may establish nonresident accounts in foreign currencies; balances in these accounts earn interest and are convertible into foreign currency on demand. Nonresident accounts may be credited with proceeds from convertible foreign currency transferred from abroad, with bank interest payable on these accounts and with balances from other external accounts. Transfers from abroad must be made in the form of bank drafts; the accounts may not be credited with payments in the form of foreign banknotes (unless they have been declared to customs on entry) or with locally raised or locally earned funds (except in certain specified cases). The accounts may be debited for any payments to residents, for transfers to other accounts, and for payments abroad in any convertible currency. Transfers abroad from the accounts in Yemeni dinars require the prior approval of the General Department of Exchange Control. The Committee may direct any payment to a nonresident to a blocked account. Except for investments in specified securities, balances in blocked accounts cannot be used without prior approval by the Committee.

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1/ The list of prescribed currencies, in which import payments must be made and export proceeds received, is specified by the Exchange Control Committee from time to time. The current list comprises Belgian francs, Canadian dollars, deutsche mark, French francs, Italian lire, Japanese yen, Kuwaiti dinars, Netherlands guilders, pounds sterling, Saudi Arabian riyals, Swedish kronor, Swiss francs, U.A.E. dirhams, and U.S. dollars.



d. Payments for imports and invisibles

Payments for imports must be made in prescribed currencies and require prior approval by the Committee, except that imports against letters of credit or documents may be approved by the authorized bank.

All payments for invisibles require prior approval by the Committee. Approval is generally granted, provided that the request for such payments is considered to represent genuine current payments and that the applicant has paid all local taxes. Documentary evidence specified according to the nature of the case is required. The basic exchange allowance for tourist travel per person per trip is the equivalent of YD 125 (YD 62.5 for children under ten) except that for travel to Kuwait, Oman, Saudi Arabia, the Yemen Arab Republic, Somalia, Ethiopia, Djibouti, and the Gulf countries, the allowance is YD 75. Travelers to the Yemen Arab Republic may alternatively take out up to YRls 1,000. Travelers may take out the equivalent of YD 5 in domestic banknotes. Allowances for medical treatment abroad are normally granted up to the equivalent of YD 200 per person, with higher amounts to be granted under exceptional circumstances. Allowances for other types of travel are granted on the merits of each case. Non-residents are allowed to take out foreign exchange up to the amounts declared to customs upon entry. Interest due on external borrowings may also be remitted, provided that all duties, taxes, and other government dues are paid. Foreign employees may transfer abroad between 50 per cent and 100 per cent of their total earnings (net of taxes) according to the terms of the contract. Profit remittances abroad by foreign firms should not normally exceed 50 per cent of the accrued net profit in any one year. Insurance is nationalized, with payment of premiums abroad not permitted.

e. Export proceeds and receipts from invisibles

Except for exports to the Yemen Arab Republic and neighboring countries as specified by the Committee, export proceeds must be surrendered in prescribed currencies within six months after the shipment of goods and be sold to the authorized bank upon receipt. The proceeds of exports or re-exports to the Yemen Arab Republic and other neighboring countries may be surrendered in the national currencies of these countries under the conditions established by the Committee. All claims of residents for services rendered to nonresidents must be collected in foreign currencies (or received from an external account) when due and surrendered to the authorized bank, with the exception that Yemeni nationals working abroad are allowed to establish nonresident foreign currency accounts. Imports of domestic currency by travelers are limited to YD 5 per person; imports in excess of this amount are liable to a tax of 50 per cent. Tourists are required to spend in foreign exchange a minimum equivalent to YD 50 per month or US\$10 per day if their stay is less than a month.

## 2. Trade system

Most imports and exports are subject to individual licensing. <sup>1/</sup> Exempt from licensing are imports of Yemen Arab Republic origin. Temporary restrictive orders may be issued from time to time to prevent overstocking of some commodities or to encourage the sale of locally manufactured substitutes. Both importers and exporters must register with the Trade Registrar in the Ministry of Trade and Supply; the registration must be renewed each year. Under Law No. 37 of 1969, commercial agents for foreign firms were restricted to the Yemeni nationals as of April 1, 1970.

The Ministry of Trade and Supply, which was established in 1975, assumes full responsibility for the administration of foreign trade as contained in Law No. 21 of 1971 and domestic distribution of imported goods. The management of foreign trade is effected as follows: the Committee, chaired by the Deputy Governor of the Bank of Yemen, formulates an exchange budget annually on the basis of expected foreign exchange earnings on exports, invisibles, loans, and grants. At the same time, the Ministry of Trade and Supply formulates an import program annually, taking into account various needs for development, consumption, etc. This import program establishes quotas for various groups of import commodities on the basis of their relative importance. The Ministry of Trade and Supply then issues import licenses to individual importers (mostly state agencies) to ensure allocation of foreign exchange consistent with the objective of the import program. Both the exchange budget and the import program are subject to quarterly review and implemented flexibly in view of changes in the size of exchange receipts, import needs, etc. The Deputy Governor and senior officials of the Ministry of Trade and Supply stay in touch with each other in order to coordinate the foreign exchange budget and the import program.

Most of the import trade and the domestic distribution of imported commodities are handled by the public sector. The two public corporations that assume responsibility for import trade are (a) the National Company for Foreign Trade, which has a monopoly over imports of all consumer goods, including foodstuffs, automobiles, and other general government requirements, and (b) the National Company of Drugs, which is responsible for medical supplies and hospital equipment. Apart from those two organizations, certain agricultural cooperative unions are authorized to import agricultural inputs and fruits. The public corporation that assumes responsibility for the domestic allocation and distribution of the commodities imported by the above two companies is the National Company for Home Trade.

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<sup>1/</sup> Export licensing is maintained partly for statistical purposes.

Private sector imports are financed under the "own exchange" import scheme. Under this scheme, Yemeni nationals are allowed to import certain goods as long as they are financed by their own foreign exchange sources. The most common procedure under this arrangement is for a Yemeni national to have someone abroad finance a specified import that is consistent with the overall annual import program. Such imports are subject to special high rate taxes. For example, automobiles imported under this scheme are subject to a tax of 300 per cent in addition to the import duty. Imports of foodstuffs, clothes, raw materials, and other essential items are encouraged. Furthermore, unless obtained for personal use, all the imports that are subject to distribution by the National Company for Home Trade must be sold to the company at predetermined prices. In recent years, however, imports under this scheme were practically nil.

Aden has free zones established within the port. Transactions in the free zones are not subject to import tariff and are generally exempt from exchange and trade controls, except that the proceeds of exports and re-exports financed originally by the authorized bank are subject to the surrender requirement discussed earlier. In all cases, exporters from the free zones are required to undertake to repatriate commissions, profits, and other expenses related to the processing of goods in the zones in convertible currencies and surrender them to the authorized bank. Transactions between the free zones and the rest of the country are subject to all exchange and trade regulations applicable to ordinary imports and exports. In 1976 the Government took steps to promote re-export trade through the free zones, such as the extension of credit facilities in foreign exchange for at least six months to finance imports and their sale in these areas for re-exports. Moreover, foreign firms are now allowed to establish tax-exempt sales and production facilities in the free zones.

Most of the imports, other than those related to the free zones, are subject to a comprehensive tariff schedule; high rates are charged on non-essential manufactured consumer goods while low rates apply to foodstuffs, raw materials, and equipment. Some imports are subject to specific duties. Tariff policy is primarily aimed at fiscal objectives and not intended for protection of domestic import-substituting activities.

### 3. Trade and payments agreements

There are no bilateral payments agreements. The P.D.R. of Yemen has a number of trade agreements containing the most-favored-nation clause. It also maintains economic and technical cooperation agreements with Egypt, Iraq, the Socialist People's Libyan Arab Jamahiriya, Algeria, the People's Republic of China, the U.S.S.R., the German Democratic Republic, Hungary, Yugoslavia, Bulgaria, and a few other countries. These agreements generally provide for loans or lines of credit to be used by the P.D.R. of Yemen and conditions of utilization and terms of repayment; repayments are stipulated to be made in convertible currencies.

4. Changes since the last consultation

August 1, 1981. Non-nationals employed in the public sector in the P.D.R. of Yemen are allowed to remit their entire savings at the time of departure at the end of their contract; formerly they were allowed to remit only up to YD 500 at the time of departure and the remainder at the rate of YD 100 per month thereafter.

August 1, 1981. Non-nationals resident and doing business in the P.D.R. of Yemen are allowed to remit abroad YD 50 per month for family maintenance; formerly they were allowed to remit YD 25.

August 1, 1981. Cars imported with own exchange earned abroad, in the event the importer is unable to pay the import duty, are allowed to be re-exported without an undertaking to surrender the export proceeds; formerly such an undertaking was required.

Table 16. P.D.R. of Yemen: Gross Domestic Product at Current Prices, 1976-80

(In thousands of Yemeni dinars)

	1976	1977	1978	1979	1980 <u>1/</u>
Agriculture and fisheries	24,532	25,437	19,670	23,435	25,600
Mining and quarrying	177	339	297	290	)
Manufacturing	9,268	15,617	19,619	19,838	) 27,800
Electricity and water	2,004	2,738	3,102	3,191	)
Construction	10,368	15,253	25,561	24,015	26,800
Trade, hotels, and restaurants	22,953	27,539	24,290	30,587	32,200
Transport, storage, and communications	13,480	18,279	21,348	27,495	30,000
Finance, insurance, and real estate	3,871	4,630	4,768	6,570	7,900
Business and personal services	4,207	4,489	1,446	1,511	1,800
Government services	21,472	25,660	30,979	39,357	44,500
Gross domestic product at factor cost	112,332	139,981	151,079	176,208	196,600
Net indirect taxes	<u>15,299</u>	<u>20,198</u>	<u>25,114</u>	<u>29,887</u>	<u>36,800</u>
GDP at market prices	127,631	160,179	176,193	206,095	233,400

Source: Central Statistical Organization.

1/ Preliminary.

Table 17. P.D.R. of Yemen: Output, Acreage,  
and Yield of Main Crops, 1976-80

(Output in thousands of tons;  
acreage in thousands of acres)

	1976	1977	1978	1979	1980 <sup>1/</sup>
Cotton					
Production	9.3	4.9	10.4	6.6	5.38
Acreage	26.7	13.1	21.6	18.2	17.9
Yield	0.35	0.37	0.48	0.36	0.30
Sesame					
Production	1.9	2.9	1.9	1.7	1.5
Acreage	11.1	20.0	12.1	14.7	9.2
Yield	0.17	0.15	0.15	0.12	0.16
Wheat					
Production	10.0	8.6	6.8	7.4	7.8
Acreage	15.2	17.5	13.5	13.0	13.0
Yield	0.66	0.52	0.50	0.57	0.57
Cereals					
Production	18.1	22.8	18.1	18.8	19.9
Acreage	103.9	127.6	75.1	64.9	56.8
Yield	0.17	0.18	0.24	0.29	0.35
Fodder					
Production	99.0	51.6	73.1	111.6	134.7
Acreage	23.3	23.9	11.3	21.7	27.7
Yield	4.25	2.16	6.47	5.14	4.86
Vegetables					
Production	31.4	30.3	33.1	41.5	60.3
Acreage	8.6	8.3	8.9	11.7	15.9
Yield	3.65	3.65	3.72	3.55	3.8
Melons					
Production	7.9	8.9	9.0	9.0	9.7
Acreage	2.0	2.7	3.5	3.5	2.92
Yield	3.95	3.30	2.57	2.57	3.32
Fruits					
Production	15.3	12.9	13.2	13.8	37.6
Acreage	2.9	2.6	2.5	2.6	2.15
Yield	5.28	4.96	5.28	5.31	17.5
Dates					
Production	13.2	13.6	15.0	15.0	8.0
Acreage	7.0	6.0	7.0	6.0	11.7
Yield	1.89	2.27	2.14	2.50	0.68
Qat	1.3	1.3	0.8	1.0	1.0

Source: Central Statistical Organization.

<sup>1/</sup> Preliminary.

Table 18. P.D.R. of Yemen: Farm-Gate Prices for Principal  
Agricultural Products, 1978-81

(Prices in Yemeni dinars per ton)

Product	1978	1979	1980	1981
Wheat	95	100	170	175
Dura/dukhni (sorghum/millet)	70	70	75	160
Dura/maie	70	75	75	115
Cotton (long-staple)	) --	) 155	) 155	242
Cotton (medium-staple)	) --	) 155	) 155	204
Sesame	175	185	500	500
Tobacco	300	300	300	300
Tomato (average)	58	70	80	80
Okra	70	73	113	113
Eggplant	25	25	50	50
Red onions	70	95	140	140
Potatoes	80	80	150	150
Watermelon	15	20	50	50
Sweet melon	--	45	85	85
Animal fodder	65	65	65	65
Bananas	30	45	55	55
Palm dates	75	75	90	90
Beef	--	--	445	635
Mutton (sheep and goats)	--	--	570	750
Chicken	--	--	800	800
Milk (liter)	--	--	100	160
Eggs (unit)	--	--	0.028-0.033	0.040

Source: Ministry of Agriculture.

Table 19. P.D.R. of Yemen: Wholesale Price Index  
for Aden, 1976-79

(1969 = 100)

	Relative Weights	1976	1977	1978	1979
General index	<u>100.0</u>	<u>287</u>	<u>306</u>	<u>308</u>	<u>309</u>
Foodstuffs	48.5	279	286	308	322
Raw materials	13.1	166	255	196	218
Industrial products	23.2	384	394	399	324
Building materials	5.5	279	299	299	300
Fuel	9.7	265	265	244	314

Source: Central Statistical Organization.



Table 20. P.D.R. of Yemen: Consumption of Petroleum Products, 1974-80

(In English tons)

	1974	1975	1976	1977	1978	1979	1980
Gasoline	55,500	56,700	56,050	53,198	55,858	58,651	61,584
Kerosene	45,100	47,800	45,750	60,992	64,042	67,224	70,606
Diesel oil	178,200	185,900	170,700	165,976	174,976	182,989	192,138
Residual fuel oil	112,300	115,000	120,000	119,298	125,263	131,526	138,102
Liquid petroleum gases	5,100	5,100	5,100	7,437	7,809	8,199	8,609
Other	5,200	8,400	8,200	8,393	8,813	9,254	9,717
Total	401,400	418,900	405,800	415,294	436,060	457,863	480,756

Source: Yemeni National Oil Company.

Table 21. P.D.R. of Yemen: Development Expenditures Under the First Five-Year Plan, 1974/75-1978

Sector	Targets					Actuals					Implementation Rate	
	1974/75	Apr.-Dec. 1975 1/	1976	1977	1978	Total	1974/75 1/	Apr.-Dec. 1975 1/	1976	1977		1978
(In millions of Yemeni dinars)												
Industry	6.13	5.11	4.67	5.79	8.14	29.84	4.76	3.50	4.59	4.04	4.95	21.85
Agriculture and fisheries	12.27	13.06	16.30	23.73	22.04	87.40	8.01	7.12	16.30	18.56	20.20	70.19
Communications and construction	6.38	6.60	10.72	21.82	31.37	76.89	4.67	4.08	10.36	17.29	20.35	56.75
Geological and mineral surveys	0.47	1.02	4.80	6.85	5.21	18.34	0.31	0.78	2.22	5.75	3.07	12.12
Social services	4.20	9.19	9.67	21.14	18.07	62.27	1.85	3.41	5.76	11.70	11.18	33.90
Total	29.45	34.99	46.15	79.33	84.83	274.74	19.60	18.90	39.23	57.34	59.75	194.81
(In per cent)												
Industry	20.8	14.6	10.1	7.3	9.6	10.5	24.3	18.7	11.7	7.0	8.3	11.2
Agriculture and fisheries	41.7	37.3	35.3	29.9	26.0	31.8	40.9	37.6	41.5	32.4	33.8	36.0
Communications and construction	21.7	18.9	23.2	27.5	37.0	28.0	23.8	21.6	26.4	30.2	34.0	29.1
Geological and mineral surveys	1.6	2.9	10.4	8.6	6.1	6.6	1.6	4.1	5.7	10.0	5.1	6.2
Social services	14.3	26.3	21.0	26.6	21.3	22.6	9.4	18.0	14.8	20.4	18.7	17.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Planning.

1/ Beginning in 1976, the fiscal year, previously ending on March 31, was changed to coincide with the calendar year. There was an interim budget for the nine months, April-December 1975, to cover the transitional period between 1974/75 and 1976.

Table 22. P.D.R. of Yemen: Sources of Financing of Development Expenditures Under the First Five-Year Plan, 1974/75-1978

	Targets					Actuals						
	1974/75	Apr.-Dec. 1975 1/	1976	1977	1978	Total	1974/75	Apr.-Dec. 1975 1/	1976	1977	1978	Total
(In millions of Yemeni dinars)												
Development Fund	14.42	22.36	26.24	45.20	48.78	157.00	9.35	12.19	21.91	32.85	33.57	109.86
Banking system	2.55	1.95	2.30	5.70	7.24	19.74	1.30	0.79	2.12	6.05	2.49	12.75
Self-financing by firms and corporations	3.83	2.70	1.93	4.09	3.79	16.34	2.52	1.48	1.76	1.81	1.71	9.28
Foreign project loans	8.64	7.97	15.68	24.34	25.02	81.63	6.43	4.44	13.44	16.63	21.98	62.92
Total	29.45	34.99	46.15	79.33	86.33	274.71	19.60	18.90	39.23	57.34	59.75	194.81
(In per cent)												
Development Fund	49.0	63.9	56.9	57.0	57.5	57.1	47.7	64.5	55.8	57.3	56.2	56.4
Banking system	8.7	5.6	5.0	7.2	8.5	7.1	6.6	4.2	5.4	10.6	4.2	6.5
Self-financing by firms and corporations	13.0	7.7	4.2	5.2	4.5	5.9	12.9	7.8	4.5	3.2	2.9	4.8
Foreign project loans	29.3	22.8	34.0	30.7	29.5	29.7	32.8	23.5	34.3	29.0	36.8	32.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Planning.

1/ Beginning in 1976, the fiscal year, previously ending on March 31, was changed to coincide with the calendar year. There was an interim budget for the nine months, April-December 1975, to cover the transitional period between 1974/75 and 1976.

Table 23. P.D.R. of Yemen: Development Expenditures, 1979-80

	<u>Targets</u>		<u>Actuals</u>	
	1979	1980	1979	1980
<u>(In millions of Yemeni dinars)</u>				
Industry	12.73	19.86	4.51	18.27
Agriculture and fisheries	27.47	27.46	17.99	17.21
Communications and construction	21.44	17.79	15.73	16.90
Geological and mineral surveys	4.29	4.90	2.78	4.30
Social services	<u>14.81</u>	<u>21.06</u>	<u>10.95</u>	<u>17.54</u>
Total	80.74	91.07	51.96	74.22
<u>(In per cent)</u>				
Industry	15.8	21.8	8.7	24.6
Agriculture and fisheries	34.0	30.2	34.6	23.2
Communications and construction	26.6	19.5	30.3	22.8
Geological and mineral surveys	5.3	5.4	5.4	5.8
Social services	<u>18.3</u>	<u>23.1</u>	<u>21.1</u>	<u>23.6</u>
Total	100.0	100.0	100.0	100.0

Source: Ministry of Planning.

Table 24. P.D.R. of Yemen: Sources of Financing of  
Development Expenditures, 1979-80

	<u>Targets</u>		<u>Actuals</u>	
	1979	1980	1979	1980
<u>(In millions of Yemeni dinars)</u>				
Development Fund	35.95	28.91	24.77	32.84
Banking system	7.30	10.58	5.66	8.04
Self-financing by firms and corporations	4.96	5.54	1.60	5.25
Foreign project loans	<u>32.54</u>	<u>46.04</u>	<u>19.93</u>	<u>28.09</u>
Total	80.75	91.07	51.96	74.22
<u>(In per cent)</u>				
Development Fund	44.5	31.7	47.7	44.2
Banking system	9.0	11.6	10.9	10.8
Self-financing by firms and corporations	6.1	6.1	3.1	7.1
Foreign project loans	<u>40.3</u>	<u>50.6</u>	<u>38.4</u>	<u>37.9</u>
Total	100.0	100.0	100.0	100.0

Source: Ministry of Planning.

Table 25. P.D.R. of Yemen: Central Government Unified  
Budgetary Expenditure, 1981

(In thousands of Yemeni dinars)

	Budget Estimates		
	Current	Development	Total
By administrative and functional category:	116,826	99,326 1/	216,152
General administration	28,675	27,923	56,598
General administration	(3,300)	(--)	(3,300)
Finance and economy	(22,270)	(27,643)	(49,913)
Other	(3,105)	(280)	(3,385)
Defense and security	46,736	--	46,736
Education and guidance	19,958	9,715	29,673
Health	6,102	2,806	8,908
Social services	1,826	--	1,826
Pensions	(1,826)	(--)	(1,826)
Community services	2,090	15,658	17,748
Local townships	(2,090)	(716)	(2,806)
Housing	--	(14,942)	(14,942)
Economic services	5,367	43,224	48,591
Public works and communications	(2,533)	(18,157)	(20,690)
Agriculture	(2,160)	(15,664)	(17,824)
Fisheries	(674)	(9,403)	(10,077)
Other unallocable: debt service	6,072	--	6,072
By economic classification:			216,152
Current expenditure			116,826
Wages and salaries			(56,080)
Materials and supplies			(42,874)
Transfer payments			(12,872)
Repayment of public debt--principal			(5,000)
Development expenditure			96,326

Source: Ministry of Finance.

1/ This total differs from the total expenditure in the development budget (Table 10) as the official budget excludes that portion financed by the banking system (YD 7.09 million) and self-financed by firms and corporations (YD 7.66 million).

Table 26. P.D.R. of Yemen: Martyrs' Fund, 1977-81

(In thousands of Yemeni dinars)

	Actuals				Budget
	1977	1978	1979	1980 <u>1/</u>	Estimate 1981
Expenditure	<u>260.0</u>	<u>323.2</u>	<u>542.1</u>	<u>668.3</u>	<u>668.3</u>
Personal	--	0.2	1.5	4.2	4.2
Administrative	38.9	38.9	50.3	64.5	64.5
Transfer	221.1	284.1	490.2	599.6	599.6
Revenue	<u>260.1</u>	<u>323.2</u>	<u>542.1</u>	<u>668.3</u>	<u>668.3</u>
Contribution from employees	88.1	119.8	123.0	121.5	121.5
Tax revenue	85.9	21.4	89.4	91.0	91.0
Government subsidy	86.1	182.0	329.7	455.8	455.8

Source: Ministry of Finance

1/ Provisional.





Table 28. P.D.R. of Yemen: Summary of Tax System, September 1981

(All amounts in local currency units)

ix	Nature of Tax	Exemptions and Deductions	Rates
Central Government			
1. Taxes on income and profits			
1.1 Taxes on companies, corporations, and enterprises			
1.11	Taxes on income and profits (Law No. 8 of 1961, amended by Law No. 22 of 1968, Laws No. 11 and 35 of 1969, Law No. 52 of 1971, and Law No. 5 of 1980.	Tax on the net profits of all companies including private companies, nationalized companies, and public enterprises. The net profits for the year are assessed at the beginning of the year and the tax is paid in advance in quarterly installments. A financial review is undertaken at the end of the year and an adjustment in the amount of tax paid is made.	Companies that qualify under the Encouragement of Investment Law No. 23 of 1971 can be exempt from the tax for three to eight years.
			37.5 per cent on net profits.
1.2 Taxes on individuals			
1.21	Individual income tax (Law No. 8 of 1961, amended by Law No. 22 of 1968, Laws No. 11 and 35 of 1969, Law No. 52 of 1971, and Law No. 5 of 1980.	Annual tax on the net income of individuals who conduct their own private businesses.	Deductions: YD 300 for a married person and YD 175 for a single person; YD 120 for each dependent up to a maximum of six; and up to a maximum of YD 200 for pension and insurance contributions.
			A. Wage and salary income
			(In YD) (In per cent)
			First 200 2.5
			Next 200 5.0
			Next 400 7.5
			Next 400 10.0
			Next 400 12.0
			Next 400 14.0
			Next 1,000 15.0
			Next 1,000 16.0
			Next 1,500 17.0
			Next 1,500 18.0
			Next 2,000 19.0
			On any additional amounts 25.0
			B. Other income
			(In YD) (In per cent)
			First 200 10.0
			Next 200 15.0
			Next 400 20.0
			Next 400 25.0
			Next 400 30.0
			Next 400 25.0
			Next 500 40.0
			Next 500 45.0
			Next 1,000 50.0
			Next 2,000 55.0
			Next 2,000 60.0
			Next 2,000 65.0
			On any additional amounts 75.0
1.22	Tax on wages and salaries	Annual tax on the salaried employees in the private and public sectors. This tax is applied in two stages: (1) a Special Tax (Law No. 10 of 1968) is withheld from the salaries of all employees except those of the Central Government; (2) the Defense Tax (Law No. 45 of 1972) is withheld from salaries of all employees; (3) any balance remaining after subtracting the amount of Special Tax and Defense Tax paid and other deductions is subject to the individual income tax (1.21 above).	The Special Tax does not apply to employees of the Central Government, to salaries below YD 282 per year, or to non-Yemenis.
			Deductions for computing individual tax; YD 600 for a married person; YD 420 for a single person; YD 120 for each dependent; and insurance and educational expenses.
			Special Tax (Law No. 10 of 1968)
			Taxable Income (YD per year) (In per cent)
			282- 300 5.0
			301- 360 7.5
			361- 420 10.0
			421- 480 12.5
			481- 540 15.0
			541- 600 17.5
			601- 900 27.5
			901-1,200 37.5
			1,201-1,800 42.5
			1,801-2,400 45.0
			2,401-3,000 47.5
			3,001 and over 47.5
			Individual tax
			Same as in 1.21.

Table 28. P.D.R. of Yemen: Summary of Tax System, September 1981 (continued)

(All amounts in local currency units)

Tax	Nature of Tax	Exemptions and Deductions	Rates	
1.23 Defense tax (Law No. 45 of 1972)	On basic salary for public sector employees and on gross income calculated after deduction of special tax payable for others.	Special tax payable.	3 per cent on salary income and 200-500 fils on small businesses and YD 2-15 from larger firms.	
2. <u>Social security contributions</u>				
None.				
3. <u>Payroll taxes</u>				
None.				
4. <u>Taxes on property</u>				
None.				
5. <u>Taxes on goods and services</u>				
5.1 <u>General sales tax</u>				
None.				
5.2 <u>Selective excises</u>				
5.21 Excise tax on cigarettes (Law No. 28 of 1970, amended by Law No. 29 of 1976; Law No. 14 of 1979; and Law No. 10 of 1981)	Specific tax per 1,000 cigarettea.	None.	<u>Brand</u>	<u>Rate (In YD)</u>
			Pall Mall	11.520
			Radfan	8.115
			Shamean	8.115
5.22 Excise tax on beer	Specific tax per liter.	None.	YD 0.600	
5.23 Excise taxes on petroleum products (Law No. 2 of 1961, amended by Law No. 28 of 1970, and Law No. 14 of 1979)	Specific taxes per gallon on the sales of various petroleum products.	None.	<u>Product</u>	<u>Rate</u>
			Benzine	94 fils
			Kerosene	11 fils
			Diesel	15 file
			Mazot (fuel oil)	5 fils
			Lubricating oils	61 fils
			Vaseline oil and paraffin	61 fils
			White spirit	YD 2.000
5.24 Other excises				
5.241 Excise taxes on agricultural production (Law No. 2 of 1961, amended by Law No. 28 of 1970, Law No. 46 of 1972, Law No. 29 of 1976, Law No. 15 of 1978, Law No. 14 of 1979, and Law No. 10 of 1981.	Taxes on all agricultural products except qat are ad valorem. These taxes are collected from the farmers through the cooperatives. The ad valorem tax on qat is collected from the farmers, while the specific qat tax is collected from the buyers on sales of qat.	None.	<u>Product</u>	<u>(In per cent)</u>
			Cotton	10
			Cereale	15
			Coffee beans	15
			Tobacco	15
			Fruits (includ- in dates) and vegetables	10
			Other	10
			Qat (a)	20
			Qat (b)	YD 1.200 per pound
5.242 Excise tax on fisheries	An ad valorem tax is collected from fisherman through the National Corporation for Fish Marketing which buys the fish from producers at fixed prices.	None.	10 per cent.	
5.243 Excise tax on industrial production: soft drinks	Specific tax levied on the sales of soft drinks.	None.	<u>Unit</u>	<u>Rate</u>
			10 oz. and less	10 fils
			15 oz. and more	15 fils

Table 28. P.D.R. of Yemen: Summary of the Tax System, September 1981 (concluded)

(All amounts in local currency units)

x	Nature of Tax		Exemptions and Deductions	Rates																																							
	5.244	Excise tax on other industrial products (Law No. 29, 1976 (of Oct. 12, 1976) and Law No. 14 of 1979)	Ad valorem and specific.	None.	<table><tr><th>Product</th><th>(In per cent)</th></tr><tr><td>Cottonseed oil</td><td>10</td></tr><tr><td>Emulsion and paint</td><td>10</td></tr><tr><td>Tomato paste</td><td>10</td></tr><tr><td>Textiles</td><td>10</td></tr><tr><td>Aluminum utensils</td><td>20</td></tr><tr><td>Rubber foam</td><td>20</td></tr><tr><td>Perfumes</td><td>30</td></tr><tr><td>Iron beds</td><td>20</td></tr><tr><td>Mattresses</td><td>20</td></tr><tr><td>Leather shoes</td><td>10</td></tr><tr><td>Rubber slippers</td><td>10</td></tr><tr><td>Leather bags and bits</td><td>15</td></tr><tr><td>Plastic utensils</td><td>10</td></tr><tr><td>Summer clothes</td><td>10</td></tr><tr><td>Batteries</td><td>20</td></tr><tr><td>Nails</td><td>10</td></tr><tr><td>Paper bags</td><td>10</td></tr><tr><td>Matches</td><td>3 fils/box</td></tr></table>	Product	(In per cent)	Cottonseed oil	10	Emulsion and paint	10	Tomato paste	10	Textiles	10	Aluminum utensils	20	Rubber foam	20	Perfumes	30	Iron beds	20	Mattresses	20	Leather shoes	10	Rubber slippers	10	Leather bags and bits	15	Plastic utensils	10	Summer clothes	10	Batteries	20	Nails	10	Paper bags	10	Matches	3 fils/box
Product	(In per cent)																																										
Cottonseed oil	10																																										
Emulsion and paint	10																																										
Tomato paste	10																																										
Textiles	10																																										
Aluminum utensils	20																																										
Rubber foam	20																																										
Perfumes	30																																										
Iron beds	20																																										
Mattresses	20																																										
Leather shoes	10																																										
Rubber slippers	10																																										
Leather bags and bits	15																																										
Plastic utensils	10																																										
Summer clothes	10																																										
Batteries	20																																										
Nails	10																																										
Paper bags	10																																										
Matches	3 fils/box																																										
6. Taxes on international trade and transactions																																											
6.1 Taxes on imports																																											
	6.11	Customs duties (Law No. 2 of 1961, amended by Law No. 28 of 1970, Law No. 12 of 1974, Law No. 30 of 1976, and Law No. 12 of 1979)	The tariff schedule is based on the Brussels Nomenclature System. Duties are mainly ad valorem although specific rates apply in some cases.	Among the items which are exempt from import duties are grains and fruits for seeding, cottonseed, crude petroleum intended for the refinery, fertilizers, printed materials, materials used for construction of means of transportation, and materials used for teaching.	Except for a few selected items, all imports are subject to duties. Basic foodstuffs, certain essential consumer items, raw materials and capital goods are subject to low rates of duty while luxury items are subject to high rates. The schedule covers 15 different ad valorem rates as follows: 0, 1, 2, 3, 4, 10, 15, 20, 23, 30, 40, 50, 75, 120, and 160 per cent. (A special tariff of an additional 300 per cent is applied on motor vehicles imported by individuals with own foreign exchange; the proceeds of this duty are credited to the Stabilization Fund.) By Law No. 30 of 1976, duties on certain essential items (baby foods, milk, biscuits, children's wear and school equipment) were reduced to 5 per cent from 10 per cent. By Law No. 12 of 1979 duties on cigars and cigarettes were raised to 200 per cent. See separate schedules of ad valorem and specific rates.																																						
7. Other taxes																																											
	7.2	Stamp taxes (Law No. 5 of 1961; amended by Law No. 8 of 1971)	A stamp duty applied to most legal documents relating to contracts, transactions, and registration.	A few types of documents are exempt.	Some rates are fixed, others are proportional or progressive (e.g., letters of credit 1 per cent to 1.5 per cent; and local loans 0.5 per cent).																																						
Other levels of Government																																											
No information available.																																											

Table 29. P.D.R. of Yemen: Summary of Import Tariff--Schedule of Ad Valorem Rates as of September 20, 1981

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Exemptions:	Bulbs, plants, and other roots; cottonseed, grains, kernels, and fruits for seeding; crude petroleum and shale oil intended for refineries; fertilizers; newsprint; printed books, newspapers, magazines, music sheets, printed maps, technical drawings, and postage and revenue stamps; coins; materials from iron and steel used for the construction of railroads and other means of transportation; apparatus, materials, and models for teaching; and scientific items used for collections and antiques for over 100 years.
5 per cent:	Metal-bearing ores; lamb wool and other animal hair, sorted or scoured.
5-10 per cent:	Soft coal, lignite, coke, coal gas, water gas, and production gas; carbon; granules, powders, cellulose nitrates, and cellulose nitrate solutions; lamb wool and other animal hair, not sorted or scoured; jute, not spun; cast iron and ferrous alloys; copper ores and alloys of copper; matte nickel, raw nickel, nickel waste and scrap; raw aluminum, aluminum waste and scrap; magnesium ore, magnesium waste and scrap; unwrought lead, lead waste and scrap; unwrought zinc, zinc waste and scrap; unwrought tin, tin waste and scrap; engines used for agriculture and fishing.
5 per cent:	Lamb wool and other animal hair, sorted or scoured.
5-15 per cent:	Grains; milk and cream; crude and reconditioned rubber; animal food preparations; pharmaceutical preparations; firewood; natural cork; materials used in the manufacture of paper; numerous items under the following categories: live animals and their products, animal and vegetable oils, minerals and mineral products, chemicals and chemical products, synthetic resins and plastics, glass and glass products, ordinary metals and products thereof, transportation materials, and precision instruments.
10-25 per cent:	Salted fish; cheese and milk dregs; fruits; tea and spices; umbrellas; canes; brushes and brooms; numerous items under the following categories: live animals and their products, vegetable products, animal and vegetable oils, food industry products, minerals and mineral products, chemicals and chemical products, synthetic resins and plastics, hides and skins, wood and wood products, paper and products thereof, textile fibers and textile products, glass and glass products, ordinary metals and products thereof, machines and electrical equipment, transportation materials, and precision instruments.

Table 29. P.D.R. of Yemen: Summary of Import Tariff--Schedule of Ad Valorem Rates as of September 20, 1981 (Concluded)

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25-45 per cent:	Shellfish and jellyfish; birds' eggs; natural honey; coffee; preparation of fruits and vegetables; natural cork products; numerous items under the following categories: vegetable products, food industry products, minerals and mineral products, chemicals and chemical products, hides and skins, wood and wood products, paper and paper products, textile fibers and textile products, glass and glass products, ordinary metals and products thereof, machines and electrical equipment, transportation materials, and precision instruments.
30-45 per cent:	Natural sponges; amber, sago flour, meat extracts; syrups and molasses; cocoa paste; cereal-based products; soup; soda and mineral water; shaving cream; fireworks; matches; basketwork products; artificial flowers and fruits; imitation jewelry; numerous items under the following categories: synthetic resins and plastics, hides and skins, textile fibers and textile products, glass and glass products, machines and electrical equipment, and transportation materials.
35-50 per cent:	Fresh fish; bird skins; crude and semiprocessed ivory; cocoa powder; belts, tires, tubes, and wheels; bovine and chamois skin; saddles and harnesses; hand fans; spoons, forks, and knives with handles made of expensive material; cabinets and safety boxes; electrical apparatus for shaving and cutting hair; electrical water heating apparatus.
40-65 per cent:	Fresh bananas; preserved shellfish and jellyfish by-products; chocolate; perfumes, cosmetics, and toilette products; leather and leather apparel; raw fur skins; carpentry products used for construction; carpets and rugs from wool or hair; fabrics, garments, and textiles from wool or soft hair; stones for construction; bricks and tiles; nonelectric water heaters for home use; washers for household use; vacuum cleaners; motor vehicles not used for public transportation.
45-60 per cent:	Pigs; pork meat; dressed fur skins; wood frames; household utensils made of wood; fine carpentry articles; wallpaper and window transparent paper; silk fiber; silk fabrics and garments; articles for interior decoration made of metals; air conditioning units; seats and couches.
100 per cent:	Salt; manufactured for skins; human hair, wigs, false beards, and other false hair; articles used for decorative and ornamental purposes.
140 per cent:	Furniture.
200 per cent:	Cigars, cigarettes, and qat.

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Source: Ministry of Finance.

Table 30. P.D.R. of Yemen: Summary of Excise Tariff--  
Schedule of Specific Rates as of September 20, 1981

(In Yemeni dinars)

Item	Unit	Rate as of July 31, 1981
Horses and mules	Head	2.000
Cows and buffaloes	"	1.000
Sheep and goats	"	0.150
Beer	Gallon	1.270
Nonalcoholic grape juice	"	1.270
Wine	"	1.300
Effervescent wines	"	3.000
Vermouth wines	"	3.000
Apple and pear drinks	"	3.000
Ethyl spirits	"	3.000
Other spirits	"	12.000
Crude petroleum and shale oil not intended for refineries	"	0.070
Benzine upon importation or exit from refineries	"	0.094
Kerosene	"	0.011
Gas oil	"	0.015
Diesel oil	"	0.015
Fuel oil	"	0.005
Greasing oils	"	0.061
Vaseline and paraffin oil	"	0.061
Oil gases	Kilogram	0.006
Butter and cooking butter	Net pound	0.010
Raw tobacco	"	0.150

Source: Ministry of Finance.

Table 31. P.D.R. of Yemen: Monetary Survey, 1976-81  
(In millions of Yemeni dinars)

End of Period	1976	1977	1978	1979	Dec. 1980	June	
						1980	1981
Foreign assets (net)	2.1	14.6	45.6	66.5	79.3	82.4	60.7
Bank of Yemen	14.7	18.0	44.6	52.3	58.9	60.3	57.3
Assets	(28.3)	(34.7)	(65.3)	(73.1)	(81.4)	(80.9)	(79.4)
Liabilities	(-13.6)	(-16.7)	(-20.8)	(-20.8)	(-22.5)	(-20.6)	(-22.1)
National Bank of Yemen	-12.6	-3.4	1.0	14.2	20.4	22.1	3.4
Assets	(10.3)	(23.7)	(16.0)	(36.1)	(44.1)	(53.1)	(24.7)
Liabilities	(-22.8)	(-27.1)	(-15.0)	(-21.9)	(-23.7)	(-31.0)	(-21.3)
Domestic credit	93.3	121.7	145.7	171.4	225.3	194.9	257.3
Claims on Government (net)	62.1	72.5	87.1	110.2	127.4	124.9	146.2
Claims on nongovernment sector	31.2	49.2	58.5	61.2	97.9	70.0	111.1
Assets = Liabilities	95.4	136.3	191.3	237.9	304.6	277.3	318.0
Domestic liquidity	97.7	140.4	167.9	217.4	286.1	249.7	288.3
Money	81.5	115.2	143.6	184.9	234.6	210.7	237.0
Currency	(63.8)	(88.2)	(116.6)	(143.5)	(171.1)	(157.7)	(184.3)
Demand deposits	(17.7)	(27.0)	(27.0)	(41.4)	(63.5)	(53.0)	(52.7)
Quasi-money	16.2	25.2	24.3	32.5	51.5	39.0	51.3
Other items (net)	-2.3	-4.1	23.4	20.5	18.5	27.6	29.6

Sources: Appendix Tables 32 and 33.

Table 32. P.D.R. of Yemen: Balance Sheet of  
Bank of Yemen, 1975-81

(In millions of Yemeni dinars)

End of Period	1975	1976	1977	1978	1979	Dec. 1980	June 1980	1981
Foreign assets	18.5	28.3	34.7	65.3	73.1	81.4	80.9	79.5
Gold	0.3	0.3	0.4	0.4	0.6	0.6	0.6	0.6
Foreign exchange	12.3	22.6	27.8	60.4	66.2	71.4	72.0	71.7
Securities	4.5	4.3	5.0	3.2	4.7	5.2	5.5	5.5
SDR holdings	1.3	1.2	1.5	1.3	1.6	--	2.8	1.7
IMF reserve tranche	--	--	--	--	--	4.2	--	--
Claims on Government	40.0	69.2	85.1	99.6	124.7	142.2	140.3	163.8
Securities	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Treasury bills	26.0	42.0	55.0	80.0	99.0	110.0	--	--
Other credit	13.1	26.3	29.2	18.7	24.8	31.3	139.4	162.9
Unclassified assets	1.7	1.1	2.6	2.0	5.8	8.9	8.5	7.3
Assets = Liabilities	60.2	98.6	122.4	166.9	203.5	232.5	229.7	250.6
Reserve money	44.1	75.4	97.0	125.6	160.3	190.8	183.9	199.7
Currency outside banks	41.3	63.8	88.2	113.2	142.5	168.6	154.7	182.3
Currency in National Bank of Yemen	1.5	2.0	4.6	6.3	7.7	15.7	16.9	15.6
National Bank of Yemen's deposits	1.3	9.6	4.2	6.1	10.1	6.5	11.3	1.8
Foreign liabilities	10.0	13.6	16.7	20.8	20.8	22.5	20.6	22.1
Capital and reserves	0.9	1.0	1.2	2.7	3.2	4.9	3.3	4.9
SDR allocations	4.1	4.3	4.2	4.4	6.4	8.1	8.4	10.0
Unclassified liabilities	1.1	4.2	3.3	13.4	12.8	6.2	14.5	13.9

Source: Bank of Yemen.



Table 33. P.D.R. of Yemen: Balance Sheet of National Bank of Yemen, 1975-81

(In millions of Yemeni dinars)

End of Period	1975	1976	1977	1978	1979	March 1980	June 1980	1981
Reserves	2.7	11.7	8.8	12.1	18.3	23.9	24.1	17.3
Cash <sup>1/</sup>	(1.5)	(2.0)	(4.6)	(6.3)	(7.7)	(15.7)	(16.9)	(15.6)
Balance with Bank of Yemen	(1.2)	(9.7)	(4.2)	(5.8)	(10.6)	(8.2)	(7.2)	(1.7)
Foreign assets	9.2	10.3	23.7	12.6	35.1	41.5	50.0	22.7
Balance with foreign banks	(7.9)	(9.9)	(21.5)	(8.3)	(32.1)	(38.7)	(46.1)	(20.9)
Foreign investments	(0.1)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Bills receivable in foreign currency	(1.1)	(0.3)	(2.1)	(4.2)	(2.7)	(2.6)	(3.7)	(1.6)
Claims on Government	2.0	2.0	--	--	2.2	2.9	2.6	5.3
Claims on nongovernment sector	23.6	31.2	49.2	58.5	61.2	97.9	70.0	111.1
Bills receivable	(1.6)	(4.7)	(2.1)	(3.2)	(3.1)	(3.2)	(3.8)	(4.5)
Loans and advances	(22.1)	(26.5)	(47.1)	(55.3)	(58.2)	(94.7)	(66.2)	(106.6)
Unclassified	13.6	18.6	19.7	10.5	11.5	5.7	11.1	12.4
Assets = Liabilities	<u>51.0</u>	<u>73.8</u>	<u>101.4</u>	<u>93.7</u>	<u>128.3</u>	<u>171.9</u>	<u>157.8</u>	<u>168.8</u>
Demand deposits	14.0	17.7	27.0	27.0	41.4	63.5	53.0	52.7
Other nongovernment deposits	11.5	16.2	25.2	24.3	32.5	51.5	39.0	51.3
Time and savings deposits	(9.9)	(13.5)	(19.3)	(18.5)	(23.2)	(30.6)	(27.3)	(37.8)
Against letters of credit	(1.6)	(2.7)	(5.9)	(5.8)	(9.3)	(20.9)	(11.7)	(13.5)
Foreign liabilities	12.7	22.8	27.1	15.0	21.9	23.7	31.0	21.3
Balances due to foreign banks	(0.6)	(4.1)	(1.9)	(6.1)	(7.0)	(4.0)	(13.5)	(1.7)
Bills payable in foreign currency	(7.1)	(13.6)	(14.9)	(0.6)	(3.1)	(--)	(4.0)	(0.3)
Foreign currency deposits	(5.0)	(5.1)	(10.3)	(8.2)	(11.8)	(19.7)	(13.5)	(19.3)
Government deposits	5.3	9.1	12.6	12.5	16.7	17.7	17.9	23.0
Demand	(3.7)	(7.0)	(8.9)	(11.0)	(15.8)	(17.3)	(17.5)	(16.8)
Time and savings	(1.6)	(2.1)	(3.6)	(1.5)	(0.9)	(0.4)	(0.4)	(6.2)
Capital account	4.6	5.1	6.2	6.2	6.9	9.2	7.9	9.2
Unclassified	2.9	2.9	3.4	8.7	8.9	6.3	9.0	11.3

Source: Bank of Yemen.

<sup>1/</sup> Includes foreign currencies amounting to YD 3.4 million in 1978, YD 2.1 million in March 1979, YD 2.5 million in December 1980, YD 3.0 million in June 1980, and YD 2.0 million in June 1981.

Table 34. P.D.R. of Yemen: Distribution of Loans and  
Advances of the National Bank of Yemen, 1976-81

(In millions of Yemeni dinars)

End of Period	1976	1977	1978	1979	1980	June	
						1980	1981
By type of entity							
Public entities	20.9	37.2	44.3	47.3	84.1	54.4	94.7
Cooperatives	1.3	5.3	6.6	5.9	5.9	6.6	6.6
Mixed sector	0.2	0.3	0.1	0.1	0.1	0.1	--
Private entities	4.1	4.1	4.3	4.8	4.6	5.1	5.2
Total	<u>26.5</u>	<u>47.1</u>	<u>55.3</u>	<u>58.1</u>	<u>94.7</u>	<u>66.2</u>	<u>106.5</u>
By economic sector							
Agriculture and fisheries	1.6	2.7	3.0	2.6	3.5	3.1	3.9
Industry	2.0	4.4	5.8	4.4	2.2	2.8	3.3
Commerce and services	22.9	40.0	46.4	51.1	89.0	60.3	99.3

Source: Bank of Yemen.

Table 35. P.D.R. of Yemen: Balance of Payments, 1976-80

(In millions of SDRs) 1/

	1976	1977	1978	1979	Prelim. 1980
A. Goods, services, and private transfers	-83.5	-112.3	-67.1	-41.8	-168.7
Exports, f.o.b.	38.4	40.2	31.4	30.0	45.8
Domestic exports	(22.1)	(20.6)	(13.6)	(15.7)	(29.6)
Re-exports	(16.3)	(19.6)	(17.8)	(14.3)	(16.2)
Imports, c.i.f.	-247.8	-327.5	-325.9	-333.2	-514.8
Petroleum	(-45.1)	(-49.6)	(-46.3)	(-54.0)	(-115.5)
Other	(-202.7)	(-277.9)	(-279.6)	(-279.2)	(-399.3)
Services and private transfers (net)	125.9	175.0	227.4	261.4	300.3
Shipping, aviation, and insurance	(4.3)	(6.2)	(8.6)	(11.2)	(12.5)
Investment income	(5.5)	(6.2)	(6.5)	(11.7)	(22.9)
Other services	(10.8)	(8.2)	(13.4)	(9.2)	(16.0)
Government, n.i.e.	(2.0)	(-6.0)	(-6.9)	(-13.4)	(-18.9)
Private transfers	(103.3)	(160.4)	(205.8)	(242.7)	(267.8)
B. Miscellaneous capital and errors and omissions	-17.8	37.6	28.7	23.8	93.4
Private long-term capital	--	--	--	--	--
Private short-term capital	--	--	--	--	31.1
Net errors and omissions	-17.8	37.6	28.7	23.8	62.3
C. Grants and loans received by Government	90.2	107.6	105.4	67.5	129.4
Official grants received	40.1	47.6	30.5	18.4	63.6
Drawings on loans received	51.4	58.0	66.1	44.6	65.6
Repayment of loans	-1.3	-1.2	-0.9	-3.6	-7.1
Trust Fund loans	--	3.2	9.7	8.1	7.3
Drawings from AMF	--	--	--	--	--
D. Overall balance (A+B+C)	-11.1	32.9	67.0	49.5	54.1
Trade balance	-209.4	-287.3	-294.5	-303.2	-469.0
Services	22.6	14.6	21.6	18.7	32.5
Private transfers	103.3	160.4	205.8	242.7	267.8
Government transfers	40.1	47.6	30.5	18.4	63.6
Capital of nonmonetary sector (includes errors and omissions)	32.3	97.6	103.6	72.9	159.2
E. Allocation of SDRs	--	--	--	4.5	3.8
F. Counterpart to valuation changes	0.3	1.7	10.2	4.0	-8.7
G. Monetary movements (increase in assets-)	10.8	-34.6	-77.2	-58.0	-49.2
Deposit money banks	22.5	-23.2	-10.5	-28.8	-15.1
Monetary gold	--	-0.4	0.1	-0.4	-0.1
SDRs	0.3	-0.5	0.6	-0.6	3.5
Reserve position in the Fund	--	--	--	--	-9.4
Foreign exchange reserves of the Bank of Yemen	-25.2	-11.2	-63.2	-14.4	-18.1
Government foreign assets	--	--	--	--	--
Use of IMF credit	13.2	--	-5.0	-13.7	-8.4
Subscription to AMF	--	3.0	--	-3.0	-5.8
Other	--	3.7	0.8	2.9	4.2

Source: Bank of Yemen.

1/ For items A through D, conversions into SDRs have been made at period-average rates as follows: YD 1 = SDR 2.5077 for 1976; YD 1 = SDR 2.4798 for 1977; YD 1 = SDR 2.3125 for 1978; and YD 1 = SDR 2.2409 for 1979; YD 1 = SDR 2.2245 for 1980; and YD 1 = SDR 2.470 for 1981. Conversions for Item F have been made at end-of-period rates as indicated in Table 15.

Table 36. P.D.R. of Yemen: Composition of Exports and Re-Exports, 1976-80

(In thousands of Yemeni dinars)

	1976	1977	1978	1979	1980
Food and live animals	5,640	7,527	3,627	5,558	7,646
Dried fish	123	23	49	9	--
Fresh fish	3,907	5,844	2,074	3,412	6,387
Wheat and wheat flour	--	--	--	--	12
Coffee	1,170	1,209	591	1,256	341
Other	440	451	913	881	906
Beverages and tobacco	112	183	520	598	957
Crude materials (except fuel)	4,301	1,963	2,416	1,916	4,321
Hides and skins	222	179	226	180	151
Cotton linters and seeds	3,565	1,263	1,426	1,024	3,083
Salt	99	193	358	189	191
Metal scraps	--	--	--	79	141
Other	415	328	406	444	755
Petroleum products	2	4	134	--	875
Animal and vegetable oils	34	8	61	39	40
Chemicals	28	4	17	16	33
Manufactured goods	39	18	507	171	422
Textiles	3	--	41	64	108
Other	36	18	466	107	314
Machinery and transport equipment	6	230	28	11	32
Passenger cars	2	--	--	--	--
Trucks	--	217	--	--	--
Other	4	13	28	11	32
Miscellaneous manufactured articles	70	30	282	269	219
Clothing	13	11	166	233	152
Footwear	--	--	11	20	--
Other	57	19	105	16	67
Unclassified items	4	3	44	--	--
Total	10,234	9,970	7,636	8,578	14,545

Source: Central Statistical Organization.

Table 37. P.D.R. of Yemen: Direction of Exports, 1976-80 <sup>1/</sup>

(In thousands of Yemeni dinars)

	1976	1977	1978	1979	1980
Arab countries, of which:	548	665	1,509	1,355	1,825
Saudi Arabia	202	419	633	623	737
United Arab Emirates	113	98	73	35	55
Egypt	33	25	58	--	--
Yemen Arab Republic	78	61	675	568	866
Somalia	92	32	19	9	37
Socialist countries, of which:	655	447	773	171	1,552
China, People's Republic of	473	2	773	--	1,357
Industrial countries, of which:	6,314	7,656	3,808	6,010	7,674
United States	139	521	205	194	16
United Kingdom	236	131	317	22	13
Germany, Federal Republic of	790	111	83	163	182
Italy	1,211	659	686	475	1,352
Canada	--	--	--	--	--
Japan	3,593	6,017	1,688	4,218	5,991
Other developed countries	75	--	--	--	--
Asia, of which:	2,155	691	297	174	1,514
Sri Lanka	907	30	48	--	--
India	12	19	18	69	99
Singapore	1,079	628	223	77	1,102
Africa, of which:	487	503	581	264	515
Djibouti	372	95	130	140	169
Total	10,234	9,962	6,968	7,922	13,080

Source: Central Statistical Organization.

<sup>1/</sup> Excludes petroleum exports.

Table 38. P.D.R. of Yemen: Composition of Imports, 1976-80

(In thousands of Yemeni dinars)

	1976	1977	1978	1979	1980
Food and live animals	22,235	28,568	46,016	43,395	70,435
Live animals	1,504	1,862	1,850	2,663	3,201
Ghee	1,610	3,542	5,350	4,317	4,318
Wheat and wheat flour	5,398	6,051	7,111	3,204	18,906
Rice	3,072	3,315	6,957	8,748	4,043
Refined sugar	2,349	2,882	3,468	2,575	10,862
Milk powder	2,009	2,767	6,159	9,304	9,470
Coffee	1,277	502	683	1,263	151
Tea	1,531	2,223	3,178	1,610	2,158
Spices	457	966	1,040	909	574
Other	3,028	4,458	10,220	8,802	16,392
Beverages and tobacco	1,242	1,312	3,213	3,548	5,338
Crude materials, inedible, except fuel	2,531	2,928	3,912	5,462	9,537
Hides and skins	14	11	12	--	--
Sesame seeds	1,270	553	1,854	2,734	3,450
Wood	978	1,840	1,719	2,066	5,575
Other	269	524	327	662	512
Petroleum products	10,066	10,519	6,764	15,764	51,920
Animal and vegetable oils	730	1,222	1,847	1,612	1,179
Chemicals	3,221	3,488	5,951	7,944	8,103
Manufactured goods classified chiefly by materials	11,368	15,182	17,854	19,281	25,698
Textiles	1,462	3,428	3,903	4,441	5,006
Cement	974	844	1,287	1,821	960
Other	8,932	10,910	12,664	13,019	19,732
Machinery and transport equipment	20,103	42,231	30,865	31,242	44,247
Machinery	8,689	5,829	13,017	11,372	13,511
Passenger vehicles	1,199	1,977	1,328	4,081	2,967
Trucks	2,623	10,067	2,121	2,985	3,190
Other	7,642	24,358	14,399	12,804	24,579
Miscellaneous manufactured articles	2,393	4,434	6,348	7,577	8,802
Clothing	517	1,480	1,784	2,420	3,405
Footwear	372	364	778	568	304
Other	1,504	2,590	3,786	4,589	5,093
Unclassified items	95	--	--	--	--
Qat	80	--	--	--	--
Other	15	--	--	--	--
Total	73,984	109,884	122,770	135,825	225,259

Source: Central Statistical Organization.

Table 39. P.D.R. of Yemen: Origin of Imports, 1976-80 <sup>1/</sup>

(In thousands of Yemeni dinars)

	1976	1977	1978	1979	1980
Arab countries, of which:	4,756	3,642	4,659	12,000	15,896
Iraq	638	208	531	1,506	--
Kuwait	219	58	149	493	664
United Arab Emirates	27	15	30	563	292
Egypt	49	71	5	--	1
Yemen Arab Republic	1,292	561	798	4,587	6,228
Somalia	121	222	225	414	591
Socialist countries, of which:	12,114	13,626	21,461	23,582	24,199
China, People's Republic of	4,374	2,976	8,693	6,001	7,927
Czechoslovakia	664	286	1,208	687	1,182
German Democratic Republic	602	1,465	1,991	2,922	2,413
U.S.S.R.	3,503	6,023	6,040	9,424	7,103
Industrial countries, of which:	34,049	59,896	57,868	53,949	90,188
United States	322	3,508	1,768	549	959
United Kingdom	8,450	11,985	15,460	14,233	18,713
Denmark	3,484	1,731	3,175	1,658	5,002
France	2,538	1,189	2,352	1,894	13,435
Germany, Federal Republic of	1,721	2,579	5,109	1,773	4,660
Italy	1,785	9,010	3,806	3,263	6,697
Netherlands	3,321	6,350	10,952	12,486	9,561
Japan	9,390	21,166	12,940	13,605	24,075
Other developed countries, of which:	3,507	6,771	8,269	8,346	19,779
Australia	3,149	5,734	6,434	4,903	17,655
Latin America	--	1,049	77	63	60
Asia, of which:	7,256	13,381	21,576	23,324	24,312
Sri Lanka	63	2,223	2,442	1,518	2,017
Hong Kong	735	1,702	2,661	3,563	4,313
India	2,409	2,469	3,946	6,110	6,125
Pakistan	154	457	713	119	97
Thailand	2,154	3,025	7,273	6,956	2,682
Singapore	1,657	3,469	4,306	3,818	3,329
Africa, of which:	3,398	2,150	2,543	2,055	3,385
Ethiopia	1,368	477	675	530	2,055
Kenya	1,987	1,673	1,716	1,328	1,147
Total	65,080	99,466	116,453	123,319	177,819

Source: Central Statistical Organization.

<sup>1/</sup> Excludes petroleum imports.





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