IPOA

FIFTH UNITED NATIONS CONFERENCE ON THE LDCS

HUMAN CAPACITY BUILDING

ARAB LDCs

Development Challenges and Opportunities

Sustainable Development

Social Development

Governance

Do No Harm

Economic Development

Assistance

Opportunities

Challenges
VISION
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MISSION
Committed to the 2030 Agenda, ESCWA’s passionate team produces innovative knowledge, fosters regional consensus and delivers transformational policy advice. Together, we work for a sustainable future for all.
Arab LDCs
Development Challenges and Opportunities
The present report, prepared by ESCWA, is part of the ESCWA-led regional process on Arab LDCs ahead of the Fifth United Nations Conference on the Least Developed Countries to be held in 2022. The research team, led by Youness Abouyoub, Chief of Governance and State-Building; and Youssef Chaitani, Chief of Conflict and Development; under the supervision of Tarik Alami, Director of Emerging and Conflict-related Issues Division; comprised Helen Lackner, Dima Mahdi, Islam Abdelbary, and Sahar Taghdisi Rad. The report benefit from the expertise, input and review of Joaquin Salido Marcos, and from reviews and comments by Karam Karam, who also facilitated all the meetings and associated processes that provided crucial inputs to the report. In addition, the report benefited from reviews and inputs by Akram Khalifa, Jan Gaska, Mohammed Chemingui. Special thanks to Lubna Ismail for coordinating the preparation and publication process. The efforts of Naeem Al-Mutawakel, Soumaya Almajthoob and Maya Ramadan in the preparation and publication process of this report are also appreciated. ESCWA is grateful to The Saudi Development and Reconstruction Program for Yemen for its generous sponsorship, substantive input and partnership in this process, which included preparing the present report and holding a series of bilateral and regional meetings and workshops. ESCWA wishes to thank the Arab countries that took part in this process, in particular the Arab LDCs, namely Mauritania, Somalia, the Sudan and Yemen, for their active participation throughout the process and for their invaluable comments and input in the preparation of the present report.
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Introduction
Least developed countries (LDCs) are highly representative of the most vulnerable and marginalized countries in the world. LDCs are characterized by structural vulnerabilities that impede growth, such as low per capita income, low levels of social and human development and, often, geographically disadvantageous positions. LDCs’ contribution to global trade and economic activity has been quite limited.

Four member States of the United Nations Economic and Social Commission for Western Asia (ESCWA) are classified as LDCs: Mauritania, Somalia, the Sudan and Yemen. The latter three are also plagued by conflict and face chronic challenges in meeting the Istanbul Programme of Action (IPoA) graduation criteria from the LDC category. Attempts by these governments to build sound systems of governance that would make their economies more resilient have been hampered by conflict and external shocks such as the global financial, food and oil price crises, weak human, technological and institutional capacities, limited technology transfer, a lack of domestic resources, inequality, and more recently the socioeconomic effects of the COVID-19 pandemic. These factors together induce a vicious cycle of low productivity and investment and ultimately low levels of human development.

During 2020, Arab LDCs have faced significant socioeconomic challenges exacerbated by the spread of COVID-19. Prior to the spread of the virus, the economies of Arab LDCs were expected to grow at a rate of 0.8 and 1.6 per cent in 2020 and 2021, respectively. However, the outlook has been revised and seems unfavourable. Economic growth was expected to contract by 3 per cent on average in 2020 (-5.5 per cent in the pessimistic scenario) and to stabilize in 2021. In 2019, the economy witnessed a contraction of 0.6 per cent on average, marking the second consecutive year of negative growth, largely attributed to an economic deceleration in the Sudan, which represents the largest economy in this group of countries. The Sudanese economy contracted in 2019 by an estimated 2.5 per cent. Political uncertainty has hampered growth in the services sector and investments in real estate and business sectors, while agriculture suffered from shortages of inputs, notably fuel. GDP was projected to decline further by 3.3 per cent in 2020 (-6.2 per cent) due to the decrease in domestic demand and weak private sector investments.¹

Despite key developmental efforts, the outlook for Mauritania, Somalia, the Sudan and Yemen remains relatively subdued due to multiple challenges. These include the recent global recession due to COVID-19, in addition to the continued adjustment to low oil and raw material prices and regional conflicts. While these countries share some common features, they also have their own specificities in terms of development opportunities and challenges. COVID-19 has exacerbated existing structural weaknesses in health care, social protection and other critical services in Arab LDCs. However, the pandemic is not the only crisis these countries are facing; environmental challenges, such as the Sudanese floods, have added further strain on crisis management systems and resources. Yemen was already a fragile State full of systemic vulnerabilities prior to the current ongoing conflict by contrast with other LDCs. Furthermore, Mauritania, Somalia and the Sudan all underwent recent transitions of power in the last two or three years.
The economic slowdown caused by COVID-19 is expected to negatively impact jobs, incomes, businesses and the flow of remittances in the Arab region, resulting in a shrinking middle-income class and an estimated 8.3 million people falling into poverty in the region. The consequences of this crisis are particularly severe on vulnerable groups and those working in the informal sector who have no access to social protection or unemployment insurance. A recent ESCWA report on the impact of COVID-19 in the Arab region highlighted that “the economic downturn is expected to intensify existing food insecurity in the region, specifically for the poor,” leading to an estimated “additional 1.9 million people becoming undernourished.”

28 per cent of Arab LDCs’ urban population and only around 50 per cent of their rural population have access to electricity. Without access to electricity, many basic life-saving interventions in health facilities, especially those linked to combatting the spread of COVID-19, cannot be performed safely or at all. Special support is needed for Arab LDCs to resolve the energy gap in health facilities. This will require decision makers from the energy and health sectors to work closer together to ensure that health facility energy needs are adequately prioritized.3

What is more, the case of Yemen, and its prospects for LDC graduation in 2021, will need to be reassessed when the conflict is over and the damage caused by it can be better assessed. The case of Yemen is a clear example of how armed conflict affects development trajectories, even ones that are relative and fragile, and can reverse gains in development acquired over decades. Despite the international donors’ efforts rendered to Yemen in political-economic humanitarian and development efforts, Yemen was not able to achieve a lot in preventing the protracted conflict and the subsequent humanitarian crisis, this is proven by the Humanitarian Response Plans (HRPs) of Yemen even before 2014.4 Counteracting the adverse impact of conflict and an increasing number of crises and guaranteeing the successful implementation of the 2030 Agenda in the LDCs that are member States of ESCWA require a renewed focus on conflict prevention. This must address the root causes of conflict, which in many cases corresponds to the same structural vulnerabilities impeding sustainable development.

Arab LDCs (Mauritania, the Sudan, Somalia and Yemen) have been making some progress in implementing the IPoA priority areas. However, productive capacity remains very low among them. Added value from manufacturing and agriculture has not significantly increased during the current Programme of Action, and although progress is being made on human development indicators, it is slow. Yet, both human-made and emerging crises remain prevalent among Arab LDCs and risk derailing previous progress. Despite all these formidable structural challenges and emerging crises, these four countries have been exerting sustained efforts to achieve sustainable economic growth, build human assets, combat poverty and reduce chronic unemployment, through several government measures, including diversifying their national economies. The report also suggests mechanisms to build resilience and address the multifaceted chronic issues the four Arab LDCs (Mauritania, the Sudan, Somalia and Yemen) face, and most of all help them embark on the path of inclusive sustainable development. Increased financial assistance and improved socioeconomic support are needed.

In 2011, in a high-level meeting hosted by Turkey, LDCs and the international community came together around a common vision; a mutually agreed compact towards sustainable development by 2020. The Istanbul Plan of Action (IPoA), acknowledging the structural vulnerabilities of LDCs, focuses mainly on strengthening productive capacities, supported by specific measures to effectively engage in trade, build human capacities, attract investment and participate in global production networks and value chains. Structural transformation through increased productive capacity can contribute to the achievement of inclusive and equitable economic growth at a level of at least 7 per cent annually. The overall target was for half of the countries to graduate from LDC status by 2020.

The IPoA is developed across eight key areas: productive capacity, agriculture, food security and rural development, trade, commodities, human
Introduction

and social development, multiple crises and other emerging challenges, mobilizing financial resources for development, and capacity building and good governance at all levels. Each of these areas is supported by commitments made by the international community and LDCs.

ESCWA, in its mission to support the members of the region and the efforts of the United Nations system to support the LDCs, launched a regional process that gathers the views of LDCs and ESCWA’s donor members as well as specialized regional agencies and bodies. This process includes the preparation of a report that covers monitoring of the efforts made by Arab countries to support Arab LDCs. The report is intended to identify best practices in member States to enhance global partnership and fulfill obligations towards LDCs and countries affected by conflict. The objective of this ESCWA-led process is ultimately to identify, during an ESCWA-convened subregional event, common positions between the countries of the Arab region to support the design and implementation of the future plan of action for the LDCs.

To this effect, the present report provides an analytical overview of the progress and challenges faced by Arab LDCs, with a focus on the special vulnerabilities these countries are experiencing due to conflict and political instability. This report also builds on the lessons learnt from the IPoA decade to provide key findings and recommendations for the next decade which will be launched in Doha, Qatar in January 2022. The aim is to build back better, avoid pitfalls of the past decade and take advantage of the momentum presented by the implementation decade of the 2030 Agenda.

In five thematic chapters built around the eight priorities of the IPoA, this report provides comprehensive information on and analysis of progress in implementing the Program of Action for the Least Developed Countries for the Decade 2011–2020 (Istanbul Program of Action) over the past 10 years. In addition, the report covers the support, in terms of humanitarian and development assistance, provided by Arab countries, and the regional and international community, to Arab LDCs. This report has been prepared as a collective effort by ESCWA experts and covers all eight priority areas for action and the overarching goal of enabling graduation from the LDC category.

This report will be the key document for an ESCWA-led regional review as well as the preparatory process for the Doha meeting in 2022, in order to assess the structural challenges and emerging issues faced by Arab LDCs in attaining the Sustainable Development Goals (SDGs). The ESCWA regional meeting will provide a platform for peer exchange and learning, and for all stakeholders to gain insight and agree on concrete, targeted and effective cooperative actions and recommendations that will assist the Arab LDCs to overcome structural challenges, effectively compete in global and regional markets and accelerate sustainable development progress over the next decade. The meeting will also provide space for discussion of the current support provided to the Arab LDCs by Arab States and the international and regional community and generate ideas for its improvement.

Last but not least, it should be noted that ESCWA’s work with Mauritania, Somalia, the Sudan and Yemen covers different pillars of the IPoA. Each country has benefited from different kinds of assistance and has partaken in intergovernmental processes. These include supporting institution building, poverty measurement, analysis of women’s status, implementation of e-government strategies and competition policy, among others. ESCWA would like to take the opportunity within this assessment report and review process to call upon the international community to make renewed efforts to honour their commitments and increase the proportion of country programmable aid allocated to countries most in need. Country programmable aid will also encourage investment to address root causes of conflict through supporting domestic productive capacities and income generation activities – especially for the youngest segments of the population – and will create the foundations for transition out of fragility. The possibilities to include conflict prevention in the flows of aid mobilized through South-South cooperation and domestic resources should also be encouraged.
Political instability and poverty are root causes of Arab LDCs problems.

Arab LDCs are vulnerable to persistent transnational shocks, conflicts and crises, such as the COVID-19 pandemic, and the potential effects of these shocks on their economies, humanitarian needs and population displacement.
The present chapter explains the basic criteria for inclusion in the international ‘least developed countries’ category. It outlines the main political developments that have affected the four Arab LDCs, namely Mauritania, Somalia, the Sudan and Yemen. These countries are also vulnerable to persistent transnational shocks, conflicts and crises, such as the COVID-19 pandemic, desert locust infestations, floods and droughts, which have significant implications for their economies, humanitarian needs and population displacement.

Least developed countries (LDCs) are the international community’s “poorest and weakest segment” accounting for “about 1.3 per cent of global GDP and less than 1 per cent of global trade and FDI”, and together constitute “about 13 per cent of world population.” LDCs face low socioeconomic development, weak development capacity, income inequality, and a lack of domestic financial resources. LDCs are also “vulnerable to external terms-of-trade shocks” and face “development constraints… insufficient domestic resource mobilization, low economic management capacity, weaknesses in programme design and implementation, chronic external deficits, high debt burdens and heavy dependency on external financing.”

Classification as an LDC – a category which was established by the United Nations General Assembly in 1971 – is based on a country’s scores across three indicators, namely gross national income (GNI) per capita, the Human Assets Index and the Economic Vulnerability Index. Of the four Arab LDCs, Somalia, the Sudan, and Yemen have been included in the LDC category since 1971, and Mauritania was added in 1986.

Mauritania, Somalia, the Sudan and Yemen include about 90 million people (about 21 per cent of the Arab population), according to data from the Committee for Development Policy (CDP) 2018 triennial review of the list of LDCs. Table 1 presents Arab LDCs’ performance against the three indicators that determine countries’ inclusion within and graduation from the LDC category.

In light of the 2011-2020 Istanbul Programme of Action (IPoA) that provides LDCs with a sustainable development strategy, and the 2030 Agenda, Arab LDCs have also been recipients of humanitarian and development foreign assistance.

As will be discussed below, these countries are also vulnerable to persistent transnational shocks, such as the COVID-19 pandemic, desert locust infestations, floods and droughts as well as the potential implications of these shocks on their economies, humanitarian needs, and forced displacement. Addressing these shocks is dependent on international support and humanitarian aid.

The IPoA decade has been a period of serious political instability in all four countries. Many earlier crises worsened in intensity and importance while others emerged. By contrast, there were few
improvements, the most notable one being the increased central government control in Somalia where a minimum of governance is re-emerging though the separatist tendencies remain strong and militant armed actors have not been defeated. Mauritania remains on the brink with its democracy weak and threatened, though economically it is graduating out of the LDC category. The end of each decade has seen major upheavals and popular uprisings in Yemen and the Sudan respectively, whose outcome remains uncertain in both cases, though Yemen has now been in the grip of civil war for more than six years, while the Sudan is at the early stage of a transition which will, hopefully, have a better outcome, thanks to the lessons the Sudanese have learnt from the failure and fate of the uprisings of 2011 throughout the region. As of late 2020, the direction of the transition in the Sudan remains uncertain in view of both internal and international political, financial and economic pressures on the transitional regime.

As is discussed in greater detail in the next section, instability and weakness have been the main characteristics of governance in all four countries, leading to greater or lesser levels of conflict. While Mauritania currently has an elected government, after a series of military coups, it is still characterised by high levels of inequality and poverty. However, the fact that three of these States are among the top ten fragile States demonstrates the seriousness of the situation and the extreme need for a change of course in the coming decade. Responsibility for their problems is shared between their own leadership and the international community’s failure to provide financial and economic support to improve their people’s living standards, issues discussed in detail in chapters 3 and 4.

### A. Conflict in Yemen and Somalia

The Yemeni war is complex and entails active conflict and tension between various conflicting parties. Close to six years of fighting have caused deep fragmentation within the country, with a multiplicity of political and military entities fighting on numerous fronts throughout the country (figure 2).

In Somalia, the political leadership structure and security apparatus is fragmented. Officially categorized as a federal republic,
the political fragmentation of Somalia is evident in the issues between the central government in Mogadishu and the separatist ‘independent’ Somaliland as well as the ‘autonomous’ Puntland. Attempts at creating a federal structure cannot be said to have yet succeeded. Moreover, violence is also evident along inter-clan and intra-security institution lines.\(^8\)

The ongoing conflict with al-Shabaab in Somalia, an official affiliate of Al Qaeda and its transnational network of militant armed actors, is one of the drivers of the country’s volatile security situation.\(^9\)

Al-Shabaab has been active for over thirteen years, and its continued presence in rural areas remains a challenge alongside the main one of re-establishing State authority over the entire country. The African Union Mission to Somalia (AMISOM) is a regional peacekeeping mission by the African Union in cooperation with the United Nations. Its mandate is to mitigate the security threat caused by al-Shabaab and other armed groups, to support the provision of security and stability, as well as eventually to transfer the responsibility of maintaining security to the Somali security forces.\(^10\)

**B. Sudan in transition**

After decades of conflict, the southern section of the Sudan became an independent State in 2011, but fighting and conflict remain active in Darfur and Kordofan; moreover, the independence of South Sudan deprived the regime in Khartoum of 75 per cent of its income from oil exports. Peaceful protests driven by diminishing economic and living standards situation in the Sudan erupted in December 2018 and led to the ousting of former authoritarian president Omar al-Bashir after a 30-year rule in 2019.\(^11\) A transitional government was created with international recognition in 2019 and is scheduled to rule for three years with elections due to be held in 2022. A Constitutional Document – aiming to “to dismantle the previous regime’s structure for consolidation of power and build a State of laws and institutions” – was signed between the Transitional Military Council and the Freedom and Change alliance representing key opposition groups in 2019.\(^12\) In response to the COVID-19 pandemic, an economic emergency was declared in 2020, citing flooding, increased food insecurity and inflation with risks for protests re-emerging. On a positive note, in late 2020 the United States sanctions imposed on the country in June 2014 were lifted, and the positive implications expected as a result may emerge in the coming years.

**C. Risks of political and security instability in Mauritania**

Although the country is described as an “an impoverished country bedevilled by fragile politics, military factionalism, ethno-racial tensions, and budding militancy,” Mauritania also faces political and religious radicalization and risks destabilization with the potential return of Mauritanian combatants from other countries.\(^13\) Moreover, Mauritania continues to face spill-over effects of the volatile security situation in neighbouring Mali by hosting refugees as well as prioritizing security in order to prevent terrorist attacks.\(^14\) Recent developments concerning the Western Sahara present a further risk to the stability of Mauritania, already badly affected by the rise of militant armed actors throughout the Sahel.
Decades of opaque governance are the main causes for instability in Arab LDCs. Unless addressed, prospects for peace and sustainable development are weak.

Conflicts have caused massive displacement, leaving these countries with unmanageable burdens of people in desperate need.
Governance indicators for all Arab LDCs are negative for the entire first two decades of the century, demonstrating the failure of the international development strategies and policies that have been implemented, as well as of internal governance and the efforts of external States and agencies. Yemen, Somalia, the Sudan and Mauritania each currently face different contexts of instability: Yemen is in a state of active conflict, whereas Somalia and the Sudan have faced ongoing conflict for decades, and Mauritania is at risk of instability. Within the region, while political stability in Yemen has been in continuing decline since 2006, the other States have shown mild improvements, particularly Somalia which has risen slowly since 2009. While the trend in Mauritania is downwards, the upward trend in the Sudan resulting from the overthrow of the earlier regime remains insecure with an uncertain future given the ongoing struggle between pro-democracy forces and others supporting a new autocracy.

A. Fragile States

Several indices demonstrate governance and structural challenges faced by Arab LDCs. The Organization for Economic Cooperation and Development’s (OECD) States of Fragility series covers risk exposure and insufficient national capacity to address or mitigate those risks. Yemen, Somalia and the Sudan are considered extremely fragile States with severe economic, environmental, political, security and societal fragility, while the context of Mauritania is categorized as a less fragile, specifically when it comes to security.¹⁵

In addition, the four countries are also considered fragile by the Fund for Peace’s Conflict Assessment System Tool, which determines the Fragile State Index (FSI). The FSI annually ranks various indicators that affect a country’s level of fragility, whereby the lower the score the greater the stability. Out of 178 countries, Yemen ranks first in the FSI in 2020 and is among the “most worsened” under this indicator in the past decade as a result of ongoing civil war and humanitarian crisis (table 2). Somalia ranks second and together with Yemen is described as “very high alert.” Classified as “high alert,” the Sudan ranks eighth and is the joint second most improved country in the index. Mauritania ranks thirty-third and is classified as “high warning.” Arab LDCs have high scores in several indicators.¹⁶

The World Economic Forum’s Global Competitiveness Index, which provides insights into economic prospects and constraints to productivity growth, ranked Mauritania 134th out of 141 countries in 2019, three places lower than in 2018, and Yemen 140th. Each indicator is scored out of 100, where 100 is ideal. Mauritania has a low institutions score of 36.4. This score covers security, social capital, checks and balances, public sector performance, transparency, property rights, corporate governance and
the future orientation of the government. The country’s public sector performance is ranked 141st with a low score of 21.2. This score covers the burden of government regulation, the efficacy of the legal framework in settling disputes, and e-participation. Mauritania also ranked 121st on transparency, for which the underlying measurement relates to the incidence of corruption, and 138th on the future orientation of the government. This indicator covers government policy stability, government responsiveness to change, the legal framework’s adaptability to digital business models, government long-term vision, energy efficiency regulation and renewable energy regulation. Yemen is ranked second to last, ahead of Chad, with an institutions score of 29. The public sector performance of Yemen (24.9) and the future orientation of the Yemeni government (25.1) are ranked 139th. Yemen is ranked last on transparency with a score of 14.17

Table 2. Arab LDCs within the Fragile States Index 2020 (Rankings across all 12 FSI indicators)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Yemen</th>
<th>Somalia</th>
<th>Sudan</th>
<th>Mauritania</th>
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<tr>
<td>Security Apparatus</td>
<td>9.7</td>
<td>9.8</td>
<td>8.4</td>
<td>6.6</td>
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<td>Fractionalized Elites</td>
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<td>10.0</td>
<td>9.4</td>
<td>8.8</td>
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<td>Group Grievance</td>
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<td>8.6</td>
<td>9.4</td>
<td>7.3</td>
</tr>
<tr>
<td>Economic Decline</td>
<td>9.4</td>
<td>9.1</td>
<td>8.1</td>
<td>6.8</td>
</tr>
<tr>
<td>Uneven Economic Development</td>
<td>7.8</td>
<td>9.4</td>
<td>8.0</td>
<td>5.9</td>
</tr>
<tr>
<td>Human Flight and Brain Drain</td>
<td>7.0</td>
<td>8.9</td>
<td>8.0</td>
<td>6.6</td>
</tr>
<tr>
<td>State Legitimacy</td>
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<td>8.9</td>
<td>9.3</td>
<td>8.0</td>
</tr>
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<td>Public Services</td>
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<td>9.1</td>
<td>8.3</td>
<td>8.0</td>
</tr>
<tr>
<td>Human Rights and Rule of Law</td>
<td>10.0</td>
<td>9.0</td>
<td>8.9</td>
<td>7.2</td>
</tr>
<tr>
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<td>10.0</td>
<td>9.1</td>
<td>8.5</td>
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<tr>
<td>Refugees and IDPs</td>
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<td>9.1</td>
<td>9.3</td>
<td>7.6</td>
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<tr>
<td>External Intervention</td>
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<td>8.6</td>
<td>7.1</td>
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<td>104.8</td>
<td>88.7</td>
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<tr>
<td>Ranking</td>
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<td>2</td>
<td>8</td>
<td>33</td>
</tr>
</tbody>
</table>


B. Corruption

Mauritania, the Sudan and Yemen are State parties to the United Nations Convention against Corruption. Somalia has neither signed nor ratified the convention although the Justice Minister announced the Somali government’s intention to ratify the convention in 2018. However, Arab LDCs are perceived to have a high level of corruption.
Governance and instability

2. Governance and instability

Based on Transparency International’s Corruption Perceptions Index (table 3). The extent of corruption is widely viewed as a key indicator of the quality of governance, and all four countries have high corruption scores and rankings. The scores reflect deterioration over the decade for Yemen and insignificant changes for the other three countries, demonstrating yet again, the need for change. In all these countries, the public perceive corruption as a major problem.

The Arab Barometer survey conducted in the Sudan and Yemen confirms public perceptions of corruption and poor trust in institutions. In the survey conducted right before the December 2018 protests in the Sudan, 19 per cent of Sudanese respondents reported corruption as a major concern. Corruption came second to the economy as the most important challenge facing the country (reported by 49 per cent of respondents). According to 77 per cent of Sudanese respondents, financial and administrative corruption is present to a large or medium degree within State institutions, while less than half of the respondents (44 per cent) believe that the government is working to address corruption. Moreover, Sudanese respondents reported little trust in public institutions, with 33 per cent reporting trust in government and 28 per cent in parliament.¹⁸

As for Yemen, 32 per cent of Yemeni respondents reported the prevalence of corruption to a large extent, while 40 per cent reported it to a medium extent and 23 per cent to a small extent. Moreover, although Yemenis generally reported low trust in public institutions, differences in perceptions of trust in public institutions emerged among respondents residing in government or Houthi-controlled areas, as respondents in Houthi-controlled areas reported lower levels of trust in the government (44 per cent) compared to those in government-controlled areas (80 per cent).¹⁹

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank (out of 190)</th>
<th>Score</th>
<th>Score change since 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>137</td>
<td>28</td>
<td>Insignificant (-3)</td>
</tr>
<tr>
<td>Sudan</td>
<td>173</td>
<td>16</td>
<td>Insignificant (+3)</td>
</tr>
<tr>
<td>Somalia</td>
<td>180</td>
<td>9</td>
<td>Insignificant (+1)</td>
</tr>
<tr>
<td>Yemen</td>
<td>177</td>
<td>15</td>
<td>Slight drop (-8)</td>
</tr>
</tbody>
</table>


C. Governance indicators

The Worldwide Governance Indicators project defines governance as “the traditions and institutions by which authority in a country is exercised,” which entails “the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect...
of citizens and the State for the institutions that govern economic and social interactions among them.” Figure 1 presents the scores of Arab LDCs on each of the governance indicators whereby approximately -2.5 is weak and 2.5 is strong governance performance. The four Arab LDCs have negative scores, indicating weak perceptions of participation in selecting government and freedom of expression, association or media (voice and accountability); high perceptions of political instability or violence (political instability); poor quality of public and civil services as well as government credibility in formulating and implementing policies without political pressures (government effectiveness); the inability to create and enforce policies that promote the development of the private sector (regulatory quality); low confidence in and compliance with the rules of society (rule of law); and use of public power for private gain (control of corruption).

Figure 1 provides details for each of the six indicators and shows clearly that the Arab LDCs have performed badly, with the most prominent shortfall being in political stability which dropped to -2.2 as a result of the civil wars and conflicts mainly in Yemen and the Sudan.

Governance in the Sudan, Yemen, and Somalia is classified as “failed” and in Mauritania as “weak” within the Bertelsmann Stiftung’s Governance Index for 2020. The index seeks to give an indication of political management quality within the transformation process of developing countries and countries in transition by taking structural difficulties into consideration. Table 4 presents each country’s ranking and scores across the indicators.

The World Bank conducts the Country Policy and Institutional Assessment (CPIA) annually to determine inclusion of countries to International Development Association (IDA) borrowing terms. This assesses the country’s performance in a number of criteria that are grouped into the following four clusters: economic management, structural policies, policies for social inclusion and equity, and public

---

**Table 4.** Arab LDCs’ scores within the Worldwide Governance Indicators

<table>
<thead>
<tr>
<th>Voice and accountability</th>
<th>Political stability/no violence</th>
<th>Government effectiveness</th>
<th>Regulatory quality</th>
<th>Rule of law</th>
<th>Control of corruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>Sudan</td>
<td>Somalia</td>
<td>Yemen</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-0.8</td>
<td>-1.6</td>
<td>-1.8</td>
<td>-1.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-1.6</td>
<td>-1.7</td>
<td>-1.8</td>
<td>-1.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-1.8</td>
<td>-2.4</td>
<td>-2.3</td>
<td>-2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-2.8</td>
<td>-2.2</td>
<td>-2.3</td>
<td>-2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-1.1</td>
<td>-1.8</td>
<td>-1.8</td>
<td>-1.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-2.4</td>
<td>-2.4</td>
<td>-1.7</td>
<td>-1.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

sector management and institutions. The IDA Resource Allocation Index (IRAI) is then determined by calculating an average score for each of the four CPIA clusters and then averaging those scores, whereby 1 is low and 6 is high.\[^23\] As such, “the CPIA measures the extent to which a country’s policy and institutional framework supports sustainable growth and poverty reduction and, consequently, the effective use of development assistance.”\[^24\] Figure 2 shows the IRAI ratings for the four countries. Having improved from 3.2 in 2011 to 3.4 in 2019, Mauritania has the highest rating compared to Arab LDCs,
as well as Arab countries (2.5) and LDCs (3.3). The Sudan’s IRAI rating remains below the average for Arab countries and LDCs as it increased from 2.3 in 2012 to 2.4 in 2014 and 2015, and then decreased to 2.2 in 2018 and 2019. The rating for Somalia and Yemen remains on the lower end of the scale. There is a gap in CPIA results for Somalia; however, its rating has improved from 1.8 in 2017 to 1.9 in 2019. Yemen’s rating gradually decreased from the steady 3.0 rating between 2011 and 2014, to 2.0 in 2019.

What is more, the Fragile States Index for 2018 ranks Yemen among the most fragile States globally. In its 2018 report, it states that “as we enter into 2018, conflict continues to rage – and worsen – in Syria and Yemen (…) Among the other most-worsened countries for 2018, it probably comes as little surprise that Yemen and Syria, both mired in prolonged civil conflicts, continue to worsen. Both countries are now firmly entrenched among the top four countries of the Index, along with Somalia and South Sudan who have also been witness to long periods of conflict”.

The countries’ public sector management and institutions cluster averages are 3.3 for Mauritania, 2.1 for the Sudan, 2.0 for Somalia and 1.7 for Yemen in 2019. This cluster covers policies and institutional frameworks pertaining to “property rights and rule-based governance, quality of budgetary and financial management, efficiency of revenue mobilization, quality of public administration, and transparency, accountability, and corruption in the public sector”. Looking at transparency, accountability, and corruption in the public sector rating in 2019, the ratings for Mauritania, Somalia, the Sudan and Yemen are 3, 2, 1.5 and 1.5, respectively. Within the structural policies cluster, which covers trade, the financial sector and business regulatory environment, Mauritania scores 3.2, the Sudan scores 2.5, Yemen scores 2.0, and Somalia scores 1.5.

D. Displacement

As a result of both political and environmental disasters, the Sudan, Somalia and Yemen all have serious difficulties coping with the large numbers of refugees and internally displaced people (IDPs), most of whom are in conditions of long-term distress. In addition, all three also have to contend with thousands of refugees from neighbouring countries. Table 5 shows UNHCR’s recorded figures of IDPs and refugees within the four countries as of 2019.

These figures, for the end of 2019 do not include the additional population displacements resulting from the numerous additional crises of 2020: devastating floods in Yemen and the Sudan, the locust invasion in all four countries, intensification of fighting in Yemen, let alone the latest crisis in the Horn of Africa, starting in November 2020, which has already displaced thousands from Ethiopia into north east the Sudan, with the expectation that this crisis will lead to more displacements. Until this year and the COVID-19 crisis, more Somalis and Ethiopians fled to Yemen (hoping to reach Saudi Arabia) than crossed the Mediterranean. In 2019, 138,000 (almost all of them Ethiopians and Somalis) arrived in Yemen, including 24,000 women; even in the first half of 2020, 32,000 more arrived, including 5,000 women, and this was prior to the conflict in Ethiopia. Mauritania is increasingly receiving refugees from its neighbours affected by the increasing
Table 5. Internally displaced people and refugees within Arab LDCs, 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
<th>IDPs</th>
<th>IDPs percentage of total population</th>
<th>IDPs percentage of total displaced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>37 000</td>
<td>0</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Sudan</td>
<td>2 700 000</td>
<td>1 900 000</td>
<td>6.4</td>
<td>70</td>
</tr>
<tr>
<td>Somalia</td>
<td>3 600 000</td>
<td>2 600 000</td>
<td>24</td>
<td>72</td>
</tr>
<tr>
<td>Yemen</td>
<td>3 800 000</td>
<td>3 600 000</td>
<td>13</td>
<td>95</td>
</tr>
</tbody>
</table>


Table 6. Population of concern by country or territory of asylum, 2019

<table>
<thead>
<tr>
<th></th>
<th>Mauritania</th>
<th>Somalia</th>
<th>Sudan</th>
<th>Yemen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refugees and people in refugee-like situations</td>
<td>84 909</td>
<td>17 883</td>
<td>1 055 489</td>
<td>268 511</td>
</tr>
<tr>
<td>Asylum seekers (pending cases)</td>
<td>1 549</td>
<td>17 789</td>
<td>15 545</td>
<td>10 682</td>
</tr>
<tr>
<td>Returned refugees</td>
<td>-</td>
<td>6 243</td>
<td>2 191</td>
<td>3</td>
</tr>
<tr>
<td>IDPs of concern to UNHCR</td>
<td>-</td>
<td>2 648 000</td>
<td>1 885 782</td>
<td>3 625 716</td>
</tr>
<tr>
<td>Returned IDPs</td>
<td>-</td>
<td>22 555</td>
<td>-</td>
<td>69 174</td>
</tr>
<tr>
<td>Others of concern to UNHCR</td>
<td>-</td>
<td>152</td>
<td>3 694</td>
<td>14</td>
</tr>
<tr>
<td>Total population of concern</td>
<td>86 458</td>
<td>2 712 622</td>
<td>2 962 701</td>
<td>3 974 100</td>
</tr>
</tbody>
</table>


Table 7. Population of concern by Arab LDC country of origin, 2019

<table>
<thead>
<tr>
<th></th>
<th>Mauritania</th>
<th>Somalia</th>
<th>Sudan</th>
<th>Yemen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refugees and people in refugee-like situations</td>
<td>37 427</td>
<td>905 122</td>
<td>734 944</td>
<td>36 527</td>
</tr>
<tr>
<td>Asylum seekers (pending cases)</td>
<td>8 585</td>
<td>48 039</td>
<td>71 982</td>
<td>34 331</td>
</tr>
<tr>
<td>Returned refugees</td>
<td>-</td>
<td>6 243</td>
<td>2 191</td>
<td>3</td>
</tr>
<tr>
<td>IDPs of concern to UNHCR</td>
<td>-</td>
<td>2 648 000</td>
<td>1 885 782</td>
<td>3 625 716</td>
</tr>
<tr>
<td>Returned IDPs</td>
<td>-</td>
<td>22 555</td>
<td>-</td>
<td>69 174</td>
</tr>
<tr>
<td>Others of concern to UNHCR</td>
<td>1</td>
<td>160</td>
<td>16</td>
<td>45</td>
</tr>
<tr>
<td>Total population of concern</td>
<td>46 013</td>
<td>3 630 119</td>
<td>2 694 915</td>
<td>3 765 796</td>
</tr>
</tbody>
</table>

Increasing tensions in Western Sahara in December 2020 may produce more displacement into Mauritania in coming years.

Driven by conflict and natural disasters, displacement is highly evident among Arab LDCs, as seen in tables 6 and 7.

In 2019, Yemen had the fourth highest number of IDPs worldwide, after Colombia, the Syrian Arab Republic, and the Democratic Republic of Congo. Somalia and the Sudan were among the countries with the sixth and eighth largest forcibly displaced populations worldwide by country of origin, respectively. In addition, Somalia and
the Sudan host the seventh largest international displacement situation worldwide. For the past decade, Somalia and the Sudan have remained in the top ten sources for cross-border displacement, with 905,100 Somali and 734,900 Sudanese people displaced across borders in 2019.\(^3\)

The figures above exclude additional displacement in 2020. By August 2020, Mauritania hosted 66,852 refugees from Mali, which is the highest number compared to other countries in the Sahel.\(^3\) In Somalia, 893,000 people were internally displaced as a consequence of conflict, flood and drought in from January to August 2020.\(^3\) Moreover, in 2020 the Sudan received 14,429 people fleeing the Central African Republic,\(^3\) as well as 3,159 Eritreans and Somalis arrived to eastern the Sudan.\(^3\) In addition, as indicated in figure 3, 28,436 households (170,616 individuals) were internally displaced in Yemen between January 1 and December 19 2020 due to conflict (82 per cent), natural disasters (13 per cent), and health, including COVID-19 (5 per cent).\(^3\)
Consumption-based growth has failed to help develop sustainable productive sectors.

Inadequate social infrastructure has weakened population resilience and ability to resist disease and develop economic potential.

Imported development policies have weakened State institutions and failed to bring about equitable social and economic development.

Worsened poverty has been a consequence of all these issues. Therefore, new approaches are essential to reverse the negative trends.
This section analyses the process of both economic and social development and growth in these countries, starting with the size and structure of the economy as a whole, its growth rates, the extent of its sustainability and its inclusion, in addition to shedding light on the macroeconomic problems such as unemployment and inflation. It then assesses the strengths and deficiencies of societal development in Arab LDCs, including health, education, social and physical infrastructure and technology needed for sustainable development. The influence of international institutions on development policies and the overall impact of all these aspects on the poverty situation in the countries complete the analysis. The comparative cross-country analysis is a more appropriate method based on assumptions regarding homogeneity and independence. The investigation is implemented at two levels: the external level, comparing the Arab LDCs to other LDCs worldwide as a whole; and the internal level, comparing the four Arab countries to each other.

A. Weak economic growth

Fundamental structural features of these countries are among the factors which explain their weak growth. Growth rates in all four countries have been characterised by significant decline during the decade. GNI per capita has been dropping gradually and continuously in Somalia since 2010, starting from a very low base of less than $200. Mauritania witnessed a slight pick-up in 2017, following drops from 2013 while both the Sudan and Yemen saw very significant drops from the middle of the decade onwards. Similarly, GDP growth in Yemen gradually collapsed into negativity due to the protractive armed conflict, with a 50 per cent contraction in real GDP between 2014 and 2020 (MOPIC Soc-econ update July 2020 p 1). The drop would have been even greater without the financial support provided by Saudi Arabia to the Central Bank [Aden] for imports. GNI decreased in 2014, despite the historically inconsistency of Yemeni GDP since 2011. Growth in the Sudan also took a sharp drop in 2019 due to the political upheavals there during the year, while, again, only Mauritania saw a slight rise. GDP in all these countries is dominated by private consumption, followed by government consumption, and the elements that would usually create significant economic development, such as private investment, have not played any significant role in economic growth. This distribution of GDP elucidates the development problems of these countries, as they show weak improvements in productive capacity, an issue raised by the IPoA. The fact that extractive activities are included in industry tends to mislead analysis as these sectors provide little employment, while agriculture is the largest
employer with an average of 40 per cent of the population in Arab LDCs despite the fact that its contribution to GDP has declined to 18 per cent in these countries, though it is still much higher than in developing countries as a whole.

B. Limited natural resources

Among the structural constraints to economic development is the availability of natural resources in each country. While each country has a different situation in relation to natural resources, all have some minerals, using hydrocarbons, though in limited quantities. In all of them, agriculture, including pastoralism, is the main employer contributing less to GDP and fails to provide adequate living standards to its practitioners. With the exception of the Nile Basin in the Sudan, all the areas covered suffer considerably from extreme water scarcity. While limited rainfall reduces the potential for rain-fed agriculture, the worsening water crisis is leading to forced migration from the most affected communities. Yemen imports 90 per cent of its basic staples although more than half its population depends largely on agriculture for its income, and 70 per cent reside in rural areas.

C. Reliance on the export of unprocessed raw materials

All four countries primarily export unprocessed raw materials, losing the important added value and employment opportunities that come from processing. The extractive institutions of the Arab LDCs bear a great deal of responsibility for this lost opportunity and many LDCs have failed to develop their domestic productive capacity and remain heavily dependent on one or a few primary commodities for their export revenue. Consequently, they appear to exhibit tremendous economic volatility, creating macroeconomic uncertainty and widening income inequality. These are particularly noticeable in the export concentration index of these countries which declined from 0.61 in 2009 to 0.39 in 2018.

The Mauritanian economy is dominated by the extraction and export of oil and iron ore. Somalia’s main export for decades has been livestock, primarily to the States of the Arabian Peninsula; this has been affected by the numerous climate emergencies of the past decades. The Sudan lost three quarters of its oil output when South Sudan achieved independence in 2011, but its main exports remain petroleum, gold and seeds. In Yemen, oil and natural gas made up 90 per cent of the country’s exports and 88 per cent of FDI between 2005 and 2010. Since then, its hydrocarbon potential dropped from its peak production of 400,000 barrels per day to 125,000 by 2015, and has been reduced to insignificance in the second half of the decade in war conditions.40

The Sudan which was once expected to be the ‘breadbasket’ of the Arab region has been unable to fulfil this role, due to the mismanagement of its soils and, more recently, to the sale of large areas of land to foreign investors, resulting in population displacement and reduced employment of Sudanese smallholders but also the rapid
deterioration of land resources through the mechanised farming programme on the rainfed areas of Kordofan.

Mauritania, Somalia and Yemen should all be able to rely on their marine fisheries, but in each case these resources have been depleted by international fleets, though fishery products remain major exports for Mauritania (34 per cent of trade value in 2018) and Yemen (5 per cent of trade value in 2019).

D. Agriculture and food security

There are different causes for the inability of agriculture to ensure food security in these countries, but they are all extremely dependent on imports for the most basic commodities. Despite the importance of agriculture in national employment, it is surprising how little it achieves as these countries are not able to feed their populations: even the Sudan, a considerable producer of food, still needs to import 34 per cent of the cereal it consumes. Table 8 shows the trend of high employment in agriculture alongside dependency on cereal imports across the Arab LDCs.

Despite its limited contribution to GDP, the importance of agriculture should not be underestimated given both the percentage of Arab LDCs’ populations dependent on it, the large numbers of people living in rural areas and agriculture’s potential which has largely been mismanaged. For most rural people, agriculture and livestock husbandry are a last resort that is extraordinarily important to their survival. Indeed, in Yemen, the only smallholders who can earn enough from their crops to sustain their households are those who cultivate qat whose market value is far higher than that of any other crop, including coffee. While reviled in international development circles, this crop and its complete value chain reduce the already excessively high poverty level in the country. While it is also blamed for high water consumption [about 40 per cent in the highlands where it is cultivated, not in the entire country] and it is harmful to health, it is no worse than tobacco; most importantly, it allows thousands to remain economically viable. Those to rail against this value chain should provide alternatives for rural and urban people. The increased droughts and floods brought about by climate change were, in 2020, complemented by a massive invasion of locusts, affecting the economic development of all these countries for at least a few years of the new decade.

Table 8. Arab LDCs’ agriculture and food imports, 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>Population in agriculture (percentage)</th>
<th>Cereal imports (percentage of requirement)</th>
<th>Rural population 2019 (percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>60</td>
<td>64</td>
<td>46</td>
</tr>
<tr>
<td>Somalia</td>
<td>..</td>
<td>..</td>
<td>54</td>
</tr>
<tr>
<td>Sudan</td>
<td>65</td>
<td>34</td>
<td>65</td>
</tr>
<tr>
<td>Yemen</td>
<td>55</td>
<td>90</td>
<td>69</td>
</tr>
</tbody>
</table>

E. Macroeconomic factors

The first criterion utilised by the Committee for Development Policy (CDP) to identify LDCs is the GNI per capita in order to measure income and the overall level of resources available to a country. Figures 4A and 4B show Arab LDC’s gross national income over the last two decades, and in comparison with non-Arab LDCs.

As seen in figure 5A, there is substantial variation between GNI per capita in Arab LDCs compared to other LDCs in the rest of the world.

Figure 4A. Arab and non-Arab LDCs’ GNI per capita, 2000-2019 (Dollars)

![Graph showing Arab and non-Arab LDCs' GNI per capita, 2000-2019 (Dollars)](image)

Source: ESCWA estimates based on United Nations, Department of Economic and Social Affairs (DESA), Statistics Division.

Figure 4B. Arab LDCs’ GNI per capita, 2000-2019 (Dollars)

![Graph showing Arab LDCs' GNI per capita, 2000-2019 (Dollars)](image)

Source: United Nations, Department of Economic and Social Affairs (DESA), Statistics Division.
Despite the relative closeness between their average GNI per capita figures for the period from 2000 to 2005 (a difference of roughly $100), the difference has increased almost six-fold when looking at the period from 2017 to 2019. It is also noteworthy that the GNI per capita in all Arab LDCs declined from 2013 to 2019. This deterioration was strongly associated with the popular uprisings and violence since 2011, which negatively influenced production and foreign exchange receipts within key income-generating sectors such as oil, agriculture, exports, FDI flows, infrastructure and remittances from labour migrants. For instance, remittances from expatriates are characterised by its relative stability and not affected by the conflict in Yemen. However, it represented the primary source of foreign currency from abroad to Yemen during the war period (2015-2017). Remittances from expatriates maintained their value at $3.3 billion during the period 2012-2015, then increased slightly to $3.7 billion in 2016 and was estimated at $3.4 billion in 2017.41

Figure 4B further illustrates this by showing the GNI per capita of the four Arab countries separately. Mauritania has the highest GNI per capita among the Arab LDCs with an average of $1,455, followed by the Sudan and Yemen, within a similar range, at about $1,100, and finally Somalia, with the lowest GNI per capita and an average of about $170 only. The GNI per capita of Somalia is far lower than that of the other Arab LDCs due to over three decades of turmoil and political instability. The country continues to struggle with recurrent food and nutrition crises, widespread insecurity, underdeveloped infrastructure and natural hazards such as drought and floods (figure 5A).

Despite the slight improvement over the period 2017-2019, the growth rate in non-Arab LDCs has been fourfold, which also decreased in the five years by 1 per cent compared with the period 2010-2015.

Low commodity prices impacted the recent decline of world LDCs in global markets, which led to hindered growth, diminishing foreign reserves, fiscal imbalances and currency depreciation. On the other hand, the situation in Arab LDCs was mainly the
It is clear that Arab countries have lost a great deal as a result of their chronically low economic growth rates. If Arab LDCs had grown at the same rate as other countries, Arab LDCs’ real GDP in 2019 would have been approximately $44 billion rather than $21 billion. In other words, Arab LDCs would have at least twice as much wealth as they have today, as seen in figure 6.

Prospects for growth have worsened in 2020 due to COVID-19 and political uncertainty. The Sudan’s GDP is expected to decline by around 3.3 per cent in 2020. However, GDP...
growth in Mauritania and Somalia, whose economic conditions are more stable, is expected to decline by 1.2 per cent and 1 per cent, respectively, in 2020. Arab LDCs are also facing inflation, at 1.3 per cent and 5.4 per cent in Somalia and Mauritania, respectively, in 2019, while the Sudan’s hyperinflation is estimated to reach 62.5 per cent in 2020.42

In seeking the real reasons behind the current growth pattern, it would be useful if we used the growth decomposition of aggregate demand approach. Understanding aggregate demand growth means recognising where the growth comes from. In relation to Arab LDCs aggregate demand, private consumption is the largest component of GDP, constituting almost three-quarters of it. The second-largest
component is government spending, which accounts for around 20 per cent of GDP, while private investment and net exports represent approximately 10 per cent and -5 per cent, respectively.  

Figure 7 shows the various contributions to growth, derived from the computed contributions to the growth of each component to aggregate demand, alongside fluctuations of GDP over time from 2001 to 2017. Private consumption was the main driver of the business cycle. A substantial change in private consumption and a minor shift in government consumption typically led to economic fluctuations, both in terms of downturns and upturns. Every time there is a significant GDP growth, such as in 2005, 2007 and 2010, it is led by strong positive consumption. The same goes for downturns, which mainly occur in the years following 2010 when the drop in GDP was driven by weak consumption. This suggests that the wars and conflicts arising in the Arab region after 2010 played a major role in reducing the volume of consumption, whether private or government and thus negatively affected the rate of economic growth.

By contrast, during the past two decades, private investment, whether foreign or domestic, and external demand did not play a significant role in economic growth. Therefore, encouraging new foreign investment in Arab LDCs may be one of the necessary instruments to revive economic growth and represents a real opportunity.

F. Unemployment

A major employment challenge within LDCs is to create productive jobs with a decent environment. Although the unemployment rates mainly remained consistent as an overall percentage, the magnitude of the problem is growing and it is becoming increasingly difficult to address the issue of agriculture being the primary source of employment for the growing LDC labour force. However, LDCs face persistent constraints on agricultural
growth. With rising population growth and fast urbanization, declining agricultural farm sizes and low productivity, agricultural production is becoming less viable as a livelihood for the rural poor.

Figure 8 shows that the unemployment rate in Arab LDCs is double that of non-Arab LDCs, which is a further indicator of the difficult economic and social situation. Despite variation between the Arab LDCs, they are all characterised by rates higher than 9 per cent, as in Mauritania, while it is approximately 13 per cent in both Somalia and Yemen, as seen in figure 9. The highest rate was in the Sudan, with an average of

<table>
<thead>
<tr>
<th>Year</th>
<th>Arab</th>
<th>Non-Arab</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-05</td>
<td>12.25</td>
<td>5.39</td>
</tr>
<tr>
<td>2006-10</td>
<td>12.08</td>
<td>5.50</td>
</tr>
<tr>
<td>2011-13</td>
<td>13.08</td>
<td>5.36</td>
</tr>
<tr>
<td>2014-16</td>
<td>13.02</td>
<td>5.32</td>
</tr>
<tr>
<td>2017-19</td>
<td>12.68</td>
<td>5.26</td>
</tr>
</tbody>
</table>

Source: ESCWA estimates based on World Development Indicators (World Bank, 2019).

Figure 9. Unemployment rate in Arab LDCs, 2000-2019

Source: ESCWA estimates based on World Development Indicators (World Bank, 2019).
over 16 per cent. High levels of unemployment and limited productive capacity explain the country’s low rate of employment creation, especially after the secession of South Sudan and recent political strikes. Overall, official unemployment figures for these countries are likely to significantly underestimate reality.

The scale of this challenge will be even greater in the coming years as Arab LDCs are facing a rapid population increase rate of 2.5 per cent per year with a population of 90 million, more than 60 per cent of whom are below 25 years of age. Moreover, The Sudan has a very high dependency ratio of roughly four persons of dependent age (under 15 and over 65 years of age) for every Sudanese person of working age (15 to 64 years of age).

G. Inflation

The inflation rates increased in Arab LDCs, especially in Yemen and the Sudan, where it rose to 40 per cent and 60 per cent, respectively, towards the end of the 2000-2020 period, as shown in figure 11.

Inflation in Yemen was influenced by political conflict, persistent violence, commodity shortages, financial management issues and others, all contributing to the difficulties in designing and applying policies to reduce inflation (Abdelbary, 2020). Moreover, the division of the Central Bank of Yemen (CBY) between Sana’a and Aden has contributed to worsening the situation, only somewhat alleviated by the $2 billion provided by Saudi Arabia to the Aden CBY to guarantee letters of credit for importers of basic commodities, and $200 million provided as a grant to the Central Bank. The cumulative inflation rate between December 2014 and August 2020 was 145 per cent. While in the Sudan, the key factors that contributed to inflation were the monetisation of the fiscal deficit and the successive devaluations of the domestic currency, which raised the costs of imports, including imported

Figure 10. Inflation in Arab and non-Arab LDCs, 2000-2019 (Annual percentage)

<table>
<thead>
<tr>
<th>Year</th>
<th>Arab</th>
<th>Non-Arab</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-05</td>
<td>6.595</td>
<td>8.207</td>
</tr>
<tr>
<td>2006-10</td>
<td>5.23</td>
<td>6.523</td>
</tr>
<tr>
<td>2011-13</td>
<td>15.57</td>
<td>8.207</td>
</tr>
<tr>
<td>2014-16</td>
<td>5.23</td>
<td>9.781</td>
</tr>
<tr>
<td>2017-19</td>
<td>27.5</td>
<td>5.179</td>
</tr>
</tbody>
</table>

Source: ESCWA estimates based on World Development Indicators (World Bank, 2019).
Socioeconomic structural challenges

Figure 11. Inflation in Arab LDCs, 2000-2019

![Figure 11. Inflation in Arab LDCs, 2000-2019](image)

Source: ESCWA estimates based on World Development Indicators (World Bank, 2019).

capital and intermediate inputs. Besides this, prices have soared dramatically since 2012, after South Sudan seceded, reducing the oil output of the Sudan by three quarters. Oil revenues were the Sudan’s first source of foreign currency, needed to support the Sudanese pound and pay for imports (Suliman, 2012). High inflation continues to reduce households’ purchasing power, and many people are unable to meet their basic needs. An average local food basket takes up at least 75 per cent of household income.

H. Weak social infrastructure

Social improvement should be at the heart of any progress towards sustainable and inclusive development. It is the primary tool to ensure that stable economic performance is combined with social cohesion. Effective development programmes should ensure that all social groups have access to basic services and provide a fair distribution of income and opportunities, as well as encourage investment in basic needs like healthcare, education and housing. The low social development of the four Arab LDCs is easiest demonstrated by their rankings and scores within the United Nations Development Programme’s Human Development Index ranking and scores (table 9). Although the scores have improved thanks to social sector improvements and longer life expectancy (although the score improvement for Yemen is small), their ranks remain very low in comparison to the rest of the world.

Another set of indicators, which largely corroborates those of the Human Development Index, is the Human Assets Index used by the United Nations Capital Development Fund, which also includes health and education data to assess
human capital in LDCs. Arab LDCs have scored weakly in comparison to world LDCs, with their average rising from 36 to 43 between 2000 and 2018, while overall, world LDCs rose from 41 to 54. This overall assessment overlooks significant changes for some Arab LDCs, with Yemen increasing its position from 52 to 59 and Somalia from 9 to 17, while Mauritania regressed from 55 to 50 and the Sudan experienced very minor progress from 51 to 54.\(^4\)

War and violent conflict have caused widespread damage to essential infrastructure in various Arab countries, leading to the breakdown of water, transport and sanitation systems, and the destruction of public health facilities. Arab LDCs seem to be particularly off track due to the political instability and escalating hostilities which have brought Yemen and the Sudan to the verge of collapse and resulted in one of the largest humanitarian crisis in the world. About half of people in these countries struggle with access to sufficient food and lack access to electricity, safe water or adequate sanitation.

<table>
<thead>
<tr>
<th>Country</th>
<th>2010 score (out of 1)</th>
<th>2010 ranking (out of 169)</th>
<th>2019 score (out of 1)</th>
<th>2019 ranking (out of 189)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>0.433</td>
<td>136</td>
<td>0.527</td>
<td>161</td>
</tr>
<tr>
<td>Sudan</td>
<td>0.379</td>
<td>154</td>
<td>0.507</td>
<td>168</td>
</tr>
<tr>
<td>Somalia</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Yemen</td>
<td>0.439</td>
<td>133</td>
<td>0.463</td>
<td>177</td>
</tr>
</tbody>
</table>

Note: Somalia was not allocated a rating.

I. Access to social infrastructure

The development level of a country’s infrastructure has a strong impact on its economic development. For instance, access to improved water resources and sanitation affects health and thus influences the productivity of labour. According to the Stockholm International Water Institute (SIWI, 2005), the benefits of investing in water and sanitation exceed expenses, and estimates show a 3.7 per cent growth in GDP for low-income countries after improving their infrastructure facilities.

The percentage of Arab LDCs’ population with access to electricity, as presented in figure 12, indicates an increase from 26 per cent (3.3 million people) in 2000 to approximately 55 per cent (11 million people) in 2019. Despite Arab LDCs’ demonstrating higher access than non-Arab LDCs at the beginning of the period, non-Arab countries were able to double the percentage of the population with access to electricity over the whole period, compared to an increase of only 60 per cent for Arab LDCs. Both Somalia and the Sudan succeeded by
doubling the access to electricity in the second decade compared to the first one, as seen in figure 13. Despite this, their percentages remain very modest, especially in Somalia, where only a quarter of the population has access to electricity. In contrast, more than 70 per cent of Yemenis were connected to an electricity network, outperforming the LDCs group overall, although in most cases they were not operational.

With regards to basic sanitation, although, there has been a gradual increase in access to improved sanitation over the study period, 41 per cent of the LDCs’ population was without “improved” sanitation facilities in 2019, resulting
in high levels of environmental contamination and exposure to the risks of infectious diseases. Arab LDCs slightly outperformed the rest of the LDCs group. Nevertheless, the improvement in all countries is minimal and two-thirds of the population of these countries continue to lack access to sanitation facilities, as shown in figure 13. The annual rate of increase needs to double in order to significantly improve conditions, and concerted efforts are also required to narrow the gap in coverage between urban and rural areas.

Finally, the percentage of non-Arab LDCs’ populations with access to “improved” drinking-water access increased from 55 per cent to 70 per cent between 2000 and 2019. Although access is higher in non-Arab LDCs, the progress that occurred in the Arab countries was much greater, successfully reducing the difference from 20 percentage points in 2000 to only 8 percentage points in 2019, and almost doubling access within the last two decades. Meanwhile, non-Arab LDCs

---

**Figure 14. Rural and urban access to basic infrastructure facilities in Arab LDCs**

<table>
<thead>
<tr>
<th>Access to sanitation</th>
<th>Access to drinking water</th>
<th>Access to electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural</td>
<td>Urban</td>
<td>Rural</td>
</tr>
<tr>
<td>21.05</td>
<td>62.41</td>
<td>37.67</td>
</tr>
</tbody>
</table>

**Table 10. Water health and sanitation within Arab LDCs, 2018**

<table>
<thead>
<tr>
<th>Access to drinking water</th>
<th>Access to sanitation</th>
<th>Government health expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>(percentage of population)</td>
<td>(percentage of population)</td>
<td>(percentage of total government expenditure)</td>
</tr>
<tr>
<td>Mauritania</td>
<td>41</td>
<td>66</td>
</tr>
<tr>
<td>Somalia</td>
<td>19</td>
<td>49</td>
</tr>
<tr>
<td>Sudan</td>
<td>43</td>
<td>58</td>
</tr>
<tr>
<td>Yemen</td>
<td>38</td>
<td>63</td>
</tr>
</tbody>
</table>

**Source:** ESCWA calculations.
improved their percentage by roughly 20 per cent. This demonstrates remarkable improvement in all four Arab LDCs.

In 2014, 60 per cent of those without access to drinking water in the Arab region were located in low income countries (LICs) compared to 45 per cent in 1995. Similarly, more than 71 per cent (47 million) of the 69 million people without access to improved sanitation resided in the LICs (UNDP, 2016).

As is always the case, averages conceal massive inequalities not only between countries but also within the same country, especially between rural and urban areas. Figure 14 illustrates this disparity in Arab LDCs: the average percentage of people with access to improved sanitation was 62 per cent in urban areas and 20 per cent in rural areas, and the difference in access to drinking water and electricity reached about 40 percentage points and 50 percentage points, respectively. These figures indicate that extreme poverty in most Arab LDCs is located in rural areas, with poverty rates in rural settings more than double those in urban areas. Furthermore, the majority of people in poverty reside in rural areas – three quarters of the poor population in Mauritania and Yemen.

Table 10 further demonstrates the vast gap between urban and rural access to water and sanitation in each of the four Arab LDCs.

### J. Rapid population growth

Another important structural element contributing to these countries’ difficulties is their high population growth rates which, in the absence of significant economic growth, result at best in stagnant living standards, but most of the time in their deterioration. These rates, shown in table 11, are likely to lead to a doubling of the population in about 25-28 years and have not dropped significantly in the first two decades of the century. Rapid population growth has significant implications: for living standards to improve, overall economic growth rates must be higher than those of the population. This is rarely the case: during the last decade, GDP growth rates in Mauritania varied from zero in 2009 to 2.1 per cent in 2018, with a peak of 5 per cent in 2015. In the Sudan it was 3.2 per cent in 2009, dropping to -2 per cent in 2018, while in Yemen it dropped from 4 per cent in 2009 to less than 1 per cent in 2018 – a slight improvement on 2015 which saw a drop to -28 per cent. This is slightly misleading as, from the beginning of the war to 2019, overall GDP dropped by close to 50 per cent. No data are available for Somalia. These all clearly indicate that economic growth rates per capita are negative given that, overall, they are systematically below rapid population growth rates and thus reflect the experienced economic decline.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>2.6</td>
<td>2.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Somalia</td>
<td>3.6</td>
<td>2.8</td>
<td>15.0</td>
</tr>
<tr>
<td>Sudan</td>
<td>2.4</td>
<td>2.4</td>
<td>42.0</td>
</tr>
<tr>
<td>Yemen</td>
<td>2.8</td>
<td>2.4</td>
<td>28.5</td>
</tr>
</tbody>
</table>

Source: ESCWA calculations.
and demonstrated worsening of living conditions for the population as a whole. Moreover, these figures do not take into account the worsening inequality in income distribution.

### K. Health and medical services

Health is not only the absence of sicknesses but also enables people to develop to their full potential during their lifetime. Good health reduces production losses due to worker illness, increases the productivity of the workforce through better nutrition, lowers absence rates and improves learning among schoolchildren. There are many ways of assessing the status of health. Here we focus on a few which are particularly crucial and generally recognised as highly indicative. The consequences of the weak health sector in these countries are discussed in section V with respect to the situation around the COVID-19 pandemic. Arab LDCs have fewer than one nurse or midwife, physician, and hospital bed per 1,000 people and spend between 4 and 6 per cent of their public expenditures on health care (table 12).

The Nuclear Threat Initiative, the Johns Hopkins Center for Health Security and The Economist Intelligence Unit developed the Global Health Security Index, an index assessing health security and relevant capabilities. The index ranks 195 countries in terms of their capacities to deal with outbreaks. Table 13 presents the scores and rankings of Arab LDCs.

The index finds that none of the 195 countries are “fully prepared for epidemics or pandemics,” with an alarmingly low international average.46

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**Table 12. Arab LDCs’ healthcare figures**

<table>
<thead>
<tr>
<th>Country</th>
<th>Nurses and midwives (per 1,000 people)</th>
<th>Physicians (per 1,000 people)</th>
<th>Hospital beds (per 1,000 people)</th>
<th>Public expenditure on health care (percentage of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Somalia</td>
<td>0.112 (2014)</td>
<td>0.023 (2014)</td>
<td>0.9 (2014)</td>
<td>...</td>
</tr>
<tr>
<td>Sudan</td>
<td>0.695 (2017)</td>
<td>0.262 (2017)</td>
<td>0.8 (2013)</td>
<td>6.34 (2017)</td>
</tr>
<tr>
<td>Yemen</td>
<td>0.785 (2018)</td>
<td>0.525 (2014)</td>
<td>0.7 (2014)</td>
<td>4.23 (2015)</td>
</tr>
</tbody>
</table>

**Sources:** World Bank Group. NA. “Current health expenditure (% of GDP).”; World Bank Group. NA. “Hospital beds (per 1,000 people).”; World Bank Group. NA. “Nurses and midwives (per 1,000 people).”; World Bank Group. NA. “Physicians (per 1,000 people).”

**Table 13. Arab LDCs rankings and scores within the Global Health Security Index**

<table>
<thead>
<tr>
<th>Category</th>
<th>International average</th>
<th>Somalia</th>
<th>Yemen</th>
<th>Sudan</th>
<th>Mauritania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank (out of 195)</td>
<td>-</td>
<td>194</td>
<td>190</td>
<td>163</td>
<td>157</td>
</tr>
<tr>
<td>Country Score (out of 100)</td>
<td>40.2</td>
<td>16.6</td>
<td>18.5</td>
<td>26.2</td>
<td>27.5</td>
</tr>
<tr>
<td>Prevention of emergence/release of pathogens</td>
<td>34.8</td>
<td>15.8</td>
<td>15.1</td>
<td>31.8</td>
<td>9.9</td>
</tr>
<tr>
<td>Epidemic detection and reporting</td>
<td>41.9</td>
<td>21.5</td>
<td>9.0</td>
<td>7.0</td>
<td>39.5</td>
</tr>
<tr>
<td>Rapid response</td>
<td>38.4</td>
<td>17.4</td>
<td>19.0</td>
<td>37.3</td>
<td>24.2</td>
</tr>
<tr>
<td>Health sector</td>
<td>26.4</td>
<td>0.3</td>
<td>7.6</td>
<td>14.3</td>
<td>17.0</td>
</tr>
<tr>
<td>Compliance with international norms</td>
<td>48.5</td>
<td>28.5</td>
<td>40.3</td>
<td>37.6</td>
<td>36.3</td>
</tr>
<tr>
<td>Risk environment</td>
<td>55.0</td>
<td>15.9</td>
<td>23.5</td>
<td>33.0</td>
<td>39.5</td>
</tr>
</tbody>
</table>

**Source:** Nuclear Threat Initiative, Johns Hopkins Center for Health Security and The Economist Intelligent Unit. 2019. “Global Health Security Index.”
Arab LDCs score below the international average in all categories. Somalia and Yemen rank among the least secure countries when it comes to global health. Somalia’s scores are farthest from the international average in terms of rapid response, the health sector (including healthcare capacity and access), compliance with international norms, and the risk environment (which includes political, security, socioeconomic, environmental, infrastructure and public health related factors). Yemen has low scores in health sector and detection and reporting, but scores highest among Arab LDCs on compliance with international standards. The Sudan’s prevention and rapid response scores are the closest to the average, although it has the lowest detection and reporting score. Mauritania scores closest to the average in detection and
reporting, health system and risk environment, whereas it has the lowest score on preventing the emergence or release of pathogens.\textsuperscript{47}

Infant mortality rate is a key indicator of the overall physical health of a society. High infant mortality rates are generally connected to unmet human health needs in medical care, nutrition, education and sanitation. All LDCs have seen decreasing infant mortality rates. While the situation in Arab LDCs has improved by 30 per cent from about 75 deaths per 1,000 live births in 2000 to 53 deaths per 1,000 live births in 2019 (figure 15), non-Arab LDCs have reduced their rate by 44 per cent, and infant mortality rates remain significantly higher (around 10 percentage points) in Arab LDCs than in non-Arab LDCs. The indicator recorded broad inequalities that prevail within Arab LDCs. For instance, the average number of deaths per live 1,000 births in Somalia reached 89 during the period, while in Mauritania, it reached 59, and in Yemen and Somalia, it reached 48. Despite the decrease in the infant mortality rate in Somalia from 104 in 2000 to 74 in 2019, it remains one of the five countries with the highest infant mortality rates in the world, which reflects the severe health situation within the country. Although Yemen has the lowest rate among Arab LDCs, political conditions and the civil war threaten the improvements achieved in earlier years. According to the United Nations, 80 per cent of the population was living in poverty in 2020. Health problems are compounded by several factors, including the effects of low incomes, large family sizes, high unemployment rates and the irregular or non-payment of salaries of many civil servants.

It is also important to note that all four countries still have very high maternal mortality rates: in 2018, Mauritania had 50 maternal deaths per 100,000 births. In the Sudan, Somalia and Yemen, the figures were 74, 39 and 68, respectively.

**Figure 17. Net primary school enrolment rate within Arab and non-Arab LDCs (Percentage)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Arab</th>
<th>Non-Arab</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-05</td>
<td>66.05</td>
<td>68.19</td>
</tr>
<tr>
<td>2006-10</td>
<td>75.3</td>
<td>77.27</td>
</tr>
<tr>
<td>2011-13</td>
<td>69.78</td>
<td>78.61</td>
</tr>
<tr>
<td>2014-16</td>
<td>67.67</td>
<td>81.61</td>
</tr>
<tr>
<td>2017-19</td>
<td>72.47</td>
<td>83.3</td>
</tr>
</tbody>
</table>


---

**L. Education and skills**

Education is considered an influential tool in reducing poverty, empowering people, increasing private earnings, promoting a healthy environment and creating a
competitive economy. It plays a crucial role in shaping how future generations learn to cope with the complexities of economic growth (Afzal et al., 2010). Early education lays the ground for the success or otherwise of future learning.

Non-Arab LDCs have made significant progress in increasing the enrolment rate in primary education with an annual increase of up to 1 per cent. In contrast, the progress made by Arab LDCs at the beginning of the millennium suffered a setback when the enrolment rate declined from 75 per cent in 2010 to 67 per cent in 2016, due to political instability and armed conflict since 2012.

All four of these countries suffer from overall low skill levels, particularly with respect to technical and vocational training (TVETs) and higher education, all of which are essential to assist the population to improve their living standards in the ‘knowledge based’ world economy of the twenty-first century. While between 2010 and 2018, the mean years of schooling increased from 3.8 to 4.6 in Mauritania, from 2.6 to 3.2 in Yemen and from 3.1 to 3.7 in the Sudan, these are still very low and compare unfavourably not only by world standards but also with other low-ranking States in the Human Development Index, whose average is 4.8. Gross secondary school enrolment was 20 per cent in 2009 and 23 per cent in 2018 in Mauritania, 29 per cent in 2009 and 36 per cent in 2018 in the Sudan, and dropped from 44 per cent in 2009 to 43 per cent in 2018 in Yemen [ESCWA table]. These are all very low rates, particularly given that they are gross enrolment figures and not graduation figures.

Both dropouts and the low quality and standards of education also need to be factored into any attempt to analyse the international competitiveness potential of their future labour force, given the importance of education and skills in developing economic activities that are able to complement low agricultural and other productivity in environments of existing high unemployment rates. Unemployment, particularly youth unemployment has been a major contributor to the crises and to low living standards; Arab LDCs have unemployment rates twice as high as those of other LDCs.

Literacy rates are among the most basic indicators of development. Adult literacy remains very low in all these countries: no contemporary data are available for Somalia but the other three countries still have relatively low literacy rates, particularly for adult women (table 14). Women’s education and literacy levels are universally considered to be very important indicators of development as they affect overall living conditions, with respect to health, population growth rates and household incomes.

### Table 14. Adult literacy rates within Arab LDCs (over 15 years of age)

<table>
<thead>
<tr>
<th>Country</th>
<th>Overall (percentage of population)</th>
<th>Female (percentage of population)</th>
<th>Data recorded (year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>53</td>
<td>43</td>
<td>2017</td>
</tr>
<tr>
<td>Sudan</td>
<td>61</td>
<td>56</td>
<td>2018</td>
</tr>
<tr>
<td>Somalia</td>
<td>5</td>
<td>4</td>
<td>1972</td>
</tr>
<tr>
<td>Yemen</td>
<td>54</td>
<td>35</td>
<td>2004</td>
</tr>
</tbody>
</table>


Note: Data shown for Somalia are from 1972 and should be considered in the context that Somali was largely an unwritten language until the 1970s.
M. International influence on development and aid policies

While there is no doubt that LDC development has been seriously constrained by global warming in the past decade, this cannot be attributed to deliberate conscious action on the part of the Northern/Western States most responsible for the phenomenon. By contrast, the development policies implemented by these States have been directly and explicitly influenced by the ‘international community’ represented primarily by the main Bretton Woods international finance institutions (IFIs), the International Monetary Fund (IMF) and the World Bank group. Most bilateral funders follow the lead set by these two institutions, rather than developing and using alternative visions and strategies. As a result, development policies in the Arab LDCs as elsewhere have been dominated by the ‘Washington Consensus’ structural adjustment approach during the decade of the IPoA as indeed they did earlier.

The main features of these policies can be summarised as follows: balanced budgets requiring lower spending, particularly on social services, deregulation of markets through the removal of tariffs – allowing for cheap imports and preventing the protection of nascent local industries – floating exchange rates, privatization of productive entities as well as services, reduction or cancellation of subsidies and the downsizing of State entities to reduce government bureaucracy. Implementation of these measures has resulted in increased living costs for the populations as many basic services (health, education, water and energy) were privatized and became more expensive for users as they were no longer financed by taxes; reduced subsidies for basic commodities have increased their prices, while civil service job opportunities and salaries shrank, thus cutting down on employment opportunities in countries where the private sector was weak and unable to provide jobs for millions, whether well-educated or not.

The IFIs have been active in all four countries and have had considerable influence on their development strategies which have, to greater or lesser extents, followed the models they tried to impose. In the past three decades the international community, through bilateral as well as multilateral assistance, has inadvertently contributed to the weakening of State institutions, whether political or administrative. Privatisation and reduction of civil service employment have been the main tools of this strategy: in the context of basic social services, such as education and health, this has systematically weakened State capacity, sometimes through the establishment of parallel competing parastatal providers claimed to be more efficient. Details of this and the issues relating to the effectiveness of aid are discussed in the next section.

N. Aid flows compared with other inward and outward financial flows

The main incoming flows of finance are official development assistance, commonly described as aid, remittances, and foreign direct investment (FDI).

It is therefore unsurprising that the numerous resolutions of the four conferences on aid effectiveness have had little practical impact. These conferences happened across a period of 8 years (2003, 2005, 2008, 2011) mostly in the first decade of the century, and none have been held throughout the period of the IPoA, during which period significant deterioration has
Socioeconomic structural challenges

Solutions to these issues remain essential today and their neglect for close to a decade raises questions about the international community’s commitment to address the problems faced by millions in LDCs. These conferences also failed to resolve problems originating in institutional competition between funding States and organisations, let alone between international organisations with overlapping mandates, such as fragmentation, lack of coordination, multiplicity of monitoring and evaluation mechanisms, duplication, volatility and unpredictability, all having consequences for the intended beneficiaries in receiving States.

While overall disbursed official development assistance (ODA) increased during the decade (table 15), it remains low by international standards, and needs to be compared to other incoming financial flows, such as remittances (table 16) and FDI (table 17), as well as outgoing flows (table 17), capital flight and the burden of debt repayments (table 18).

A major source of incoming funds to these States is the remittances from citizens working and living in wealthier States, mostly within GCC countries. One particularly important and relevant factor is that remittances reach citizens directly and are therefore used by households to satisfy their primary needs, whether through immediate consumption or investment, whereas international development assistance funds generally go to the State directly or indirectly. However, as discussed above, there has been a tendency for these funds to be used for project financing rather than to support to the national budget which is under the control of State institutions. Furthermore, in the second part of the last decade, most of the funding to Yemen and Somalia has been intended for humanitarian purposes and disbursed via channels other than State institutions.

Table 15. Total official development assistance disbursed to Arab LDCs (2000-2018)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>222.8</td>
<td>489.7</td>
<td>363.6</td>
<td>450.4</td>
<td>3 530.7</td>
<td>10</td>
<td>102</td>
<td>6.4</td>
</tr>
<tr>
<td>Somalia</td>
<td>101.3</td>
<td>1 105.1</td>
<td>1 267.6</td>
<td>1 581.0</td>
<td>10 066.8</td>
<td>14</td>
<td>105</td>
<td>1</td>
</tr>
<tr>
<td>Sudan</td>
<td>320.3</td>
<td>1 834.4</td>
<td>948.8</td>
<td>968.2</td>
<td>20 100.3</td>
<td>20</td>
<td>20</td>
<td>4.0</td>
</tr>
<tr>
<td>Yemen</td>
<td>337.1</td>
<td>440.5</td>
<td>1 551.3</td>
<td>8 004.1</td>
<td>17 410.7</td>
<td>42</td>
<td>280</td>
<td>29.0</td>
</tr>
<tr>
<td>LDCs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>53</td>
<td>5.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: ESCWA calculations.

Table 16. Remittances sent to Arab LDCs

<table>
<thead>
<tr>
<th></th>
<th>(millions of dollars)</th>
<th>Remittances (dollar per capita 2019)</th>
<th>Remittances (percentage of GDP 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2015</td>
<td>2018</td>
</tr>
<tr>
<td>Mauritania</td>
<td>4</td>
<td>-</td>
<td>60.392</td>
</tr>
<tr>
<td>Sudan</td>
<td>824.221</td>
<td>151.392</td>
<td>425.214</td>
</tr>
<tr>
<td>Yemen</td>
<td>3 334.200</td>
<td>3 333.895</td>
<td>3 771.000</td>
</tr>
<tr>
<td>Somalia</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: ESCWA calculations.
FDI is claimed to be a crucial element in promoting development and improving living standards. However, particularly in these States, most of it is directed at investment in export-oriented extractive sectors, particularly oil and minerals, which provide little employment and thus limit direct benefit to the population. Table 17 provides some basic information on FDI flows, showing the wide range and annual fluctuation. Of particular note are the largely negative flows with respect to Yemen.

Inward financial flows reach different sectors of society and the economy. For example, remittances reach the population directly whereas ODA tends to go to State institutions. By contrast, outward flows, which include much capital flight, largely do not come directly from the majority of the population, but affects everyone, as it impacts the national budgets and the ability of the State to provide the services citizens are entitled to expect.

Moreover, these States suffer additionally from a serious international debt burden, which eats into their limited receipts from international aid. Mauritania, Somalia and the Sudan are also heavily indebted poor countries. Debt is a crucial concern among LDCs who have low domestic revenues, high poverty rates and weak tax collection. One positive element needs to be recorded, namely that by the end of the last decade, the majority of funding issued to the four Arab LDCs was in the form of grants, and no longer loans, thus preventing a worsening of the debt situation in the medium- to long-term. Arab LDCs’ main outward flows are debt repayments and capital flight. The overall debt burden remains high, despite some debt cancellation by Saudi Arabia which waived $6 billion from all LDCs in 2018. The December 2020 G20 summit also

---

**Table 17. Foreign direct investment flows to Arab LDCs (Millions of dollars)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Mauritania</th>
<th>Somalia</th>
<th>Sudan</th>
<th>Yemen</th>
<th>Outward</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>inward</td>
<td>outward</td>
<td>inward</td>
<td>inward</td>
<td>inward</td>
</tr>
<tr>
<td>2000</td>
<td>40.1</td>
<td>4.0</td>
<td>0.3</td>
<td>3.9</td>
<td>6.4</td>
</tr>
<tr>
<td>2005</td>
<td>812.0</td>
<td>2.0</td>
<td>24.0</td>
<td>16.2</td>
<td>- 302.0</td>
</tr>
<tr>
<td>2010</td>
<td>130.0</td>
<td>16.7</td>
<td>112.0</td>
<td>2 063.0</td>
<td>188.6</td>
</tr>
<tr>
<td>2011</td>
<td>589.0</td>
<td>1.5</td>
<td>102.0</td>
<td>1 731.0</td>
<td>-518.0</td>
</tr>
<tr>
<td>2012</td>
<td>1 388.0</td>
<td>-2.7</td>
<td>107.0</td>
<td>2 311.0</td>
<td>-531.0</td>
</tr>
<tr>
<td>2013</td>
<td>1 125.0</td>
<td>18.6</td>
<td>258.0</td>
<td>1 687.0</td>
<td>-133.0</td>
</tr>
<tr>
<td>2014</td>
<td>501.0</td>
<td>28.0</td>
<td>261.0</td>
<td>1 251.0</td>
<td>-233.0</td>
</tr>
<tr>
<td>2015</td>
<td>502.0</td>
<td>0.2</td>
<td>303.0</td>
<td>1 728.0</td>
<td>-15.0</td>
</tr>
<tr>
<td>2016</td>
<td>271.0</td>
<td>1.0</td>
<td>330.0</td>
<td>1 064.0</td>
<td>-561.0</td>
</tr>
<tr>
<td>2017</td>
<td>587.0</td>
<td>9.6</td>
<td>369.0</td>
<td>1 065.0</td>
<td>-270.0</td>
</tr>
<tr>
<td>2018</td>
<td>773.0</td>
<td>3.6</td>
<td>408.0</td>
<td>1 136.0</td>
<td>-282.0</td>
</tr>
<tr>
<td>2019</td>
<td>885.0</td>
<td>4.8</td>
<td>447.0</td>
<td>825.0</td>
<td>-371.0</td>
</tr>
</tbody>
</table>

Source: UNCTAD database.
Note: At the time of writing, there were no data for outward FDI flows for Somalia and the Sudan, hence the columns have not been included.
made a general proposal to its members to waive and ease debt. Results remain to be seen. The situation as it was end 2019 is presented in table 18.

Capital flight has been a major problem in these countries for decades. Its importance must not be underestimated, as it affects the availability of funds for both investment and operating expenses. Most significantly, much of the funds which ‘disappear’ in this way were originally intended to finance development activities and projects, thus doubling the negative impact on local economies and living standards. Between 1990 and 2008, $2.70 left Yemen illicitly for every $1 received in aid, adding up to a record total of $12 billion, though figures for the Sudan were also high, at $6.7 billion. Consequently, both Yemen and the Sudan are among the 10 countries with the worst record for capital flight. Mauritania’s capital flight was comparatively much lower, but still significant, at $428 million, and no figures are available for Somalia.

According to Leonce Ndikumana, between 1970 and 2010 Mauritania lost $3.1 billion in capital flight, representing 86 per cent of its 2010 GDP, while during the same period, the Sudan lost $38.4 billion, representing 57 per cent of its 2010 GDP. These data are from a report prepared for the United Nation IV conference on the Least Developed Countries (LDCs), Istanbul, Turkey in May 2011.

To conclude, table 19 gives a rough indication of the overall combined impact of these factors on the national economy in 2018. In the absence of strictly comparable data, with significant variations over the years in each country, it merely illustrates the situation for one year. In the absence of more recent data, capital flight issues are not included, though they would be essential – as well as longer time series – to make a more meaningful assessment.

Table 18. Arab LDCs’ debt burden

<table>
<thead>
<tr>
<th>Country</th>
<th>2011 (millions of dollars)</th>
<th>2015 (millions of dollars)</th>
<th>2018 (millions of dollars)</th>
<th>2019 (millions of dollars)</th>
<th>2011 (percentage of GNI)</th>
<th>2015 (percentage of GNI)</th>
<th>2018 (percentage of GNI)</th>
<th>2019 (percentage of GNI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>3.743</td>
<td>4.993</td>
<td>5.225</td>
<td>5.370</td>
<td>57</td>
<td>83</td>
<td>74</td>
<td>72</td>
</tr>
<tr>
<td>Somalia</td>
<td>2.932</td>
<td>2.762</td>
<td>5.563</td>
<td>5.616</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Yemen</td>
<td>6.429</td>
<td>7.299</td>
<td>7.036</td>
<td>7.055</td>
<td>21</td>
<td>20</td>
<td>25</td>
<td>-</td>
</tr>
</tbody>
</table>


Table 19. Relative importance of incoming and outgoing financial flows for Arab LDCs, 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>ODA (percentage of GNI)</th>
<th>Remittances (percentage of GDP)</th>
<th>FDI (percentage of GDP)</th>
<th>Debt (percentage of GNI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>6.4</td>
<td>1.0</td>
<td>10.0</td>
<td>74.0</td>
</tr>
<tr>
<td>Somalia</td>
<td>-</td>
<td>-</td>
<td>27.0</td>
<td>-</td>
</tr>
<tr>
<td>Sudan</td>
<td>4.0</td>
<td>2.0</td>
<td>2.2</td>
<td>89.0</td>
</tr>
<tr>
<td>Yemen</td>
<td>29.0</td>
<td>14.0</td>
<td>-1.0</td>
<td>25.0</td>
</tr>
</tbody>
</table>

Source: ESCWA calculations.
O. Poverty and inequality

Worsening poverty due to the many factors discussed in this report is an ongoing crisis and will remain important in the coming decade given the lack of prospects for its reduction. All the economic policy and social development factors presented above explain the worsening levels of poverty found in the four Arab LDCs. Economic, political and humanitarian crises have worsened the situation significantly in the past decade, with poverty levels reaching 75 per cent in Yemen in 2019. Mauritania is the only Arab LDC without significant numbers of displaced persons, but it still has a high poverty level. It must be noted that there is little recent poverty data from the World Bank or the United Nations after 2014, hence the table below is likely to underestimate the current situation. Not only is poverty extremely widespread, but it is combined with high levels of inequality, meaning that poverty is likely to be more extreme than the data suggest.

Although poverty data are limited across the four countries, data on the poverty rates within Somalia are particularly lacking with only the percentage of the population living in slums in 2014 available – 74 per cent in 2014, while a large percentage of the populations in the Sudan (92 per cent), Mauritania (80 per cent) and Yemen (61 per cent) also lived in

Table 20. Arab LDCs’ poverty indicators, 2014

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Yemen</th>
<th>Mauritania</th>
<th>Sudan</th>
<th>Somalia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty gap at $5.50 a day (2011 PPP) (percentage)</td>
<td>39.3</td>
<td>21.6</td>
<td>34.9</td>
<td>..</td>
</tr>
<tr>
<td>Poverty headcount ratio at $5.50 a day (2011 PPP) (percentage of population)</td>
<td>81.6</td>
<td>59.8</td>
<td>79.9</td>
<td>..</td>
</tr>
<tr>
<td>Poverty headcount ratio at national poverty lines (percentage of population)</td>
<td>48.6</td>
<td>31.0</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Poverty gap at $3.20 a day (2011 PPP) (percentage)</td>
<td>17.3</td>
<td>6.6</td>
<td>13.4</td>
<td>..</td>
</tr>
<tr>
<td>Poverty headcount ratio at $3.20 a day (2011 PPP) (percentage of population) (poverty)</td>
<td>52.2</td>
<td>24.1</td>
<td>45.0</td>
<td>..</td>
</tr>
<tr>
<td>Gini index (World Bank estimate)</td>
<td>36.7</td>
<td>32.6</td>
<td>34.2</td>
<td>..</td>
</tr>
<tr>
<td>Poverty gap at $1.90 a day (2011 PPP) (percentage)</td>
<td>4.5</td>
<td>1.4</td>
<td>2.9</td>
<td>..</td>
</tr>
<tr>
<td>Poverty headcount ratio at $1.90 a day (2011 PPP) (percentage of population) (extreme poverty)</td>
<td>18.8</td>
<td>6.0</td>
<td>12.7</td>
<td>..</td>
</tr>
<tr>
<td>Income share held by lowest 20%</td>
<td>7.3</td>
<td>7.5</td>
<td>7.8</td>
<td>..</td>
</tr>
<tr>
<td>Income share held by lowest 10%</td>
<td>3.0</td>
<td>3.0</td>
<td>3.2</td>
<td>..</td>
</tr>
<tr>
<td>Proportion of people living below 50% of median income (percentage)</td>
<td>10.6</td>
<td>12.1</td>
<td>9.7</td>
<td>..</td>
</tr>
<tr>
<td>Income share held by highest 10%</td>
<td>29.4</td>
<td>24.9</td>
<td>27.8</td>
<td>..</td>
</tr>
<tr>
<td>Income share held by highest 20%</td>
<td>44.7</td>
<td>40.2</td>
<td>42.4</td>
<td>..</td>
</tr>
<tr>
<td>Income share held by fourth 20%</td>
<td>21.2</td>
<td>23.0</td>
<td>21.6</td>
<td>..</td>
</tr>
<tr>
<td>Income share held by third 20%</td>
<td>15.3</td>
<td>16.9</td>
<td>16.1</td>
<td>..</td>
</tr>
<tr>
<td>Income share held by second 20%</td>
<td>11.5</td>
<td>12.4</td>
<td>12.1</td>
<td>..</td>
</tr>
<tr>
<td>Population living in slums (percentage of urban population)</td>
<td>60.8</td>
<td>79.9</td>
<td>91.6</td>
<td>73.6</td>
</tr>
</tbody>
</table>

slums in 2014. Table 20 presents some of the available data on poverty indicators within Arab LDCs.

Poverty rate projections indicate severe worsening in Yemen if the conflict persists, estimating an increase in poverty rates to 75 per cent by the end of 2019 and 88 per cent by 2030, which would lead Yemen to be the poorest country in the world. In a no conflict scenario, it is estimated that poverty rates would have decreased to 24 per cent, while extreme poverty would have decreased to 7 per cent. Based on the Second Somali High Frequency Survey, Somalia’s poverty rate was 69 per cent in 2019. Poverty in Somalia is high and deep in rural areas and IDP settlements, and extends beyond monetary deprivation to include non-monetary deprivation in multiple areas such as access to health care, electricity, education, or water and sanitation. In the Sudan, the population below the poverty line was 36.1 per cent in 2015, and the population below the extreme poverty line was 25 per cent, based on a National Baseline Household Budget Survey. According to the government of Mauritania, the country’s poverty rate gradually decreased: from 51 per cent in 2001, to 44.7 per cent in 2004, followed by 42 per cent in 2008 and 31 per cent in 2014, reducing the number of people living in poverty from 1.4 million in 2008 to 1.1 million in 2014. In addition to the aforementioned poverty indicators, income inequality is evident among Arab LDCs: the World Bank’s estimate of the Gini Index, a measure of income distribution across populations, in 2014 was 36.7 for Yemen, 34.2 for the Sudan, and 32.6 for Mauritania in 2014, on a scale where 0 implies perfect equality, and 100 implies perfect inequality.
The principles of aid effectiveness highlight the complex issues of competing interests between funders, receiving state administrations and the intended beneficiary populations.

The difficulties in implementing them have resulted in a low level of development and a worsening of the absorptive capacity in the four countries.

The shift from development to humanitarian assistance presents long-term challenges and risks for the future and should be reversed and replaced by a humanitarian-development-peace strategy.
The present chapter demonstrates that in Arab LDCs aid flows and donor activities since 2011 had little alignment with the objectives and priorities set out within the IPoA. Conflicts, political instability, natural and human-made disasters, climate shocks, and weak institutional capacity of recipient economies have been the key factors shaping the trajectory of donor operations in these countries. In the context of Arab LDCs’ fragile political and socioeconomic circumstances, the bulk of aid has concentrated in the humanitarian sector, with far less resources allocated to long-term development. This humanitarian focus has both undermined these countries’ potential for structural transformation as envisioned in the IPoA, and weakened their resilience and ability to respond to further crises. As a result, shocks often turn into full blown disasters and catastrophes, with long-lasting implications for economic development and people’s livelihoods.

A. Principles of aid effectiveness and their impact on the four Arab LDCs

In the first two decades of this century four international conferences on aid effectiveness demonstrated the ongoing efforts in improving aid quality and optimizing the development impact of aid (table 21). The First High Level Forum, held in Rome in 2002, resulted in the Rome Declaration, which prioritized recipient countries’ priorities and timing, delegating cooperation, and monitoring good practices. The Second High Level Forum on Joint Progress toward Enhanced Aid Effectiveness was held in Paris in 2005 whereby the Paris Declaration on Aid Effectiveness was developed, which emphasised ownership, alignment, harmonization, results and mutual accountability as key principles. The Third High Level Forum held in Accra in 2008 outlined the Accra Agenda for Action, which modified the principles of ownership, partnerships and delivering results with an unprecedented level of participation from development partners. The Fourth High Level Forum on Aid Effectiveness was held in Busan, Korea in 2011 and resulted in an agreed framework for development cooperation, the Busan Partnership for Effective Development Cooperation. These principles are linked. Recipient country ownership seeks to promote accountability for development at the national level. Moreover, ownership in prioritizing development targets and results is in line with SDG 17 which has “respect for each country’s policy space and leadership” as one of its targets. In order to take ownership, prepare development strategies and promote national accountability, the mobilization of resources is a prerequisite. However, aid volatility and unpredictability are persistent among LDCs and other extremely fragile contexts. The five principles are attempts to reconcile the interests of funding and receiving states, thus implicitly recognising that these may differ.

The role of recipient country public institutions is vital in order to ensure ownership. In Arab LDCs, such institutions include the Ministry of Economic Affairs and Development in Mauritania, the Ministry of Planning, Investment and Economic Development in Somalia, the Ministry of International Cooperation in the Sudan, and the Ministry of Planning and International Cooperation.
of Yemen. The government of Mauritania is the only one of the four which has shown an improvement in aid-related practices. Some Arab LDCs have integrated the Sustainable Development Goals (SDGs) into national development strategies, such as the Strategy for Accelerated Growth and Shared Prosperity in Mauritania, and the National Development Plan of Somalia. The Twenty-Five-Year National and Federal Strategy of the Sudan predates the SDGs however the country has affirmed its commitment to the SDGs. Furthermore, Yemen’s need for an economic and development strategy predates the conflict, and the conflict’s implications on development have been dire.

The other major assumption behind this dilemma is that government and state institutions operate in the interests of the populations, something which is rarely the case, as the various studies on governance demonstrate clearly and as is confirmed by development indicators. While local administration and civil servants may prioritize efficiency and good performance, at the decision-making levels, narrow personal and political interests tend to dominate.

The presence and quality of national development strategies do not ensure alignment by donor countries, which has been decreasing. In order to improve the quality of ODA, it should be aligned with the national strategies of developing countries. Alignment also refers to using national public financial management and procurement systems. Donor alignment to national development strategies has the potential of reducing fragmentation and duplication among donors, thus promoting harmonization. In Mauritania, aid, particularly multilateral assistance, is better aligned with national plans such as the Strategy for Accelerated Growth and Shared Prosperity.

Untying aid, by eliminating legal and regulatory barriers, also promotes ownership and alignment. ODA from 2015 to 2017 has been increasingly untied. Progress was made in Mauritania and the Sudan between 2015 and

<table>
<thead>
<tr>
<th>Table 21. The Principles of Aid Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paris Declaration on Aid Effectiveness</td>
</tr>
<tr>
<td>Ownership</td>
</tr>
<tr>
<td>Alignment</td>
</tr>
<tr>
<td>Harmonization</td>
</tr>
<tr>
<td>Managing for results</td>
</tr>
<tr>
<td>Mutual accountability</td>
</tr>
<tr>
<td>Inclusive partnerships</td>
</tr>
</tbody>
</table>

2017 with increases in untied aid of 34 per cent and 27 per cent respectively, amounting to 88 per cent and 77 per cent of untied aid in 2017. Moreover, Yemen and Somalia also experienced slight improvements (1 per cent and 5 per cent) in 2015, amounting to 75 per cent and 81 per cent in 2017, respectively.

‘Measuring for results’ refers to development results. The Declaration on the Right to Development stipulates “the right freely to determine their political status and to pursue their economic, social and cultural development” and “full sovereignty over all their natural wealth and resources.” When it comes to meeting the SDGs, Arab countries are not on track, with Arab LDCs in particular falling behind on several targets. Box 1 presents some findings relating to SDG targets and Arab LDCs. In order for Arab LDCs to progress towards the SDGs, structural transformation is a prerequisite. Moreover, LDCs’ progress towards the SDGs is threatened by the COVID-19 pandemic. Donors and recipient countries should work together to monitor and strive to achieve results.

In order to optimize results, transparency and accountability are fundamental. The availability of information on aid flows promotes mutual accountability and donor cooperation. Transparency levels between 2016 and 2018 are the same, and there has been improvement in the availability of information as more information on development cooperation is reported and publicized. However, efforts to ensure timeliness in reporting and forward-looking insights are required. In addition, mutual accountability mechanisms, namely adopting accountability mechanisms among recipient countries, development partners and relevant stakeholders, also improve transparency. The effectiveness of mutual accountability is acknowledged by development partners, and three quarters of development partners report having such mechanisms either between the recipient government and other development partners, or between the recipient government, other development partners and non-state actors.

In order to implement the 2017-2019 National Development Plan of Somalia, the New Partnership for Peace, Stability and Prosperity was adopted as a mutual accountability framework between Somalia and the international partners, which also measures progress in implementing the country’s development plan. However, Somalia lacks accountability at the national level and its formal and informal judicial systems are fragile. The absence of accountability in Arab LDCs is also demonstrated in their Worldwide Governance Indicators scores.

Whether to implement development assistance through budget support or through projects is

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**Box 1. Arab LDCs performance in relation to SDG targets**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 per cent of the population is below the international poverty line.</td>
<td></td>
</tr>
<tr>
<td>11 per cent of the population benefits from social assistance coverage.</td>
<td></td>
</tr>
<tr>
<td>28 per cent of the population is undernourished.</td>
<td></td>
</tr>
<tr>
<td>38 per cent of children are moderately or severely stunted.</td>
<td></td>
</tr>
<tr>
<td>77 per cent of children under the age of 5 die.</td>
<td></td>
</tr>
<tr>
<td>23 per cent of the population have basic handwashing facilities on premises.</td>
<td></td>
</tr>
<tr>
<td>36 per cent of the population use safely managed sanitation services.</td>
<td></td>
</tr>
<tr>
<td>48 per cent of the population have access to electricity.</td>
<td></td>
</tr>
<tr>
<td>96 per cent of disaster-related deaths occur in LDCs.</td>
<td></td>
</tr>
</tbody>
</table>

one feature of the international debate on the effectiveness of development assistance. In practical terms, this debate is manifested in the choice between budget support and project financing, the former going automatically to state institutions and the latter most frequently being handed over to ‘temporary’ management entities which successfully compete for staff with line ministries. While the second option provides speedy disbursement and efficiency, its main drawbacks are the interruption of services upon project completion and the weakening of state administrative capacity. There is a clear discrepancy between the type of internationally financed development support on offer and what is required to strengthen state governance in the receiving countries. There is a dire need for strengthening state capacity to enforce security, peace and the rule of law, but with over two-thirds of aid to LDCs being in the form of projects, as opposed to budget support (which accounts for about 10 per cent of aid), with a few exceptions, this reinforces the ‘donor-centric’ nature of aid as donors use their own strategy and implementation systems rather than that of the recipient state. On the other hand, some donors, like SDRPY, have adopted a recipient-centric approach which helps integrate the needs, expectations and special considerations of recipient communities wherever it operates in Yemen. This aims to avoid the gap between needs assessment, community considerations and expectations and donor programming.

In places such as Yemen and Somalia the national systems and capacities have been consistently weakened as a result of prolonged conflict and political instability, plunging the conflict-affected LDCs more deeply into a vicious cycle of aid dependency. The Social Fund for Development and the Public Works Programme in Yemen are prime examples of the impact of the choice between implementing the principle of ownership in ODA and that of allowing funder priorities and policies to take the lead. Rather than supporting state institutions which would have improved state ownership and capacity, the World Bank chose to establish these parastatal organisations, which are designed to operate along private sector principles. According to Washington consensus principles, the private sector is, by definition, more efficient regardless of any detailed analysis. Both were initially set up in 1997 to compensate for the expected short-term deterioration of living standards resulting from the implementation of the IFI-imposed structural adjustment plans. Both are now firmly entrenched permanent institutions and, indeed, with the war, among the main recipients of international support. Since their creation, they have systematically competed with line ministries in the construction and operation of social sector and other facilities, while at the same time depriving the state from qualified staff who were drawn by the higher salaries on offer. Structural adjustment policies have contributed to increased frustration for the population, who are faced with increased prices, reduced services and an absence of income-generating possibilities. Reduction and removal of subsidies on basic commodities such as food and fuel have thrown thousands into hunger and poverty.

The increased complexity in aid architecture and the diversity among relevant actors is a challenge to upholding inclusive partnerships in LDCs. Inclusive partnerships are those that include civil society and private sector engagement. However, in Arab LDCs, there is little or no participation of different types of actors in policy-related discussions. The role of civil society, public and private sector representatives, trade unions and individuals is important for planning, implementing, and monitoring national development plans. Development partners (donors included United Nations agencies, donor countries and multilateral agencies) reported consulting with civil society institutions in the Sudan, Yemen, Somalia and Mauritania. The Somali NGO Consortium, a voluntary coordination structure among NGOs, is an example of a joint effort to improve aid coordination.
Box 2. Aid-related challenges in Yemen

Yemen is facing severe funding gaps; by October 2020, only $1.44 billion of the $3.38 billion United Nations coordinated inter-agency response humanitarian appeal had been received. Yemen’s political and geographic fragmentation entails that development and humanitarian actors deal with various national, regional or local level actors across the country when delivering aid. These actors include the internationally recognized government’s Ministry of Planning and International Cooperation, the Ministry of Labour and Social Affairs, and the Ministry of Public Health and Population, in addition to the Houthi authorities’ Supreme Council for Management and Coordination of Humanitarian Affairs and International Cooperation, the ministries of interior and health, and the Executive Unit for IDPs. The lack of national level cooperation among actors within the scope of development aid predates the Yemeni conflict, when other ministries also participated in the aid negotiation process, weakening the Ministry of Planning and International Cooperation’s role.

Aid-related challenges include volatile access to people in need, limitations in the extent of reliable and transparent information on the types of actors involved, limitations stemming from the need to negotiate the details of operations, and the obstruction of aid by both government and non-government actors. Authorities in Yemen are interfering in the work of humanitarian agencies. They have also failed to approve NGO projects. In 2019, the internationally recognized government rejected 30 per cent of NGO projects, while Houthi authorities rejected 40 per cent. Aid obstruction is occurring in government and Houthi-held areas and has affected Yemenis’ access to humanitarian assistance by limiting and delaying the distribution of aid.

Moreover, aid is allocated to population-dense areas which include the north, which is not controlled by the internationally recognized government. This means that in order to secure humanitarian assistance, aid allocated to Houthi-controlled areas, for instance, is subject to the imposition of conditions, restrictions, and interference pertaining to how the aid is transported and distributed or how activities are implemented by Houthi authorities. The need to acquire the consent of Houthi authorities prior to implementing programmes and the restrictions imposed on aid workers in Yemen have affected access to vulnerable populations, as well as delayed or disrupted the delivery of aid. There is evidence that Houthi authorities have increasingly disrupted aid, attempted to influence aid-related decisions, and interfered in programs, as well as attempted to impose a 2 per cent tax on aid. Moreover, the Supreme Council for Management and Coordination of Humanitarian Affairs and International Cooperation imposed over 200 aid-related directives and demands, including access to beneficiaries’ information, and involvement in needs assessments, employment and procurement procedures.

Between January and March 2020, 1,810 aid-related disruptions were reported, namely 757 restrictions on the movement of organizations or personnel or goods, 486 interferences in the implementation of humanitarian activities, 43 instances of violence against humanitarian personnel assets and facilities and 524 other disruptions. Moreover, humanitarian programs were temporarily suspended due to the absence of safety guarantees. Furthermore, violence against humanitarian assets and personnel includes the confiscation and theft of goods and assets as well as threats and physical assault against, and the detention of, humanitarian workers.

In light of the risks and challenges tied to aid delivery in Yemen, accountability deficits in relation to donors as well as affected populations exist. Consequently, “many partners are deciding to pro-actively calibrate the type and level of assistance they are providing to match the level of risk they are facing.” United Nations agencies and humanitarian actors in Yemen have sought to disburse aid in line with humanitarian principles.

The volatile conflict in Yemen has led donors to work directly with local partners rather than setting up their own offices in the country. This has highlighted the importance of partnerships, flexibility in a changing environment, strengthening the capacities of local institutions, engaging with the private sector and harnessing political neutrality. Some donors, SDRPY for instance, have decided to be present at the local level, despite the political, social and operational challenges, in order to develop a deeper understanding of the challenges and existing capacities to help refine future programming in such specific contexts.

This section is informed by a 2019 UNCTAD report, which observed ‘scant progress in structural transformation’ in LDCs and their slow progress towards the objectives set out under the IPoA,\(^8\) which can be traced back to the socioeconomic and political realities of the LDCs as well as the international political economy environment of the last decade. With the IPoA coming into effect a few years after the 2008 global financial crisis, the overall levels of ODA have increased only marginally at 3 per cent per year under the IPoA, compared to the 7 per cent annual growth under the Brussels Program of Action. This, together with the above-mentioned disproportionate allocation of aid towards social sectors and humanitarian activities, which together accounted for 60 per cent of total disbursements, has left little aid being allocated to economic infrastructure and productive sectors.\(^8\) To finance the latter, LDCs have had to rely on limited domestic resources and borrowing – with concessional and non-concessional loans constituting an ever-increasing segment of the international development finance.

During the IPoA decade, there has been an increase in the role of non-traditional donors especially from the Global South, including China and the Gulf states. While this diversification of the donor landscape may entail some beneficial outcomes, it also increases the burden of aid coordination for the already stretched institutional capacities of the LDCs. This growing complexity within the donor landscape highlights the need for even closer attention to the recipients’ needs, development priorities, and voice in how aid is allocated, and how development policies are formulated. Furthermore, parallel and multiple donor-managed aid delivery mechanisms can bypass (and overwhelm) the role of recipient institutions in implementing the aid programmes and projects, further undermining the legitimacy of the state especially in fragile contexts.

The increase in aid since 2016 has been mainly due to the increased humanitarian needs of countries such as Yemen and Somalia. Since 2017, bilateral ODA to LDCs has fallen by 3 per cent in real terms. Therefore, where ODA flows have accelerated, this has mainly reflected intensification of conflicts or humanitarian emergencies. Social infrastructures (mainly primary health and basic education) have absorbed a staggering 45 per cent of ODA disbursements to LDCs, with humanitarian aid accounting for another 15 per cent. The major issue is the lack of synergy with long-term...
development and structural transformation objectives that are intended under the 2030 Agenda and which would make such aid more sustainable. Therefore, expenditure on the provision of energy and utilities, modernisation of the agricultural sector, strengthening of the manufacturing and industrial sectors, and long-term initiatives for the creation of viable and decent employment remain largely underfunded. Investment in infrastructure and productive sectors is also important for increasing resilience in the face of shocks.

By 2019 disbursements for economic infrastructure and productive sectors barely reached 15 and 8 per cent of the total ODA, respectively. This shift from developmental aid towards ‘soft assistance’ had already started to take place prior to the IPoA, caused by aid fatigue, donors’ desire to show quick returns (more challenging with long-term infrastructural and economic projects), and the less pressure on donors to develop tailor-made long-term development aid packages — enabling donors to more easily apply a one-size-fits-all approach to their programmes. This has, over time, undermined the broad momentum to tie aid more closely with recipient’s national and medium- to long-term priorities. The ‘donor centric’ nature of aid highlights the importance of paying closer attention to the Paris Agenda on aid effectiveness and the 2030 Agenda’s Goal 17 which emphasises partnerships in shaping conversation and practice on the means of implementation, with recognition of the need for better cooperation among actors, including governments, the private sector, and civil society.

The lack of systematic involvement of recipient countries in aid programming, the limited alignment between donors’ aid allocation criteria and LDCs’ needs and constraints, and donors’ political and economic interests have been demonstrated in a number of studies. Lack of recipient involvement in aid programming and implementation, together with high levels of aid dependency, the institutional burden of aid coordination, exposure to risks of conflict and protracted crises, and the lack of sufficient investment in infrastructure and productive sectors are among factors that reduce the effectiveness and sustainability of aid in LDCs.

C. Donor operations in Arab LDCs under the IPoA

ODA disbursed to LDCs from 2011 to 2018 gradually increased from $46.6 billion to $58.5 billion. For LDCs to meet their development targets, ODA commitments should be higher. As presented in figure 18, there is a spike in ODA disbursed to Yemen post-2014 from $1.2 billion to $8.1 billion in light of the conflict. ODA disbursed to Somalia has increased from $913 million to $1.6 billion, while ODA disbursed to the Sudan has decreased from $1.7 billion in 2011 to $980 million in 2018. ODA disbursed to Mauritania remained relatively low and slightly increased from $368 million in 2011 to $554 million in 2018.

In light of the slight increase of ODA to LDCs since 2011, ODA loans to LDCs gradually increased from 12 per cent in 2011 to 27 per cent of total ODA in 2018, while ODA grants gradually decreased from 88 per cent in 2011 to 72 per cent in 2018. Contrary to other LDCs, ODA loans to Arab LDCs decreased while ODA grants increased throughout the same period, with some fluctuations (figure 19).

When looking at ODA by recipient country, it is evident that this observation is not applicable to all Arab LDCs (annex). ODA flows to the Sudan and Yemen consistently increased for grants and decreased for loans. However, 100 per cent of ODA received by Somalia since 2011 has been in the form of grants and more than half of ODA flows to Mauritania in 2017 and 2018 were loans.
Somalia, the Sudan and Yemen remain countries with prominent humanitarian needs. Figure 20 shows that the majority of ODA allocated to these countries is humanitarian aid, while aid to social sectors such as education, health and social infrastructure remain low. ODA to Mauritania is more diverse. As economic and productive sectors remain underfunded, shifting away from aid dependence and meeting development targets remains unattainable.92

With the highest humanitarian needs, Yemen faces a severe humanitarian crisis, while humanitarian needs are high in Somalia and the Sudan.93 Furthermore, humanitarian actors in Arab LDCs report to have adjusted their programs in order to respond to emergent...
transnational shocks, specifically COVID-19.94
With donor support, humanitarian agencies including UNHCR and its partners continue to respond to the needs of the populations of concern in Arab LDCs by providing protection, education, health, food security and nutrition, water and sanitation, shelter and core relief items, livelihoods, basic needs and essential services, and cash based programmes.95

Taking the UNHCR funding as an example demonstrates that funding gaps persist and funding cuts risk causing deterioration in conditions in Arab LDCs (figure 21). For instance, in addition

---

**Figure 20. Bilateral ODA disbursed to Arab LDCs by sector (2017-2018 average)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Education</th>
<th>Other social infrastructure and services</th>
<th>Production</th>
<th>Programme assistance</th>
<th>Economic infrastructure and services</th>
<th>Health and population</th>
<th>Other and unallocated/unspecified</th>
<th>Multisector</th>
<th>Humanitarian aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>10%</td>
<td>22%</td>
<td>4%</td>
<td>10%</td>
<td>15%</td>
<td>10%</td>
<td>23%</td>
<td>10%</td>
<td>88%</td>
</tr>
<tr>
<td>Somalia</td>
<td>79%</td>
<td>10%</td>
<td>4%</td>
<td>5%</td>
<td>7%</td>
<td>11%</td>
<td>22%</td>
<td>9%</td>
<td>79%</td>
</tr>
<tr>
<td>Sudan</td>
<td>67%</td>
<td>4%</td>
<td>5%</td>
<td>10%</td>
<td>15%</td>
<td>23%</td>
<td>67%</td>
<td>10%</td>
<td>88%</td>
</tr>
<tr>
<td>Yemen</td>
<td>88%</td>
<td>4%</td>
<td>4%</td>
<td>10%</td>
<td>15%</td>
<td>10%</td>
<td>23%</td>
<td>10%</td>
<td>88%</td>
</tr>
</tbody>
</table>

**Source:** Organisation for Economic Co-operation and Development. NA. “Aid at a glance charts.”

---

**Figure 21. Gaps in UNHCR funding to Arab LDCs, 2020**

<table>
<thead>
<tr>
<th>Country</th>
<th>Funded</th>
<th>Unfunded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>$122</td>
<td>$4</td>
</tr>
<tr>
<td>Somalia</td>
<td>$33</td>
<td>$24</td>
</tr>
<tr>
<td>Sudan</td>
<td>$115</td>
<td>$120</td>
</tr>
<tr>
<td>Yemen</td>
<td>$110</td>
<td>$142</td>
</tr>
</tbody>
</table>


**Note:** The latest funding data available is from 30 June 2020 (for Somalia), 14 September 2020 (for Yemen), and 29 September 2020 (for Mauritania and the Sudan).
to the aforementioned amplifying effects of political instability and transnational shocks on humanitarian needs and increasing displacement, Arab LDCs face food insecurity and malnutrition.\textsuperscript{96}

### D. Aid dependency and absorptive capacity

The architecture of aid is changing due to greater fragmentation, an increasing number of partners, the decreasing role of non-governmental organizations, increasing private sector engagement, and the emergence of new sources of development finance. These changes make it harder to ensure transparency, cooperation and accountability.\textsuperscript{97}

LDCs’ massive investment needs and poor national resource mobilization contribute to their dependency on foreign financing. LDCs are among the most aid dependent countries, and the amount, type, and sectoral allocation of aid determine the results of aid on the recipient country. Aid allocation is driven by recipient country needs as well as donor motivations. With limited domestic resource mobilization, LDCs are especially dependent on foreign financing. Table 22 presents measures of LDCs’ dependency on aid.\textsuperscript{98} Data availability limitations make it difficult to measure aid dependency. Somalia is also aid dependent, with ODA and remittances constituting around a third of the country’s GDP.\textsuperscript{99}

ODA to fragile states, which include Arab LDCs, is crucial.\textsuperscript{100} Aid results are determined by the sectoral allocation of aid, the quality of national institutions and recipient country’s absorptive capacity.\textsuperscript{101} Institutional quality and absorptive capacities in Arab LDCs are limited, which has implications for the effectiveness and sustainability of development assistance. In conflict contexts, institutional capacities are weak and aid focuses on direct support to the most vulnerable populations rather than strengthening institutional capacity.

Absorptive capacity needs to be considered with respect to capital and governance constraints as well as donor practices. Public sector capital constraints, including human and physical capital, limit the extent to which aid is effective for the recipient. Human capital constraints include management issues, availability of necessary skills and expertise for planning, allocation and evaluation of aid programmes, and sectoral expertise. For instance, physical capital constraints include infrastructure problems such as telecommunications, irrigation structures, and physical, energy and transport facilities. Governance constraints, such as the quality of policies and institutions, also affect the impact

<table>
<thead>
<tr>
<th></th>
<th>LDCs</th>
<th>Mauritania</th>
<th>Somalia</th>
<th>Sudan</th>
<th>Yemen</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net ODA received (percentage of central government expense)</strong></td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>14.9 (2016)</td>
<td>..</td>
</tr>
</tbody>
</table>

**Sources:** World Bank, “Net ODA received”, Data.

**Note:** Net ODA received (% of central government expense) refers to payments for the government’s operating activities in providing goods and services. Net ODA received (% of gross capital formation) covers “additions to the economy’s fixed assets plus net changes in the level of inventories” (World Bank, “Net ODA received (% of gross capital formation)”, Data). Net ODA received (% of GNI) includes the total earnings of a country’s people and businesses.
potential of aid. These include the weakness of institutions, financial management, accountability and transparency, as well as law and order or justice. Furthermore, donor practices in aid delivery create an administrative burden on recipient countries, exacerbated by donor fragmentation, the lack of coordination, the use of divergent monitoring and evaluation mechanisms, duplication, and aid volatility and unpredictability. Although weak states are in need of aid, all these factors limit the effectiveness of the aid they receive.

E. Development assistance to Arab LDCs

The top ten donors of ODA to Arab LDCs are the United States, Saudi Arabia, Japan, the United Kingdom, the United Arab Emirates, Germany, France, Sweden, Canada and Norway (ranked in descending order). Saudi Arabia and the United Arab Emirates are ranked in the second and fifth position among the highest donors supporting Yemen, the Sudan, Mauritania, and Somalia. Kuwait, Qatar, Bahrain and Oman have funded Arab LDCs through bilateral systems as well as through their national funds such as the Kuwait Fund for Arab Economic Development, the Saudi Fund for Development (SFD), the King Salman Humanitarian Aid and Relief Center (KSRelief) and the Saudi Development and Reconstruction Program for Yemen (SDRPY).

In addition to the direct governmental funding, regional institutions in Arab countries are contributing to development assistance in the four Arab LDCs under study. These regional institutions are funded by and/or located in Arab countries. Examples of these funding institutions are the Islamic Development Bank (based in Saudi Arabia), the Arab Fund for Economic and Social Development (Kuwait-based), the Arab Gulf Programme for Development (based in Saudi Arabia) and the Arab Monetary Fund (headquarter is in the United Arab Emirates).

Saudi Arabia aid to LDCs

The primary foreign policy tool of Saudi Arabia is providing development aid. Over the last ten years the primary recipients of this aid are countries within the Middle East and North Africa (MENA) region. Saudi aid is provided via many channels: bilateral or multilateral systems, or others such as the Islamic Development Bank, the World Health Organization (WHO) and the World Food Programme. Humanitarian assistance is an important part of the overall aid provided by the Kingdom. The Saudi Fund for Development provides loans based on geographical conditions and is directed towards developing countries.

In 2014, Saudi aid rose to a peak and placed Saudi Arabia among the top five donor countries in the world with ODA/GNI of 1.9 per cent, the highest rate achieved by any country. In 2018, Saudi Arabia became a Development Assistance Committee Participant at OECD. The Kingdom is the one of the largest aid providers in the Gulf region. Figure 22 displays the volume of ODA disbursements by Saudi Arabia over recent years.

Figure 22 shows a 3 per cent increase in ODA between 2018 and 2019. This is due to the increased contribution of Saudi Arabia to the United Nations. The data in this graph is based on data of total development aid of Saudi Arabia, while the loans and grants from other Saudi entities are not considered here.

Figure 23 shows the top ten United Nations recipients of Saudi ODA through the multilateral system in 2018. The World Food Program is the highest recipient, receiving $252 million. This is especially important now and in the near future, given the alarming famine
The situation in Yemen where 20 million people out of the total population of 30 million face food insecurity. The most recent IPC report indicates that from October to December 2020, 13.5 million people (45 per cent of the analysed population) are facing high levels of acute food insecurity (IPC Phase 3 or above), despite ongoing humanitarian food assistance (HFA). This includes 9.8 million people (33 per cent) in IPC Phase 3 (Crisis), 3.6 million (12 per cent) in IPC Phase 4 (Emergency) and of greatest concern, approximately 16,500 people in IPC Phase 5 (Catastrophe). Between January and June 2021, the number increases by nearly 3 million to 16.2 million people (54 per cent of the total population analysed) likely to experience high levels of acute food insecurity (IPC phase 3 or above). Out of these, an estimated 11 million

**Figure 22.** Saudi Arabia – Volume of ODA disbursements, 2008-2019 (Millions of dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net ODA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>4,835</td>
</tr>
<tr>
<td>2009</td>
<td>3,147</td>
</tr>
<tr>
<td>2010</td>
<td>3,463</td>
</tr>
<tr>
<td>2011</td>
<td>4,777</td>
</tr>
<tr>
<td>2012</td>
<td>1,248</td>
</tr>
<tr>
<td>2013</td>
<td>5,407</td>
</tr>
<tr>
<td>2014</td>
<td>12,919</td>
</tr>
<tr>
<td>2015</td>
<td>904</td>
</tr>
<tr>
<td>2016</td>
<td>1,632</td>
</tr>
<tr>
<td>2017</td>
<td>2,013</td>
</tr>
<tr>
<td>2018</td>
<td>4,779</td>
</tr>
<tr>
<td>2019</td>
<td>4,941</td>
</tr>
</tbody>
</table>

*Source: OECD, Saudi Arabia, Development co-operation profiles, 2020.*

**Figure 23.** Top 10 United Nations recipients of Saudi Arabia ODA contribution, 2018 (Millions of dollars, current prices)

<table>
<thead>
<tr>
<th>Organization</th>
<th>ODA in 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>WFP</td>
<td>252</td>
</tr>
<tr>
<td>UNICEF</td>
<td>111</td>
</tr>
<tr>
<td>UNRWA</td>
<td>97</td>
</tr>
<tr>
<td>UNOCHA</td>
<td>88</td>
</tr>
<tr>
<td>WHO</td>
<td>56</td>
</tr>
<tr>
<td>UNHCR</td>
<td>45</td>
</tr>
<tr>
<td>IOM</td>
<td>29</td>
</tr>
<tr>
<td>FAO</td>
<td>14</td>
</tr>
<tr>
<td>UNDP</td>
<td>13</td>
</tr>
<tr>
<td>United Nations unspecified</td>
<td>9</td>
</tr>
</tbody>
</table>

*Source: OECD, Saudi Arabia, Development co-operation profiles, 2020.*
people will likely be in Crisis (IPC Phase 3), 5 million in Emergency (IPC Phase 4) and the number of those in Catastrophe (IPC Phase 5), will likely increase to 47,000.105

In 2018, LDCs received 75 per cent of bilateral ODA from Saudi Arabia, which was $3.7 billion. The above graph shows the top ten recipients of bilateral ODA. Over the last 15 years, Saudi Arabia has contributed to humanitarian assistance in Arab countries as well as in other regions. Beneficiaries have included Lebanon, Iraq, Yemen, the Syrian Arab Republic, Pakistan, Bangladesh, Palestine, China, Somalia, the Sudan, Myanmar, Turkey, Haiti and Egypt. The amount of humanitarian assistance between 2005 and 2014 reached more than $2.8 billion.

In 2015, Saudi Arabia established the King Salman Humanitarian Aid and Relief Centre, which by end November 2020 had committed $4.8 billion in 55 countries, but Yemen took the overwhelming majority of these funds with $3.4 billion in 539 projects. Somalia had 55 projects worth $200 million while the Sudan had 19 with $15 million. It has become the main route for Saudi financing. In 2018, Saudi Arabia established a dedicated programme for reconstruction and development in Yemen called SDRPY. This programme is aligned with the Yemeni government’s developmental priorities and represents a continuation of the Saudi’s developmental contribution to Yemen, i.e. mega projects in the energy, transportation, basic services and social services sectors over the past decades. The economic aid and oil by-products from Saudi Arabia are also channelled through SDRPY, which plays a major role in the monitoring, governance and building the Yemeni institutional capacities while proving aid to those most in need.

During the virtual G20 summit in March 2020, King Salman bin Abdulaziz Al-Saud declared that the kingdom continues to support humanitarian and development for all people irrespective of their political believes or personal affiliations. He declared that over the last 30 years the kingdom has provided $86 billion in humanitarian support to 81 countries.106

In 2020, some speculate that the decline in oil prices that coincided with COVID-19 pandemic might lead to a restructure of the aid strategy of Saudi Arabia. The Kingdom might opt for giving loans as an alternative over grants.
The need for humanitarian work will remain high but they should be provided within the framework of the humanitarian-development-peace nexus.

The long-term impact of the COVID-19 crisis must be addressed throughout the decade with capacity-building and financing for all related needs – social, financial and medical.

Climate-related crises are likely to increase in frequency and severity; mitigation measures must be included in all national planning and in development financing.
Many structural issues and crises in the four Arab LDCs have been discussed in some detail in the earlier sections. This section discusses only those which are either new or have only become particularly pressing in the course of the second decade of the twenty-first century.

A. The emerging gravity of the humanitarian crises

During the decade, there has been a significant shift from development to humanitarian aid (table 23), with a remarkable reduction of development investments, which previously dominated, particularly in Yemen and the Sudan. This shift is easily explained by the dramatic worsening of the humanitarian crises in the region, resulting from the combination of economic collapse, governance failures and the series of climate-related disasters and emergencies.

Regardless of the emphasis on humanitarian aid, support remains far below what is required (table 24). Moreover, with the exception of Yemen in 2019, average financing for humanitarian crises is about 60 per cent of United Nations appeals. Although the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) records cover the majority of funding, some funding falls outside its framework. There is increasing attention during the monthly meetings of key donors to Yemen convened by the World Bank and UNDP to the humanitarian-development-peace nexus and the importance of strategically approaching the crisis, especially in Yemen, taking into consideration the worsening gap between HRPs issued annually by the United Nations and donor’s contributions.

The figures in table 23 on humanitarian needs for 2020 were prepared before the many additional disasters which struck the region in 2020, including the COVID-19 pandemic, severe flooding and locust infestations. Consequently, the needs for 2020 are far higher than they were in 2019, but the amounts available from the international community are well below even the earlier estimated requirements. In the

<table>
<thead>
<tr>
<th>Period</th>
<th>Total aid disbursed (millions of dollars)</th>
<th>Humanitarian aid (millions of dollars)</th>
<th>(percentage of total aid)</th>
<th>Development support (millions of dollars)</th>
<th>(percentage of total aid)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Sudan</td>
<td>2005-2015</td>
<td>16.4</td>
<td>9.2</td>
<td>7.2</td>
<td>44</td>
</tr>
<tr>
<td>Somalia</td>
<td>2010-2019</td>
<td>1 858</td>
<td>934</td>
<td>924</td>
<td>50</td>
</tr>
<tr>
<td>Yemen</td>
<td>2011-2018</td>
<td>17.4</td>
<td>12.688</td>
<td>4.7</td>
<td>27</td>
</tr>
</tbody>
</table>

Sources: Elsewhere in report for Somalia and the Sudan, Yemen Humanitarian from FTS.
In the case of Yemen, the funding requirement set by OCHA for 2020 was already estimated at 25 percent lower than in 2019, without any indication that needs might be lower. As is frequently the case, there is a significant gap between those listed as ‘in need’ and those actually ‘targeted’ by the humanitarian agencies. Furthermore, as actual funding is usually lower than the funding figure upon which United Nations humanitarian plans are based, the ‘targeted’ figure specified within those plans can often not be reached, leaving millions in need and without any support.

The medium- and long-term risks of this shift have been discussed above with respect to the sustainability of programmes. There is no doubt that emergency humanitarian aid
Emerging crises

Table 24. Change in humanitarian funding 2010-2020 (Millions of dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>1 600</td>
<td>51</td>
<td>1 100</td>
<td>52</td>
<td>1 000</td>
<td>56</td>
</tr>
<tr>
<td>Sudan</td>
<td>1 000</td>
<td>77</td>
<td>1 000</td>
<td>83</td>
<td>1 000</td>
<td>45</td>
</tr>
<tr>
<td>Somalia</td>
<td>3 400</td>
<td>46</td>
<td>4 200</td>
<td>87</td>
<td>1 800</td>
<td>65</td>
</tr>
</tbody>
</table>


Table 25. The humanitarian crisis within Arab LDCs, 2020

<table>
<thead>
<tr>
<th>People in need (millions)</th>
<th>People targeted by United Nations plan (millions)</th>
<th>Humanitarian funding (percentage as of December 2020)</th>
<th>Change from 2019 (percentage points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>0.6</td>
<td>60.0</td>
<td>-</td>
</tr>
<tr>
<td>Sudan</td>
<td>9.3</td>
<td>53.0</td>
<td>+14</td>
</tr>
<tr>
<td>Somalia</td>
<td>5.2</td>
<td>79.0</td>
<td>-12</td>
</tr>
<tr>
<td>Yemen</td>
<td>24.0</td>
<td>48.5</td>
<td>-27</td>
</tr>
</tbody>
</table>


is desperately needed in the face of climate disasters and political upheavals which affect the population at large and particularly the most vulnerable. From a purely humanitarian point of view, such assistance is justified. However, given that the wealthier members of the international community are largely responsible for the problems arising from global warming, and consequently the climate disasters, and are at least partly responsible for the poor performance of development strategies, those same members also have a duty to help remedy this situation. However, it is only through development investment that enables the citizens of the LDCs to establish viable economies and provide income and employment for the population that the long-term problems can be solved and stability re-established. Therefore, the balance between development and humanitarian aid must be reversed to avoid the need for emergency humanitarian assistance in the medium- to long-term.

As of the end of 2020, both the Sudan and Yemen were declared by the United Nations as being on the brink of famine, while funding for humanitarian efforts remained well below the estimates made prior to the latest crises, with Yemen showing the largest proportional shortfall, largely due to a sharp reduction of support from the international community. Out of six Gulf countries, only Saudi Arabia donated $500 million to Yemen during the virtual High-Level Pledging Event for the Humanitarian Crisis in Yemen, Riyadh 2020.

B. The COVID-19 crisis and health sector issues

The analysis in this section is informed by an assessment of the impact of COVID-19 on global poverty by Giovanni Valensisi. Occurring in the context of pre-existing...
inequalities, economic sluggishness, unstable global economic markets and uncertainties regarding development policy, the COVID-19 crisis has subjected LDCs to supply and demand shocks and exacerbated the humanitarian crises that many of them face. The sudden disruptions to global value chains, intermittent and sudden border closures and the decline in global trade have slowed economic activity, while waves of redundancies, layoffs and the closure of workplaces have reduced demand. Any decline in external demand will disproportionately hurt poor households employed in labour-intensive manufacturing and agriculture sectors, which will further undermine state efforts to eradicate extreme poverty and achieve SDG 1. The adverse effects of trade shocks resulting from the fall in commodity prices (with oil, minerals, food and other commodities accounting for more than 70 per cent of goods exported from LDCs), the decline in global FDI and capital flows and the debt obligations of many LDCs are serious challenges to Governments’ abilities to increase expenditures on social protection and safety net measures in response to the pandemic. The absence of social protection systems – or, where they exist, their failure to reach workers in the informal economy and other vulnerable segments of the population – exposes populations in LDCs to further effects from such shocks. The International Labour Organization (ILO) has predicted that close to 300 million will lose their jobs worldwide with a large number of informal sector workers in immediate risk of job losses, and other studies have found that the number of people living below $1.90 per day could increase by 68 million in 2020 alone.

The severity of the impact of the pandemic depends on a number of factors, including the state of a country’s health system and the extent of the health crisis it faces, the economic impact of the crisis which in turn is dependent on the structural aspects of the economy, such as the dependence on primary commodities, key markets or value chains, the availability of fiscal space, and outstanding debt, and the scale of pre-existing vulnerabilities and humanitarian emergencies in the country. Even though some developing countries may not suffer directly from large numbers of cases, they remain highly vulnerable to the economic impacts of the pandemic. The World Bank estimated early in the pandemic that the number of highly food insecure people would increase by 25 per cent as a result of the pandemic. It is estimated that in Sub-Saharan Africa, the 2020 headcount poverty ratio is estimated to increase by 2.7 per cent, corresponding to an additional 31 million people living in extreme poverty in the wake of the pandemic. In the Middle East and North Africa, the incidence of extreme poverty is also estimated to increase by more than 1.2 per cent.

Beyond the destructive humanitarian and developmental impact of the political instabilities faced by Arab LDCs such as Yemen and Somalia, the COVID-19 pandemic has dealt a double-pronged blow to these economies. The Arab LDCs’ weakened health infrastructure and public welfare capacities have undermined their institutional responses to the pandemic, while disruptions to global and domestic value chains have worsened unemployment, inequality, poverty and displacement. The pandemic has also led to reduced remittances from workers from Arab LDCs based in economies suffering retrenchment as a result of the pandemic and reduced demand for their exports, affecting state budgets and private sector incomes. A further side effect has been increased instability as populations took to the streets either in response to the inadequate performances of their Governments, or in political opposition regardless of the medical and political risks. Further such uprisings are to be expected, including in the four Arab LDCs.

countries due to ongoing humanitarian crises in those countries, their weak healthcare systems and the projected implications of the pandemic.\textsuperscript{110} Out of an estimated $20 trillion allocated to the global COVID-19 response, $8.5 billion were spent in LDCs, landlocked developing countries and small island states as of October 8 2020.\textsuperscript{111} Responding to the pandemic is particularly challenging in countries with stretched health systems, where around 75 per cent of the population lacks access to soap and water\textsuperscript{112} and testing kits and other medical equipment are scarce. Such countries risk being disproportionately affected by the pandemic “in terms of human lives and the destruction of their economies”, as LDCs highlighted in a statement made in the Seventy-fourth session of the United Nations General Assembly on 7 May 2020.\textsuperscript{113} Table 26 presents the critical COVID-19 funding for Arab LDCs, although Arab LDCs are in need of more international support to address the effects of and recover from crises.\textsuperscript{114}

In response to the crisis, many LDCs resorted to similar measures to other countries, such as imposing states of emergency, prohibiting public gatherings, closing schools and universities, banning international travel and closing non-essential businesses.

Women are affected in different ways by the pandemic and may suffer more: women are the main providers of health care and are therefore most exposed to infection, while specific medical services for women are reduced due to the diversion of funds and staff to address the pandemic. Restrictions on movement may also prevent them from seeking needed attention. Women face higher unemployment in both the formal and informal sectors, worsening their economic situation and increasing poverty. Increased social stress may exacerbate the risk of violence, including gender-based violence. Constraints on mobility related to the COVID-19 pandemic may lead women to seek livelihood opportunities further away from their homes regardless of regulations, thus opening them to abuse both inside and outside the household, and refugees and IDPs are subject to additional risks. Women and girls’ reduced access to internet and social media can both impact their access to medical advice and prevent distance learning.\textsuperscript{115}

In Mauritania, the government took immediate stringent measures such as suspending flights, closing land borders and shutting universities, schools and non-essential businesses to contain the spread of the virus. These restrictions were gradually lifted during June, July and August 2020. As part of the fiscal response to the crisis, the Government has set up emergency funds to procure medical supplies and equipment, extended subsidies to 30,000 poor households, and offered financial assistance to small businesses. The IMF has also provided Mauritania with emergency financing (roughly $130 million) under the Rapid Credit Facility. Furthermore, the central bank eased liquidity conditions to encourage economic activity. In the fisheries sector,

| Table 26. COVID-19 funding for Arab LDCs (as of December 2020) |
|------------------|-----------------|-----------------|
|                  | Population      | Disbursement per capita (dollars) | Amount Disbursed (dollars) |
| Mauritania       | 4 526 000       | 3.24                         | 14 661 689                        |
| Somalia          | 15 443 000      | 40.39                        | 623 792 249                        |
| Sudan            | 42 813 000      | 3.54                         | 151 397 465                        |
| Yemen            | 29 162 000      | 12.34                        | 359 727 594                        |

the ILO has planned to revive fish processing by marketing high value products, improving the technical capacities of women processors and providing a market for fishermen. The World Bank has provided assistance to Mauritania in support of the country’s national public health preparedness and to enhance the quality of health interventions. The African Development Bank Group (AfDB) has allocated $20 million to build capacity to curb and stop the spread of the COVID-19 pandemic in Mauritania, Mali, Burkina Faso, Niger and Chad.

Somalia also took a number of lockdown measures to contain the outbreak and strengthen health systems. Restrictions on trade and other activities have resulted in huge shortfalls in the country’s already limited domestic revenue. Partners of Somalia and the Ministry of Health have launched a Country Preparedness and Response Plan (CPRP) to address the immediate humanitarian and socioeconomic consequences. The reopening of the economy took place during July and August. The government revised a 2020 supplementary budget, introduced a three-month tax holiday on some specific basic commodities (including rice) and a 50 per cent reduction in consumption tax on basic goods, and lifted restrictions on rice imports. The newly revived Central Bank is releasing funding for lending support for SMEs and is working with international partners to ease the inflow of current transfers, including remittances.

Combined with erratic rains and infestation by desert locusts, COVID-19 has exacerbated food insecurity. Poor urban and IDP households as well as pastoralists, particularly in northern Somalia, are likely to experience heightened food insecurity in coming months due to an estimated 30–50 per cent decline in annual external remittances, a 25–35 per cent decline in annual livestock exports, lower labour demand, and a steep increase in the price of staple foods. Furthermore, it is expected that women and girls are likely to face a greater risk of violence, including gender-based violence, as economic constraints related to the COVID-19 pandemic lead them to seek livelihood opportunities in locations further away from their homes.\textsuperscript{116} UNICEF and WHO have reported a reduction in vaccination coverage due to COVID-19 whereby approximately 108,000 children under one year of age did not receive a first dose of the measles vaccine between January and June 2020, because of the reduced outreach of health care providers and decreased willingness on the part of parents and caregivers to bring children to health clinics.

IMF has adjusted growth forecasts for Somalia in 2020 from 3.2 per cent before the pandemic to 2.3 per cent afterwards.\textsuperscript{117} Somalia has launched a substantial fiscal stimulus plan to boost the economy including debt relief under the Heavily Indebted Poor Countries (HIPC) initiative, which would reduce the country’s debt from $5.2 billion at the end of 2018 to $557 million in net present value terms once it reaches the HIPC Completion Point in three years.\textsuperscript{118} Rural and

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**Table 27. Economic and health impacts of COVID-19 on Arab LDCs**

<table>
<thead>
<tr>
<th></th>
<th>Public expenditure on health (percentage of GDP)</th>
<th>External support per capita (dollars)</th>
<th>Projected growth (percentage)</th>
<th>Health security ranking (out of 195)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritania</td>
<td>4.4</td>
<td>3.24</td>
<td>1.2</td>
<td>157</td>
</tr>
<tr>
<td>Sudan</td>
<td>6.3</td>
<td>3.50</td>
<td>-7.2</td>
<td>163</td>
</tr>
<tr>
<td>Somalia</td>
<td>..</td>
<td>40.40</td>
<td>1.0</td>
<td>194</td>
</tr>
<tr>
<td>Yemen</td>
<td>4.2</td>
<td>12.30</td>
<td>..</td>
<td>190</td>
</tr>
</tbody>
</table>

*Sources: ESCWA calculations.*
urban safety nets are assisting the most vulnerable to address food insecurity and loss of income. With support of United Nations agencies, the Government aims to maintain its infrastructure development plans to ensure continued employment. AfDB has approved the allocation of $25 million to Somalia to support the national budget for the health system, safeguard livelihoods, provide social protection, support labour force productivity and prop up economic activity. The ILO is planning short-term job creation and cash injection programmes.

In the Sudan, the economic impact of the pandemic combined with nearly six months of containment measures has resulted in inflation in basic food prices, rising unemployment and falling exports, with inflation reaching 167 per cent by August 2020. 2020 growth projections for the country have been adjusted from 4.9 per cent prior to the pandemic to -7.2 per cent. The Government revised its budget in August 2020 to include the removal of subsidies on gasoline and diesel, exchange rate reforms and increased domestic revenue collection (which has declined by 40 per cent due to the pandemic). The international community pledged $1.8 billion for macroeconomic reforms, humanitarian assistance and a 12-month Sudan Family Support Program to provide direct cash transfers to 80 per cent of the population. ILO in the Sudan is conducting a rapid assessment of the impact and risks associated with COVID-19 and is supporting the rehabilitation of healthcare facilities and national health protection counterparts in developing knowledge products. Debt distress continues to hamper the ability of the Sudan to respond sufficiently to the pandemic, provide the required social safety nets and protect the most vulnerable.

Given the disfunction of basic infrastructure in Yemen, such as running water and electricity, the pandemic is expected to further devastate the country’s already vulnerable population. With only half of health centres in the country fully functional after years of conflict, preparedness for the pandemic was extremely poor. Given the extent of the country’s conflict-induced humanitarian emergency and the fragmentation of administrative authorities, lockdown was intermittently but brutally enforced. The Ministry of Health received additional supplies of medical equipment from the World Bank and the WHO, with the government allocating limited budget resources to respond to the crisis. In late April 2020, the privately initiated and funded International Initiative on COVID-19 in Yemen (IICY) announced the shipping of virus collection kits, rapid test kits and other equipment. A European Union Humanitarian Air Bridge was created to address the logistical challenges and restrictions in the wake of the COVID-19 pandemic given the disruptions to the usual supply lines. The European Union is also allocating an additional 70 million euros to scale up assistance across Yemen, bringing its humanitarian support in 2020 to 115 million euros. UNDP has developed a socioeconomic framework for the next 18 months with five pillars with health being the first.

However, enforcing isolation and prevention policies is not feasible in LDCs where large segments of the population are employed in the informal sector, and where social distancing measures cannot be followed due to the living conditions of a large portion of society. The impaired ability of these States to provide assistance to their people, their weak economies and overcrowded housing of poor communities have all meant that medically recommended restrictions on people’s movement and contact have been ineffective. Among the recommendations, frequent hand washing is not an option when no water or soap are available. Due to their poverty, people in the informal sector have been compelled to continue attempting to earn an income regardless of medical precautions or Government instructions. Households dependent on remittances from

Emerging crises
abroad suffer from their reduction due to closure of economies elsewhere, particularly in Saudi Arabia. Women and young people are expected to be particularly affected as they constitute the bulk of labour in informal economies and lack access to savings. In addition, women are at additional risk in the aftermath of the COVID-19 crisis given their care burdens, their prominence in frontline health work and their reduced access to reproductive health facilities.

Tables 27 and 28 give an indication of the impact of COVID-19 on the populations of the four Arab LDCs.

Table 28 presents the number of confirmed cases and deaths in Arab LDCs. However, it is important to note that this table may not represent the full scale of the outbreak in light of Arab LDCs’ poor transmission monitoring and limited testing. For instance, in Yemen, “those with severe symptoms are being turned away from health facilities that are full or unable to provide safe treatment.” Moreover, national measures to contain the virus have affected access to certain areas.

Focus on the pandemic response has driven attention and resources away from accountability and effective service delivery. The overall economic slowdown and the subsequent reduced public expenditure will likely worsen existing inequalities and grievances. Loss of livelihood and increased food insecurity can fuel further tensions and civil unrest among communities.

To address the long-term impact of the pandemic, additional funding and assistance are essential to help populations emerge from this additional strain on their survival, and to support the reconstruction of their economies and social services, particularly the medical sector. This has implications well beyond the supply of vaccines to all, an element which must be provided for a few years, possibly longer, depending on the duration of effectiveness of the vaccines. It will also be important to include the development of mitigation measures against similar diseases in the future. International aid needs to support health systems while strengthening local capacities’ resilience and ability to provide adequate socioeconomic responses through increased access to international liquidity and debt relief. COVID-19 has highlighted the need for preparedness, early warning and early response and a disaster risk reduction framework at the country level, as well as the need to ensure the resilience and functioning of the whole food system, from production to consumption. The pandemic has also reinforced the need for structural transformation to build resilience, generate employment and establish or strengthen social protection programmes. The pandemic has illustrated gaps in institutional capacities, hence, addressing the long-term impacts of the COVID-19 pandemic must be rooted in capacity-building and financing for all related needs. This will help ensure preparedness for any emerging crisis, not just health-related ones.
C. Climate change

Climate change, specifically global warming, has unarguably become a major contributor to the numerous crises affecting the four countries and will remain a structural challenge to development for the foreseeable future. While, alongside other developing countries, the four Arab LDCs’ responsibility for causing this crisis is relatively low, given their very low carbon emissions, they are suffering the consequences of irresponsible action in the wealthy Northern countries, who consequently have a duty to assist in mitigating the consequences of their actions.

The World Risk Index\(^{121}\) is an index assessing the global risk natural disasters including droughts and floods, as well as earthquakes, storms and rises in sea levels, in 181 countries (table 29).\(^{122}\) The index “aims to assess the general risk of countries to face a disaster in the wake of extreme natural events” by looking at “social factors, political conditions and economic structures” as well as “the occurrence, intensity and duration of extreme natural events.” Out of 181 countries, the index ranks the Sudan 61st, Mauritania 67th and Yemen 109th. The index does not calculate Somalia’s ranking due to data availability limitations, which entails weak administrative structures unable to collect sufficient data. The index demonstrates that the Sudan and Mauritania are at high risk while Yemen is at medium risk to face a disaster in instance of extreme natural events. Moreover, the three Arab LDCs also have high scores in the lack of coping and adaptive capacities, which refer to capacities to respond and mitigate a disaster in the immediate and long term.

There is no longer any doubt that climate change is a major crisis affecting economic development, political instability and living standards in all four countries. Each has been affected by increasing desertification, as three of them (Mauritania, Somalia and the Sudan) border the Sahel region whose areas suitable for pastoralism have reduced significantly in recent years while Yemen is on the same latitude and suffers from the same problems. It is worth noting that the Sahel region is the area where AQAP Al-Qaeda in the Arabian Peninsula and ISIS have spread most actively in the past decade.

Droughts emerge as a result of consecutive seasons of poor rainfall. In Somalia, a severe drought caused by poor rainy seasons in 2016 and 2017 has increased food insecurity and water shortages, and has threatened

<table>
<thead>
<tr>
<th>Table 29. Arab LDCs’ scores in the World Risk Index 2020</th>
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<tbody>
<tr>
<td><strong>Sudan</strong></td>
</tr>
<tr>
<td>Rank</td>
</tr>
<tr>
<td>World Risk Indicator</td>
</tr>
<tr>
<td>Exposure</td>
</tr>
<tr>
<td>Vulnerability</td>
</tr>
<tr>
<td>Susceptibility</td>
</tr>
<tr>
<td>Lack of coping capacities</td>
</tr>
<tr>
<td>Lack of adaptive capacities</td>
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</tbody>
</table>

**Key:**
- Very low: 0.3-3.29
- Low: 3.30-5.67
- Medium: 5.68-7.58
- High: 7.59-10.75
- Very high: 10.76-49.74

livelihoods, agriculture and livestock. Drought in Mauritania led to natural resource degradation and affected the population’s food security and livelihood, and the agricultural sector in 2020. The Sudan is prone to droughts and has experienced mild and short droughts in 2009, 2012 and 2015, as well as severe droughts between the 1960s and 1980s. Moreover, drought conditions in Yemen have exacerbated the country’s import dependence and food insecurity.

Droughts have caused major shortfalls in agricultural production and water availability for all purposes on numerous occasions in the past decade, while devastating floods have also been more intense, more widespread, more frequent and more destructive than in earlier decades. According to the records of the EM Data Bank, they suffered an unusual frequency of floods and droughts in the first two decades of this century (table 29).

The Sudan also suffers increased drought and rainfall fluctuations, leading to desertification. In North Darfur, for example, this is one of the causes of the long-term conflicts between pastoralists and cultivators competing for access to the limited natural resources; in Kordofan, this includes the frequent conflicts over the large-scale rain-fed contracted mechanised farms impinging on traditional pastoralist routes. Contractors on these farms have suffered lower yields than predicted due to unsuitable agricultural practices.

Mauritania has also suffered considerable environmental degradation with both coastal erosion in the west and worsening desertification in the east, while Somalia suffers drought, desertification and poor agricultural and pastoral customs combined with decades of civil conflict. Other than the Nile Basin in the Sudan, the four Arab LDCs are countries suffering severe overall water scarcity, which has significant impact on their agricultural potential as well as on people’s access to clean potable water.

In all four countries, the 2020 floods were unprecedented in their severity and the extent of damage caused, beating historic records in the Arab LDCs. Since August 2020, the south eastern region of Mauritania has been facing torrential rains resulting in flooding that has damaged infrastructure and food stocks in affected areas, affecting around 9,282 people and causing three deaths. As a result of the floods and destruction, the affected populations are faced with food insecurity, loss of shelter, threatened livelihoods, and the need for assistance in meeting basic needs, as well as in the health, water and sanitation sectors. As for Somalia, extreme floods have displaced more than 650,000 people in 2020 and have increased the need for shelter, food security, sanitary, and

### Table 30. Climate-related disasters in Arab LDCs in the twenty-first century

<table>
<thead>
<tr>
<th>Country</th>
<th>Years of floods</th>
<th>Years of drought</th>
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Source: EM Data Bank.
livelhood programmes. In the Sudan, flash floods affected over 875,000 people as of October 2020 with dire implications on shelter, hygiene and sanitation, water supply, income, and infrastructure. The 2020 floods have beaten the records set earlier in 1946 and 1988 with respect to destruction and damage, particularly in the capital Khartoum.

Following the heavy rains that hit in April, and again in August, flooding in Yemen has affected around 95,599 households throughout the country. It is worth noting that, in 2015, two major cyclones, Chapala and Meg, hit Yemen within a single week, causing massive damage and this trend continued with cyclones Sagar and Mekunu in 2018 and the devastating storms causing floods in 2020, in both cases exceptional as normally the country does not suffer more than one cyclone or major flood event a year.

For all these countries, the problem is not only the severity of current disasters but also their increased frequency. Neither drought nor floods are out of the ordinary, but they used to take place at regularly distant intervals, leaving many intermediary years without major problems, years during which communities and individuals could build up food and other reserves in anticipation of the next disaster, thus having greater resilience. In the last two decades, the increased frequency of these events has meant there was no time to prepare and therefore their resilience, whether physical, financial or economic, has diminished.

In this situation, as in many others, within countries the poorest and weakest are most vulnerable: they have the flimsiest housing, the greatest physical weakness and lack of resistance to disease, and the smallest financial reserves. Prospects for coming years remain dire with respect to all environmentally related stresses and must be taken into consideration in planning any developmental short- or long-term programmes. Overall, the vulnerability of the Arab LDCs to climate change is higher than other LDCs, with a rank of 49 compared to 42.

D. Desert locust invasion

The desert locust is referred to as “the most destructive migratory pest in the world” as it feeds on green vegetation and travels through wind. A locust swarm constitutes around 150 million locusts per km², where a 1km² size swarm feeds on the equivalent of around 35,000 people’s daily food. As an outcome of floods and favourable conditions for breeding since 2018, a desert locust upsurge has severely threatened livelihoods and food security in the Arab LDCs in 2020, on an unprecedented scale and scope. The Food and Agriculture Organization (FAO) of the United Nations mobilized $184.9 million in response to the locust upsurge in ten countries including Somalia, the Sudan and Yemen, killing 515 billion desert locusts and controlling over 760,000 hectares by August 2020, as well as addressing food security, livelihoods and surveillance.

Throughout September 2020, the general situation in Mauritania was reported as calm with small-scale breeding in the north-western region; however, the situation in Somalia, the Sudan, and Yemen was categorized as threatening. Yemen faces widespread hatching, band and swarm formation, while Somalia experiences immature swarms in the north, and swarms laid eggs in the Sudan. The situation is not expected to improve in the foreseeable future due to continuing weather conditions encouraging the spread of locusts.
Conclusion and recommendations

6

DO NO HARM

THE HUMANITARIAN-DEVELOPMENT-PEACE NEXUS MUST LEAD ALL INTERVENTIONS

AID PLANNING SHOULD BE IN LINE WITH THE PRINCIPLES OF AID EFFECTIVENESS

LONG-TERM SUSTAINABLE DEVELOPMENT MUST BE THE EXPLICIT TARGET OF ALL PROGRAMMES

PRIORITY MUST BE GIVEN TO HUMAN CAPACITY BUILDING

MITIGATING CLIMATE CHANGE MUST BE PART OF ALL ACTIVITIES

SECTORAL PROGRAMMES
As has been made clear throughout this report, the last decade has been characterised by a worsening of crises and poverty in the four Arab LDCs. While Somalia and the Sudan have been at war for decades, Yemen entered a full-scale civil war after the Houthi coup in 2014, after decades of instability, while Mauritania is the only one of the four where instability has not led to a major conflict, but it is threatened not only by internal political instability, but also by the rise of militant armed actors and other crises in neighbouring states. There are a number of underlying fundamental structural issues which have all contributed to a greater or lesser extent to the current state of affairs; they have been exacerbated by emerging challenges during the decade, all of which need to be addressed.

Fundamental structural issues include internal ones such as weak governance, the reliance of these states on the export of raw materials, low educational standards, weak social and administrative infrastructure, rapid population growth, weak human and financial capacities, low investment, and low productivity. The Arab LDCs continue to be exposed to multiple crises from conflicts to climate shocks and health emergencies. The lack of resilience capacity in these economies transforms short-term shocks into protracted crises resulting in increased poverty, displacement and loss of livelihoods. This has undermined social capital and productive economic activity, setting in motion a process of de-development that has undermined these countries’ current and future development potential.

Between them, internal and external factors have led to instability and war, worsening poverty and dependence, high indebtedness, major humanitarian crises, with both strong irregular and unsafe migration and inflows of refugees as well as large numbers of internally displaced persons. All these factors help explain why the Istanbul Programme of Action has not succeeded in solving these problems. In conclusion, it is worth re-examining their causes and consequences in order to formulate recommendations.

**Climate change** is a major factor whose role has increased significantly in the past decade and is likely to continue to do so during the next. Although largely caused by the ‘Northern’ states, global warming has a major impact on poor states. The four Arab LDCs are in the Sahel region, an area where worsening desertification has reached crisis level during the last decade, manifested in worsening poverty but also in the rise of terrorist groups, a problem which remains the main incentive to bring these states to international attention. In the past, the international community have responded with a narrow military and security strategy. An approach that addresses the underlying development gap and deep grievances of the impoverished populations of these states would have been more effective. Perpetuation of the earlier strategy is likely to produce the same results as in the past, namely worsening socioeconomic conditions.
for the majority and the shift from deep insecurity and fragility into full scale conflict.

This report has confirmed the seriousness of the impact of climate change on Arab LDCs. Several events have had a serious impact on the productive capacities of these economies, such as desertification in Yemen and Somalia, the devastating floods in the Sudan and Yemen, or the rising sea levels in Mauritania. All these shocks affected the main productive sectors in those countries which employ the majority of their populations, agriculture and fishing. Environmental disasters have affected not only economic activity but also contributed to spreading diseases, increasing food shortages, displacing thousands, and thus increasing poverty rates. Support for the agriculture sector is vital to reinforce domestic and regional food and agricultural value chains, ensuring access to affordable food. LDCs face a crisis not of food availability, but of access to food, due to supply chain disruptions. The Famine Early Warning Systems Network estimates that the pandemic will lead to a 25 per cent increase in the number of highly food insecure people in countries such Somalia and the Sudan.

**Governance** issues bear a major responsibility for the downward trends of the last decade, through the actions of local powerful elites which have not been reined in by the international community. In brief, these countries have experienced many conflicts between elites at the expense of the living conditions, and indeed survival, of their national population as a whole. This is particularly clear in the case of Yemen, while in the Sudan, by the end of 2020 there is a real risk of the former elites regaining considerable power; therefore, action must be taken to bring about a happier more democratic future. The future of Somalia is still very uncertain, while Mauritania could go in any direction in the coming decade.

The opaque institutions of the Arab LDCs bear a great deal of responsibility for this situation. In particular, their legal systems, levels of chronic corruption, insecure property rights and the prevalence of government intervention in markets and other factors demonstrate a poor governance system leading to economic and social disparity. Weak governance is closely linked to the lack of growth, which directly contributes to inequity and increases the likelihood of internal conflicts while discouraging foreign investors and funding agencies.

**Economic weakness** is one of the outcomes of unsatisfactory governance. Some of its many features are summarised here. Both the Sudan and Yemen have suffered significant deterioration of GNI per capita since 2015 and their growth rates have been negative for a number of years. This contrasts with Mauritania’s better performance as it achieved a national income of $1455 per capita in 2018. Somalia remained the most vulnerable and least developed with an average income per capita below $170 though neither of the latter two LDCs has achieved the 7 per cent growth rate target of the IPoA. Reliance on consumption and government expenditure as the main drivers of economic growth, and their dependence on the export of raw materials are among the reasons for these low performances.

Persistent dependence on the agricultural sector remains an important, and largely neglected, factor in their development. It employs about 50 per cent of the population and is the key driver of trade, transportation and several industries. This dependence creates major problems including sensitivity to climate shocks, inability to create sufficient added value and limited employment opportunities for all, including women and youth.
All four states have been unable to sustain long-term development planning and suffer significantly reduced capacity for domestic resource mobilisation. They lack a long-term coherent domestic revenue generation strategy, which together with low institutional capacity, chronic budget deficits, weak tax revenues, reduced economic productivity, heavy external debt burdens, and low incomes, have hampered opportunities for sustainable state revenue. As a result, they are highly dependent on aid flows which are the main source of development investment and thus of potential reduction of extreme poverty rates. At the same time, international aid funds were mostly humanitarian, linked to crises and disasters, rather than used to finance development programs aimed at achieving the goals of the IPoA.

**International development assistance** policies of multilateral and bilateral funders have contributed to inequitable economic growth, and worsened inequality in living conditions and overall low performance of these countries. Politicisation of the aid landscape is a major challenge to aid effectiveness. Donors’ state-building agendas or, in some cases, direct alignment with parties to the conflict undermine the independence, impartiality and neutrality of humanitarian interventions, resulting in low aid effectiveness and volatilities in aid flows. International and national counter-terrorism and anti-money laundering regulations also create a risk and compliance environment that constrains and puts pressure on the activities of bilateral donors and their implementing agencies. Furthermore, prolonged aid dependency has created rents over which political elites negotiate. This further demonstrates that humanitarian aid and peacebuilding are not merely technical issues in conflict- or post-conflict settings, but have an impact on the political stability, political negotiation outcomes and security of the country.

The GCC states have become major financers of development and humanitarian aid.

With a long and slow recovery predicted post-COVID-19 crisis, most of these states, will prioritize their financial capacities on rebuilding their own economies,
reducing their internal debt level which has exponentially increased due to measures taken to mitigate the pandemic. They will also concentrate on restoring their political stability which was challenged from different perspectives during the pandemic. Supporting development in LDCs with limited resources is likely to rank low in their order of priorities. The limited response to United Nations calls for financing as a response to COVID-19 is a sign of things to come.

Resolving conflicts is beyond the mandate of the donor community; however, it is critical for donors in conflict zones to be aware of the sources of grievance and tension, and to formulate their programmes and activities in ways to address such grievances and avoid fuelling further instability. In line with this, it is also important that security, humanitarian and development agendas mutually understand and reinforce each other during the pre-and post-peace phases – however challenging this might be in the context of low domestic institutional capacity.

The ambiguities of policies of the funding states can be seen in the mismatch between the IPoA areas of action and the reality of assistance provided in Arab LDCs over the past decade. The mismatch is particularly pronounced in relation to IPoA priority areas such as productive capacity (A), trade (C), commodities (D), mobilising financial resources (G) and good governance (H). Donors have rarely engaged in programmes that address the above areas and related sub-areas. This partly stems from the Arab LDCs’ unstable political and economic contexts as well as donors’ overwhelming engagement in short-term humanitarian assistance that has not left sufficient resources for the more long-term assistance required for development of productive capacities and support to key economic sectors. Although donor focus on health, education, shelter and disaster response may broadly touch on IPoA priority areas of human and social development (E) and multiple crises and emerging challenges (F), once again the short-term humanitarian nature of such programmes, together with the lack of a comprehensive and well-coordinated aid framework, undermine the contribution of aid flows to long-term human and social development or resilience building in the Arab LDCs. Needless to say, there are exceptions in donor programmes, with some focusing on strengthening the humanitarian-development nexus; however, when considering the broad aid spectrum, the mismatch between the IPoA and donor areas of intervention is rather startling.

There is little doubt that the LDCs bear some responsibility, in particular their limited institutional capacity and reduced absorptive capacity which have undermined aid effectiveness, creating a barrier to efforts towards longer-term and more sustainable development. Given that the majority of aid is directly aimed at the most vulnerable populations, strengthening institutional capacity of Arab LDCs is often overlooked by donors. The issue is aggravated by the multiplicity of donors in conflict zones, which increases the burden of coordination on the already limited institutional capacity and resources of these countries. This challenge is present even in Mauritania, which is not directly subject to conflicts, and where institutional capacity, both at national and local levels remains an important structural challenge.

Access to external sources of financing, such as FDI and debt relief, has also been limited due to Arab LDCs’ high risk and political instability, weak monetary and fiscal environment, and the ramifications of political factors such as, until 14 December 2020,
the inclusion of the Sudan in the United States State Sponsors of Terrorism list previously and the challenges Somalia faces in fulfilling the HIPC debt relief conditions. In such a context, aid continues to be a critical source of financing for these economies.

The overriding picture that emerges is that in the Arab LDCs’ fragile political and socioeconomic circumstances, the bulk of aid has been humanitarian, with far less resources allocated to the development and economic sectors. The subsequent lack of structural transformation has, in turn, undermined these economies’ resilience and capacity to respond to shocks and crises.

Therefore, the Arab LDCs are caught in a cycle of humanitarian aid dependency with few external resources available to develop their infrastructure, key economic sectors and institutions that could enhance human capital, economic diversification, as well as viable and sustainable livelihood and employment opportunities. This humanitarian aid dependency in Arab LDCs is not in line with the structural transformations envisioned in the IPoA. Such structural transformation would require not only political and economic stability, but also the concentration of domestic and external resources within carefully planned long-term development frameworks.

A. Going forward: recommendations for the next 10 years

The recommendations below, if implemented, would change the course towards better outcomes and ensure a positive shift towards improved conditions in the four Arab LDCs with respect to the populations’ living conditions, social and economic development, and governance, bringing about democratic regimes working in the interests of the majority. They would also improve the likelihood of reducing, or even ending, militant armed actors in the region and beyond, and in this way ensure greater security and prosperity for all, including the neighbouring states. While such policies demand meaningful financial investment, it is investment which would have positive human results, and would be much cheaper than the current focus on expensive security and military strategies.

For the majority of the 90 million people within these states, it is imperative that the last decade’s trends are reversed, as most of them live well below acceptable living standards, even when not officially poor. The challenges that need to be addressed affect everyone, regardless of their causes. Some, such as climate change, demand urgent action internationally: given their responsibility in causing the problem, the wealthy Northern states should finance mitigating measures to reduce its impact on poor states. Others result from local tensions and abysmal governance in recent decades, though here too it is worth remembering that the autocratic and kleptocratic regimes which ruled them did so with, at least, tacit support from the international community.

The new concept of the humanitarian-development-peace nexus has significant potential to solve problems. However, some of its aspects need to be addressed by international institutions themselves, such as the issue of institutional competition between different United Nations institutions and international non-governmental organisations, each of which has been fiercely protective of its ‘silo’. While the need for both humanitarian and development assistance is clear, the debate which has set humanitarian and development assistance as competitors has been counterproductive. The sometimes rigid institutional barriers set between humanitarian and development support has hindered what could be effective
cooperation, as well as prevented actors of both sectors from developing the most relevant programmes for the populations they intend to help. Despite the focus of international donors on humanitarian assistance in Yemen, SDRPY adopted a new working module inspired by the Humanitarian-Development-Peace Nexus to launch 204 developmental initiatives in Yemen in safe provinces to proactively address the root causes leading to humanitarian crisis and utilizing a beneficiary-oriented approach.

This is not to suggest that such a strategy is easy, or that humanitarian work should stop. The difficulties involved may be among the reasons why it has been ignored for so long. It requires funding agencies to operate within open conflict environments, negotiating projects and investments with hostile non-state actors, and dealing with rival authorities in conflict with one another. However, building (or rebuilding) economies and enabling people to achieve reasonable livelihoods is an essential first step towards the re-establishment of societies and nations based on civil relationships once peace is restored, whether in the medium or long-term. This involves direct investment in productive activities at all levels, whether small, medium or large scale, throughout the countries as well as redeveloping essential social services, namely health, education and social infrastructure. Dependence on cash or material handouts not only undermines people’s physical and mental capacity at an individual level but also affects communities’ resilience, while simultaneously playing into the hands of warlords and conflict leaders.

The recommendations below have been drafted to cover the fullest possible options, while remaining brief and readable. They are divided into two sections: basic principles and sectoral support. As has been made clear throughout this report, the situation of the Arab LDCs in the past decade has mostly deteriorated. In the absence of immediate prospects for peace and effective governance, the main task for the coming decade is to halt the deterioration, help strengthen the resilience of the countries’ populations and prepare the bases for future reconstruction. The principles must be implemented in all proposals for sectoral support. In light of all these challenges, the Fifth United Nations Conference for the Least Developed Countries in Doha 2022, will provide a new opportunity for a concerted effort to address the difficulties and bottlenecks that faced Arab LDCs during the last decade. Linking humanitarian operations with multi-year development assistance is critical in reviving livelihoods, sustainable employment, economic diversification, domestic revenue generation, and, ultimately, building long-term resilience to shocks. In the context of the Arab LDCs in particular, there is a need for aid operations to focus on resilience building and structural transformation over the next decade, not only to deal with the challenges posed by protracted conflicts and shocks such as the COVID-19 pandemic, but also to create a solid basis for stable and sustainable development.

**B. Basic principles**

The following basic principles must govern all action by funders, the United Nations, Bretton Woods institutions and LDC state authorities. Most of them have already been agreed in international conferences through the United Nations institutions, though they have been less than ideally respected. In the coming decade, they should be treated as priorities and enforced by the supervision mechanisms of each concerned institutions.
**Do no harm.** This principle is now widely acknowledged throughout the United Nations system\(^{134}\) and is used in daily decision making in the World Bank group, as well as humanitarian organisations. Although it has a number of definitions, as a basic principle, no action should be undertaken which does not fit into this concept, according to the specific circumstances.

The humanitarian-development-peace nexus must lead all interventions in the three countries which are suffering from major humanitarian crises as well as open conflict. The need for emergency humanitarian aid is unarguable. However, it is essential that this be provided within a long-term sustainable framework, leading directly and rapidly to development investments and thus contributing to peace. This approach enables donors and aid-recipient countries to address humanitarian needs, while not derailing development priorities. Progress in sustainable development has the potential of easing persistent humanitarian needs. As such, a community-led approach and engagement with local stakeholders have the potential of creating sustainable results. Ending conflict is a priority and essential to mitigate increasing humanitarian needs as well as its implications on national unity, capacities, infrastructure and governance. Prolonged aid dependency, even on humanitarian aid, can trigger further conflict and affect negotiations among political elites. Security, humanitarian and development agendas must reinforce one another during the pre-and post-peace phases.

**Long-term sustainable development must be the explicit target of all programmes.**

A long-term effective development strategy benefiting the majority of the population is essential to achieve lasting peace by providing people with the means to achieve a reasonable standard of living.

**Priority must be given to human capacity building of the majority of the population** and responding to their social and economic development needs and potential. Within this framework poverty reduction must be a priority. The guides produced in the Doha conference should focus on a clear road map to eradicate extreme poverty and address food insecurity and hunger in the Arab LDCs.

**Mitigating climate change must be part of all activities.** Nothing which worsens the impact of climate change should be supported.

**Sectoral programmes**

**A. Governance**

1. **Recommendations to the international community (including funders and United Nations organisations)**
   - Support peace-making programmes to end conflicts in Somalia, the Sudan and...
Yemen. Resolving conflict and supporting post-conflict reconstruction would help significantly to achieve development goals and meet the graduation criteria. There is an urgent need to build peaceful, fair and inclusive communities that provide equal access to justice and are based on respect for human dignity (including the right to development), and good governance at all levels through transparent, and accountable institutions;

- De-politicise the aid landscape: at times, donor alignment with parties to the conflict undermines the independence, impartiality and neutrality of their programmes, resulting in low aid effectiveness and volatilities in aid flows;
- Finance short-term emergency humanitarian aid within programmes rapidly transiting to development investments;
- Provide technical and financial support to strengthen representative civilian government. Aid programmes should be conditional on government commitment to implement fundamental reforms towards good governance;
- Building national statistical capacity to allow for meaningful policy formulation and monitoring;
- Support states in developing the most appropriate distribution between centralised and decentralised authorities, to ensure maximum authority at the level closest to intended beneficiaries;
- Support actions which contribute to eliminating corruption;
- Prevent illicit financial inflows from LDCs while taking care to avoid the underlying risks of ill-managed compliance environment that might constrain the activities of many bilateral donors and their implementing agencies;
- Support demobilisation, disarmament and reintegration programmes to enable former militaries to engage in civilian economic activities;
- Funders should fulfil their pledges promptly and provide reliable, long-term support where needed.

2. Recommendations to the Arab LDCs

- Develop representative internal government structures including accountable good governance practices;
- Strengthen administrative capacity centrally and locally, providing adequate funds at the local level;
- Focus policies on building long-term capacity;
- Take effective action against corruption and capital flight;
- Develop institutional absorptive capacity to better manage inflation and other financial problems.

B. Social development

Social development, including social protection, is essential to rebuild these countries, create national economies and provide opportunities for the next generations of citizens.

1. Recommendations to international funders and international institutions

- Commit to ambitious long-term action plans that strengthen national capacities through comprehensive health and education programmes. This will empower fragile states to be better prepared in mitigating shocks such as the COVID-19 pandemic;
- Prioritize these sectors through strong financing, as they will reduce dependence for future generations;
- Deliver promptly on commitments.

2. Recommendations to Arab LDCs

- Ensure that high standard medical services, including medical services, education and housing, are available to the entire population, without any form of discrimination;
- Social development investments should reduce inequality by ensuring that minorities and the vulnerable receive adequate support;
- Develop education infrastructure and programmes which prepare all youth to
benefit from the successful economic sectors of the twenty-first century;
• Provide essential social infrastructure enabling the LDCs’ populations to flourish, such as:
  ◦ Domestic water (including sanitation) according to the specificity of the source and population density, ensuring human needs are prioritized;
  ◦ Telecommunications, including internet access for all.

C. Economic development
Economic development and improved living standards are the fundamentals for societies to flourish and avoid instability and conflict. Therefore, measures to reverse economic decline are essential to increase stability.

1. Recommendations to funders and international institutions
• Deliver on aid commitments promptly;
• No investments worsening climate change should be made;
• Release hard currency capital in overseas capital as needed by each State;
• Cancel LDC debts. As the challenge of indebtedness in the Arab LDCs has deepened, urgent measures need to be taken to reach sustainable debt levels. If cancellation is unfeasible, the debts need to be restructured adding flexibility to address external shocks and natural hazards;
• Ensure access to other sources of finance, including blended finance and investment promotion:
  ◦ Additional resources need to be allocated to the rehabilitation and expansion of infrastructure to facilitate supply chains, support trade and economic activity, attract investment and facilitate private sector development;
  ◦ Funders should focus on productive investments, supporting national entities and investments improving social resilience and creating employment of nationals.
• Private sector FDI should prioritize investments which create ‘decent work’ jobs. In the case of extractive industries, nationals of the LDCs should be trained and employed to fill positions at all levels. Investment in productive industrial enterprises adding value to local raw materials should be prioritised;
• Facilitate the transfer of remittances to LDCs and the employment of LDC nationals in their states;
• Improve terms of trade for LDC exports, thus eliminating some of the imbalances in their balance of payments;
• Resource mobilization will be among the greatest of challenges. Therefore, development partners and the United Nations and Bretton Woods institutions must link their aid to development programmes with economic and social returns;
• Support infrastructure needs that are in the public interest, such as:
  ◦ Electricity at accessible prices, privileging renewable energy;
  ◦ Roads, railways and air connections, minimising negative climate side-effects.

2. Recommendations to Arab LDCs
• Support rural economies, giving particular attention to smallholder agriculture and livestock, and assist the development of processing industries in these sectors;
• Develop effective policies to confront climate change, particularly in rural areas to prevent unnecessary exodus to the cities and ensure better management of urbanization processes, in order to achieve sustainable development;
• Adopt policies aimed to diversifying the economy and increasing the private sector’s participation in the processing of raw materials and manufacturing, emphasising job creation;
• Manage limited natural resources to maximise long-term sustainability and create maximum benefit for the population;
• Support locally determined development activities, enabling the highest level of decentralization within a long-term sustainability strategy;
• Institute financial and other incentives to encourage local productive investments and facilitate trade.
The present annex presents development aid receipts by Mauritania, Somalia, the Sudan and Yemen in the past decade, and also details the policies and strategies used by each State’s main funders. It also addresses the challenges to effectiveness in each case.

Mauritania

Over the course of IPoA, Mauritanian economy experienced an initial improvement followed by a decline in the latter half of the decade due to the fall in the price of iron ore, the country’s main export commodity. The country’s GDP per capita grew from $1,036 in 2010 to $1,260 in 2014, with the incidence of poverty dropping from 42 per cent in 2008 to 31 per cent in 2014, combined with an overall, though sluggish, improvement in social indicators (AfDB, 2016). The reduction in poverty has been a result of increase in productivity, prices and incomes in the irrigated agriculture and livestock sectors in rural areas. However, the end of the commodity ‘super-cycle’ in the second half of 2014 and the collapse in iron ore prices slowed growth (World Bank, 2020). The country has also encountered a number of exogenous shocks over the last decade, including the 2011 drought, the 2012 refugee crisis, the 2018 food crisis, and increasing threats from terrorism. Tax reforms have not sufficiently mobilised resources to counter the effect of falling commodity prices and shocks. By 2020, more than 600,000 people, or 15 per cent of the population, are at risk of food shortages and require humanitarian assistance, with malnutrition among children being a major humanitarian concern (World Bank, 2020). The COVID-19 pandemic poses a major challenge to the country’s health and monitoring systems.

The country’s long-term Strategic Development Plan for the 2016-2030 period sets Mauritania the broad objectives of building resilience and promoting shared prosperity. The plan is built around: (a) promoting strong, inclusive and sustainable growth; (b) developing human capital and access to basic social services; and (c) strengthening governance in all its dimensions. The SCAPP will be implemented through three five-year action plans. It is important for donor operation over the coming decade to be aligned as closely as possible with the objectives of the SCAPP 2016-2030.

The country’s development framework is managed through the government’s four-year General Policy Statement. The 2015-2019 statement focused on three strategic objectives of strengthening the foundations of
the State and improving public governance; promoting the emergence of a competitive and shared growth-generating economy; and, human resource development and expansion of access to basic services. Reliance on the capital-intensive extractive industry as the main engine of growth implies limited employment generation opportunities and growth dividends not being equally shared across the society. Labour-intensive sectors such as agriculture and fishery suffer from low productivity and low resilience in the face of climate change and shocks. With 60 per cent of the country’s population employed by the agricultural sector, the potential income and livelihood gains from further investment into the agricultural sector can be substantial (AfDB, 2016). This requires addressing issues related to access to land ownership (particularly for the poor and women), poor quality of existing infrastructure and irrigation systems, and climate shocks. Furthermore, the country’s poor state of infrastructure (including energy, water, sanitation) further limit people’s access to basic services and goods, particularly for those in rural and suburban areas.

Since 2009 Mauritania has made progress in strengthening justice and consolidating democracy, as evident in establishment of an Independent National Electoral Commission and promotion of human rights through its legal system. Despite this, the country’s political and institutional structure requires further reforms to enhance the capacity of electoral bodies, promote the transparency and ownership of the decentralization process by national entities, the threat posed by the upsurge in religious extremism, and effectively manage and reduce the influence of various clans and ethnic groups on the country’s political structure. Despite the country’s effective protection of borders and approval of an appropriate legal mechanism (such as the 2010 Anti-terrorism Law), Mauritania still faces a number of security threats relating to cross-border terrorist activities, arms and drugs trafficking, and immigration. Since addressing some of these issues requires regional efforts, Mauritania supported the creation of the Sahel G5 in 2014 to combine regional resources with the aim of having a more cohesive approach to tackling such security challenges.

The Mauritanian economy remains dominated by the extractive industries sector (particularly iron ore) which accounts for four-fifths of total exports, on average, and 30 per cent of budget revenues (AfDB, 2017). The environment for private economic activity has been improving but much remains to be done, particularly in the context of the multiple vulnerabilities that the country faces. These include climatic volatilities, ethnic tensions, political rivalries within the government, lack of access to public services in the remote regions of the country, and increase and deterioration in the state of the IDPs and refugees. Food insecurity has haunted Mauritania for decades. The country is able to produce less than 30 per cent of its food consumption needs. Apart from exposure to harsh and erratic climate, with concurrent droughts, floods and diseases such as locust outbreaks, the country’s food and agricultural production are also hampered by inefficient agricultural systems, difficulties of access to inputs and trade given the country’s large size and limited transport infrastructure, and lack of a cohesive public or private-sector led agenda concerning and food and agricultural sectors. As a result, more than a third of Mauritanian households suffer from food insecurity.

According to the IMF (March 2020), the country’s growth in 2019 accelerated to close to 6 per cent, driven by buoyant activity in both extractive and non-extractive sectors and favourable terms of trade. As the country moves ahead with the programme of economic reforms, macroeconomic stability was maintained and debt sustainability was strengthened, with government reaching a lower debt-to-GDP ratio thanks to a budget surplus. However, the IMF has warned of the impact of the COVID-19 pandemic on commodity price volatility and a slowdown
in global growth. The IMF operations in the country are aimed at maximising the government’s available fiscal space to increase spending on priority areas with the social sector (education, health, and social protection) as well as infrastructure, while maintaining prudent fiscal and borrowing policies to preserve debt sustainability. Components of institutional reforms are aimed at improving budget preparation and execution to efficiently expand social spending and public investment. The Fund’s programmes also support continued improvements in tax and customs compliance and broadening of the tax base.

Mauritania receives aid through a number of trust funds. Given the relatively small size of the economy, it receives high amounts of aid. A joint Government-Donors Committee, comprised of the Government of Mauritania and donor representatives, manages the coordination of donor activities. The Arab Fund for Economic and Social Development (AFESD) and China are currently the country’s leading donors, each contributing more than $500 million, followed by the European Union, the Islamic Development Bank (IsDB), the World Bank, Spain, Saudi Arabia, and France. Key areas of donor interventions include infrastructure (absorbing over 50 per cent of aid), governance (12.9 per cent), vocational training and employment (6.8 per cent), water supply and sanitation (5.6 per cent), and agriculture (5.2 per cent). At the sectoral level, the energy sector attracts the largest share (23.9 per cent) of total aid, followed by transport (22.1 per cent). The AFESD activities focus on contributing to the WASH and water sectors, while contributing to an initiative for transparency in the fish industry and strengthening the national accounting system. The IsDB is a major contributor to the energy sector with about $180 million, while the European Union is the second largest contributor to the transport sector with about $170 million. Despite the significance of the agriculture sector in Mauritania, it attracts a relatively small portion of overall aid to the country. AFESD, IFAD and AfDB are among the key donors giving support to this sector. The OPEC Fund has had eight operations in Mauritania over the last decade, resulting in ODA flows of over $131 million. Around 95 per cent of OPEC Fund Public and Private Sector assistance has benefited the energy and mining sector, addressing Mauritania’s electricity infrastructure and resources. Beyond this, the OPEC Fund has also donated emergency aid grants through WFP and the UNHCR. Capacity building within the public sector institutions is considered to be vital for ensuring more effective delivery of aid resources.

AfDB which is one of the major international development actors in the country has formulated its country strategy around improving people’s living conditions and building resilience in the country, aligning its pillars along those defined by the government’s economic frameworks as set out in SCAPP 2016-2030. Despite some economic growth achievements, the country continues to experience high levels of inequality, chronic food insecurity, very limited access to energy in rural and peri-urban areas, and poor governance. The two key AfDB pillars of intervention in the period under study have been promoting agricultural transformation and increase power supply, both also relevant to SDGs 2 and 7, respectively. Under the first pillar, the bank aims to facilitate transition from a purely traditional agriculture sector to a more modern and productive sector which can be competitive, ensure food security for the country and contribute to building national resilience. Through supporting agricultural value chains and production infrastructure, this aims to contribute to development of a diversified, inclusive, green and sustainable growth strategy with potentials for employment generation and poverty reduction. The Banks’ activities in the area of energy aim to increase the population’s access to electricity and ensure secure and low-cost power supply.
required for country’s economic development. In doing so, the Bank aligns its activities with the first two objectives of SCAPP 2016-2020.

The World Bank’s operations in Mauritania focus on capacity building in individual operations and on long-term reform and modernization as weak local capacity negatively affects several projects and poses challenges to the IFC and private sector engagement activities. World Bank’s activities in Mauritania are focused on three areas. The first is promotion of economic transition for diversified and resilient growth on the basis of capitalising on the country’s vast non-extractive natural resource endowments (fisheries, agriculture and livestock) through increase production value in the fisheries sector, enhancing agriculture and livestock production in the face of climate change, and promoting the development of productive cities and adjacent territories in the context of decentralization. The second area of World Bank operations is building human capital for inclusive growth. To do so, the Bank supports the establishment of a nation-wide social safety net system to address extreme poverty and vulnerability to climate shocks, increase access to education, improve employability and access to maternal and child health care to break inter-generational poverty, promoting growth, and boosting social inclusion. The Bank’s third focus area is on strengthening economic governance and private sector-led growth aimed at moving away from a state-centred rentier economic model. In the context of low commodity prices and limited fiscal space, the Bank advocates improving economic governance through enhancing fiscal management, from upstream revenue mobilization to downstream public financial management, and creating a more level playing field for private sector development. The World Bank works closely with the United Nations System (UNICEF and WFP) in developing the safety net instruments and supporting the design of a mechanism to deploy responses to climate shocks, and with UNFPA in implementing a regional program for women’s empowerment and demographics.

The European Union’s assistance to Mauritania, through the European Development Fund, for the period 2014-2020 has been organised around three pillars of good security and...
sustainable agriculture, which aims to promote the country’s potential in agriculture and improve the governance of the sector; the rule of law aimed at enhancing the general governance, the credibility and the efficiency of its institutions, with a special focus on human rights; and finally, supporting the reform and coverage of the health sector. The European Union provides substantial support through the European Union Trust Fund, which focuses on projects relating to job creation, notably in the fisheries sector, resilience of urban-rural populations, and fight against radicalisation and terrorism. The European Union’s humanitarian assistance to Mauritania amounts to about 118.5 million euros for the period 2007-2020 (EC, 2020b). In 2020, the European Union humanitarian assistance is addressing the food crisis in the country and providing assistance and social safety nets to refugees and vulnerable families to protect them from negative short-term coping strategies. In the health sector, the European Union focuses on addressing malnutrition among children under 5 years of age. The European Union also supports disaster risk reduction measures to build the resilience of communities susceptible to changing weather patterns through development of early warning systems and the reinforcement of local response capacities.

The United States also has a range of humanitarian and development initiatives in Mauritania. These fall into four categories. In the area of vocational education and youth, USAID supports activities that provide job and life skills to vulnerable youth to assist them integrate better to the local job market. In the area of humanitarian assistance, USAID support initiatives to improve health, nutrition, and water, sanitation, and hygiene conditions for vulnerable households and refugees in the country. In the social sector, USAID focuses on the health sector through initiatives relating to family planning as well as conducting of Demographic and Health Survey (DHS) in support of the national health policy development, planning, and evaluation. And finally, in the area of governance, USAID provides support to the Mauritania electoral commission and supports the government to develop effective and sustainable programmes to improve security, reduce conflict, and serve at-risk communities.

**Challenges to aid operations and effectiveness**

A number of factors hinder donor operations in Mauritania, including economic and budget crisis due to drop in global commodity prices and demand. Despite developments in government’s macroeconomic and fiscal policies, the economy continues to be vulnerable to shocks, and therefore needs to maintain a focus on a strategy of diversification away from natural resource dependence. Moreover, the government’s intended structural transformation process and expansion of the private sector activities should entail sufficient social safety nets to protect those whose lives maybe vulnerable as a result of these changes.

The prevailing security situation in the Sahel Region is another major risk to donor operations. Regional instabilities can spill over into Mauritania in the form of terrorism, criminal activity, inflows of refugees and internal displacement, creating a fragile environment for donors. Ethnic stratification and a young unemployed cohort are potential sources of grievances, particularly in the context of regressive and inequitable government spending on social sectors such as health may contribute to forms of discontentment. Weak governance and low capacity of local public works enterprises to contribute to the execution of donor-financed programmes may worsen access to services and reinforce social inequities.

The impact of climate change, drought and other natural disasters on livelihoods and
the agriculture sector poses yet another risk to donor operations. Mauritania remains vulnerable to recurrent droughts, floods, coastal erosion, and other climate-related risks. Desertification, rising temperatures and ocean salinity, the increasing scarcity of water and flash flooding, greater regularity and intensity of drought, and erosion of soil and arable land threaten the livelihoods of large segments of the Mauritanian society, with direct implications for long-term donor operations and programming.

Looking ahead, given Mauritania’s wealth of natural resources, a more effective and transparent utilisation of revenues from these resources could provide the country with solid sources of revenues. However, given the risks associated with natural resource dependency, it is vital for the country to diversify its economy along lines of comparative advantage such as fisheries and livestock which have the potential not only to address domestic food consumption needs, but also create jobs, enhance environmentally resilient production, promote private sector development and creation of value-added transformation and export diversification. Parallel increase in investment in human capital and expanding access to financial capital are also important elements of ensuring an inclusive process of development.

### Somalia

Somalia is a country with high levels of aid dependency, with almost half of the country’s GDP stemming from ODA. The country has suffered from persistent food insecurity, recurrent droughts and floods, and prolonged conflict related to al-Shabaab attacks and the resultant military operations, as well as the ongoing political transition towards federalism in the country.

The aid flows to Somalia over the last decade have followed the broader patterns discussed above, with a substantial segment of aid allocated to humanitarian assistance, with substantial project-level disbursements in the areas of health, food security and education. Although, in the context of Somalia’s political developments, there seems to have been a rhetorical shift by donors away from framing Somalia as a protracted humanitarian emergency to one of ‘fragile state building,’ that would in turn require further attention to issues of resilience-building, longer term development and state capacity building, in practice this has not been necessarily been reflected in the actual aid allocation patterns. The signing of the Somali New Deal Compact in 2013 gave a momentum to a rise in ODA – with it reaching the humanitarian aid levels in some subsequent years, reflecting the increased donor confidence in the new structures and policies of the government of Somalia, as set out in the Compact.

In 2018, the European Union pledged 100 million euros in budget support as a state-building and resilience contract, just days after the World Bank had committed $80 million in International Development Association (IDA) financing. Yet, aid flows to Somalia still remain much lower than many other post-conflict countries. By 2019, the World Bank, United Kingdom, European Union and Germany were the largest providers (50 per cent) of development aid, amounting to about $500 million that year, with the United States providing almost half of Somalia’s humanitarian aid ($455 million in 2019) (FGS, 2020).

The country’s National Development Plans (NDPs) set out the country’s medium-term development and economic priorities. The last two NDPs that cover the periods 2016-19 and 2020-24 highlight Somalia’s key pillars of development, including inclusive politics,
security, economic growth, infrastructure, resilience, and social and human development. When put against the donors’ aid allocation patterns, few sectors/pillars have received donor resources over the last two NDP periods: food security (within the pillar of ‘resilience’) attracts by far the most amount of donor financing, followed by health (social and human development pillar).

Despite years of humanitarian spending by donors, still about 34 per cent of the Somali population (equivalent to 4.2 million) were in need of humanitarian assistance by 2019, with more than 800,000 Somalis living in refugee camps in the region, and 2.6 million having been internally displaced (OCH, 2019, UNHCR, 2019).

In the absence of sufficient state capacity, humanitarian donors are engaged in provision of basic services such as long-term healthcare, nutrition and education, food assistance, livelihood support and social protection (ECDPM, 2019). Given donors’ broader state-building agenda in Somalia, this has at times raised questions about the independence, impartiality and neutrality of the humanitarian actors in the country – with critics arguing that the inherently political nature of the humanitarian aid has affected its effectiveness.

The European Union is one of the largest donors to Somalia, providing (together with the member States) about 35 per cent of humanitarian aid in Somalia, amounting to 51.2 million euros in 2020. The European Union humanitarian assistance is mainly disbursed through the European Commission’s Humanitarian Aid and Civil Protection department (ECHO). This assistance includes food aid, shelter, access to clean water and basic health services, and education. The European Union also channels funding through other donors such as the Food and Agriculture Organization (FAO) to help tackle specific humanitarian emergencies such as the locust outbreak or flooding incidents that threaten the livelihoods of farmers and local communities in the affected areas. FAO’s total humanitarian assistance in Somalia has amounted to $796 million for the period 2011-2020. A share of the European Union’s humanitarian aid allocated to the World Health Organization (WHO) to support its global COVID-19 response is being channelled to support Somalia’s health authorities to scale up operational readiness for early detection and response to large-scale community transmission.

A large part of the European Union humanitarian assistance is also provided in the form of cash transfers to support accessibility to basic commodities in the country. The European Union
acknowledges the need for more long-term development assistance to ensure that vulnerable communities do not slide back into crisis (European Union, 2018).

The European Union’s development assistance falls into three categories of state building, economic development, and education. The focus area of state-building, which attracts more than 100 million euros, aims at building democratic structures and strong administrations through ensuring adequate public security, supporting the Constitution process, enhancing Public Financial Management systems, and enhancing the role of civil society. The European Union is also supporting the African Union peace enabling Mission to Somalia (AMISOM). The European Union’s work in the area of capacity building within the Somali Security Sector focuses on capacity building within the Somali Security Sector, address issues of building up the Somali national army, combatting acts of piracy and enhancing Somalia’s maritime security capacities (EC, 2018).

In the category of economic development, the European Union programmes cover food security, private sector-led economic development (livestock and infrastructure), and livelihoods, amounting to about 135 million euros by 2019. Furthermore, the European Union contributes to budget support to promote local reconciliation and peacebuilding as well as the creation of economic opportunities, support to SMEs with a special focus on empowering women and young people, and the revitalisation of the livestock and fisheries sectors. Given Somalia’s low estimated Gross Enrolment Rate (GER) for primary education, the European Union’s work in this sector (about 85 million euros) aims at boosting participation, particularly of young girls, in primary and secondary education, in teacher training and in the vocational sector. For the period 2015-2020, the cooperation of the European Union and the Member States amounts in areas of development aid, humanitarian aid and peacekeeping operations amounted to 3.5 billion euros.

The country’s infrastructure which has been heavily destroyed and halted during more than two decades of armed conflict has not attracted much attention from the donor community – partly in fear of repeated destruction. This is despite the fact that the 2017-19 NDP recognised the importance of infrastructure in attracting FDI and developing

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**Figure A.3 Key ODA donors to Somalia, 2010-2018**

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<td>235.85</td>
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<td>11.52</td>
<td>25.80</td>
<td>37.68</td>
<td>66.64</td>
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<td>227.98</td>
<td>206.05</td>
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<td>33.44</td>
<td>136.58</td>
<td>62.20</td>
<td>61.78</td>
<td>48.71</td>
<td>62.12</td>
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<td>Sweden</td>
<td>17.39</td>
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<td>11.09</td>
<td>39.33</td>
<td>53.96</td>
<td>79.60</td>
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<tr>
<td>Denmark</td>
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<td>103.16</td>
<td>30.15</td>
<td>15.49</td>
<td>25.07</td>
<td>71.34</td>
<td>6.81</td>
<td>32.36</td>
<td>10.10</td>
<td>309.52</td>
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<tr>
<td>Canada</td>
<td>6.07</td>
<td>45.74</td>
<td>10.02</td>
<td>28.97</td>
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<td>25.83</td>
<td>30.94</td>
<td>15.48</td>
<td>209.85</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** OECD, DAC database.

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Annex 1
a competitive and prosperous private sector led economy. In this context, donors such as the African Development Bank (AfDB) have been requested to cooperate with Government of Somali in areas of infrastructure planning and development, in response to which AfDB established the Multi-Partner Somali Infrastructure Fund (SIF). SIF aims to mobilise and channel resources to projects, including capacity development, in the energy, transport, water and sanitation, and ICT subsectors. The AfDB - supported infrastructure needs assessments in the energy, transport, water and sanitation, and ICT subsectors formed the foundation for NDP 2017-19 pillar 5 on physical infrastructure (AfDB, 2017). Given the fragility of the operational context and the ‘massive institutional and human resource capacity deficit in Government departments’, AfDB has aimed at simplifying its procedures (e.g. comprising fewer procurement items and bundling of procurement) and demonstrate more flexibility (e.g. implementable by third parties such as the United Nations or international NGOs) (AfDB, 2017). Beyond infrastructure, the AfDB also engages in institutional capacity building and skills development for improved governance and job creation.

The United Kingdom Department for International Development (DfID) which is a major development partner in Somalia covers four key areas of assistance in its Somalia Operational Plan. These include: a) governance and peace-building; b) wealth and job creation; c) health care, particularly for women and children, and d) humanitarian assistance. The objective of these activities is to empower local communities, create jobs, and improve access to women’s and children’s health and reproductive care. As demonstrated in figure A4, humanitarian assistance and aid to social sectors (health) constitute the bulk of the DfID assistance to Somalia, with economic development attracting only 14 per cent of the United Kingdom’s bilateral aid to the country (DfID, 2018). The United Kingdom focuses its humanitarian assistance on building resilience through emergency aid, access to water and sanitation, nutrition interventions, and health services. Food assistance is increasingly provided through cash or electronic vouchers to enable the most vulnerable to buy the food items of their choice at local markets. Humanitarian aid has focused mainly on the most affected regions in south and central Somalia where needs remain vast and have increased further due to drought. DfID’s development assistance focuses on economic reform programmes aimed at domestic revenue mobilisation, creation of a more transparent and enabling environment for the private sector and support investments. Financing investments in infrastructure, including energy and roads, and enhancing the productivity and competitiveness of economic sectors such as livestock, agriculture and fisheries are among other DfID stated priorities, although the scale of resources dedicated to these are much smaller than other assistance categories. The United Kingdom programme for enhancing institutional capacity and stability covers programmes aimed at better management of public finances and national resources, improved security and increased access to justice for all citizens, including women and girls. According to DfID, the precarious setting for donor operations in Somalia and the lack of reliable data, it is difficult to demonstrate evidence of effectiveness areas such as governance, employment creation and humanitarian programmes.

The World Bank has identified a ‘dual development trap’ in Somalia, composed of a ‘high-frequency fragility trap’ as demonstrated in unstable politics and driven by the lack of resources for provision of services and public goods such as justice and security, that in turn undermines citizen/state relations and trust in institutions (World Bank, 2018). This implies that short-term projects and reform efforts are insufficient in the absence of adequate political or financial resources. This, according to the World Bank, is driven by a ‘historical absence
of trust in formal institutions, exacerbated by conflict, and endemic corruption, underlining the central importance of sustained reforms in public finance accountability and transparency’.

The second component of the trap is a ‘lower-frequency resilience trap’ in which ‘natural disasters, trade or geopolitical shocks, undo development gains and deepen exclusion’ (World Bank, 2018). This includes the pattern of droughts and floods that have had severe impact on rural livelihoods, impacting the most vulnerable, and generating high levels of forced displacement and unplanned urbanization in the absence of a reliable and targeted shock-absorptive safety net. Given the intensification of climatic events as well as the likely prolonged impacts of the COVID-19 pandemic, the existence of safety nets are important to manage the impacts of such events.

In the context of the ‘dual development trap’, the World Bank organises its Somalia operations along two lines. Institutional capacity building aims to strengthen ongoing governance programmes with a new focus on fiscal space and improving access to, and quality of key social services and resilience. This incorporates elements of PFM, domestic revenue mobilisation, and enhancing service delivery systems. Restoring economic resilience aims to increase economic resilience as a basis for long-run poverty reduction and inclusive growth. Here attention is paid to improving the business environment, increased access to finance and renewable energy, and increase access to water for rural resilience and productivity.

For the World Bank, broadening the tax base, enhancing compliance, and reducing wasteful expenditures are expected to result in a more efficient utilisation of limited resources that are required for addressing social and developmental needs. Humanitarian aid is to be focused on reducing infant and maternal mortality, increase enrolment rates at all levels of education, and improve availability of clean water and sanitation. Building the resilience of the agriculture sector, through irrigation and better water management, land management and environmental protection, improved agricultural technology and extension services are considered important elements of the poverty reduction agenda in Somalia (World Bank, 2018a). The key risks

**Figure A.4** The United States foreign aid (obligations) to Somalia, millions of dollars, FY 2001-20 (partially reported years 2019-20)
that may hamper efforts in these areas include continued security concerns, increase in oil prices that may hamper consumption, delays in implementing structural reforms, and political and policy uncertainty due to political contestation, mistrust among political leaders and fragmentation among different levels of government.

The USAID approach to Somalia for much of the IPoA lifetime, has been premised on the notion that better and more inclusive governance will bear tangible dividends in terms of state-building and long-term recovery of Somalia. The Agency’s strategy highlights the need to explore possibilities for ‘layering, sequencing and integrating humanitarian and development efforts using a resilience lens across the emergency, humanitarian and development portfolio’ (USAID, 2019). On this basis, USAID highlights three key objectives for its programmes in the country; namely, supporting systems and processes that enable inclusive governance, improvement of service delivery, an inclusive economic growth. Yet, by 2019 around 87 per cent of USAID’s funding to Somalia focused on humanitarian assistance, with only 12 per cent allocated to development related assistance (USAID, 2019a).

The key components of development assistance are food aid and nutrition assistance, and disaster response. Considerably smaller sums are also spent on the education sector to provide accelerated learning for out-of-school children and youth and quality education for Somali girls and young women (jointly with DfID). In relation to economic development, USAID funds initiatives that promote inclusive economic growth and resilience through activities that affect key industries, particularly agriculture, fisheries, livestock and renewable energy. The programme builds the capacity of the private sector to increase investments and jobs. Given that coastal resources are among the richest natural resources available to Somalia, USAID emphasises the importance of sustainable natural resource management, including improved fisheries management, and the critical role it could play in long-term economic growth. USAID also manages smaller operations in the areas of sustainable energy consumption (away from coal) and expansion in the use of climate smart technologies in farming to protect against climatic changes and shocks. USAID also provides assistance in the area of democracy, stabilisation and governance through initiatives aimed at decreasing the influence of and support for violent extremist groups, strengthening the quality and reach of justice services, and supporting the capacity of election mechanisms (USAID, 2019a, 2020).

In addition, USAID has allocated substantial resources to AMISOM and Somali efforts to counter Al Shabaab, with the United States military personnel advise, assist, and accompany regional forces during counterterrorism operations. The United States support for AMISOM has totalled roughly $2 billion over the past decade, and the United States has provided over half a billion dollars in security assistance for Somali forces. In the 2020 Financial Year budget, the United States has indicated cuts to aid expenditure in areas of governance, health, education, social service, and agriculture programmes (USAID, 2020). These changes are linked to the what USAID considers as key obstacles not only to its operations but also to Somalia’s transition towards political and economic stability, including: continued security concerns, weakened leadership commitment to democratization at the central and state levels (including Somaliland and Puntland), tensions arising from institutionalization of federalism, lack of sustainable domestic resources allocated to reforms, and poor maintenance of security.

Among the Arab donors in Somalia, the Qatar Fund has backed several infrastructure projects, such as road building (the 100km Jawhar Mogadishu Road and the 22km Afgoye
Mogadishu Road), renovation of government buildings, and building of model villages with health, water, and educational facilities. The projects are aimed at improving livelihoods while creating employment opportunities, with an expected positive impact on the Somali economy. The Fund’s microfinance projects for youth and women provide loans and access to capital, with the aim of creating 10,000 jobs (Qatar Fund, 2018). Qatar also provides assistance through the African Union Mission to Somalia to support the country’s fight against terrorism, and has recently helped with in-kind support of medical equipment in response to the COVID-19 pandemic.

The 2020-24 NDP provides a comprehensive framework for addressing poverty by setting out a plan around 4 pillars of inclusive politics, improved security, and the rule of law, inclusive economic growth, and improved human development. Inclusive politics aims to establish a functioning federal system embedded in a ratified constitution and one with sufficient capacity to carry out state functions while pushing for the agenda of ‘fiscal federalism’. The pillar of economic development aims to broaden and sustain economic growth and provide employment opportunities by transforming traditional sectors (e.g., livestock and crop production) and adapting them to climate change, while inducing growth elsewhere in the private sector. Attention to human development is aimed at enhancing human capital and increasing resilience to shocks. The key macroeconomic objectives of this ninth NDP are to promote economic growth in an environment of low inflation, sustainable fiscal and current account balances, and healthy foreign exchange reserves. To achieve these, financial sector regulation and supervision, as well as the anti-money laundering and countering of financing of terrorism framework are seen as critical. Although the implementation of NDP9 is threatened by variables such as insecurity, lack of policy prioritisation, absence of full costing, limited monitoring limited data and incidents of corruption, it is nevertheless vital for donors and the aid architecture to revise its activities and programmes in line with the government’s newly set out development plan and to ensure aligning aid policies to support the implementation of NDP9.

**Challenges to aid operations and effectiveness**

Given the multiplicity of donors and parallel coordination fora in Somalia, efficiency and effectiveness of aid in Somalia has been persistently undermined, while slowing down progress on addressing financial governance issues such as PFM, corruption and increasing domestic revenues. National capacity development has therefore been overshadowed for much of the past decade. Lack of stakeholder dialogue can be detrimental to donor activities and contain serious reputational risks. In 2009-10, the World Food Program (WFP) was a key partner in ensuring sufficient coverage of food assistance programmes in Somalia. However, their subsequent (unilateral) withdrawal from southern and central Somalia, with no coordination with state authorities or other humanitarian actors, resulted in a sudden food aid vacuum. This highlighted the importance of including principal stakeholders in the planning processes, ensuring closer complementarity with state programmes, and a deeper understanding of domestic clan dynamics and the appropriateness of alternative response options in different livelihood zones – WFP has endeavoured to address some of these issue over the last decade.

In Somalia donors have been facing financial and reputational risks since the 2006 rise of the Council of Islamic Courts and the insurgent
militant group, Al Shabaab (Metcalfe-Hough et al., 2015). This has meant adoption of a ‘risk averse approach’ with grave consequences for humanitarian action, including funding and access – as demonstrated in the delayed response to the 2011 famine in the country (Maxwell and Majid, 2016). Despite various improvements in the overall public management in the country, such underlying risks and threats continue to destabilise donor activities. In this context, identifying, assessing and mitigating fiduciary risk is a major challenge for donors, with the latter identifying mechanisms to deal with this issue: for example, DfID has put in place the practice of withholding payments where necessary and encouraging beneficiaries to report discrepancies in the delivery of cash or services. However, such efforts are sometimes undermined by the slow or patchy disclosure of instances of fraud and corruption by various development partners.

Domestic revenue mobilisation has been a challenge in Somalia given the prolonged nature of the country’s political conflict and the ongoing issues related to corruption and the need for finalisation of constitutional discussions with the aim of establishing and defining revenue sharing agreements across the country. These have undermined the emergence of a coherent domestic revenue generation strategy that could reap the potential benefits of national investment in, for example, oil and gas, fisheries and the associated public and private investment strategies.

Somalia has also dealt with a huge share of humanitarian emergencies over the last decade, including the 2011 famine and pre-famine warnings in late 2016, both of which resulted in dramatic increases in humanitarian funding and operations. This put a lot of pressure on the humanitarian system to absorb relatively sudden and significant increases in resources and activities – a major challenge particularly in the context of Somalia’s weak national capacities for aid coordination. Despite efforts at improving the national banking and legal systems, the latter’s overall weakness continues to complicate the humanitarian efforts as there is little support for local actors dealing with the crisis, with no clear registration process for humanitarian agencies or legal process in case of misconduct (ODI, 2017).

Furthermore, in large areas of southern and central Somalia humanitarian aid remains concentrated in urban and near-urban areas, with only some rural areas easily accessible. Remote management techniques that are increasingly used in such contexts in conflict and post-conflict affected settings have been criticised as raising serious ethical questions around the ‘transfer of risk to local and national partners, which are often poorly resourced and supported to manage the risks they face’ (HPG, 2018). It is further demonstrated that such practices may also compromise the quality of assistance and further increase the risk of diversion and corruption of funds.

Combined with the counter-terrorism regulatory environment, this has made the humanitarian sector more vulnerable to incidents of corruption and diversion (Maxwell and Majid, 2016). Both local actors as well as international agencies report on the need to make regular payments to a host of actors that ‘facilitate’ the process of aid disbursement and implementation – something that even though is a common occurrence in many conflict or post-conflict settings, is more of a sensitive case in Somalia in the context of the focus on anti-corruption measures and counter-terrorism regulations. Furthermore, the sustained influx of foreign aid to Somalia over a prolonged period has itself significantly increased the rents over which political elites negotiate. This further demonstrates that humanitarian aid and peacebuilding are not merely technical issues in conflict- or post-conflict settings such as Somalia, and that they can have an impact on the political stability,
political negotiation outcomes and security of the country. Furthermore, this unregulated, volatile and dangerous environment puts much pressure on the local and national NGOs and development partners who are seeking a share of the limited and volatile humanitarian aid. International and national counter-terrorism and anti-money laundering regulations create also an underlying risk and compliance environment that constrains and puts pressure on the activities of many bilateral donors and their implementing agencies.

Somalia continues to face security, political, and economic challenges. Terrorism continues to threaten peace and stability, while addressing constitutional issues is required for a stable federal settlement and allocation of powers and resources across the country. The slow pace of economic reforms has left poverty levels high, and reduced the country’s resilience in the face of prolonged droughts and other emergencies – including the impact of the COVID-19 pandemic – discussed further below. On the political front, a number of key issues continue to challenge the operation of donors: the continuing security concerns and the activities of Al-Shabaab group, ineffective law enforcement mechanisms, inter-clan tensions, and high levels of youth unemployment.

Sudan

The Sudan has dealt with multiple spouts of political instability over the last decade – stretching from the violence and instabilities arising from the separation of South Sudan, to the ongoing violence in Darfur. Agriculture, traditionally a major source of regional and domestic food production, has suffered over the last decade due to underinvestment in irrigation maintenance, disruption of cultivation by conflict and a poor transport network that hampers internal trade. In addition, as a result of the secession of the South, the Sudan has lost roughly 75 per cent of its productive oilfields, formerly its main source of export income and revenue generation. The sanctions imposed by the United States and the European Union as well as the conflict between South Sudan and the Sudan have made it challenging for the country to honour its financial obligations and maintain its debts at a sustainable level.

The 2019 uprisings in response to deepening economic crisis which resulted in the removal of the previous longstanding regime and formation of a transitional government. The transitional administration set out an ambitious agenda, including institutional reforms and the implementation of greater civilian rule. However, protests, economic shocks, and food and medicinal shortages resulting from the COVID-19 pandemic have posed serious challenges for the transitional government and the Sudan’s political transition in general. With international aid primarily focused on humanitarian rather than development aid for several years, the country faces severe hurdles to achieve economic stabilization. The country’s large numbers of internally displaced people (IDPs) (1.8 million) and refugees, combined with underinvestment in social services like health care, education, water and sanitation have created one of the world’s largest humanitarian crises, with more than 9 million people in need of humanitarian assistance (SHF, 2020). It was estimated that by late 2019, a growing number of people in areas outside the conflict zones of the Darfur states, South Kordofan and Blue Nile, such as the Red Sea, Gedaref, Kassala, and Gezira, as well as in urban centres, including Khartoum, were in need of humanitarian assistance. Average inflation levels of over 60 per cent in the prices of food, fuel, and other basic commodities have been a major impediment to livelihoods, exacerbating already-high levels of malnutrition (SHF, 2020).
Flooding and high levels of stagnant water have exacerbated transmission of vector-borne diseases in particular. Together with the long-term underinvestment in basic health and WASH services and the inflated prices of medicines, this has had serious consequences for a large portion of the vulnerable population. According to a joint survey conducted by the Ministry of Health and the WHO, the availability of essential medicines in the Sudan in 2019 was at the lowest level since 2012, mainly due to the effects of the economic crisis in reducing medicine imports. The COVID-19 pandemic has added further pressure to the country’s fragmented health system. The floods, together with high staple food prices, macroeconomic instability, and persistent insecurity have intensified emergency food assistance needs. Food imports to the country have been hampered as a result of currency depreciation, high inflation, and shortages of fuel and cash. The Sudan’s fragile socioeconomic and political landscape is further pressurised by conflict and food insecurity in neighbouring South Sudan, which fuels an influx of South Sudanese refugees into the Sudan, placing further constraint on government and host community resources.

The Sudan Humanitarian Fund (SHF) is a multi-donor country-based pooled fund through which humanitarian aid is channelled to the Sudan. As demonstrated in the figure A5, for the period 2006-2018, the United Kingdom has been by far the largest bilateral humanitarian donor to the country. These figures change slightly for individual years: for example, in 2019 the United States is also among the top ten humanitarian donors to the country (SHF, 2020). The majority of this aid is allocated to WASH, health, food security and nutrition. The key objectives of the SHF is to respond to the basic needs of displaced populations, refugees, returnees and host communities, provide assistance to communities affected by natural or human-made disasters, and enhance the nutrition status and resilience of vulnerable communities.

According to the UN’s newly released 2020 Global Humanitarian Overview (GHO), an estimated 9.3 million people in the Sudan were in need of humanitarian assistance as of December 2019, requiring about $1.4 billion in humanitarian funding in 2020. These estimates do not account for the impact of the early 2020 onset of the COVID-19 pandemic. In the

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**Figure A.5 Key humanitarian donors to the Sudan**

<table>
<thead>
<tr>
<th>Donors to the Sudan humanitarian fund, 2006-2018 (Millions of dollars)</th>
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<tbody>
<tr>
<td>United Kingdom</td>
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<tr>
<td>Sweden</td>
</tr>
<tr>
<td>Netherlands</td>
</tr>
<tr>
<td>Norway</td>
</tr>
<tr>
<td>Spain</td>
</tr>
<tr>
<td>Ireland</td>
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<tr>
<td>Denmark</td>
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<tr>
<td>Australia</td>
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<tr>
<td>Switzerland</td>
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<tr>
<td>Germany</td>
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<td>Korea</td>
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</table>

*Source: OCHA financial tracker.*
first part of 2020, SHF was used to respond and contain the pandemic ($11 million) and address food security issues arising from locust invasion ($3.4 million) and the ongoing humanitarian operations ($39.7 million). About 64 per cent of the funds are channelled through international NGOs and their local partners, and 13 per cent is disbursed directly to national NGOs (OCHA, 2020).

Development aid has fluctuated significantly since 2012, with humanitarian assistance gaining more prominence in the context of the country’s ongoing political and socioeconomic crises. The majority of ODA flows are from bilateral donors, with the United States being the largest, followed by the multilaterals, and the international non-governmental organisations. Since 2015, donors from the Gulf region have also been involved in providing general budget support and direct transfers to the Central Bank of Sudan (CBoS). An estimated $2.5 billion was deposited in the CBoS in 2016 and 2017 by Saudi Arabia, Kuwait, and Qatar (FAO, 2018).

USAID is one of the key donors to the Sudan, focusing on a range of humanitarian and development programmes. USAID’s humanitarian activities are focused on the areas of health, WASH, humanitarian coordination and nutrition and food security. Whereas the United Kingdom has been the key donor in health and WASH sectors, USAID has consistently been the largest donor in terms of food assistance to the Sudan. This is provided directly and indirectly through other development partners such as WFP and UNICEF which provide direct food aid and voucher programmes that enable people in need of food assistance to purchase the Sudan-grown food commodities. Since 2004, communities affected by the conflict in Darfur have comprised the majority of food aid beneficiaries. In response to the Covid-19 pandemic, the United States has channelled about $4.5 million in supplemental COVID-19 funding to NGOs and United Nations partners working to mitigate the spread of the disease in the Sudan by bolstering preparedness and response capacity in the country (USAID, 2019b).

In relation to development assistance, USAID’s activities are concentrated around two pillars of democracy, human rights and governance, as well as agriculture and food security. Under the first pillar, USAID supports capacity...
building within the civil society to promote local and national dialogue and consensus on governance frameworks, and prevention of gender-based violence and promotion of women’s rights. USAID’s conflict mitigation programmes also work with youth and women’s groups to reduce vulnerabilities to conflict and build leadership skills. Under the second pillar, USAID programmes such as Famine Early Warning Systems Network (FEWS NET) aim to provide timely food security information for the Sudan and other countries that allows donors to monitor emerging crises and respond to needs early (USAID, 2019b).

As another major bilateral donor to the Sudan, the United Kingdom DfID’s assistance into two categories of humanitarianism and institution building. In terms of humanitarian activities, WASH, food aid and nutrition are key components of DfID operations, whereas institutional capacity building covers technical assistance in areas of subsidy reduction, economic development, PFM, and harmonisation of exchange rates. DfID’s Sudan Operational Plan following the secession of South Sudan led DfID to also focus on the Sudan’s transition by moving away from humanitarian aid towards development assistance and support of sustainable livelihoods, particularly in conflict-affected areas. DfID’s peace building efforts since then have been framed within the broader notion of improving access to services and supporting inclusive decision making in order to address the underlying causes of conflict. As such, more equitable and sustainable development through increased security, reduction of corruption, economic diversification and employment generation are considered to be among key DfID objectives since then – although humanitarian aid continues to form the bulk of its operations. DfID does not provide any financial assistance directly to the Government of the Sudan but instead channels its assistance through the United Nations and other NGOs. In addition to the high operational costs and risks that its operations have been facing, the limited financial and technical capacity of local authorities, in areas such as water management and maintenance, hampers the effectiveness and sustainability of DfID operations (DfID, 2018a).

The European Union has also been involved in humanitarian and development operations in the Sudan. Since 2011, the European Union has allocated around 580 million euros in humanitarian funding to aid organisations in the country, focusing on food, shelter, emergency health care, access to clean water, education and protection assistance to respond to the most vulnerable communities’ (internally displaced and refugees’) needs in the face of political conflict and climatic shocks such as floods. The recent desert locust outbreak and the COVID-19 pandemic have resulted in further European Union funding aimed at food security and increased access to health services and assistance with epidemics control and prevention. The European Union’s development assistance since 2016 amounts to 242 million euros, disbursed through the European Union Emergency Trust Fund for Africa, focusing on peace promotion, supporting women

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**Figure A.7 Total Aid (Development and Humanitarian) to the Sudan. 2005-2015 (in billions of dollars)**

<table>
<thead>
<tr>
<th>Type of aid</th>
<th>Amount in billions of dollars</th>
<th>Percentage of total amount of aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humanitarian aid</td>
<td>9.2</td>
<td>56</td>
</tr>
<tr>
<td>Loans</td>
<td>3.8</td>
<td>23</td>
</tr>
<tr>
<td>Development grants</td>
<td>3.4</td>
<td>21</td>
</tr>
<tr>
<td>Total</td>
<td><strong>16.4</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Ministry of International Cooperation, Foreign Aid Report (2016).*
and youth’s economic empowerment, and ensuring inclusive and sustainable growth for all. The European Union’s initiatives aimed at strengthening long-term social protection and resilience building. The European Union has also provided an additional 88 million euros in development assistance to support political and economic reforms of the civilian-led government that came to office in early September 2019 (EC, 2020a).

The IMF has been working with the transitional government in the Sudan in order to seize the opportunity of political change to implement a broader spectrum of fiscal and economic policies aimed at reducing inflation, curbing energy subsidies, broadening the tax base, and reducing external imbalances through policies such as exchange rate reforms. The Fund states that critical structural reforms are needed (together with improved governance and macroeconomic policies) to support higher sustained growth and competitiveness. Together with strengthening governance systems and reducing corruption, these reforms could help the Sudan to attract higher levels of resources required to finance its future growth and development. The IMF has in particular emphasised the potential and need for strengthening the country’s tax administration as a means of revenue mobilisation which can be crucial particularly in the context of the decline in donor support (IMF, 2020c, 2020d).

The strategies and operations of organisations such as the World Bank and the AfDB in the Sudan are focused on enhancing financial and economic governance, institutional capacity building and targeted operations in the key social sectors (health, education, water and sanitation), working with other bilateral partners. The World Bank is the key donor in the area of education, with a $75 million multi-partnership trust fund. AfDB’s strategy in the Sudan is planned around two pillars (AfDB, 2017). The first pillar is that of capacity building for improving social service delivery, through which the Bank aims at strengthening human and institutional capacity, improving governance and macroeconomic environment, and supporting the country’s progress towards accessing HIPC debt relief. This is done through removal of institutional capacity constraints and obstacles that impede the delivery of basic social services as well as targeted operations that directly deliver basic services to the vulnerable. The second pillar of sustainable livelihoods and job creation is aimed at building resilience and reduce fragility through developing value chains in agriculture to create jobs and sustainable livelihood opportunities. Here the Bank helps with enhancing innovation in agriculture and supporting agricultural entrepreneurship especially among the youth and women.

FAO has been a major player in the Sudan’s donor cooperation landscape. The Sudan’s food insecurity issues are particularly concerning given that almost one-third of the Sudan’s GDP comes from agriculture, with more than one-third of the workforce engaged in agriculture and agro-processing industries. According to the recent Integrated Food Security Phase Classification, an estimated 9.6 million people face high levels of food insecurity during the period June-September 2020, incorporating the impact of the COVID-19 pandemic. The agriculture sector has been for long vulnerable to various forms of conflict stemming from disputes over ownership and use of natural resources, land tenure practices and mechanisation of farming, as well as armed conflicts in border areas with South Sudan. The FAO Sudan Country Programming Framework (CPF), co-owned by FAO and the Government of the Sudan, is the framework through which FAO assists the Federal and State Governments in their efforts to achieve their own national and state development objectives in areas of agriculture, food and nutrition security and national resource management. During 2011-2020, FAO has contributed a total of $140.98 million in humanitarian assistance to the Sudan.

The WFP’s Country Strategic Plan (CSP) 2019-2023 aims to 1) respond to new and protracted
emergencies, ensuring that humanitarian programmes are strategically linked to development and peacebuilding; 2) reduce malnutrition and its root causes; 3) strengthen the resilience of food-insecure households and food systems; 4) strengthen in-country systems and structures for the provision of humanitarian and development common services (WFP, 2020). With regards to capacity development specifically, WFP activities focus on policy development and strengthening of agricultural statistical systems; enhancing productivity, production and competitiveness; conservation and development of natural resources; and disaster risk management (DRM). In response to the Covid-19 pandemic and the pressures on food supply chains, prices and the consequent violence reported in different localities of Darfur region, FAO has upscaled its operations through implementation of take-home rations in lieu of on-site school meals, cash-based transfer values for general food assistance, and food assistance for assets and productive safety nets.

Arab donors have been among major bilateral donors to the Sudan particularly since 2015. However, given that the Gulf economies are among non-DAC donors, their contributions are often not included as part of the overall aid landscape. During 2000-2009, the United States and European Union were the Sudan’s largest donors, providing 33.9 and 13.4 per cent of total ODA to the country, with total Arab aid during this period constituting only 2.3 per cent of the total ODA, amounting to only $81.8 million in 2008. In contrast, since 2015, the Sudan has received over $18.04 billion from various Gulf countries, according to the UN OCHA. This has been largely due to a political shift from 2014, when due to dire economic conditions and need for foreign support the Sudanese government cut ties with Iran and aligned itself with Saudi Arabia and the United Arab Emirates. In response to this, Saudi Arabia donated $1 billion to the Sudan’s central bank in 2015, in line with the Kingdom’s strategy to cultivate more regional allies. Development aid to the Sudan from Saudi Arabia and the United Arab Emirates has increased dramatically since 2015, from $333.1 million and $124 million during 2005-2014, to $1.5 billion and $1.6 billion, respectively, in 2015-2019. In 2020, Saudi Arabia and the United Arab Emirates have also allocated large sums to addressing the COVID-19 pandemic in the Sudan. These are in the form of shelter and food aid to those affected by the pandemic and the country’s recurring floods as well as assistance to the country’s hospitals and the health sector (FAO, 2018; IPS, 2017; OCHA, 2020).

Qatar was the largest Arab donor to the Sudan during the period 2012-17; it has focused on strengthening the health system through human capital development, training and education of the personnel. The Qatar Fund has also contributed to the humanitarian aid towards the Darfur crisis, concentrating on development and reconstruction of villages affected by the conflict, and increasing access to portable water. As a multilateral Arab donor, the Arab Fund (AFESD) is involved in a number of initiatives addressing provision of health treatment and diagnostics and the education sector. Over the last decades, the ODA from OPEC Fund for International Development to the Sudan has totalled over $90 million, focusing on Public Sector assistance for agriculture and energy and a smaller amount dedicated to offering equity, loans and guarantees to private sector activities in areas of banking and non-banking, trade and the sugar industry. The Sudan’s challenges in meeting its debt obligations in August 2013 resulted in the suspension of OPEC Fund cooperation with the Sudan. Shortages in foreign currency further complicated and resulted in suspension of OPEC Fund guarantee programmes supporting international trade.
In June 2020, a High-Level Sudan Partnership Conference that took place in Beirut, reiterated the importance of supporting the political and economic transformation in the Sudan, with 50 countries and international organizations pledging $1.8 billion in aid, with the World Bank committing to an additional pre-arrears clearance grant, of up to $400 million (EC, 2020a). The funds are aimed at enhancing macroeconomic stabilization and the Sudan Family Support Programme – providing vital assistance to millions of vulnerable people, enhancing the Sudan’s COVID-19 response capacity and, generally, supplying humanitarian assistance and development cooperation.

**Challenges to aid operations and effectiveness**

Overall, persistence of insecurity, access restrictions, and bureaucratic impediments are among challenges facing donor agencies’ ability to respond to humanitarian and recovery needs in the Sudan. The country’s ongoing fragile peace and security situation continues to pose a challenge to the effectiveness and sustainability of donor operations. Government commitment to a programme of macroeconomic reforms in recent years has, however, acted as a positive signal to many donors – even though the pace and depth of this reform has been undermined by the ongoing political tensions in the country.

The Sudan remains a highly-indebted country. Lack of progress on debt relief and the continuous high debt ratios have caused debt distress, which together with negative terms-of-trade shocks, loss of oil revenue, and the widening fiscal deficit have weakened the Sudan’s external position and rendered access to external financing challenging. The country’s debt relief hinges on a number of factors including the Sudan’s removal from the United States’ State Sponsor of Terrorism list (SSTL), obtaining assurances of support from key creditors, continued macroeconomic reforms under the guise of the IMF programmes, and developing a comprehensive PRSP. The Sudan’s designation on the SSTL implies risks and resource transfer delays for donors, even when donors, such as AfDB acquire the needed OFAC25 Licenses from the United States Treasury. However, the easing of sanctions on the country since 2017 may help future efforts in the area of debt relief for the country (AfDB, 2017).

At the local level, specific programmes such as WASH and health-related donor assistance have faced operational challenges such as poor community participation (in the case of WASH) and lack of local health partners which limits health coverage in some areas of the country. Intermittent cash shortages have caused delays in some of the food aid programmes, which combined with inadequate or no formal banking system in remote areas has resulted in disruptions to donors’ procurement activities, cash distribution to cash programming beneficiaries and other operational costs. In addition, fuel shortages, poor infrastructure and bureaucratic delays have hampered donors’ access and operations. In the education sector, donors’ objectives are to increase access to inclusive education for vulnerable children affected by new emergencies, protracted displacement situation, and strengthen capacity of education actors. Interruption of the annual school schedule caused by sociopolitical and economic crises have also resulted
in disruption of educational activities and distribution of educational supplies.

Given the large number of institutions, agencies and stakeholders involved in financing development in the Sudan, insufficient coordination between the various actors have resulted in considerable wastage of resources. This requires development of coordination mechanisms that help avoiding duplication and overlaps while recognising the defined roles and responsibilities of the various agencies. In 2015, the Sudanese government created a new Ministry of International Cooperation (MIC), tasked with the alignment of donor efforts with the country’s development priorities. MIC could have a critical impact on donor coordination – however, its activities are often hampered by ongoing political instability, the dominance of donor agendas over local needs and priorities, and the sheer challenges involved in coordinating the multi-faceted activities of a very large number of bilateral and multilateral development partners.

The Sudan has faced major economic shocks in the aftermath of the COVID-19 pandemic. In the context of the economic recession of 2018-19, IMF has forecasted that the economy will contract by a further 7.2 per cent in the aftermath of the pandemic. The country faces serious food and medication shortages. The Sudan needs to import 2.2 million metric tons of wheat, equivalent to 75 of the country’s required amount (IMF, 2020d). However, access to such basic food products are limited by the disruptions to global commodity chains and their lower availability from exporting countries such as Russia. International donors have already started to assist with averting a major humanitarian crisis: The Ministry of Finance has signed an agreement with WFP Sudan to import 200,000 tons of wheat; over $47 million and 80 million euros have been mobilized through United Nations agencies and the European Union, respectively, aimed at strengthening the health sector’s capacity to tackle the pandemic (WFP, 2020).

Furthermore, additional emphasis on humanitarian responses reinforced a path dependency whereby donors consider support of basic services as the means to socioeconomic development, without supporting structural transformation in key economic sectors such as banking, trade, and services. Attention to the latter is critical in promoting economic resilience and enhancing the country’s ability and capacity to withstand shocks and maintain broad levels of economic stability. This is all the more important, given the difficulties that the Sudan faces in attracting economic investments due to its inclusion SSTL, which not only prevents external investment but also does not allow the Sudan to benefit from the World Bank-IMF Heavily Indebted Poor Country (HIPC) initiative. Such political realities have also hampered the country’s access to additional assistance that could have been mobilised to assist the Sudan through the COVID-19 pandemic.

Yemen

Yemen has suffered from violent conflict since 2014, with severe impact on people’s livelihoods and the country’s economy and infrastructure. Already as the poorest Arab economy before the onset of the 2014 war, today Yemeni people face chronic food insecurity and have experienced several shocks such as the world’s largest cholera epidemic. According to the United Nations, more than 80 per cent of the 29 million population are in dire need of humanitarian assistance. The country relies heavily on food assistance from the WFP. With almost half of the
population losing their incomes, almost 80 per cent of the population lives under the poverty line. Those who still have jobs, such as civil servants or workers in critical sectors such as health, water and education, have had severe delays and disruptions to their salary payments which has not only affected their livelihoods but also reduced the quality of public services. The intensification of poverty, food insecurity and disease are likely to leave long-lasting scars on Yemen’s human capital development.

The destruction and closure of schools and the food insecurity crisis has left at least 2 million children out of school (FAO, 2019).

Yemen suffers from a complicated set of mobility crises: while the country suffers high levels of displacement due to the conflict, Yemen is also a country of origin, transit, and destination for refugees, IDPs, returnees, and economic migrants to Gulf Cooperation Council (GCC) countries – with on average 100,000 refugees arriving in Yemen annually since the start of the war (World Bank, 2019). These add to the levels of humanitarian and social assistance required in the country. The country’s health system is also under huge strain due to conflict, poverty, malnutrition and lack of access to drinking water. Only less than half of Yemen’s health facilities are functional, and even these face severe shortages of medicines, equipment and staff. The critical state of the health sector, combined with the acute need of safe drinking water and sanitation, has already led to two cholera outbreaks in 2016 and 2017. The decline in transport infrastructure, with a large segment of the road networks unfunctional, have a major impact on access to vital services and commodities while raising the price of food and other commodities due to increase transport cost. Yemen’s economy lacks diversity and relies heavily on imports, including for around 90 per cent of its essential food commodities. The deterioration of the Yemeni riyal (as much as 300 per cent in 2018) has further pushed up the price of essential food commodities. In 2020, this has been further exacerbated by the COVID-19 pandemic-induced rise in food prices. According to the WFP, by mid-July 2020, nearly 40 per cent of Yemeni households remained without access to adequate, nutritious food on a regular basis (USAID, 2020a).

The ongoing war and the country’s institutional disintegration has left little space for public resource mobilisation and medium- or long-term planning. Domestic revenue collection has been below 5 per cent of GDP for much of the last decade, resulting from general economic decline, depressed tax collection and reduction

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**Figure A.8 Key ODA donors to Yemen**

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<td>United States</td>
<td>103.58</td>
<td>112.35</td>
<td>191.99</td>
<td>251.50</td>
<td>152.05</td>
<td>215.79</td>
<td>330.63</td>
<td>620.93</td>
<td>627.17</td>
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<td>World Bank</td>
<td>222.00</td>
<td>35.00</td>
<td>61.00</td>
<td>256.00</td>
<td>364.54</td>
<td>-</td>
<td>50.00</td>
<td>1,083.00</td>
<td>190.00</td>
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<td>United Arab Emirates</td>
<td>43.29</td>
<td>53.83</td>
<td>31.73</td>
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<td>1,234.85</td>
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<td>22.91</td>
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<td>123.31</td>
<td>78.84</td>
<td>96.79</td>
<td>116.92</td>
<td>116.32</td>
<td>127.49</td>
<td>259.58</td>
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<td>Arab Fund</td>
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<td>344.28</td>
<td>74.32</td>
<td>257.04</td>
<td>129.47</td>
<td>132.98</td>
<td>6.12</td>
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<td>European Union</td>
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<td>62.57</td>
<td>74.68</td>
<td>116.83</td>
<td>115.44</td>
<td>55.47</td>
<td>25.57</td>
<td>100.77</td>
<td>172.72</td>
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<td>United Kingdom</td>
<td>31.06</td>
<td>54.65</td>
<td>48.98</td>
<td>61.78</td>
<td>11.30</td>
<td>215.00</td>
<td>98.53</td>
<td>143.56</td>
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<td>Kuwait</td>
<td>43.59</td>
<td>-</td>
<td>32.14</td>
<td>138.03</td>
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<td>251.31</td>
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<td>Japan</td>
<td>44.22</td>
<td>4.74</td>
<td>25.68</td>
<td>43.34</td>
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<td>Netherlands</td>
<td>26.50</td>
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*Source: OECD DAC database.*
in the performance of the customs system. Amidst the ongoing crisis, decisions such as the relocation of the Yemen Central Bank from Sana’a to Aden have added to financial sector uncertainties, increasing coordination challenges and resulting, for example, in no budgets being approved for the 2014-19 period. In the absence of functioning formal public service delivery, informal providers have emerged relying on rents from remittances, the oil sector and the country’s war economy. These elements of a rentier economy are said to have exacerbated tribal, regional, and sectarian divisions, resulting in erosion of trust between and within communities and a loss of social capital (World Bank, 2019, 2019a). The conflict has impacted the water and sanitation infrastructure of the country, reducing availability of essential water supplies, forcing consumers to seek alternative private sector providers. This unmonitored and uncontrolled extraction of limited groundwater resources is likely to have more long-term consequences in terms of triggering further fragility and conflict over resources.

Humanitarian aid constitutes the bulk of donor operations in Yemen. The Yemen Humanitarian Fund (YHF) is the largest Country-Based Pooled Fund (CBPF) in the world, through which funding is available to humanitarian partners in the country. According to FAO (2019), in 2019, the number of Yemenis in need of humanitarian assistance or protection climbed to 24 million, equivalent to 80 per cent of the population. The humanitarian community has aimed to maintain a two-pronged approach to addressing immediate humanitarian needs while gradually increasing focus on longer term support with the aim of raising self-reliance and lift people out of vulnerability. With this in mind, the humanitarian actors have concentrated their assistance in four areas: 1) life-saving assistance to the most vulnerable Yemenis; 2) protection of people affected by crisis, including refugees and migrants; 3) building the capacity of national actors to plan for and respond to humanitarian emergencies; 4) address the underlying causes of vulnerability to reduce the need for continued humanitarian assistance; and 5) increase the resilience of households suffering from recurrent shocks.

Since 2015, the European Union has allocated about 896 million euros to respond to the crisis in Yemen, comprised of 554 million euros in humanitarian aid and 318 million euros in development assistance. These cover assistance in areas of food, healthcare, and education as well as water, shelter, and hygiene kits to conflict-affected areas and displaced populations. Preparedness and response to epidemics has also been a key focus of European Union’s work in the country. The European Union financing of treatment centres and prevention activities have aimed to address the cholera outbreaks. Among the IDPs, people with injuries and disabilities are assisted with comprehensive rehabilitation services. The damage to the education infrastructure, with 1 in 5 schools no longer in use, have pressurised the country’s already fragile education landscape. Here, the European Union has assisted in rehabilitation of classrooms to get children back to school. The European Union’s support to the United Nations Humanitarian Air Services (UNHAS), has also enabled reliable air and sea transportation to humanitarian aid workers (EC, 2020).

The United Kingdom has been one of the largest donors to Yemen since the early 2010s. DFID’s overall strategy in Yemen is to help prevention and management of crises and address the drivers of conflict and poverty by addressing urgent humanitarian needs, delivering basic services, and supporting political and economic reform. In the humanitarian sector, while initially offering single-year assistance, DFID has gradually moved towards multi-year food, water and sanitation assistance to chronically vulnerable people in urgent need, including refugees and migrants, those affected by conflict, and those suffering from acute poverty, hunger and malnutrition (DFID, 2018b, 2014). It lends support to creation of foundations for a national service delivery and social protection system, with a particular focus on women and girls. DFID’s support for political transition and
reform focuses on supporting the National Dialogue, constitution drafting process and elections, and strengthening local government to improve service delivery and encourage the role of the civil society. In terms of supporting economic reform and development, DFID supports the private sector by providing micro, small and medium-size enterprises with access to finance, invest to grow and create jobs across the economy. DFID also engages in PFM activities in collaboration with the IMF.

As one of the major donors to Yemen, the United States assistance falls into five major categories. Since 2015, the United States has provided over $2.4 billion in emergency humanitarian aid for Yemen, mostly through USAID’s Office of Food for Peace to support the WFP in the country – while limiting nearly all other bilateral programming. In the area of food security, USAID supports the FAO, WFP, and 11 INGO partners to bolster food security conditions in Yemen through provision of in-kind food aid, including United States-sourced commodities, and cash and vouchers for people to buy food in local markets. Strengthening household purchasing power and rehabilitation of food security-related livelihoods are also among other related activities (USAID, 2020a; 2020b). In the area of health, the United States partners with other organisations to offer nutrition and WASH programming, primary health care services through both mobile and static medical teams, provision of incentive payments to health care workers and medical supplies to health facilities to bolster health care service availability, while addressing the specific health care needs of migrants, refugees, and other vulnerable populations in Yemen. USAID’s WASH interventions cover distribution of hygiene kits, rehabilitation of water systems damaged by conflict, and provision of water trucking services. In the area of nutrition, USAID focuses on children and pregnant and lactating women in particular, to help prevent, identify, and treat acute malnutrition, while providing nutrition support for health clinics and mobile health teams, integrating health, nutrition, and WASH interventions to comprehensively assist affected populations. The United States is also involved in providing protection services to meet the needs of IDPs, refugees, and other populations countrywide, including through mental health and psychosocial support (MHPSS) activities and legal assistance to facilitate access to identity documentation and public assistance. The United States also supports the provision of multipurpose cash assistance (MPCA) to help conflict-affected households in Yemen meet their basic needs while supporting local markets (USAID, 2020b).

In recognition that despite its critical role, humanitarian assistance is not sufficient to prevent the collapse of key social and economic institutions and build the country’s resilience to future shocks, the 2017-2020 USAID Programming Approach focuses on expanding its development assistance through local institutional capacity and conflict management. Over the past few years, USAID has managed an economic assistance portfolio of $25-30 million, focusing on health, education, and the financial sector. In the health sector, USAID has provided polio surveillance and basic access to health care, with a focus on reproductive, maternal, and child health. This is complemented by WASH activities aimed at improving access to safe water and sanitation systems for vulnerable populations and increases their knowledge of hygiene practices. In the education sector, USAID funds programmes to expand access to education for the crisis-affected children. In the financial sector, USAID has worked with the CBY to ensure that it can continue paying public sector salaries and managing the treasury. By focusing on fish and farm productivity and market linkages USAID aims to support SMEs to increase their employment and income (USAID, 2020b).

The World Bank activities in Yemen aim at strengthening institutional governance and management of key resources, such as the
oil and gas sectors, improve the utilisation of land and water resources, enhancing the rule of law to benefit businesses and also to enhance the quality of human capital. The Bank has also been involved in substantial assistance, through United Nations agencies, in areas of crisis response relating to health and nutrition, aimed at providing support for basic services and maintaining functional institutions. The Bank's humanitarian assistance incorporates elements such as support to the private sector which are traditionally not seen as part of humanitarian assistance. This is based on the Bank-suggested premise that operations at a humanitarian-development nexus are most likely to have sustainable and effective outcomes for people’s livelihoods. Therefore, the Bank’s food assistance activities focus on increasing purchasing power, while the Bank’s work in the water and sanitation sectors focuses on institutional capacity building through training. The Bank aims to operate at the. As such, the Bank frames its private sector development activities as a critical component of not only development assistance but also humanitarian aid as it helps with building resilience and sustainable development. The Bank’s strategy for Yemen addresses two areas of a) continued support for humanitarian-development nexus basic service delivery and institutional preservation through supporting the delivery of basic services, income generation, and agriculture; and b) support to livelihoods, human capital, and basic economic recovery, prioritising protection of the livelihoods of vulnerable households and their ability to respond to crises (World Bank, 2019).

Since 2018, Saudi Arabia has been one of the major bilateral donors to Yemen – unlike other donors providing large sums of cash transfers directly to the government. In 2018, it provided a $2 billion deposit to the Government of Yemen (GoY) to help stabilise currency and food prices through imports of essential food commodities such as wheat, rice, sugar, milk, and cooking oil. Yemen has also allegedly received substantial off-budget financial support from Saudi Arabia (UNDP, 2016; Li, 2019; OECD, 2017). The enhancement of food imports was done through a new financial mechanism for food imports underwritten by the Saudi deposit. This injection of funds helped also stabilise the currency, however, concerns have been raised about the sustainability of such assistance especially as the Government of Yemen still struggles to draw on its key sources of foreign exchange, namely oil and gas exports, remittances and humanitarian funding, all of which have witnessed a decline. In addition to its major cash injection, the Saudi Development and Reconstruction Program for Yemen (SDRPY) also provided technical assistance in the form of a $180 million fuel for electricity grant that paid for three diesel and fuel oil shipments to power 64 electricity stations located in 10 different governorates under GoY control. Saudi Arabia also gave CBY - Aden $200 million in November 2018 to help restore the value of the currency after a major crash in October 2018. Since July 2019, Saudi Arabia has deposited over 300 million Saudi riyals per month for GoY military salaries in a GoY account held at the National Commercial Bank (NCB) in Riyadh, Saudi Arabia (WFP, 2020a; World Bank, 2019a).

The IsDB has also donated $1 billion to Yemen, aimed at a range of humanitarian and economic projects, including education (basic, higher and vocational education and training) and the development of the agriculture, fisheries, health, transport, communication, water, and energy sectors in addition to supporting social security networks, public administration, banks and other services. In recent months, IsDB has also raised health expenditure (to be implemented by the WHO) to fight the impact of the COVID-19 pandemic. The Arab Fund (AFESD) has been one of the multilateral Arab donors in Yemen in recent years contributing over $30 million. Their aid
Annex 1

has focused on rehabilitation of buildings and mosques damaged by the conflict, emergency food and health programmes. The OPEC Fund is another multilateral agency that has approved over $100 million of assistance for Yemen over the last decade, of which about $24 million has been disbursed. Broadly focusing on humanitarian, health, and education grants. The Fund’s delivery of development assistance has been hampered by poor local coordination between actors and official government bodies. At the operational level, the prevailing insecurity and safety issues have made project monitoring challenging. As of July 2016, the Republic of Yemen is currently in arrears with the OPEC Fund, which has resulted in suspension of disbursements to the country.

In response to Yemen’s ongoing health crisis, with two major outbreaks of cholera and other diseases, the Qatar Fund has partnered with UNICEF to initiate a quick response project that trained 250 medical personnel who in return treated over 15,000 patients (Qatar Fund, 2018). In collaboration with the Qatar Red Crescent Society (QRCS), the Fund has also engaged with rehabilitation and expansion of medical centres in conflict-affected parts of the country and support of the displaced Yemeni families and communities. Hygiene awareness camps have also been set up as part of this initiative. The Fund also contributes to UNICEF’s programme of rehabilitation of water networks, distribution and drainage networks, and water supply stations.

Challenges to aid operations and effectiveness

Given the severity and structural nature of Yemen’s conflict, traditional humanitarian aid alone will not be able to protect Yemenis against the medium- to long-term impacts of the prolonged conflict. The near collapse of the economy and key infrastructure, the dire humanitarian crisis, and failure of a political resolution to the conflict need a more comprehensive approach to the role of aid in Yemen’s setting. The global oil price crash has reduced the county’s revenues while the movement restrictions caused by the COVID-19 pandemic have significantly reduced Yemeni expatriates’ earnings and the flow and level of remittances. Given the humanitarian nature of donor operations in Yemen and the country’s lack of progress with political negotiations to bring an end to the conflict, aid sustainability and retaining long-term engagement of donors will be among key challenges facing Yemen.

Even though inevitable, given the country’s uncertain political, economic and security situation, single-year and short planning cycles are inadequate in addressing livelihoods that have been eroded over several years or for building community resilience to shocks. In this context, local capacity-building is of great importance to avoid continued and heavy dependence on the implementation capacity of local actors. As such, donors such as DfID have aimed to move towards multi-year programme frameworks that addresses developmental issues that have dire humanitarian consequences. This implies, for example, improving social protection provision by interlinking humanitarian and development strategies to increase investment in chronically vulnerable areas.

In the meantime, it is essential to continue supporting the key social sectors, such as health and education, while supporting a strategy that provides employment and livelihood to the Yemenis. For example, channelling more assistance through cash transfers rather than in-kind assistance are considered to be more beneficial to the recipients as it empowers them to determine their own priorities,
especially in the absence of an income source. In conjunction with programmes such as Micro Enterprise Promotion Services (SMEPS), cash transfers can contribute to short- and long-term job opportunities that partly offset state dysfunction and reduce economic insecurity. Further attention to the issue of prevention, through programmes such as emergency employment creation, is critical for stemming humanitarian needs and avoiding further deterioration of the humanitarian crisis.

Despite the large sums of humanitarian assistance directed to Yemen in recent years, according to the Humanitarian Exchange (2020), only half of the 24.1 million Yemenis in need of assistance are actually receiving it. Underfunding is one of the reasons for this: the Yemen Humanitarian Response Plan is currently running short by about $1.5 billion. Furthermore, the length of time it takes to confirm aid eligibility and limited operational capacity also contribute to this delay – in some cases emergency aid taking three months to be delivered. Limited coordination among international agencies in delivering assistance, some donors’ absence of ground presence, and inadequate engagement with local actors has also contributed to this. These realities raise serious questions about the capacity of the United Nations-coordinated humanitarian system to answer to actual needs. Even when resources are available, lack of cash in the banking sector could mean that they are unable to access those funds, putting projects at risk. In June 2020, combined with regular obstruction of aid flows, donor support to United Nations aid agencies declined dramatically, particularly from Kuwait, Qatar, Saudi Arabia, the United Arab Emirates, and the United States, which channelled over half of its aid to southern Yemen. As a result, by the end of August 2020, aid agencies had received only 24 per cent of the $3.4 billion they had requested for the year, putting at risk the lives of millions of Yemenis.

The absence of a credible and strong national counterpart further undermines donor efforts. Multiplication of formal and informal public, regional, and local authorities can make coordination and operations more complex and unreliable. Security conditions and restrictions imposed by various conflict parties pose a serious threat to imports that constitute 90 per cent of the country’s staple food and nearly all of its fuel and medicine needs. The inability of national institutions to conduct effective and inclusive political decision making and deliver on obligations adds to governance risks that cannot be addressed by individual donors but require concerted international efforts. The presence of non-state actors that lack a centralised chain of command or administrative structure through which negotiations concerning aid access can be pursued has frustrated many donor operations. In the absence of resolution of such risks, donors have regularly sought the temporary suspension of their essential and non-essential operations, further adding instability and fragmentation to the aid landscape. In 2019 and 2020 many aid agencies have spent vast resources and time to get country-wide approvals to provide assistance in accordance with humanitarian principles and without the authorities’ interference.

Assistance in a conflict-affected setting requires donors’ close attention to the root causes of the conflict, which in the case of Yemen require restoring public confidence in the ability of the government to provide security to all citizens, re-capacitating government systems to provide key public services throughout the country to facilitate livelihood, reduce poverty, address inequality, tackle the needs of IDPs, rehabilitate public infrastructure, encourage private sector activity to create jobs, and, critically, align state structures and levels of political, administrative, and fiscal decentralisation to create and further a national political consensus on the form and function of
government systems. Much of this is beyond the immediate mandate or capacities of donors to achieve. However, it is important to ensure that at least their operations are broadly aimed at addressing the above sources of grievance. In this context, it is important that security, humanitarian and development agendas mutually understand and reinforce each other during the pre-and post-peace phases – however challenging this might be in the context of low domestic institutional capacity. Politicisation of the aid landscape is a major challenge to effectiveness of donor operations in Yemen is. With the United Nations and many donors involved in both provision of humanitarian aid as well as Yemen’s security and the political transition processes, it is inevitable that aid flows are intertwined with political negotiations and power rivalries at the local, regional and international levels. In addition, donor strategies and United Nations and NGO plans often link living conditions with security. Such ‘stabilisation’ strategies’ are framed in ways that explicitly or implicitly aim to dampen armed groups’ recruitment efforts through improving the material conditions of the Yemenis (especially the youth). Many donors’ humanitarian assistance provision to chronically vulnerable people affected by conflict, refugees and migrants might question, by some, the principled nature of their humanitarian work. In March 2020, USAID suspended most aid for Yemenis living in the territory controlled by the Houthis. In addition to halting $73 million in ongoing assistance programmes, the suspension blocks any additional USAID funding for the prevention and treatment of COVID-19 from reaching Yemenis in these areas. Although USAID has justified this move on humanitarian grounds, claiming that it will reduce the diversion of aid and pressure local authorities to halt interference with aid delivery, this decision could be perceived as going against the principles of humanitarian activities.
Overview of the Saudi Development and Reconstruction Program for Yemen

A comprehensive vision of development requires integrated and wide-ranging support and contributions in multiple tracks, such as relief services, sustainable development, promoting stability, economic recovery and establishing a sustainable peace. Saudi Arabia has continually sought to help the least developed Arab countries, chief among them Yemen, to provide basic services to their peoples and overcome the challenges standing in the way of the flourishing of their economies. In past decades, Saudi Arabia has provided Yemen with various forms of direct and indirect economic, political, humanitarian and development assistance, including for example: implementing major development projects in various Yemeni governorates, subsidizing petroleum by-products to Yemen, depositing vast sums with the Central Bank of Yemen, participating with the United Kingdom to chair the Friends of Yemen meeting in 2006 and providing donations at donor conferences to support humanitarian response in Yemen. Given the limited capacity of State institutions in Yemen to make use of these funds, these donations have not been reflected in local development.

To complement Saudi development efforts in Yemen, the Saudi Development and Reconstruction Program for Yemen was launched in 2018 to contribute to setting development priorities, providing basic services and meeting urgent development requirements in cooperation with the Yemeni Government, local authorities and civil society organizations. The Program also seeks to provide institutional support, target recovery efforts and create the necessary environment for the transition from the relief stage to the comprehensive and sustainable development stage, through cooperation with domestic and international stakeholders and with United Nations agencies.

Since 2018, the Saudi Development and Reconstruction Program for Yemen has implemented more than 204 projects and initiatives across all critical sectors through its offices located throughout the governorates of Yemen, which allow the Program to track and oversee its actions and ensure high standards of quality in implementation. These development efforts are in line with the principles of the 2030 Agenda for Sustainable Development, such as empowering young people and women, fostering tolerance and peace, achieving prosperity, providing basic services, developing infrastructure and increasing the efficiency of the service and productive sectors. The Program is built on certain general orientations, the most important of which is achieving a development impact in all projects and programmes, in line...
with the actual needs of Yemen, ending obstacles and challenges to development and supporting early economic recovery in Yemen.

The present report is part of strategic programming and support initiatives to conduct in-depth studies and issue specialized reports with international development partners in order to understand development challenges in their multiple facets, harmonize projects and programmes with local development needs and work together to develop a comprehensive strategic vision of development in Yemen for the next 10 years.

Photos depicting from various educational development projects in Yemen by the Saudi Development and Reconstruction Program for Yemen.
1. The private sector contribution to GDP in Yemen increased from 62 per cent in 2014 to 70 per cent in 2016.


6. Ibid.

7. The Economic Vulnerability Index includes measurements of the share of agriculture, forestry, fisheries in GDP, remoteness and landlockedness, merchandise export concentration, instability of exports of goods and services, share of population in low elevated coastal zones, share of population living in drylands, instability of agricultural production, and victims of disasters (United Nations, Department of Economic and Social Affairs, “EVI Indicators”).


20. World Bank, “Worldwide Governance Indicators”.


22. The index assesses five indicators: (1) level of difficulty including structural difficulties that impede governance capacity, prevalence of civic society traditions and serious conflicts (whereby a score closer to 10 indicates stronger capacity); (2) resource efficiency including human, financial and organizational resources; (3) consensus-building on goals in a participatory and democratic manner; and (5) international cooperation that is effective and credible.


26. Ibid.

27. On Yemen, it is worth noting that per the Saudi Ministry of Planning and International Cooperation, by the end of 2019, more than 1.6 million Yemeni’s have been granted work visas in Yemen, which has contributed to lessening the impact of displacement. The Yemeni expat community provides an essential source of income to their families through remittances, where Saudi Arabia tops the list of countries with Yemenis sending remittances to Yemen. Remittance payments from Saudi to Yemen accounted for 61% of total remittances, amounting to 23.7% of Yemen’s GDP in 2017.


31. For more details about the number of displaced households (IDP HHs) per governorate: https://displacement.iom.int/system/tdf/reports/20201220_RDT_Weekly%20Update_13%20Dec-19%20Dec%202020.pdf?file=1&type=node&id=10390.
38. The analysis uses a comparative heuristic approach to compare the socioeconomic performance in the Arab LDCs with those in other world regions. The comparative cross-country analysis is an appropriate method concerning homogeneity and independence of Arab LDCs.
39. Saudi Arabia supported Yemen from 2012 to 2020 with a total of $4.23 billion (deposits and grants), almost half of them in 2018-2019, which reflected in reducing the goods cost and inflation rate from 27 per cent in 2018 to 10 per cent in 2019.
42. Based on a forthcoming UNESCWA Survey of Economic and Social Developments in the Arab Region 2019-2020.
43. Decomposition of growth of aggregate demand involves understanding how much growth there is in each component to inform which components grew the strongest over the last periods. However, estimating the growth rate weight of each component by its relative proportion provides a clear understanding of which components growth is contributed to the growth of aggregate demand.
45. Human Assets Index.
47. Ibid.
49. The GCC countries are the most important exporting-countries of remittances to Yemen, which were estimated at 80% of the total remittances in 2016. Remittances from Saudi Arabia ranked first by 61% of the total remittances made by Yemeni expats in 2016, followed by remittances from the United Arab Emirates by 18%, Kuwait by 5%, Qatar by 5%, while remittances from the United States, Bahrain and other countries accounted for 11%. (Ministry of Planning and International Cooperation, Studies and Economic Outlook Sector, Issue (32), February 2018).
50. About 98.2% of households depending on remittances reported that they spend remittances on daily basic needs (food and clothing), 83% on housing needs (construction and maintenance), 74.3% on health care services, 32.5% on education, while only 2.3% of the households use remit-tances in investment (purchasing agricultural lands, real estates… etc.). (Ministry of Planning and International Cooperation, Studies and Economic Outlook Sector, Issue (32), February 2018).
51. Most remittances are informal and not accounted. Estimates for the Sudan and Somalia show that remittances flows are estimated to be 2 to 2.5 times higher than those reported by the financial sector.
52. On 2 June 2020, the virtual High-Level Pledging Event for the Humanitarian Crisis in Yemen brought together representatives of over 125 member States, and International Organizations, United Nations agencies, non-governmental organizations and civil society to raise funding to meet the humanitarian needs of people affected by the conflict. The conference succeeds to collect $1.35 billion, almost half from Saudi Arabia.
75. Resolution 41/128.
80. Ibid.
84. ESCWA, Survey of Aid Effectiveness in the Arab Region, 2013.
87. Structural transformation in this context refers to the transfer of productive resources (particularly labour, capital and land) from activities and sectors of low productivity to those of higher productivity (UNCTAD, The Least Developed Countries Report 2019, 2019).
98. Ibid.
103. UNDP, Partnership in development and South–South cooperation: Official development assistance of the Kingdom of Saudi Arabia, 2016.
111. United Nations, Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, “Vulnerable Countries are not getting the support they need despite trillions being mobilized globally to tackle COVID-19”, 2020.
113. See A/74/843.
120. The cholera outbreak in Yemen in 2017 highlighted the importance for international humanitarian health organizations to have a continuous discussion about whether and to what extent they should increase their focus on pre-emptively addressing the environmental determinants of communicable diseases in humanitarian emergencies.
121. The index assesses six factors from 0 (very low) to 100 (very high) including: (1) Risk as in the “interaction of exposure to extreme natural events and the vulnerability of societies”; (2) Exposure entails “the effects of one or more natural hazards”; (3) Vulnerability includes “ability of people or systems to cope with and adapt to the negative impacts of natural hazards”; (4) Susceptibility which “is the likelihood of generally suffering damage in case of an extreme natural event; (5) Lack of coping capacities “to minimize negative impacts” immediately; and (6) Lack of adaptive capacities covers the long term relevant strategies. (Behlert et. Al. 2020 ‘World Risk Report 2020.’ Bündnis Entwicklung Hilft and Ruhr University Bochum – Institute for International Law of Peace and Armed Conflict.)
129. UNHCR, “Floods drive over 650,000 Somalis from their homes in 2020”, 2020.
132. Ibid.
Least developed countries (LDCs) are among the most vulnerable countries in the world. They are characterized by structural vulnerabilities to growth, such as low per capita income and low levels of social and human development, and are often in a disadvantaged position geographically. Four ESCWA member States are ranked as LDCs, namely Mauritania, Somalia, the Sudan and Yemen. The latter three are also plagued by conflict and face chronic challenges in meeting the Istanbul Programme of Action (IPoA) graduation criteria from the LDC category. Attempts by these Governments to build sound systems of governance to make their economies more resilient have been hampered by conflict and external shocks, such as the global financial, food and oil price crises, weak human, technological and institutional capacity, limited technology transfer, a lack of domestic resources and inequality, and the recent socioeconomic effects of the COVID-19 pandemic. All these factors have induced a vicious cycle of low productivity and investment, and ultimately a low human development score.

Despite major development efforts, the outlook for Mauritania, Somalia, the Sudan and Yemen remains relatively subdued owing to multiple challenges, including the recent global COVID-19 recession, continuing adjustments to low oil and raw material prices, and regional conflicts. Notwithstanding shared features, each country faces specific challenges for the achievement of the Sustainable Development Goals. The present report provides an analytical overview of the progress and challenges faced by Arab LDCs, with a focus on the specific vulnerabilities these countries are experiencing owing to conflict and political instability. It also builds on the lessons learnt from the IPoA decade to provide key findings and recommendations for the next decade, which will be launched in Doha in January 2022. The aim is to build back better and avoid the pitfalls of the past decade, while taking advantage of the momentum presented by the 2030 Agenda implementation decade. In five thematic chapters built around the eight IPoA priorities, the present report provides comprehensive information on and analysis of progress in the implementation of the Istanbul Programme of Action. It also covers the humanitarian and development assistance provided by Arab countries and the regional and international communities to Arab LDCs.