



ESCWA country study

Development challenges in Yemen



Shared Prosperity **Dignified Life**





Shared Prosperity **Dignified Life**



VISION

ESCWA, an innovative catalyst for a stable, just and flourishing Arab region

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.



Economic and Social Commission for Western Asia

ESCWA country study Development challenges in Yemen



United Nations
Beirut

© 2023 United Nations
All rights reserved worldwide

Photocopies and reproductions of excerpts are allowed with proper credits.

All queries on rights and licenses, including subsidiary rights, should be addressed to the United Nations Economic and Social Commission for Western Asia (ESCWA),
email: publications-escwa@un.org.

Authors: Youness Abouyoub, Khalid Abu-Ismaïl and Abdulkarim Jaafar

The findings, interpretations and conclusions expressed in this publication are those of the authors and do not necessarily reflect the views of the United Nations or its officials or Member States.

The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

Links contained in this publication are provided for the convenience of the reader and are correct at the time of issue. The United Nations takes no responsibility for the continued accuracy of that information or for the content of any external website.

References have, wherever possible, been verified.

Mention of commercial names and products does not imply the endorsement of the United Nations.

References to dollars (\$) are to United States dollars, unless otherwise stated.

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

United Nations publication issued by ESCWA, United Nations House, Riad El Solh Square,
P.O. Box: 11-8575, Beirut, Lebanon.

Website: www.unescwa.org.

23-00326

Key messages

-
- *The development challenges and inequalities in Yemen are among the most severe worldwide, and its economic resilience is significantly low.*
-
- *Conflict has contributed considerably to the country's worsening development trends over time.*
-
- *Governance challenges and inequalities constitute the largest shares of the development challenges index and the development inequalities index, respectively, and resilience to future shocks is the economy's most pressing issue.*
-
- *The poor performance of Yemen in various components requires a comprehensive action plan, beginning with an inclusive approach to peacebuilding.*
-
- *Sensible economic policies to revive economic activity should also be prioritized to strengthen economy and to provide the resources needed for institutions to deliver effectively and ensure the welfare of citizens.*
-

Contents

Introduction	1
1. Development challenges	3
2. Development inequalities	13
3. Economic resilience	19
4. Conclusion	23
Annex	25
List of figures	
Figure 1. DCI scores, 2000, 2010 and 2021	4
Figure 2. Quality-adjusted human development challenge index scores, 2000, 2010 and 2021	5
Figure 3. Human development components: influencing factors	6
Figure 4. Environmental sustainability challenge index scores, 2000, 2010 and 2021	8
Figure 5. Income index versus environmental sustainability components	9
Figure 6. Governance challenge index scores, 2000, 2010 and 2021	10
Figure 7. Political instability versus governance challenge index	11
Figure 8. DII scores, 2010 and 2021	13
Figure 9. Inequalities in human development index scores, 2010 and 2021	14
Figure 10. Inequalities in environmental sustainability index scores, 2010 and 2021	15
Figure 11. Inequalities in governance index scores, 2010 and 2021	16
Figure 12. Development inequalities index versus development challenges index	17
Figure 13. Economic indicators in Yemen, 2010 to 2022	20
Figure 14. Additional economic indicators in Yemen, pre-conflict versus post-conflict	20
Figure 15. ERI scores, latest available data	21

Introduction

Development is a multidimensional concept that requires examining the various aspects of economic and social well-being. To measure and assess countries' development performance, ESCWA proposed a development challenges index (DCI) that measures shortfalls in the three key and interconnected areas of quality-adjusted human development, environmental sustainability, and good governance.¹

However, inequalities create a barrier that prevents many people from reaping the benefits of development achievements. To better understand the development status quo, it is important to look beyond averages and assess the distribution of well-being across various societal groups in a country. The development inequalities index (DII) proposed by ESCWA looks at both vertical and horizontal inequalities across the three DCI components of human development, environmental sustainability and governance, and within the same countries for which DCI is calculated.²

Furthermore, economic growth, which remains an important yet not unique development goal, is subject to vulnerabilities caused by volatilities

and shocks emanating from several sources. To this end, the ESCWA economic resilience index (ERI) measures countries' resilience to both traditional sources of shocks that affect the real economy and the financial sector, and future shocks posed by rapid technological changes and the Fourth Industrial Revolution.

The present study assesses the performance of Yemen on the three indices compared with other country groups, and considers the impact of conflict, where possible, by looking at the scores and ranks before and after conflict. Section 1 discusses the development challenges using DCI. Section 2 looks at the issue of distribution of development across various societal groups in the country using DII. Section 3 considers the economic development aspect and evaluates the country's scores on different economic indicators, including ERI. Section 5 provides conclusions and recommendations.

The findings of the present study were discussed with Yemeni experts at the second meeting for a technical socioeconomic dialogue on the Yemen Vision for Recovery and Development, held on 15 March 2023.

1 For additional information on DCI, refer to ESCWA, Development Challenges Index: statistical measurement and validity, 2022.

2 For additional information on DII, refer to ESCWA, Development inequalities from a broader perspective: a proposed index, 2023.

1. Development challenges

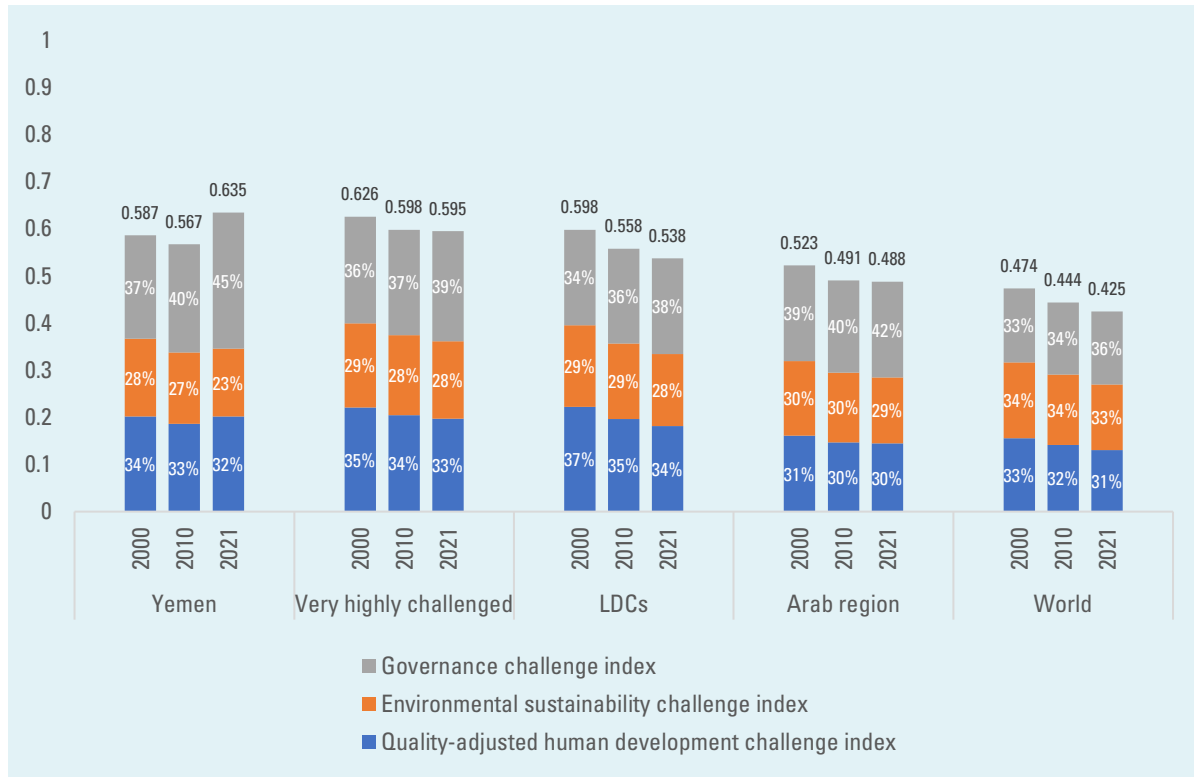
Yemen is one of six Arab countries belonging to the category of “least developed countries” (LDCs). These countries are among the international community’s poorest and weakest segments, accounting for less than 2 per cent of the world’s gross domestic product (GDP) and about 1 per cent of global trade in goods, and together constitute about 12 per cent of the world’s population. Yemen, like other LDCs, is facing low socioeconomic development, weak development capacity, income inequality, and a lack of domestic financial resources. It is also vulnerable to external terms-of-trade and faces development constraints, notably 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.³

The 2021 DCI results show that Yemen is the second most challenged country globally (of 159 countries), with a score of 0.635, meaning that the country is still in the “very high challenge”

category and observed a rank deterioration of 26 places compared with 2000. In addition to Yemen scoring significantly above the global average and the averages of the Arab region, other LDCs, and even other very highly challenged countries, trends over time show alarming changes (figure 1). For instance, while all the country groups analysed in figure 1 show decreases in challenge levels, Yemen witnessed a 12 per cent increase in its DCI score over the period 2010–2021, compared with some reduction over the period 2000–2010. Had the country maintained the same average annual rate of change as during the period 2000–2010, it would have progressed from the “very high challenge” to the “high challenge” category. This reversed developmental trend over the past decade is driven by war and its devastating socioeconomic and humanitarian impacts. Not surprisingly, and while governance has the largest share of DCI for all country groups, this share is highest for Yemen given the limited role of the central Government and its inability to provide quality public services.

3 ESCWA, Arab LDCs: Development Challenges and Opportunities, 2021.

Figure 1. DCI scores, 2000, 2010 and 2021



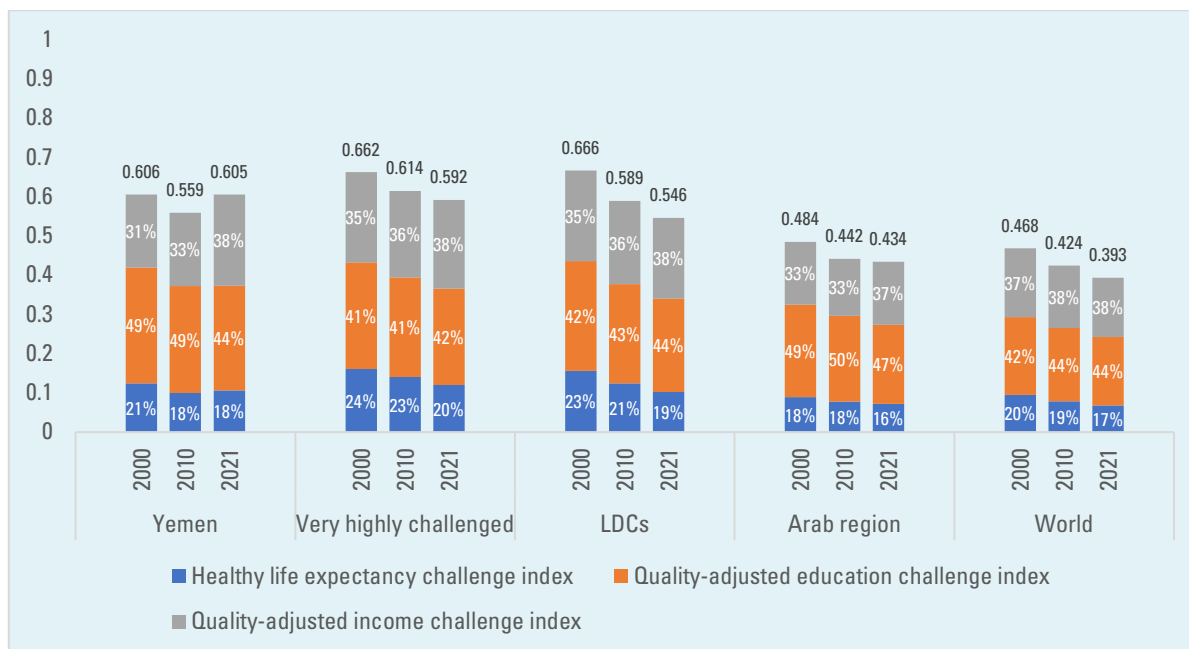
Source: ESCWA calculations.

Yemen also scores higher than the other country groups on the quality-adjusted human development challenge index. This index shows dire human well-being conditions, with increased shortfalls in the basic human development components of health, education and income. While all country groups saw decreases in their challenges, Yemen saw an increase between 2010 and 2021, going back to its 2000 score. While the quality-adjusted education component maintains the highest share of the quality-adjusted human development challenge index, this increase in

the challenge is mainly attributed to a deterioration in the inequality-adjusted income component, which constituted 38 per cent of the quality-adjusted human development challenge index in 2021, compared with 33 per cent in 2010 (figure 2). Education has undoubtedly worsened since the beginning of the conflict; however, repercussions for economic activity and income were more severe and led to an extreme poverty headcount of 65 per cent (equivalent to 20 million people) in 2021, of which 15.6 million were pushed into poverty because of conflict.⁴

4 United Nations Development Programme (UNDP), *Assessing the Impact of War in Yemen: Pathways for Recovery, 2021*.

Figure 2. Quality-adjusted human development challenge index scores, 2000, 2010 and 2021

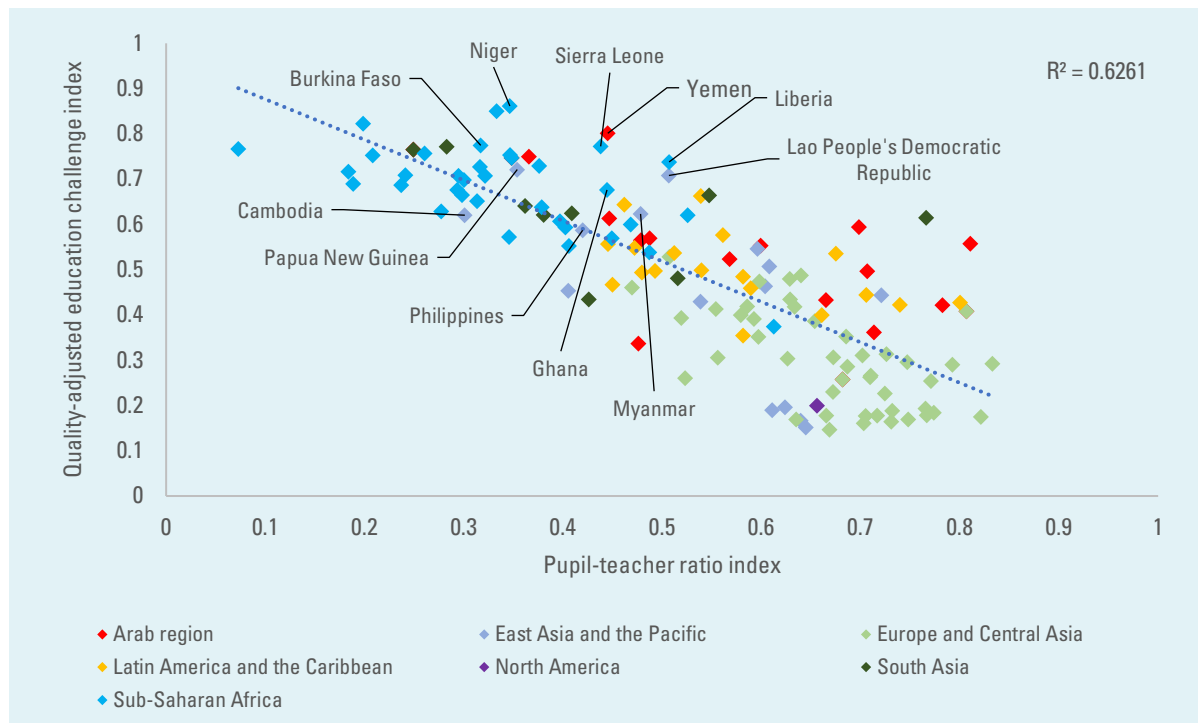
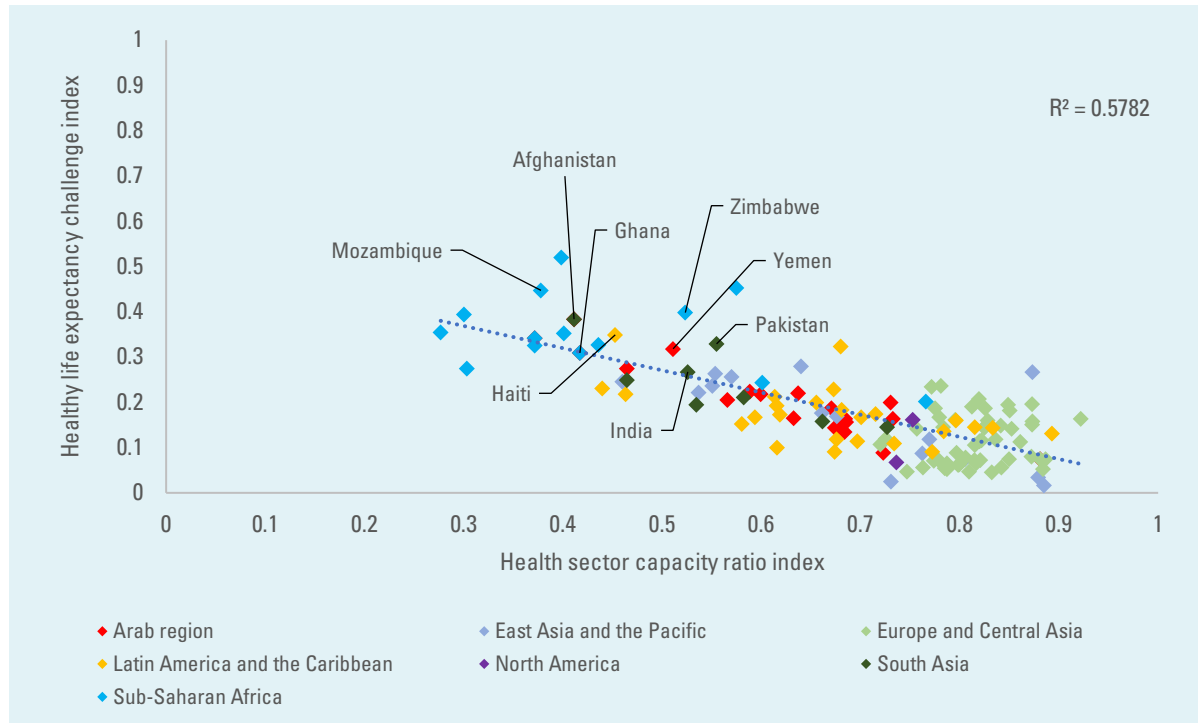


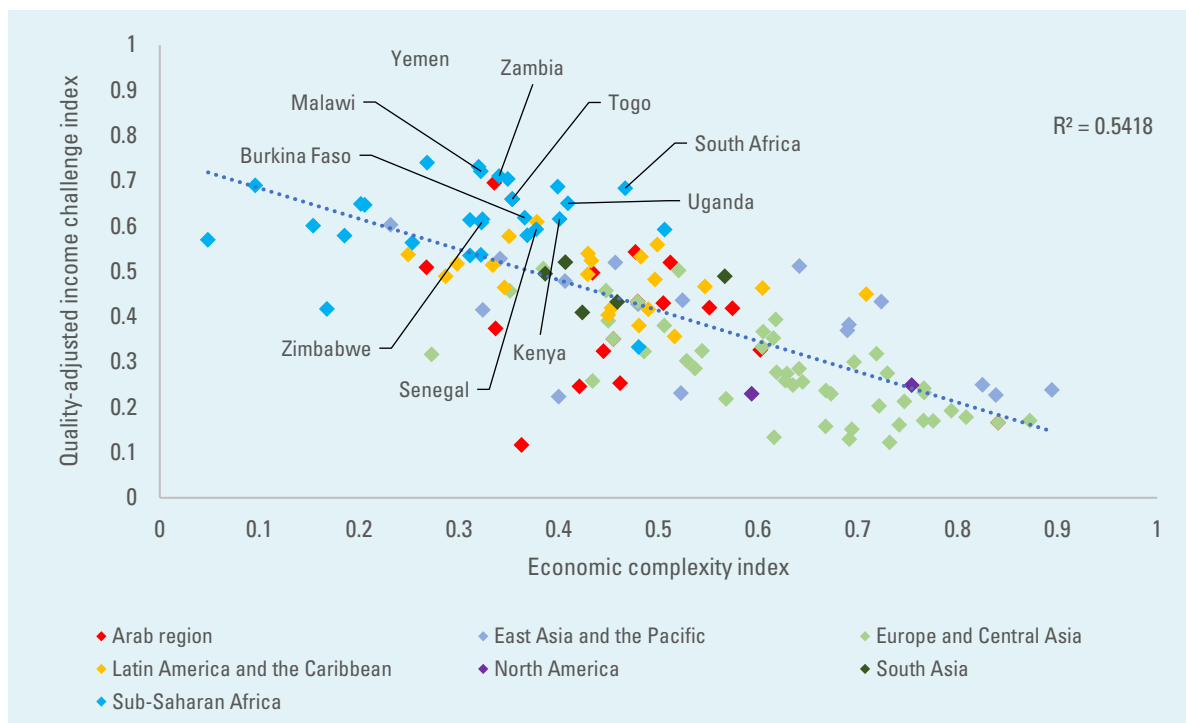
Source: ESCWA calculations.

Institutions play a big role in providing services and economic policies that can improve the human development status quo. They constitute the influencing factors or entry points to better human development outcomes. Figure 3 plots the human development components against their corresponding influencing factors, namely number of physicians and number of hospital beds per 1,000 people (capacity of the health sector) for health, the pupil-teacher ratio for education, and economic complexity for income. While these correlations do not necessarily imply (unidirectional) causalities, they provide an overview of the structural weaknesses associated with poor development outcomes. For instance, while the three influencing factors show significant correlations with the outcome

variables, Yemen belongs to the bottom 30 per cent of the distribution in terms of its performance on each of the influencing factors, which shows the need for structural changes to address health-care, educational and economic limitations. Furthermore, similar to the performance of sub-Saharan African countries and other very highly challenged countries (such as Afghanistan in South Asia, and Haiti in East Asia and the Pacific), Yemen appears as an outlier above the regression line in the three cases, which implies a higher level of challenges compared with other countries that have similar scores on the influencing factors. This suggests that, in addition to structural changes, policies should consider how to better use available resources and capabilities.

Figure 3. Human development components: influencing factors





Source: ESCWA calculations.

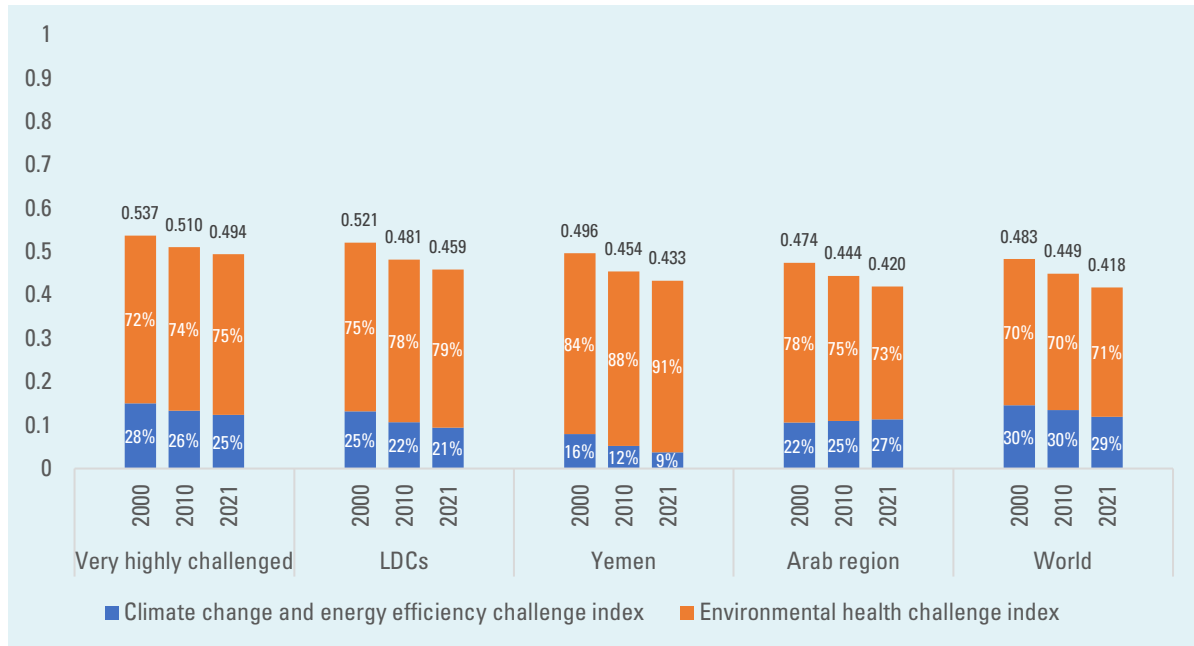
On environmental sustainability, Yemen scores lower than both the LDC group and the group of very highly challenged countries, and witnesses (similar to the other country groups) decreasing challenges over the past two decades (figure 4). However, this reduction is a result of a decrease in the climate change and energy efficiency challenge, along with a nearly constant environmental health challenge. Most countries and regions (with the exception of the richest and least challenged ones) face higher environmental health challenges compared with climate change and energy efficiency challenges. However, the share of the

environmental health challenge for Yemen is by far higher than that of the other country groups. This shows that issues related to air pollution and access to water and sanitation, amongst others, are still alarmingly high. In contrast, the climate change and energy efficiency challenge has not witnessed a similar increase, but it is important to keep in mind the impact of conflict on economic activity. For instance, while economic growth is often linked to climate change and higher energy consumption,⁵ Yemeni GDP has fallen by nearly 50 per cent since the beginning of the war.⁶

5 See for example Ahmet Atil Asici, *Assessing the Impact of War in Yemen: Pathways for Recovery*, 2011; Susan Paulson, *Economic growth will continue to provoke climate change*, 2022; and Klaas Lenaerts and others, *Can climate change be tackled without ditching economic growth?*, 2021.

6 World Bank's World Development Indicators, 2023.

Figure 4. Environmental sustainability challenge index scores, 2000, 2010 and 2021

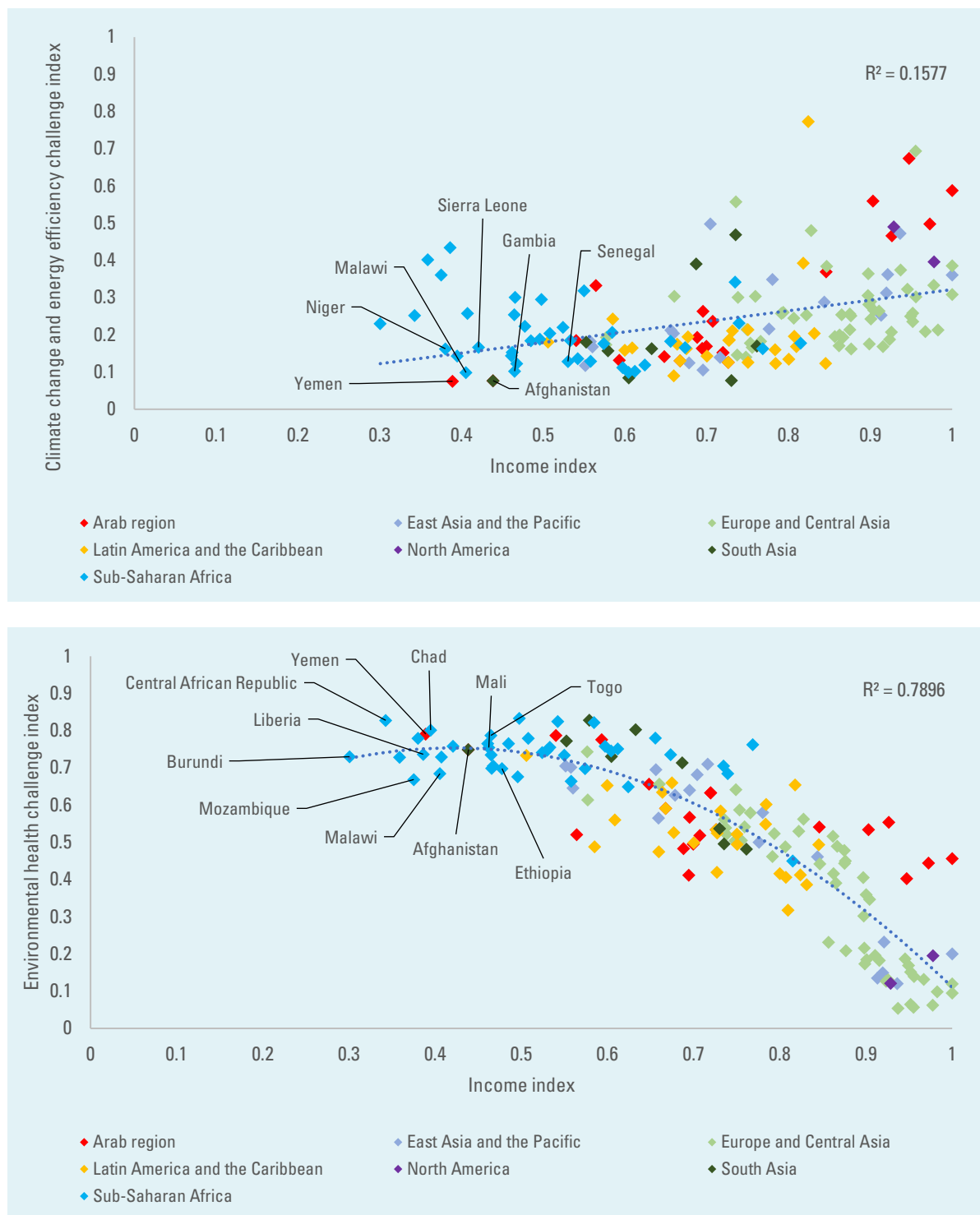


Source: ESCWA calculations.

Figure 5 proves this argument. In particular, it shows a weak (yet positive) relationship between the climate change and energy efficiency challenge and per capita income. However, even with its low income level, Yemen appears below the regression line, implying a lower challenge than what would have been expected given its income score. This is again mainly attributed to reduced economic activity owing to conflict. Figure 5 also shows a stronger relationship between income and environmental health, with a

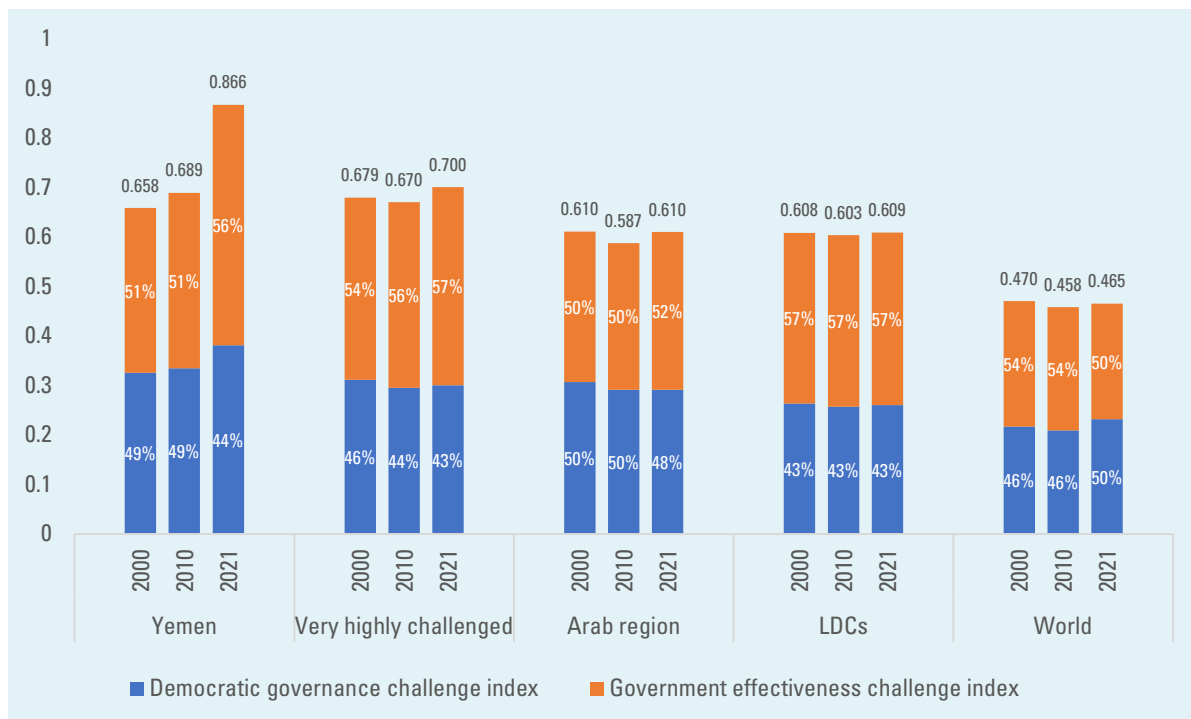
similar shape to the environmental Kuznet's curve. In this case, Yemen appears above the regression line, suggesting higher environmental health challenges compared with its income level. In the two cases, the performance of Yemen is different than that of other Arab countries (including conflict-affected ones) and closer to that of sub-Saharan African countries, given the country's already poor conditions and severe deprivations that have been exacerbated, rather than created, by the conflict.

Figure 5. Income index versus environmental sustainability components



Source: ESCWA calculations.

Figure 6. Governance challenge index scores, 2000, 2010 and 2021



Source: ESCWA calculations.

Regarding the governance challenge index, Yemen scores highest globally with a very high challenge score of 0.866 in 2021 compared with 0.658 in 2000 (figure 6). This component, which constitutes an enabler for development improvements, witnessed an alarmingly large increase between 2010 and 2021. While other country groups (including the world's average) also witnessed increases in their scores over the past decade, the increase in Yemen (both absolute and percentage) is the largest. In view of the ongoing conflict, this creates a double burden as the Government is not able to provide citizens with basic needs and services or to implement effective policies to enhance other dimensions of development. This deterioration is clearly caused by regressing government effectiveness, which constitutes the

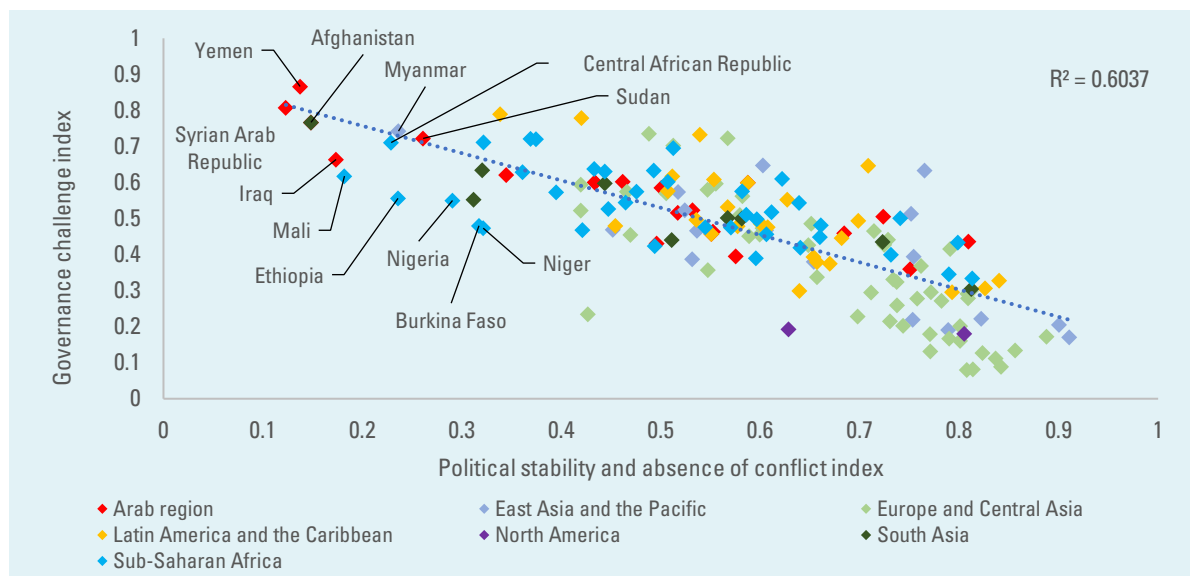
larger share of the governance challenge as a result of the massive destruction of infrastructure and public services. Government effectiveness also constitutes the higher share of the governance challenge in the other country groups (with the exception of the world's average), given its high association with income and conflict and their respective repercussions. Poor infrastructure, powerless institutions and low incomes have left the State with limited capacity to tackle development challenges, or to even sustain the slight progress made between 2000 and 2010.

The association between political stability and the absence of conflict, on the one hand, and governance performance, on the other, is depicted in figure 7. While higher levels of

stability and absence of conflict are associated with low governance challenges, Yemen has the second-lowest score on the World Bank's political stability and absence of violence/terrorism indicator and the highest score on the governance challenge index, showing a performance close to that of other countries plagued by conflicts (such as the Syrian Arab Republic in the Arab region, Afghanistan in South Asia, and Ethiopia in sub-Saharan Africa). Moreover, Yemen appears above the regression line, suggesting a poorer governance performance relative to its political stability score. Conflict in Yemen, which was an already underdeveloped country, has exacerbated pre-existing challenges and created one of the world's severest humanitarian crises. Consequently, ending violence in all its forms is a prerequisite to effective institutions, which are the basis of a development breakthrough.

Several indices demonstrate the governance and structural challenges faced by Yemen. The "States of Fragility" series of the Organisation for Economic Co-operation and Development (OECD) covers risk exposure and insufficient national capacity to address or mitigate those risks. Yemen is considered an extremely fragile State, with severe economic, environmental, political, security and societal fragility.⁷ In addition, Yemen is also considered fragile by the Conflict Assessment System Tool of the Fund for Peace, which determines the Fragile State Index (FSI). FSI annually ranks various indicators that affect a country's level of fragility: the lower the score, the greater the stability (table). Of 178 countries, Yemen ranked first in FSI in 2020 and is among the "most worsened" under this indicator in the past decade, as a result of ongoing armed conflict and humanitarian crisis. Like Somalia, Yemen is described as "very high alert".⁸

Figure 7. Political instability versus governance challenge index



Source: ESCWA calculations.

7 OECD, States of Fragility, 2020.

8 Fund for Peace, Fragile States Index 2020: Annual Report, 2020.

FSI scores, 2020 (Rankings across all 12 FSI indicators)

	Yemen	Somalia	Sudan
Security apparatus	9.7	9.8	8.4
Fractionalized elites	10.0	10.0	9.4
Group grievance	9.7	8.6	9.4
Economic decline	9.4	9.1	8.1
Uneven economic development	7.8	9.4	8.0
Human flight and brain drain	7.0	8.9	8.0
State legitimacy	9.9	8.9	9.3
Public services	9.5	9.1	8.3
Human rights and rule of law	10.0	9.0	8.9
Demographic pressures	9.8	10.0	9.1
Refugees and internally displaced persons	9.7	9.1	9.3
External intervention	10.0	9.0	8.6
Total	112.4	110.9	104.8
Ranking	1st	2nd	8th

Source: Fund for Peace, Fragile States Index 2020: Annual Report, 2020.

Furthermore, the security situation in Yemen is complex, with active conflict and tension between various parties, including local, regional and international actors. Several years of high-intensity armed conflict have caused deep fragmentation within the country, with a multiplicity of political and military entities fighting on numerous fronts. Until now, United Nations

mediation efforts to reach a peace agreement have been unable to persuade the warring parties to compromise, despite the situation in Yemen being recognized as “the world’s worst humanitarian crisis”.⁹ This has further exacerbated the structural institutional weakness and inability of fragmented Yemeni institutions to effectively provide public services to citizens.

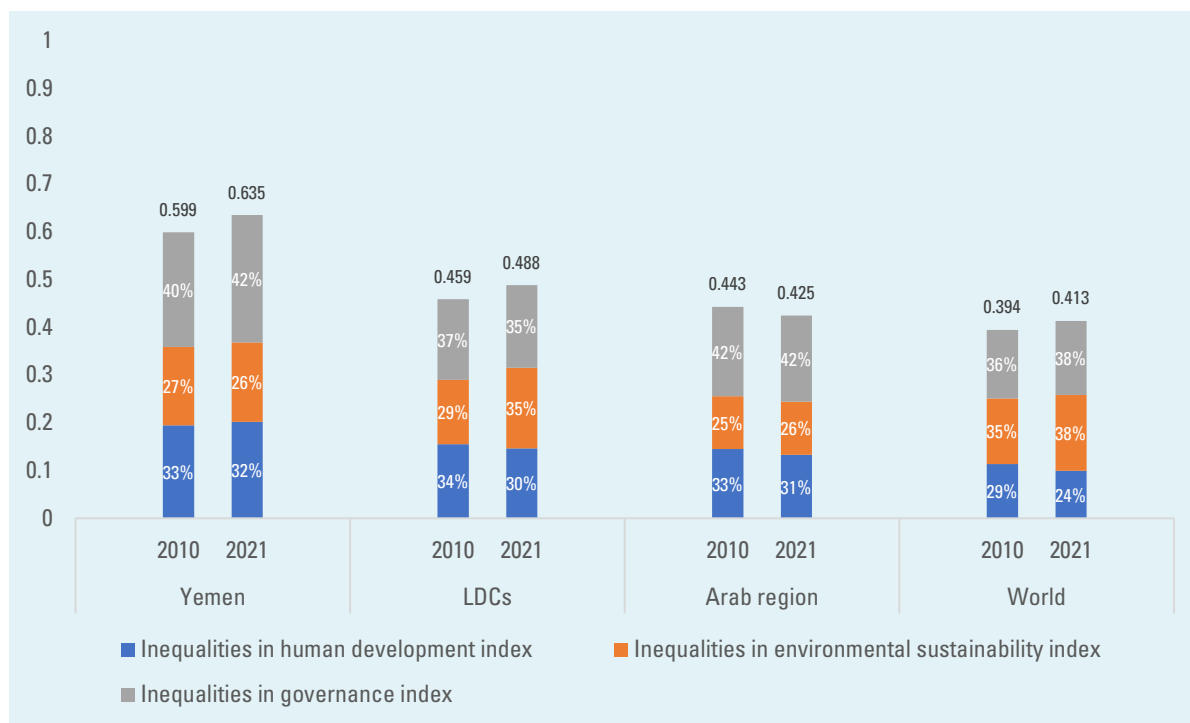
9 United Nations, Humanitarian crisis in Yemen remains the worst in the world, warns UN, 2019.

2. Development inequalities

In addition to the very high level of challenges, Yemen also shows a very high level of inequalities, ranking first globally on DII in 2010 and second in 2021. Figure 8 shows a noticeable increase in inequality in Yemen over the past decade. This means that disadvantaged groups are more worse off than what DCI findings show. Inequalities have also been exacerbated by conflict, with an increase from 0.599 to 0.635 in the Yemeni DII score between 2010 and 2021, compared with smaller increases for the LDC group and the world's average, and a slight

decrease in the Arab average. As for the components' contribution to the overall DII, governance inequalities play the biggest role with a share of 42 per cent in 2021, which is also the case for the Arab region. Interestingly, the high degree of governance inequalities in Arab countries is also being translated into high inequalities in basic human development aspects. For instance, among the country groups studied, human development inequalities constitute the second-largest share of DII in both Yemen and the Arab average.

Figure 8. DII scores, 2010 and 2021

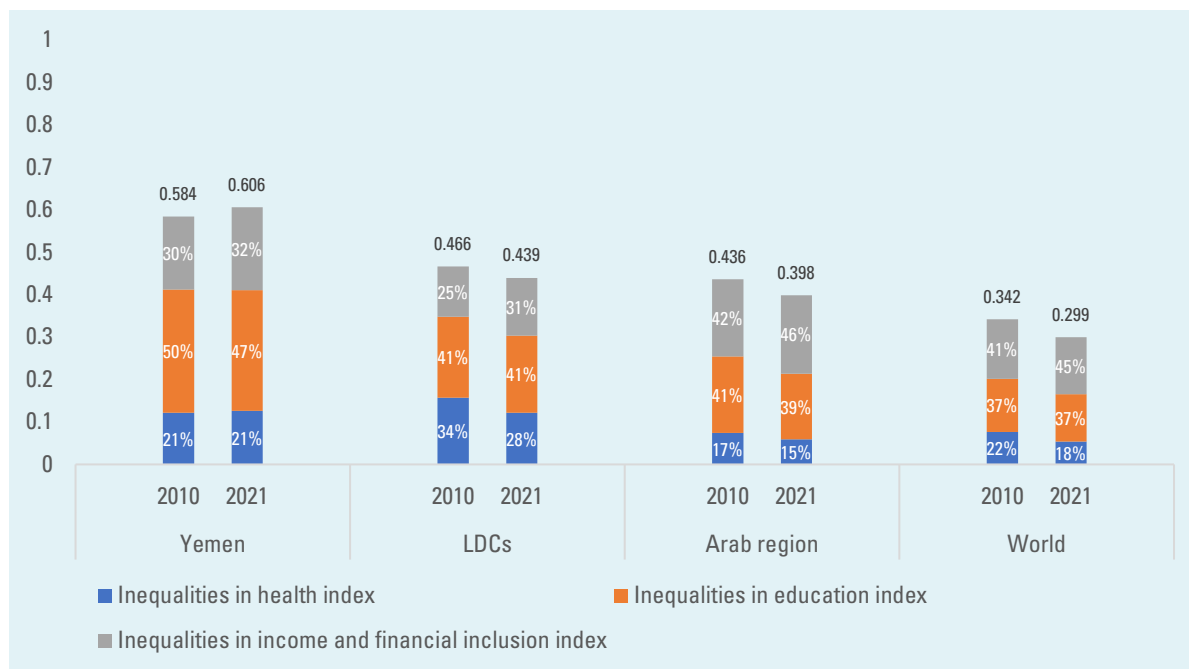


Source: ESCWA calculations.

Figure 9 highlights human development inequalities. The findings show that while all country groups have made improvements and progressed to medium and low levels of inequalities, inequality levels in Yemen have increased, with a score significantly above the very high inequality threshold. As opposed to the Arab and global averages, where wealth and financial inclusion inequalities constitute the highest share of human development inequalities, LDCs in general and Yemen in particular show higher degrees of inequality coming from the education component. This is because very low income (and wealth) levels are often associated with low degrees of inequalities. Education inequalities in these countries are mainly driven by income and wealth inequalities, social norms and limited access, owing to a lack of government resources to provide adequate education, among other issues. Reducing education disparities is an important end in itself and a means to enhance social mobility.

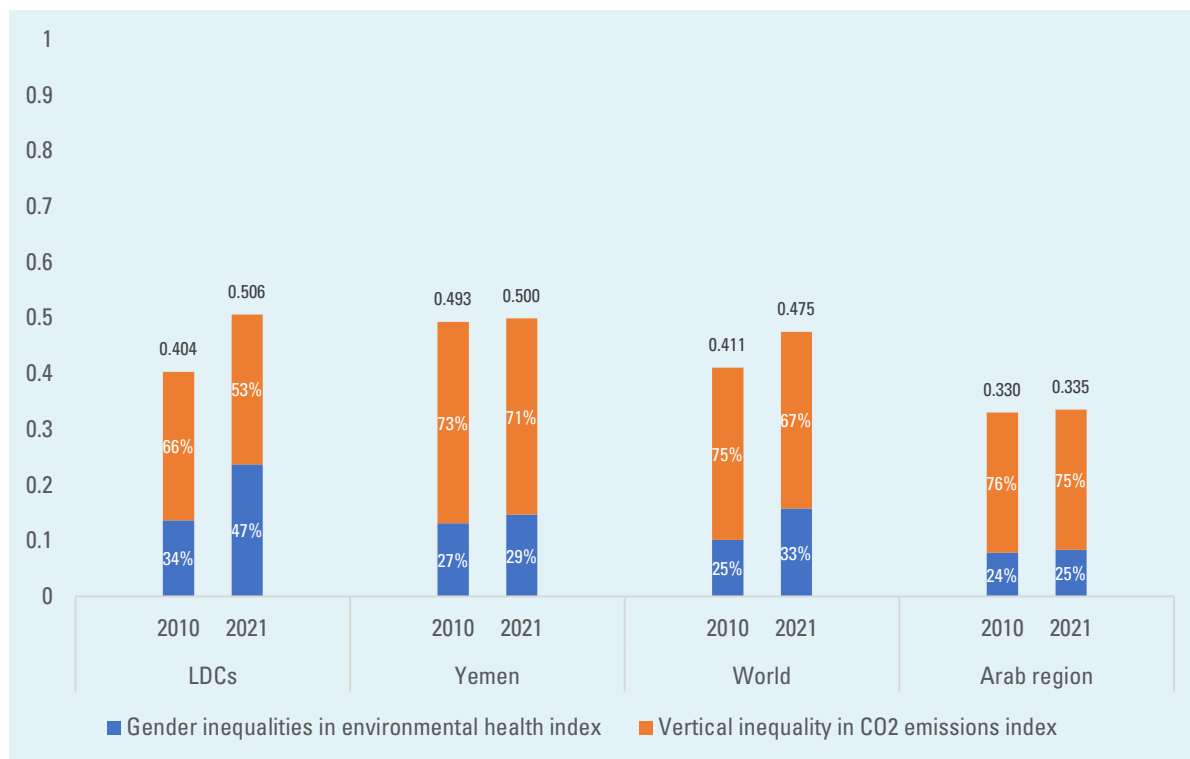
Inequalities in environmental sustainability represent the smallest share of DII for Yemen, which performs slightly better than the LDC average, with a nearly constant score over the past decade (figure 10). Similar to the other country groups, the higher share of environmental inequalities comes from inequalities in the CO₂ emissions component. The environmental health component looks at gender disparities in mortality rates attributed to a lack of WASH services and to air pollution. Low environmental health inequalities can therefore be explained by the fact that both females and males face harsh living conditions and poor access to services, in addition to air pollution owing to conflict and its impact on public services and infrastructure. Consequently, the shares of the two components do not imply very high (vertical) CO₂ emissions inequality in absolute terms, but rather in relative terms.

Figure 9. Inequalities in human development index scores, 2010 and 2021



Source: ESCWA calculations.

Figure 10. Inequalities in environmental sustainability index scores, 2010 and 2021



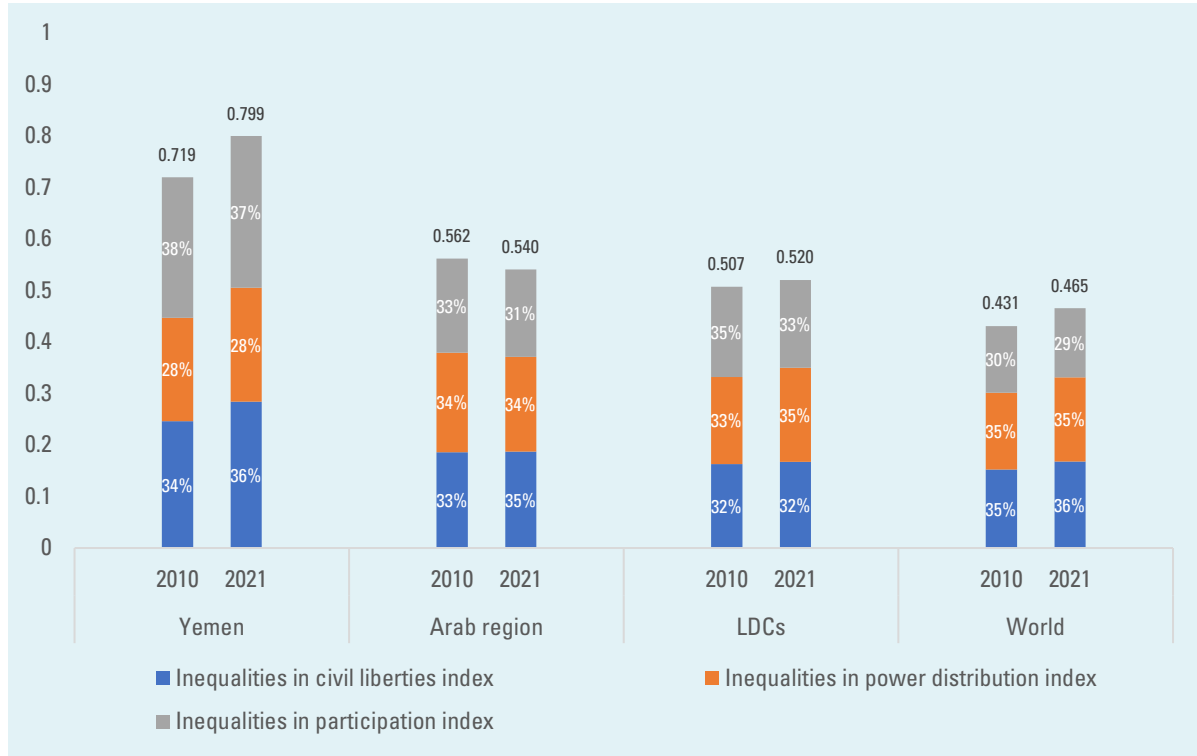
Source: ESCWA calculations.

Note: Owing to data availability issues, environmental health inequalities data for 2016 were used for 2010.

Inequalities in political power and participation, fuelled by religious, social and cultural norms, prevailed in Yemen long before the onset of conflict. While governance inequalities have increased globally over the past decade, crises and conflicts often lead to deepening gaps and disparities on various fronts, including governance and representation. As a result, governance inequalities in Yemen significantly increased from an already very high score of

0.719 in 2010 to 0.799 in 2021, resulting in a large gap separating the score of Yemen from those of the other country groups (figure 11). Under-representation of women and other groups, such as ethnic and religious minorities, has led to participation inequalities holding the highest share of overall governance inequalities in Yemen, compared with more evenly distributed shares of the three components in the other country groups.

Figure 11. Inequalities in governance index scores, 2010 and 2021

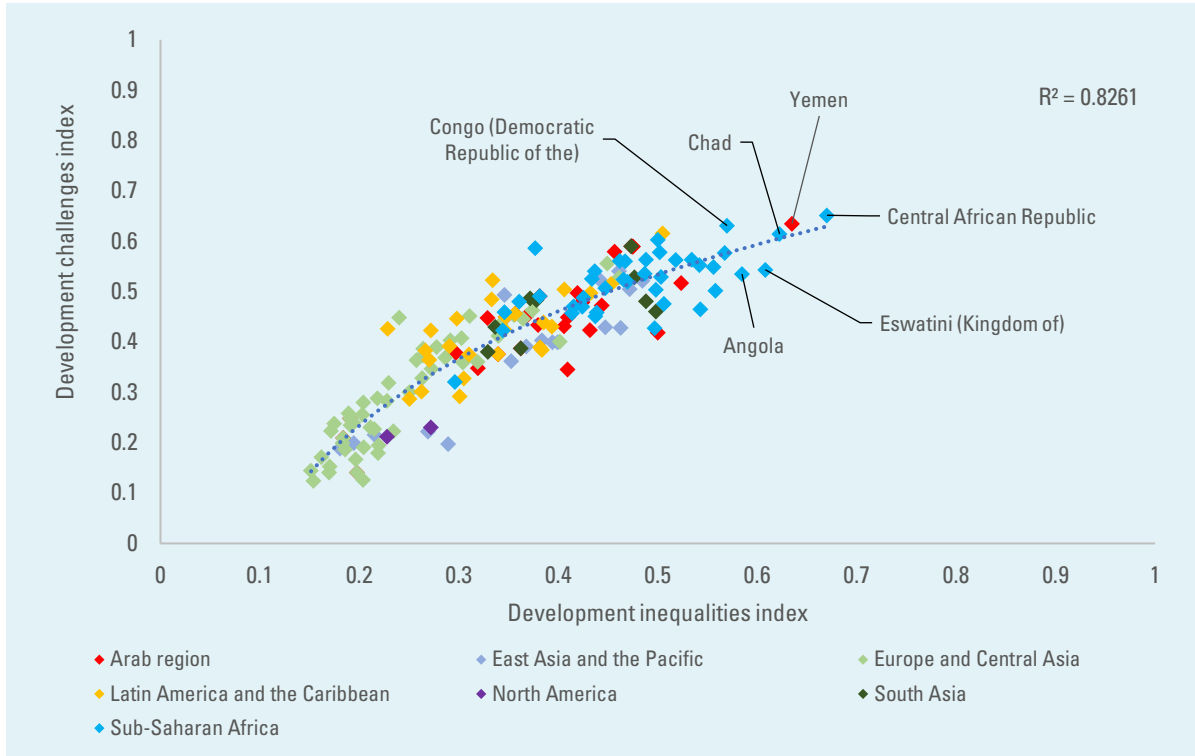


Source: ESCWA calculations.

Working on reducing inequality in all its forms and targeting disadvantaged groups are crucial to reducing development challenges. Figure 12 shows a very strong correlation between DCI and DII; however, this correlation becomes flatter at high and very high inequality levels. This means that challenge and inequality reduction are more strongly correlated and tend to go hand-in-hand after reaching a specific “critical juncture”. While this does not

necessarily imply a (unidirectional) causal relationship, working on reducing inequalities and improving the well-being of those who are left behind in Yemen is a vital first step towards improving the development status quo of the country, especially given its position as the second-ranking country globally in terms of both its challenge and inequality levels, and the only non-African country to join the group of countries with very high levels of inequalities.

Figure 12. Development inequalities index versus development challenges index



Source: ESCWA calculations.

3. Economic resilience

The present section sets out results from a proposed initial measurement framework for the economic resilience index.

Yemen, which has long been one of the poorest countries in the region and globally, is now witnessing armed conflict resulting in severe economic and humanitarian crises. This has created an additional burden on the Yemeni economy. Real GDP growth has been significantly affected by the conflict and declined from an average of 0.4 per cent over the period 2010–2014 to -28 per cent in 2015. Economic growth, which was also affected in 2019 by the COVID-19 pandemic, increased slightly to 2 per cent in 2022 but remains negative, on average, for the period 2016–2022. Slow economic growth is coupled with a high and increasing inflation rate, which reached 43.8 per cent in 2022.

The Yemeni unemployment rate stands at 13.3 per cent, nearly equal to the pre-conflict rate. However, Yemeni employment suffers from high informality (77.4 per cent of total employment in 2014)¹⁰ and high working poverty (56.8 per cent),¹¹ which creates a vulnerable labour market and a lack of decent jobs. All of these factors have led to an extreme poverty headcount of 65 per cent,¹² which in turn forces many people to remain employed and accept any type of work, including

non-decent and low-paid jobs. The current account deficit also increased from 3.4 per cent of GDP in 2010 to 11.4 per cent in 2022. This is combined with shrinking foreign direct investment and total reserves, with the former reaching -1.3 per cent of GDP and the latter only paying for 1.22 months of imports, based on the latest available data.

As a result of these economic challenges, Yemen shows a poor performance on ERI, which looks at resilience to both traditional shocks (measured using reliance on traditional sources of income and financial resilience) and future shocks (measured using economic complexity and technological readiness).¹³ The Yemeni ERI score stands at 0.299, lower than that of the country groups studied, including the LDC group. Moreover, Yemen ranks 125th of 131 countries on ERI. This shows that in addition to conflict and its economic repercussions, the Yemeni economy suffers from high vulnerabilities which, together with political unrest and uncertainties, make any prospects for economic recovery bleak. A slightly better performance is depicted in the resilience to traditional shocks pillar compared with the resilience to future shocks pillar, given the poor technology infrastructure, on the one hand, and contracted trade and agriculture production owing to conflict, on the other.

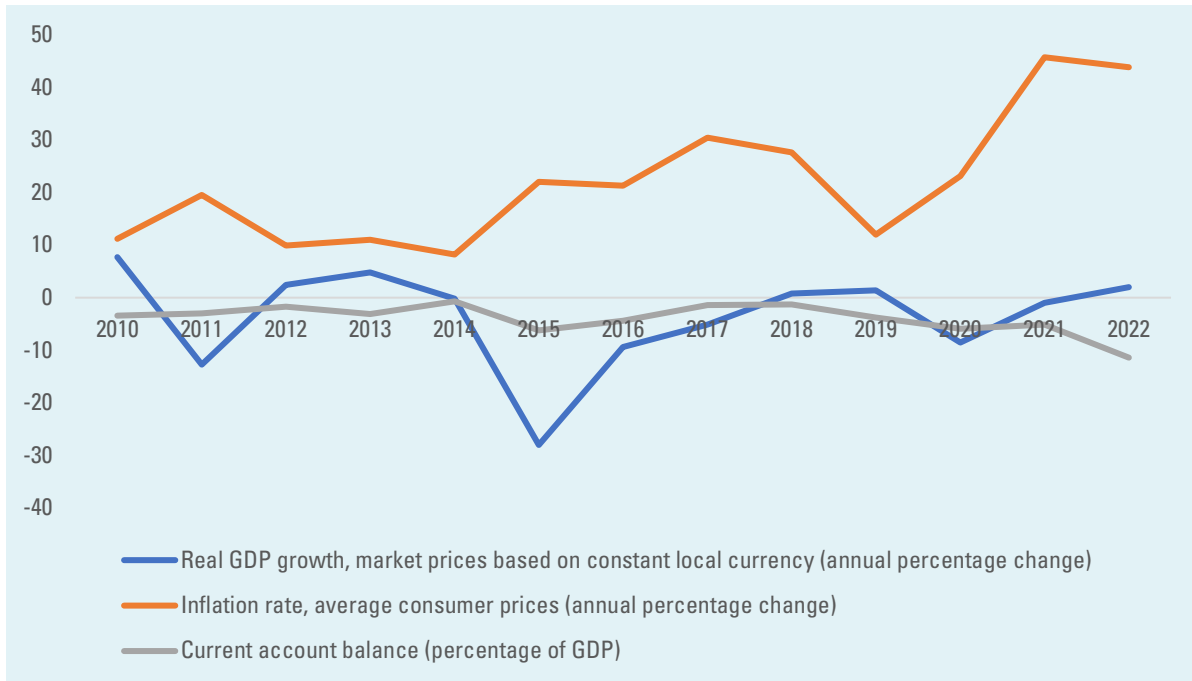
10 ILOSTAT (2023).

11 Ibid.

12 UNDP, *Assessing the Impact of War in Yemen: Pathways for Recovery*, 2021.

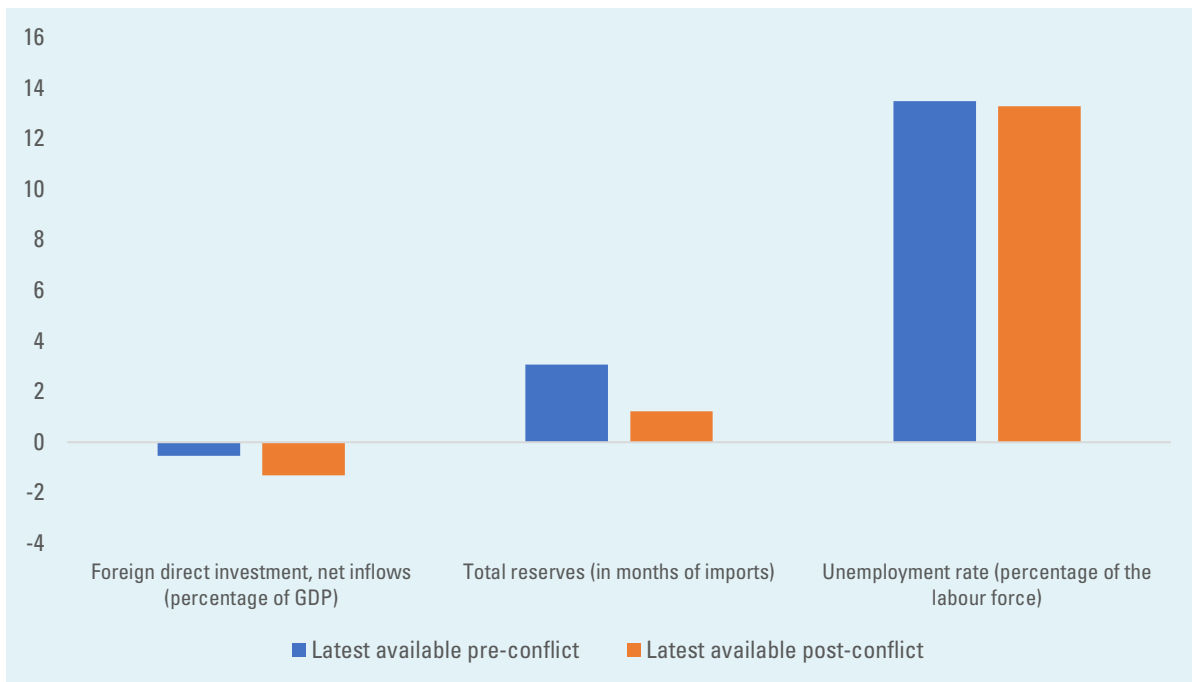
13 For additional information on ERI, see the annex to the present study.

Figure 13. Economic indicators in Yemen, 2010 to 2022



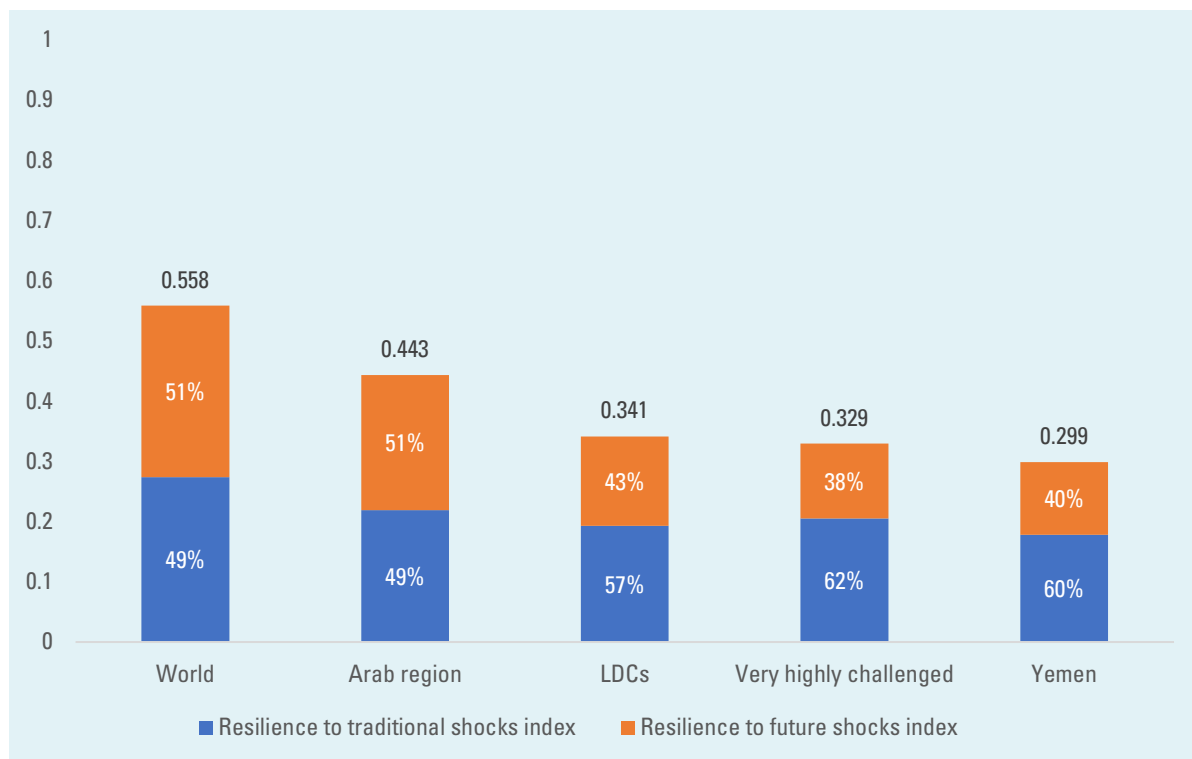
Source: Data from the International Monetary Fund.

Figure 14. Additional economic indicators in Yemen, pre-conflict versus post-conflict



Source: ILOSTAT and World Development Indicators database.

Figure 15. ERI scores, latest available data



Source: ESCWA calculations.

4. Conclusion

The present study analyses the development situation in Yemen, based on findings from three indices proposed by ESCWA to measure development challenges, development inequalities, and economic resilience. The results show that Yemen ranks second of 159 countries in terms of both its development challenges and inequalities, and 125th of 131 countries in terms of its economic resilience. Changes over time also show alarming trends mainly caused by conflict, which contributed to the deterioration of an already poor development status. Governance challenges and inequalities constitute the largest shares of DCI and DII, respectively, and resilience to future shocks is the economy's most pressing issue.

The poor performance of Yemen in the various components requires a comprehensive action plan that addresses the multiple interconnected facets of development. However, the starting point should be an inclusive approach to peacebuilding. For instance, as shown by the results, conflict had largely contributed to the regression of development in the country and has left many people behind. In addition, construction and reconstruction plans require governance and institutional reforms, as any work towards development improvements cannot be sustained amid State collapse or failure. Governance is not only a development end in itself, but also a means to ensure better outcomes on various fronts, including health, education and equal distribution of resources.

The last decade has been characterized by worsening crises and poverty in Yemen, further

exacerbated by a full-scale civil war. There are a number of underlying fundamental structural issues that have contributed to the current state of affairs. These issues have been aggravated by emerging challenges during the past decade, all of which need to be addressed. Fundamental structural issues include internal ones, such as weak governance, the excessive reliance on the export of raw materials, low education standards, weak social and administrative infrastructure, weak human and financial capacities, low investment, and low productivity. Yemen continues to be exposed to multiple crises, including armed conflict, climate shocks and health emergencies. A lack of resilience in the Yemeni economy transforms short-term shocks into protracted crises, resulting in chronic 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 weakened the country's current and future development potential.

Sensible economic policies to revive economic activity should also be prioritized to ensure a resilient economy, on the one hand, and to provide the resources needed for institutions to deliver effectively and ensure the welfare of citizens, on the other. All these policies should be pro-employment and consider creating decent jobs which constitute an essential link between macro-level development and household development and well-being. Moreover, it is equally important for these policies to consider knowledge and innovation generation, given the increasing role of new

technologies in the economy and the strong link between knowledge-based economies and the sustainability of economic growth.

Regional and international support are necessary for both the peacebuilding and recovery stages. For instance, coordinated

international efforts are needed for political stabilization and peacebuilding in Yemen. At the same time, a lack of financial resources in the country requires regional and international financial assistance mechanisms to support reconstruction and reform plans, and to restore economic and financial stability.

Annex

Proposed economic resilience index

Dimension	Sub-dimension	Sub-index	Indicator
Resilience to traditional shocks index	Real economy resilience index	Commodity exports dependency index	Share of commodity exports to GNI
			Export concentration index
		Tourism dependency index	Share of tourism receipts to GNI
	Agriculture dependency index	Share of agriculture value-added to GNI	
	Financial resilience index		Debt-to-GDP ratio
			Credit ratings
Resilience to future shocks index	Economic complexity index		Economic complexity
	Technological preparedness index	Technology in governance index	ICT use and government efficiency
			E-participation
			Online service
		Technology in workforce index	Digital skills
			Knowledge-intensive employment
		Emerging technologies index	Company investment in emerging technologies
			Adoption of emerging technologies

Note: The different components of the index (as well as the overall index) were aggregated using arithmetic averages with equal weights.

The present study analyses the development situation in Yemen, based on findings from three indices proposed by ESCWA to measure development challenges, development inequalities, and economic resilience. The findings reveal that Yemen ranks second of 159 countries in terms of both its development challenges and inequalities, and 125th of 131 countries in terms of its economic resilience. Changes over time also show alarming trends, mainly caused by conflict which contributed to the deterioration of an already poor development status. Governance challenges and inequalities constitute the largest shares of the development challenges index and the development inequalities index, respectively, and resilience to future shocks is the economy's most pressing issue. A lack of resilience in the economy has transformed short-term shocks into protracted crises, resulting in chronic poverty, displacement and loss of livelihoods. To address these issues, sensible economic policies are necessary to prioritize creating decent jobs and to generate knowledge and innovation. International support for political stabilization and peacebuilding, and financial assistance mechanisms for reconstruction and reform plans, are also essential. Most notably, a comprehensive action plan is necessary, beginning with an inclusive approach to peacebuilding. Governance and institutional reforms are essential to ensuring that construction and reconstruction plans are sustainable, and for development improvements to be maintained.

