

While the number of officially confirmed COVID-19 cases increased sharply, devastating rains and flooding compounded Yemen's dire economic and humanitarian conditions. Food security continues to deteriorate with the practical end of Saudi Arabia's food import facility, recent floods, infestation of swarming locusts, and rising food prices. Increasing fragmentation of national capacity further complicates management of socio-economic conditions.

In April Yemen was hit by once-in-a-generation floods, which claimed several lives and injured dozens.

Torrential rains and flooding swept across Yemen's northern governorates (Marib, Sana'a) in mid-April. A week later, intense rains reached the country's southern parts (Aden, Lahj, Abyan, Taizz, Al Dhale'e, Shabwah, Hadramaut), which had hardly recovered from the previous flooding at end-March.¹ Shelters for internally displaced people (IDP) were particularly hit hard with a loss of food stocks. Crops and livelihoods were washed away, and irrigation systems were destroyed, with implications for household income and agricultural production in 2020. In Aden, the absence of effective drainage system and stormwater management contributed to the severity of flooding. Rainwater ran off roads and bridges without control, ravaged houses and buildings, especially those that were built randomly near the flood ducts and knocked down electricity and other services. Problems with weak drainage system were exacerbated by poor waste management, which allowed clogged sewage and drainage systems to overflow. Water supplies were contaminated as a result, while much of floodwaters stagnated in low areas, providing an ideal condition for infectious diseases to spread. In flood events, rapid provision of water, sanitation and hygiene (WASH) services is key to limiting the outbreak and spread of diseases. Provision of water for handwashing, regular maintenance of shared sanitation facilities, safe management of septage and wastewater, and increased messaging on handwashing and safe sanitation practices are among these measures to prevent the spread of diseases.

Salary disbursements by the Government in Aden have stagnated in recent months. Sources suggest that since January 2020, salary payments to military and security personnel in the areas under the Government's control ("the south") suffered frequent delays and limited geographical coverage.² Disbursements of January 2020 salaries to the special security forces in Aden and Abyan were confirmed only in early April. Delays in salary disbursements were not reported in governorates with local revenue sources, (Hadramout and Marib). There are no reports to confirm delays or disruptions of monthly payments to civil servants in central ministries in Aden, including the revenue authorities. The Government in Aden blamed the Southern Transitional Council (STC) for salary payment delays.

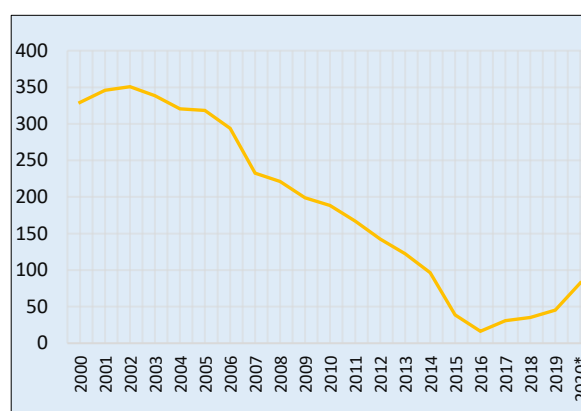
¹ OCHA YEMEN: *Flash Floods Flash Updates No. 2 and 3, April 2020.*

² Salary payments to military and security personnel are more complicated in the absence of an automated payroll system. Provision of incentives for extra security measures, increasing political divides, and corruption allegations also factors that may have contributed to payment delays.

On April 25, 2020, the STC declared a state of emergency and self-rule in the southern governorates that were part of an independent state prior to the 1990 unification. In its official statement, the STC blamed the Government in Aden for the failure to carry out its duties, referring to: the non-payment of salaries and pensions to public employees and retirees (including military and security personnel) for months; and the deterioration of public services, which intensified human suffering during the recent floods.³ Since the declaration of state of emergency, the STC has announced plans aimed at improving its autonomous control over public functions in the south. Some of the reported measures include requesting all government agencies (central and local) to deposit public funds into the special accounts designated by the STC for self-administration with National Bank of Yemen (Al Ahli Bank of Yemen), a publicly-owned commercial bank headquartered in Aden. As of end-April, it is not very clear if the new measures have affected day-to-day management of economic institutions in a significant manner. The Government in Aden has rejected these measures as unconstitutional and illegal, and requested all central and local authorities to follow legal normal procedures and compliance norms for managing public resources.⁴

The Government in Aden continues to pursue its ambitious plan to expand oil production despite the considerable fall in crude prices. Efforts to resuscitate the oil sector in 2019 were marked by the returns of a few foreign investors (OMV and Calvalley) and start of the Marib-Shabwa export pipeline construction. The Government envisages a 75 percent increase in the crude oil production capacity in 2020 (Figure 1, Table 1). As of April, no operator in Yemen has shut in production.⁵ Although oil producers can generally afford to continue production for a while in a very low oil price environment, there is a possibility that foreign investors in Yemen could give a second-thought, given the relatively high cost of oil production (compared to abundant accessible oil in the GCC), continued security concerns and deteriorating political conditions.

Figure 1. Yemen Oil Exports (million barrels per year)



Source: Ministry of Oil and Minerals.

³ <https://stc-eu.org/en/stc-announces-self-rule/>

⁴ Ministry of Finance letter dated 29 April 2020.

⁵ The cost of extracting oil from the Yemeni fields at this stage equals the value of the sale in the global markets, and there is a deficit between resources and expenditures, said the governor of the CBY, Dr. Ahmed Al-Fadhli, in an interview published in the newspaper "Asharq Al-Awsat" on May 6, 2020.

Table 1. Oil Production (thousand barrels per year)

Basin	Block	Operator	Production	
			2019	2020*
Marib-Shabwa	18	SAFER (State-Owned)	1,660	4,680
	4	YICOM (State-Owned)	76	18
	5	Jannah Hunt	0	5,826
	S2	OMV	4,296	4,757
	S1	Occidental/Trans Globe	0	0
Masila (Hadramout)	14-10-53-51	PetroMasila (State-Owned)	10,822	12,647
	9	Calvalley	608	2,685
	43-32	Under court of arbitration	0	0
Total			17,462	30,613

* Estimate (March 2020).

Source: Ministry of Oil and Minerals.

In Sana'a, the *de facto* authorities also introduced new economic measures, including the reshuffling of key economic positions.⁶ On April 16, the *de facto* authorities announced the payment of half-month salaries to all public employees in the north, drawing from the Central Bank of Yemen (CBY) Hodeidah's special account overseen by the UN for public salary payments. Since November 2019, taxes and customs levied on commercial importation of fuel through Hodeidah, Saleef and Ras Issa ports had been set aside in a special account with the CBY's branch in Hodeida under UN supervision, in accordance with the Stockholm Agreement. The pooled resources, supplemented by transfer from the Government in Aden, were to be used to pay salaries to all public employees nationwide. The authorities stated that the decision to withdraw funds from the special account was made after considerable delays in implementing the agreement. Since its relocation to Aden in September 2016, the Government in Aden it had made only very limited salary payments to selected civil servants in areas controlled by the Sana'a authorities ("the north").⁷ Since December 2019, no public sector workers in the north not received any payment from the Government in Aden. The landmark commitment by the Government in Aden to make regular salary and pension payments across the country, as envisaged in the 2019 State Budget, was not fulfilled.

On April 19, the CBY in Sana'a launched a new e-government payment system in April in collaboration with the commercial banking sector. The electronic payment system (Money Pay), still in its pilot phase allows businesses and individuals to pay government fees, customs and taxes electronically through CAC Bank's digital payment platform and e-wallets. In the context of COVID-19, an e-payment system is a convenient and safer alternative to the traditional means of payment, which entails handling of physical currency (cash or checks) and a visit to crowded government offices. The development of the e-government payment system is part of the new efforts to promote the use of e-rial, which was launched

⁶ Hashem Ismail Ali Ahmed (also known as Abu Hilal) has been appointed as new Governor of the CBY (Sana'a). His predecessor, Rashid Abu Lohom, has been appointed as Minister of Finance and Deputy Prime Minister for Economic Affairs. The former Minister of Finance, Sharafuddin al-Kohlani, has been reappointed as Head of General Corporation for Social Security (private sector pension and social insurance program).

⁷ During 2019, the Government in Aden made partial salary payments to a limited number of civil servants in the north working in judiciary, health and higher education. These payments have been suspended since December 2019 when the ban on new banknotes were tightened by the *de facto* authorities in Sana'a.

together with the illegalization of new banknotes.⁸ The *de facto* authorities in Sana'a stress that the new payment system is to accelerate the ongoing "financial inclusion" drive through the modernization of the Central Bank's digital infrastructure and services (switching 90 percent of the government transactions into electronic payments by end of 2020) and greater transparency and efficiency for the financial functions and government transactions. The authorities aim to process 90 percent of government transactions electronically by 2021.

Officially confirmed cases of COVID-19 are growing sharply, but the actual number of cases may be much higher. Given the country's weak health system and limited testing capacity, Yemen has little effective means of tracking the spread of the virus. Reportedly, those with symptoms avoid seeking treatment due to fears of repercussions for their family and detainment. It is likely there are already more infected people in Yemen who have not been reported. Yemen's ability to deal with COVID-19 is limited, given the already weakened public health system, limited state capacity, and no fiscal space. Large-scale human displacement, poor health conditions (malnutrition, diarrhea), and lack of access to clean water, sanitation and hygiene (WASH) services have created an extremely vulnerable condition for an outbreak of infectious diseases (see Annex 1). Aid agencies are rapidly responding to Yemen's needs by providing supplies, equipping designated COVID-19 hospitals and isolation units, and helping health authorities to suppress transmission. The country's capacity to fight COVID-19 will be further constrained as Yemen has to confront the outbreak of other infectious diseases (cholera, swine flu) at the same time.

Harmonized responses to COVID-19 are key to preventing the spread of the virus and mitigating the impact. Given the multiplicity of actors in charge of public health, harmonized responses to COVID-19 are absent in Yemen.⁹ Several local authorities including in Sana'a have intensified precautionary measures to prevent the spread of the virus. These include the closure of land borders between governorates, suspension of public offices, schools and social gathering, quarantine measures at port, and lockdown in neighborhoods with suspected cases or higher risks to the outbreak of COVID-19. There are concerns that the fragmented responses to COVID-19 in Yemen may not be too effective. As is well established in the health literature, besides access to WASH, containment of a pandemic requires changes in public health behavior and adherence to a variety of measures, which are best achieved by harmonized responses.

An increasing number of households experienced income loss due to COVID-19 triggered movement restriction in April. The mobile Vulnerability Analysis and Mapping (mVAM) conducted by the World Food Programme (WFP) finds that more households find it difficult to reach jobs due to mobility restrictions.¹⁰ Amongst households that were working prior to the COVID-19 crisis, approximately 50 percent received either no salary or lower salary than before. Although people are more concerned about going to markets for fear of catching the virus, this has not affected household food consumption. Children were no longer attending school due to school closures. Thus far, official measures (increased screening and check points,

⁸ For further information, see Annex 2 of the *Yemen Monthly Economic Update, January 2020*.

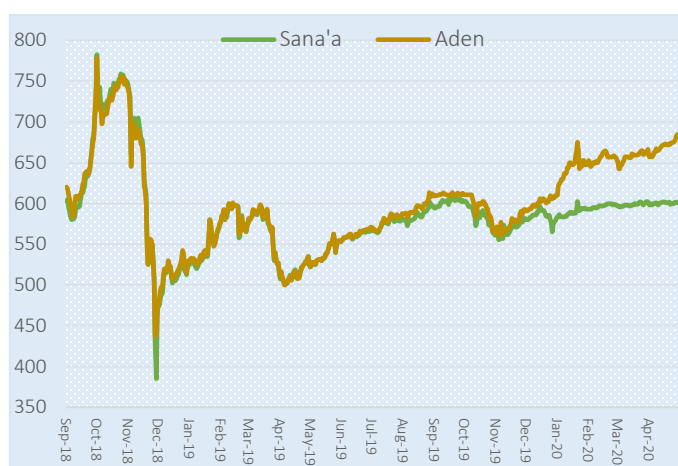
⁹ *COVID-19 In Yemen State Narratives, Social Perceptions, and Health Behaviours*. ACAPS Thematic Report, May 2020.

¹⁰ The finding is based on monthly mobile phone surveys conducted in April 2020. Since July 2015, the WFP has been performing remote phone-based data collection and food security monitoring in Yemen through the mVAM approach. Survey respondents are contacted through a call center and asked to respond to a short series of questions on household food consumption, coping and access to food assistance. Beginning in March 2020, the survey covers approximately 4,200 respondents each month, and each survey reaches just over 140 respondents each day of the month.

border closure) have had no major disruptions in humanitarian operations. Given the importance of humanitarian assistance in supporting basic household needs (food, cash delivery, health, WASH, etc.), even small disruptions can have large impacts on households.

The Yemeni rial began to fall in Aden in the second week of April (Figure 2). After almost 11 weeks of broad stability (trading mostly below YR 650/US\$), the rial began to weaken in the south. Besides concerns over foreign exchange availability, the recent political development in the south may have affected market sentiment negatively. During April, the rial depreciated by 2 percent per US dollar in the south, trading at YR 683 per US dollar at end-April. The magnitude of depreciation was likely contained by COVID-19 related movement restrictions and trade slowdown, which may have softened demand for foreign currency. Observation suggests that negative political developments in the past triggered a much larger fall in the rial. The relatively muted market reaction to the STC self-rule indicates that offsetting forces are at play. The exchange rate of the rial remained stable at around YR 600 per US dollar in the north, as limited availability of old banknotes has helped contain demand for foreign exchange.¹¹ The exchange rate gap between the north and south widened to 14 percent at end-April.

Figure 2. Parallel Market Exchange Rates (Daily Average, YR/US\$)



Source: Data collected from Informal exchange rate markets and staff estimates.

Risks of sharp rial depreciation are very high without external financial support. First, Yemen's official reserves position has weakened considerably, leaving the rial vulnerable to external pressure.¹² Saudi Arabia's deposit with the CBY in Aden has been depleted, after the withdrawal of US\$127 million to support the importation of basic food commodities in April 2020. Although very low oil prices would benefit Yemen (net oil importer), an anticipated decline in remittance inflows, especially from Saudi Arabia, would further put strains on the country's external position.¹³ Second, the likely increase in monetization of the fiscal deficit in 2020 would fuel inflation and in turn exert downward pressure on the rial. Faced with eroding fiscal space resulting from the unprecedented collapse of crude prices, the Government may be forced to tap on the CBY overdraft facility more frequently, to pay salaries to its

¹¹ In mid-December 2019, the CBY in Sana'a announced a complete ban on the use of the new edition of banknotes, printed after September 2016 when the CBY headquarters was moved to Aden. Market reaction to the banknote ban has seen increased speculation on the price of the old banknotes against the new, which led to diverging exchange rates between the areas controlled by two different authorities. For further information, see *Yemen Monthly Economic Update, January 2020*.

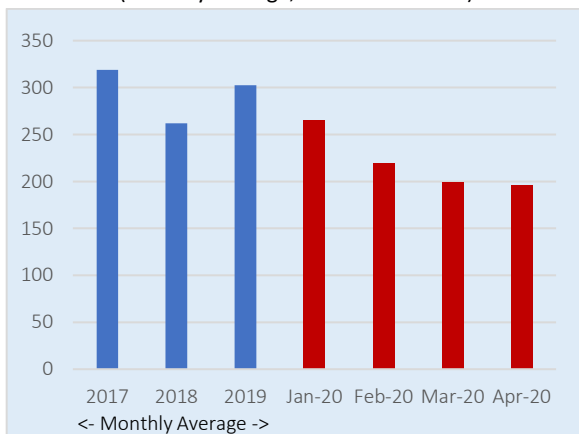
¹² Estimates suggest that Yemen's official reserves at end-2019 stood at US\$1.4 billion (equivalent to 1.6 months of imports), which includes frozen accounts overseas and the balance of Saudi Arabia's deposit.

¹³ In April 2020, Yemen received a debt service waiver from the IMF Catastrophic Containment Relief Trust. However, this will not have any real impact on Yemen's external position, as debt services to the IMF are being made from the country's SDR allocation. Similarly, as Yemen has halted external debt services to G20 creditors, expected debt service relief from G20 will not create additional fiscal space for Yemen.

military and civil servants. As CBY Governor in Aden stated in a press interview, 2020 will be the most challenging year for the State Budget in recent history.

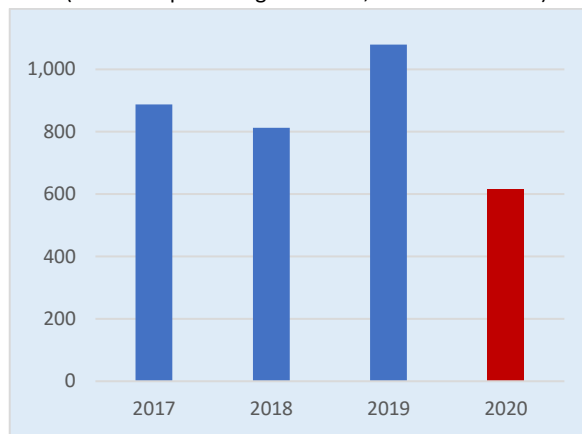
Food imports through Hodeidah and Saleef ports continued to decline in April (Figure 3). According to the United Nations Verification and Inspection Mechanism (UNVIM) for Yemen, the volume of imported food discharged at Hodeidah and Saleef ports have been on the fall since October 2019. The amount of food imported in April, including imports by humanitarian agencies, accounted only for 65 percent of the monthly average in 2019. While trade data exhibit some seasonality, the persistent declines of food imports of this magnitude, especially in the run up to Ramadan, raises concerns (Figure 4). Reportedly, food imports via Aden port declined sharply in March. Several factors appear to have contributed to the recent import compression pattern, including COVID-19 related trade slowdowns and the depletion of the Saudi Arabia’s deposit and CBY’s import financing support, which facilitated food importation in 2019. Delays in entering the port also appears be contributing to reduced food imports, with OCHA reporting higher than average numbers of food vessels waiting security clearance to berth on any given day.¹⁴

Figure 3. Volume of Food Imports Discharged via UNVIM (monthly average, 1000 metric tons)



Source: UNVIM.

Figure 4. Total Food Imports via UNVIM before Ramadan (3 months preceding Ramadan, 1000 metric tons)

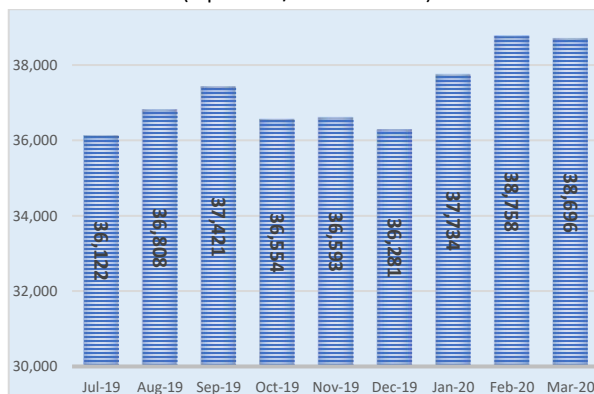


Source: UNVIM.

¹⁴ OCHA Yemen Commodity Tracker (January-March 2020).

COVID-19 related movement restrictions have begun to affect food prices. In March, retail prices of food soared nationwide, reflecting increased transport cost. According to the Market Monitoring Bulletin (March 2020), traders started to take longer routes to deliver foods at a greater cost, in order to avoid COVID-19 related movement restrictions strictly enforced on most direct intra-governorate routes.¹⁵ The price hike was particularly high for fresh vegetables. Imported food prices continued to rise in March, but more moderately compared to February, reflecting likely a decline fuel prices in the south. After rising by a cumulative 6.8 percent during January-February 2020, the national average cost of the Minimum Food Basket (MFB) stabilized at YR 38,696 in March (about US\$61) (Figure 5).¹⁶ As the MFB consists of wheat, rice, beans, sugar, milk, and cooking oil (domestic and imported), and does not reflect prices of many other food commodities consumed by households, such as local cereals, vegetables, and animal products. The Bulletin reports that price increases varied widely among governorates, as local demand for a commodity was affected by the degree of humanitarian assistance and social protection and safety net programs. By governorate, Socotra saw the largest price hikes, as the closure of main supply routes to the island resulted in food stock shortages. Concerns about rising food prices are amounting, following the recent waves of desert locust attacks and devastating flooding, which damaged farmlands, destroyed food stocks, and disrupted transport networks.¹⁷

Figure 5. Average Monthly Cost of Minimum Food Basket (7 persons/in Yemeni rial)



Source: FAO-FSTS Market Bulletin March 2020 (#56).

¹⁵ FAO-FSIS & MoPIC-FSTS Market Monitoring Bulletin, March 2020 (#56).

¹⁶ The national average exchange rate for March 2020 was YR 628/US\$.

¹⁷ The worst desert locust infestation in decades, fueled by extreme weather and institutions weakened by conflict, is threatening the food supply and livelihoods of tens of millions across East Africa, the Middle East, and South Asia. As of mid-March 2020, 23 countries from Yemen to Pakistan to Tanzania have been affected, and the locust swarms are expected to continue spreading. The situation is extremely alarming and deteriorating rapidly, with widespread breeding in the region in progress and new swarms starting to form, representing an unprecedented threat to food security at the beginning of the region's upcoming cropping season.

Annex 1. Yemen Sanitation Mapping Study in Sana'a and Aden Cities

The provision of safe drinking water, sanitation, and hygiene (WASH) is essential to protecting human health during all infectious disease outbreaks, including the COVID-19 outbreak. In Yemen, service delivery in WASH sector, which used to be intermittent in most cities before the conflict, has further deteriorated during the ongoing war (Box A1). Damage to infrastructure, inadequate maintenance, lack of fuel, electrical outages, and high absenteeism of technical staff who have not received salaries over years are some of the causes of service deterioration. Rapid increases in urban populations related to the migration of IDP have also put additional strain on already stretched services. In Yemen, very little is known about the current state of the sanitation service chain, including the coping mechanism and strategies employed by households and IDP communities.

Box A1. Some Figures in WASH Services

The humanitarian needs assessment conducted in 2018 find that 17.8 million Yemenis lacked access to safe water and sanitation, and 19.7 million lacked access to adequate healthcare.¹⁸ According to the Damage Assessment Study carried out by GIZ in 2018, water service coverage decreased, on average, from 68 percent in 2014 to 59 percent in 2017. Water consumption (availability of water to customers) was 41 liter per capita per day on average, and the non-revenue water (NRW) was in range of 24-48 percent. The wastewater service coverage decreased from an average 52 percent in 2014 to 44 percent in 2017. Given the ongoing armed conflict it is believed that water and sanitation services have deteriorated further.

Recently, the World Bank has conducted a rapid assessment of the current sanitation situation in the cities of Sana'a and Aden, two large urban centers that are representative of other urban areas in Yemen. The preliminary findings, summarized below, suggest an urgent need to for action to address imminent health and environmental concerns. Key recommendations are currently being finalized and will be presented in the *Monthly Economic Update*, June 2020 Edition.¹⁹

Sewer Networks

- *Sana'a and Aden both have an existing sewer network, covering 50 percent and 40 percent of the cities respectively. However, the sewer networks in both Sana'a and Aden, built about 30 to 40 years ago, are dysfunctional due to inadequate maintenance and continuous structural damage from the war. Because of the age of the networks, particularly in Aden, maintenance is complicated since compatible replacement parts are difficult—sometimes impossible—to source and certain required pipes are not available in Yemen. To add to this complication, many times, the buildings are directly above the sewer lines, impeding undertaking of any work beneath them that may lead to their collapse.*
- *This faulty infrastructure causes blockages along the sewer lines in both cities, which, exacerbated by extraneous debris in the sewer network, result in degradation of pumping stations and treatment plants located downstream. These blockages often cause backflow into toilets and spillage onto the surface (e.g., streets), leading to the exposure of pools of sewage effluent. Blockages are often removed by government-owned pressurized water trucks, which are inadequate in quantity causing them to eventually breakdown due to excess use.*

¹⁸ Yemen Humanitarian Needs Overviews, 2014 and 2018, OCHA.

¹⁹ A report with a comprehensive assessment of the sanitation situation, including key recommendations, is currently under preparation, and is expected in summer 2020.

Onsite Sanitation

- *Flush cesspits are more prevalent than sewer-connected toilets in both the cities.* Cesspits in Yemen do not have protective lining but have earthen walls and bottoms, resulting in faster absorption into the ground and increased potential for fecal waste seepage. Aside from regions at inland outskirts of Aden, cesspits are typically not a feasible option because of seawater intrusion, but there are cesspits in Buraiqeh where some people use truck tires to line the pits. This inappropriate approach allows septage to mix with nearby water aquifers.
- *Vacuum truck operators in Sana'a, both public and private, empty their tanks into sewer manholes due to the unavailability and/or dysfunctionality of sewage treatment plants.* While there is no concrete evidence on illegal open dumping of sewage, reportedly in Sana'a, some farmers pay truck operators to discharge the untreated sewage onto the farmers' crops raising public health alarm.
- *The sewage treatment plants in both cities are failing due to many factors, including lack of electricity preventing them from achieving operational efficiency, and old equipment and the high cost of obtaining spare parts and their maintenance.* However, even if operated at full efficiency, the design capacity of these treatment plants in both cities is insufficient to meet current and future demands.

Environmental Hazards

- *Hospitals and industries in both cities discharge high organic loads into the public sewer systems as no on-site or pre-treatment systems are available.* The high organic load released is causing challenges in terms of damage and overloading to the subsequent systems such as the wastewater treatment plants (WWTPs). WWTPs can often not handle the high organic load as the design capacities are exceeded tremendously. As the released effluent (untreated to only partly treated) is used by farmers for edible crops, posing serious health issues for the population.
- *Both Sana'a and Aden have sewage treatment plant which are not fully functional for the reasons stated above.* In Aden, sewage bypass leads directly to the sea or into a conservation area. Some districts are not even connected to a treatment plant thus discharge directly to the sea. More than 50 percent of sewerage does not reach treatment plants and is pumped directly to the sea. Since laboratories were destroyed in the armed conflict, the risks related to this untreated sewage cannot be analyzed.