



Fuel queue stretching further than the eye can see in Hodeidah, May 2014. Photo credit: Chad Anderson/Oxfam

YEMEN IN CRISIS

How Yemen can survive the fuel crisis and secure its future

Yemen is a country in continuous crisis. More than half its population live below the poverty line and are in urgent need of humanitarian assistance. Fuel shortages, corruption, unemployment and violence have all become part of daily life. Now, a new crisis is unfolding: as fuel supplies run dry, food prices are soaring and water is becoming inaccessible. Fuel shortages and rapid inflation are sending shock waves through rural communities across the country.

Millions of Yemenis are going hungry, drinking unsafe water and increasingly falling between the cracks of an inadequate social safety net, as they bear the brunt of yet another fuel crisis.

Yemen's government and donors must address immediate human impacts alongside the root causes of the fuel crisis. They must increase the provision of social welfare while also undertaking public finance reform, to ensure the safety of all Yemenis, the country's stability and political transition.

1 THE FUEL CRISIS

A paralyzing fuel crisis has taken hold in Yemen, threatening the lives of the hungry, cutting off water to entire communities and putting the country's security at risk. Yemenis are already suffering through a protracted crisis with more than half living below the poverty line and in urgent need of humanitarian assistance.¹ Diesel fuel has disappeared from fuel stations over the past six months, as a result of rampant corruption and attacks on pipelines.

In a society heavily dependent on fuel, not only for the transportation and preparation of food, but also for the pumping of water for irrigation and consumption purposes, the situation stands to get a lot worse.

Yemen relies on oil for more than 50 per cent of its revenue,² but an increasing number of tribal attacks on oil infrastructure in recent months have greatly reduced capacity, choking off the flow of money into the government treasury. This revenue has, in the past, allowed it to maintain generous fuel subsidies,³ with diesel available to the public at the set price of 100 Yemeni rial (YR) (\$0.46) per litre. This is one of the lowest pump prices and one of the highest fuel subsidies in the world. It cost the Yemeni government \$3.07bn in 2013, equal to about 30 per cent of state income.

But the government now says it can no longer afford to import fuel while maintaining the subsidy. This has led to numerous fuel shortages and a flourishing black market, which together have pushed the price of diesel up by as much as 400 per cent, far out of reach of most Yemenis.

Fuel has just started to trickle into the market again, but with Yemen due to become a net importer of oil within the next few years, budget shortfalls and fuel shortages will only get worse.

Yemenis are well aware of this and petrol stations in Sana'a have already been forced to limit purchases, as residents scramble to stockpile fuel in advance of the next shortage. Unless the Government of Yemen and its partners act now, ordinary Yemenis will be pushed over the edge into disaster.

2 HUNGRY AND GETTING HUNGRIER

The fuel crisis is driving rising levels of hunger as food prices soar. Hunger levels before the crisis were already extremely high with 10.5 million going hungry every day.⁴ In June 2014, an Oxfam market survey found that the price of rice had increased an average of 73 per cent since the fuel crisis hit the western coastal governorate of Al Hodeidah at the beginning of the year. In the most extreme cases, families that paid YR250 (\$1.16) for one kilogramme of rice at the beginning of the year, by June were paying YR650 (\$3.02) for the same amount. The survey also

found that the price of flour had increased by an average of 49 per cent and the price of vegetables by 100 per cent in some rural areas.

In June 2014 Oxfam staff met Ibrahim, who lives with his wife and 2 year-old son in Marqb, Al Hodeidah. Ibrahim is no longer allowed to purchase supplies from the local shop after taking YR20,000 (\$93) worth of food on credit over the past two months, forcing him now to rely mostly on donations. "The farmers are not working their fields, so I can't find any work and my family is dying." Ibrahim, frail and thin himself, lost his one month old son in April. "There's no diesel. I couldn't get transportation to the hospital and the doctor couldn't get to our village because of the fuel crisis. No-one could afford to move while my son died in my arms after a few days of diarrhoea." Tears filled his eyes as he told us his surviving son cries from hunger pains every day.

Oxfam visited 20 households in rural parts of Al Hodeidah and Hajjah in May 2014 to discuss the impact of escalating food prices. They found families putting themselves at great risk in order to survive. An astonishing 40 per cent of households reported skipping meals daily, and an additional 35 per cent were skipping meals every few days.

Looking back to 2011, when the last fuel crisis pushed diesel prices up by 500 per cent,⁵ provides a bleak indication of the direction in which Yemen is heading. According to an Oxfam assessment, conducted at the time in Al Hodeidah, food prices increased by 60 per cent over the course of the crisis. A report from the World Food Programme (WFP) indicated that 44 per cent of Yemenis were suffering from food insecurity by the end of 2011, up from 32 per cent in 2009.⁶ Today, food insecurity remains high, at 41 per cent.⁷ Another fuel crisis left unaddressed could spell catastrophe.

3 WATER SCARCITY

"We have to walk more than an hour to get to the borehole and the water is dirty," explained Aminah, mother of eight, as she motioned to her donkey, "It's so hot now, even our donkey refuses to make the journey." Oxfam staff met Aminah in June 2014 in the small village of Mhalib, Al Hodeidah. Residents there lost access to piped water more than two months ago.

Twelve per cent of Yemen's diesel consumption goes to power water pump generators that irrigate crops and provide water for household consumption in rural areas.⁸ With an extremely low water table, generators are required to pump water from deep boreholes to irrigate crops and provide drinking water. However, as diesel prices skyrocket, farmers have found themselves unable to run their generators and rural households are now forced to travel further and endure longer waiting times to access water.

Women and children usually bear the burden of fetching water in Yemen. In May 2014, Oxfam spoke with women at a borehole in Jemna'a village in the western coastal governorate of Hajjah. They explained that they now have to travel to two or three boreholes before finding one in

operation and even then they face long queues. Oxfam also spoke with children who told how they are missing school to fetch water, which can now take up to six hours.

Even before the fuel crisis took hold, one in two Yemenis did not have access to safe and clean drinking water. Oxfam is now seeing the situation deteriorate even further, with thousands of families who usually have access to safe water sources facing increased health risks as they are forced to turn to irrigation boreholes in search of water. By May 2014, taps in at least seven villages in Al Hodeidah had run dry, leaving over 3,000 households with no access to safe drinking water.⁹ Facing the same difficulty as farmers, village water committees have not been able to purchase enough diesel to keep the water pumping. In three other villages, home to an additional 1,266 households, public water is only available in parts of the village or only for a few hours a day.

4 NO FRAMEWORK FOR RESILIENCE

According to the World Bank, Yemen spends more on the fuel subsidy than on health, education, and social protection combined.¹⁰ As the current fuel crisis and the ensuing hyperinflation sends shock waves through rural communities, they do not have adequate access to essential services to protect them, or a social safety net to catch them when disaster strikes. And with each new crisis, they become increasingly less able to cope and more likely to fall below the poverty line.

In addition to a lack of access to clean water, one in three Yemenis does not have access to sufficient health care services.¹¹ Most families have no access to any basic income support. Only 62 per cent of girls and 74 per cent of boys are enrolled in school.¹²

Yemen urgently needs a functioning social protection system; however, this does not mean starting from scratch. Through the Social Fund for Development,¹³ Yemen has made great strides in improving its health and education infrastructure. Further, Yemen's Social Welfare Fund (SWF), the national social safety net, administers cash transfers to 1.5 million beneficiaries across the country.

Oxfam has worked alongside the SWF since 2011, and, in 2012, distributed cash transfers to 100,000 households on the SWF list. Like all social safety nets the SWF faces challenges, but Oxfam has seen the Fund's distribution system navigate the most difficult of circumstances in order to maintain payments even in remote parts of the country.

Unfortunately, the scheme remains severely underfunded, impacting the regularity of payments and preventing the Fund from reaching all those in desperate need. The SWF accounts for only 0.2 per cent of government spending,¹⁴ while more than 400,000 applications remain on the waiting list. Payments need to be scaled-up as a matter of urgency, in order to provide the social safety net families need to be resilient.

5 SUPPORTING TRANSITION

Yemen's political transition following the Arab Spring in 2011 has been lauded by the international community as a success for the region. As the fuel crisis reaches boiling point, Yemeni lawmakers are continuing the process of drafting a new constitution for their country. This process must not be derailed, but, as the fuel crisis creates space for political divisions to surface, the threat is very real.

Having endured turmoil long enough, the situation hit a crisis point on 11 June 2014. Thousands of protestors took to the streets of Yemen's capital city, Sana'a, attempting to block access to the international airport and demanding the resignation of President Abd Rabbuh Mansur Hadi.

With concerns over corruption, growing insecurity, and serious human rights violations, many donors were reluctant to provide funds to the fledging Yemeni government in 2011. But, through the transition process, the country has taken steps toward accountability and now hosts a mechanism to monitor aid flows. The Mutual Accountability Framework¹⁵ provides an added layer of accountability, designed to hold both donors and the Yemeni government to their promises. Within this framework, the EU, UK and US have lead the way in delivering on pledges to further support Yemen through the transition process.

Despite this, massive shortfalls in aid remain. The Yemen Humanitarian Response Plan (YHRP), the UN's appeal to donors, is currently only 22 per cent funded.¹⁶ Furthermore, while the Friends of Yemen, a group of donors that co-ordinate support, has pledged \$8bn, only 35 per cent of it has been committed.¹⁷ Donors need to urgently come through on their pledges and ensure that Yemen's political transition does not become the next victim of the fuel crisis. Strong investments in basic services and social protection should be prioritized in order to improve and reinforce the relationship between citizens and the state, especially important during times of insecurity, when state legitimacy can be tested to the limit.

6 CONCLUSION

Donors and the Government of Yemen have been talking about public finance reform for more than a decade. Redirecting Yemen's expenditure to the poorest Yemenis has been the agreed solution, but action has been slow to follow. Meanwhile, millions of Yemenis are going hungry, drinking unsafe water and falling increasingly between the gaps of an inadequate social safety net, as they bear the brunt of yet another fuel crisis.

As Yemenis run out of patience and the fuel crisis becomes increasingly politicized, the crisis not only threatens households across the country, it has begun to undermine the political transition and could even bring this process to a grinding halt.

Unless Yemen's government and donors immediately address the fuel crisis, the future security of the country is at stake.

RECOMMENDATIONS

The Government of Yemen should:

- Fulfill its obligations outlined in the Mutual Accountability Framework, to immediately provide Yemenis with emergency humanitarian support, ensure the delivery of basic services, including healthcare and education, and address the country's macroeconomic stability.
- As an urgent priority, reallocate state resources to fill the gaps in the social protection system, including an immediate injection of funds into the Social Welfare Fund, in order to extend payments to all 400,000 wait-listed applicants, double the amount of payment, and ensure the maintenance of payments during this critical period.
- Ensure that the constitutional drafting process upholds the right for all to social security and a standard of living adequate for health and wellbeing, as outlined in the UN Universal Declaration of Human Rights (1948).

Donors and the Friends of Yemen should:

- Urgently ensure an adequate response to the fuel crisis, including immediate cash transfers to the most vulnerable, through addressing aid shortfalls in the Yemen Humanitarian Response Plan, reallocating aid from existing unspent pledges.
- Immediately scale-up predictable and longer-term funding and technical support to the Government of Yemen, in order to build a social protection system that ensures all women, men and children have the support system they need to better withstand future shocks.

NOTES

- ¹ UN OCHA (2014) 'Yemen Humanitarian Response Plan', <http://www.unocha.org/cap/appeals/humanitarian-response-plan-yemen-2014-2015>
- ² IMF (2013) ' Republic of Yemen 2013 Article IV Consultation', <http://www.imf.org/external/pubs/ft/scr/2013/cr13246.pdf>
- ³ This briefing note does not address fuel subsidies, for more information on the subsidy, please refer to: C. Breisinger, W. Engelke and O. Ecker (2011) 'Petroleum Subsidies in Yemen: Leveraging Reform for Development', Washington: World Bank, <http://elibrary.worldbank.org/doi/book/10.1596/1813-9450-5577>
- ⁴ *Ibid.*
- ⁵ A. Clements (2011), 'Yemen: Fragile lives in hungry times', Oxford: Oxfam, <http://policy-practice.oxfam.org.uk/publications/yemen-fragile-lives-in-hungry-times-142489>
- ⁶ *Ibid.*
- ⁷ UN OCHA, *op. cit.*
- ⁸ C. Breisinger, W. Engelke and O. Ecker (2011) *op. cit.*
- ⁹ Oxfam (unpublished, 2014) 'Water Monitoring Survey: Al Hodeidah', June 2014
- ¹⁰ C. Breisinger, W. Engelke and O. Ecker (2011) *op. cit.*
- ¹¹ UN OCHA, *op. cit.*
- ¹² UNICEF (2013) 'National Social Protection Monitoring Survey' June 2013
- ¹³ Social Fund for Development, <http://www.sfd-yemen.org/>
- ¹⁴ C. Breisinger, W. Engelke and O. Ecker (2011) *op. cit.*
- ¹⁵ The Executive Bureau oversees the Mutual Accountability Framework : <http://www.ebyemen.org/en>
- ¹⁶ Financial Tracking Service, 'Yemen 2014: Total Humanitarian Funding', <http://fts.unocha.org/pageloader.aspx?page=emerg-emergencyDetails&appealID=1039>
- ¹⁷ Mutual Accountability Framework (2014) 'Status Report: Pledges and Reforms', March 2014, <http://www.ebyemen.org/StatusReportMutualAccountabilityFramework.pdf>

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