



Republic of Yemen
Ministry of Planning
& International Cooperation
Economic Studies & Forecasting



Yemen Economic and Social Monitor



Focus Issue

Social Expenditure in Yemen and
Development Consequences amid continued
Decline in International Funding

Issue (1) April 2026

Trends and Future Prospects to Inform Planning and Policymaking

Contents

Foreword

i

Dashboard

ii

Executive Summary

iv

Section One

Regional and Global Developments

1



- | | | |
|---|---|---|
| 1 | Economic Outlook | 1 |
| 2 | Humanitarian Developments | 2 |
| 3 | Emerging Developments (The crisis in the Middle East) | 3 |

Section Two

National Developments

5



- | | | |
|---|--|---|
| 1 | Economic Developments in Yemen | 5 |
| 2 | The impact of regional and International Developments on Yemen | 6 |
| 3 | Humanitarian Developments in Yemen | 8 |
| 2 | Trends in Prices of Basic Food Commodities in Yemen | 9 |

Section Three

Focus Issue

Social Expenditure in Yemen and Development Consequences amid continued Decline in International Funding

11



- | | | |
|---|--|----|
| 1 | General Context of Social Expenditure | 11 |
| 2 | Social Expenditure by Sector | 13 |
| 3 | Social and Economic Development Consequences | 17 |
| 4 | Policy Pathways and Remedies | 18 |



Foreword

The Ministry of Planning and International Cooperation adopts an advanced development-oriented approach based on monitoring, tracking, and analyzing economic developments and transformations at both the international and regional levels, as well as their implications for Yemen's economic situation. This approach enables economic planners and policymakers to identify economic opportunities, growth trends, and the dynamics of trade, investment, and capital flows. It also supports the diagnosis of cross-border threats and emerging economic risks resulting from crises and shocks affecting the economy, driven by international and regional political and financial interactions—whether originating in global stock exchanges and financial markets, or emerging from developments in politics, technology, and areas of conflict and instability across the world.

Yemen Economic and Social Monitor, whose first issue we are launching, represents a key tool employed by the Ministry alongside other monitoring, analytical, and evaluation instruments. It is the result of sustained efforts undertaken by the Ministry for over a decade, and constitutes a qualitative and structural advancement of the Yemen Socio-Economic Update (YSEU), which the Ministry has been issuing with the support of UNICEF since March 2015. We hope that this successful partnership will continue to grow in scope and impact, contributing effectively to recovery, reconstruction, and capacity-building efforts.

Mohammed Abdullah Al-Faqmi

Minister of Planning and
International Cooperation



Yemen Economic and Social Monitor is a periodic paper designed to monitor and shed light on key economic and social developments, analyze their trends, and provide early warning signs regarding emerging risks to human development, with a specific focus on the impact of these developments on children and vulnerable groups.



Dashboard

Macroeconomic Outlook (Early Warning)

Projections* published on 25 February 2026; United Nations Economic and Social Commission for Western Asia (ESCWA).

0.4%

(Projection 2026)



Marginal GDP growth, compared with 1.0% in 2025

20.7%

(Projection 2026)



Inflation remains elevated, despite a slight decline from 24.5% in 2025

11%

(Projection 2026)



Fiscal deficit as a percentage of GDP in 2026

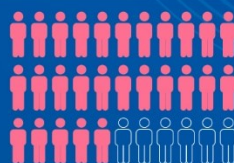
*These projections will be updated in Issue No. 2 of the YESM (Q2 2026) to reflect the implications of the ongoing crisis in the Middle East.

Poverty

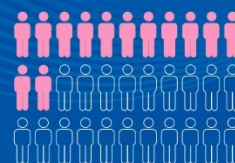


68.6%

of children in Yemen suffer from multidimensional poverty



81.2% rural



35.9% urban

Social protection



66.2%

External funding gap in 2025

Education



Government expenditure

declined from **3.2%** of GDP in 2019 to **1.6%** in 2025



Human impact

3.2 million children Were out of school in 2025



External funding gap

reached **55.7%** in 2025

Health



Government expenditure

did not exceed **0.4%** of GDP in 2025



Human impact



21

Deaths neonatal mortality rate (per 1000 live births)



35

deaths infant mortality rate (per 1000 live births)



41

deaths under-five mortality rate (per 1000 live births)



External funding gap

reached **49.8%** in 2025

Conclusion



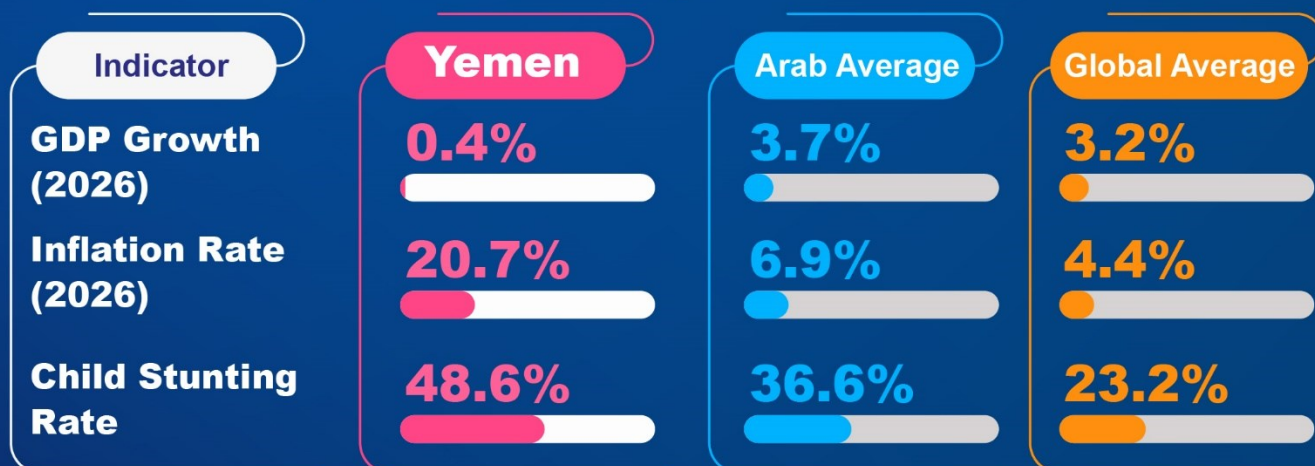
The Inevitable Outcome

The erosion of human capital in Yemen is a direct consequence of declining government expenditure and international funding, coupled with deepening poverty and increasing deprivation of access to education and healthcare.



Human Capital Index (HCI)

Yemen in Comparison with Regional and Global Indicators



Executive Summary

01 | General Summary

As Yemen enters 2026, with the country remains a highly complex environment, severely impacted by continuous economic and financial pressures. Millions of people continue to face harsh humanitarian conditions, struggling to meet their basic needs and access essential services amidst an extended crisis, conflict-driven economic deterioration, ongoing displacement, and increasing vulnerability to climate shocks.

With the fallout of the Middle East conflict weighing heavily on Yemen- particularly amid deteriorating economic situation - the profound impacts on the needs of families and their children are intensifying. Families and their children bear the heaviest burden due to the absence or weakness of response mechanisms in light of the significant funding shortfall, and the scaling back of life-saving programs in the final months of 2025. Children living in poverty, the youngest (under five), the displaced, children with disabilities, and young girls usually lack access to basic services such as healthcare, water, and education, making them the most vulnerable to the negative impacts of economic fragility.

In this context, and amid declining international support for Yemen, social spending—which encompasses health, education, and social protection—gains significant social and economic importance against the backdrop of economic fragility. This is because comprehensive social spending is a strategic investment aimed at promoting human development, reducing poverty, and fostering sustainable economic growth through key pillars that include:

- Education: (improving human capital efficiency).
- Health: (ensuring access to quality health services).
- Social Protection: (supporting families, child benefits, and cash transfers).

However, the war and conflict in Yemen have posed major and continuous challenges to public social expenditure aimed at meeting growing needs. As a share of GDP, total public expenditure declined from 30.2% in 2010 to 8.4% in 2017, before entering a new phase during 2018–2025, characterized by fluctuations and eventually stabilizing at 17.1% of GDP in 2025. Concurrently, public social expenditure as a share of GDP declined from 3.9% in 2019 to its lowest level in recent years, stabilizing at 2.0% of GDP in 2025.

Considering the uncertainty around funding and the decline in social investments, the risks of human capital erosion become inevitable, particularly for children, with its long-term implications for poverty, productivity, and economic growth in Yemen.

● The most vulnerable groups: the greatest burden



02 | Key National Indicators (Humanitarian, Economic, Social)



Economic indicators

Indicators	2025 (%)	2026 (%)
GDP growth	1.0	0.4
Inflation rate	24.5	20.7
Financial balance (deficit) as a percentage of GDP	-10.2	-11
Debt as a % of GDP	78	78.4
Export growth rate	2.4	2.7
Import growth rate	5.0	3.0



Indicators of the fallout of the war in the Middle East

Impact of the Middle East war on GDP (scenario for other Arab countries)	-1.6 Contraction
Impact of the Middle East war on GDP (Gulf States scenario)	-5.5 Contraction



Humanitarian and social indicators

Humanitarian needs: People in need (million)	19.5	22.3
Humanitarian needs: Women, boys and girls in need (million)	15	17
Internally displaced persons (million)	4.8	5.2
Actual foreign aid (million USD)	1376.2	229.3
External funding gap	71%	90.3%*
Acute food insecurity (million)	17.1	18.3

* End of Q1 2026

03 | Priority Responses to the Fallout of the Current War in the Middle East



Enhancing local market and supply chain stability:
Ensure the continued flow of essential goods and reduce monopolistic practices and price volatility.



Supporting food security and strategic stock:
Strengthen reserves of essential commodities to mitigate the impact of global market disruptions and fluctuating food and energy prices.



Enhancing monetary stability and reducing inflation:
Support monetary policy tools and oversee the banking and exchange sector to reduce exchange rate volatility.



Strengthening public resources and foreign reserves:
Improve collection efficiency, revitalize sovereign resources, and support foreign currency inflows.



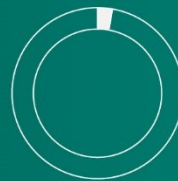
Channeling international funding and grants:
Focus on interventions with sustainable impact, economic empowerment programs, and enhancing resilience to external shocks.

04 | Social Spending in Yemen (Main theme)



21.7%

Government expenditure as a percentage of GDP in Yemen 2024



2.8%

Public social expenditure globally as a percentage of GDP in Yemen 2022



32%

Government expenditure as a percentage of GDP in the Arab region 2024



17.3%

Public social expenditure globally as a percentage of GDP in the Arab region 2022



37%

Government expenditure as a percentage of GDP in the world 2024



10.6%

Public social expenditure globally as a percentage of GDP in the world 2022

2025



1.6%

Government expenditure on education as a percentage of GDP



0.4%

Government expenditure on health as a percentage of GDP



0.0%

Government expenditure on protection as a percentage of GDP



55.7%

Funding Gap of education



49.8%

Funding Gap of Health



66.2%

Funding Gap of Protection

Key Messages:

Analysis of social expenditure provides the following key policy messages:



- **The continued decline in Social expenditure** is exacerbating levels of poverty and multidimensional deprivation, especially among the most vulnerable children and families in Yemen.



- **Widening funding gaps in education, health, and social protection** threaten to erode human capital and undermine long-term development opportunities.



- **The decline in external funding** is reshaping Yemen's social service scheme, limiting access to education, health, and social protection, and increasing children's vulnerability to long-term deprivation.



- **Boosting sustainable Social expenditure** is a strategic priority to protect children and reduce the risk of losing an entire generation of human capital in Yemen.



- **Enhancing the efficiency of Social expenditure** requires a gradual shift from short-term humanitarian response to sustainable development pathways that support productivity, economic growth, and strengthen social protection.



Section One: Regional and Global Developments

1

Economic Outlook

Globally

The International Monetary Fund predicted in January 2026¹ that global GDP would grow by 3.3% in 2026, the same rate estimated for 2025, with growth expected to reach 3.2% in 2027.

Global headline inflation is also expected to decline from an estimated 4.1 percent in 2025 to 3.8 percent in 2026 and further to 3.4 percent in 2027.

Considering the US-Iran war with its direct impact on energy prices and international trade, and amid geopolitical tensions, the IMF lowered its global economic growth forecast to 3.1% in April 2026², assuming the war ends by mid-2026. At the same time, IMF raised its global inflation forecast to 4.4% in 2026, with a projected decline to 3.7% in 2027.

At the Arab level

Data presented in Table (1) indicate an improvement in the economic growth outlook across the Arab region. Real GDP growth for the Arab countries as a whole is projected to increase from 2.9% in 2025 to 3.7% in 2026, before stabilizing at 3.3% in 2027. Growth in low-income countries, including Yemen, is also expected to improve, moving from a contraction of 0.9% in 2025 to growth of 1.7% in 2026 and 1.9% in 2027, reflecting a positive shift from economic contraction toward recovery and growth. However, ongoing geopolitical developments, particularly the current war, may adversely affect these projections and constrain the pace of recovery and growth, especially in the more vulnerable economies.

At the same time, inflationary pressures remain a challenge to economic stability, despite the projected decline in the inflation rate for the Arab countries as a whole from 8.2% in 2025 to 5.4% in 2027. In low-income countries, inflation is projected to decline from 85.3% to 32.8% over the same period; however, it will remain significantly elevated, reflecting the continued vulnerability of these economies to economic shocks.

Table (1): GDP growth and inflation rates in the Arab region, 2025-2027

	% GDP growth			% Inflation rate		
	2025	2026	2027	2025	2026	2027
Total Arab countries	2.9	3.7	3.3	8.2	6.9	5.4
High-income countries	3.3	4.2	3.3	1.9	2.0	2.2
Middle-income countries	2.8	3.3	3.5	7.2	6.5	6.3
Low-income countries*	-0.9	1.7	1.9	85.3	58.0	32.8

Source: ESCWA, February 2026, Macroeconomic Outlook in the Arab Region, <https://www.unescwa.org/sites/default/files/pubs/pdf/macroeconomic-outlook-arab-region-arabic.pdf>

* Low-income countries include **Yemen**, Syria, Somalia, and Sudan.

Fiscal balance and public debt levels

Table (2) shows that high-income countries are expected to maintain their fiscal surplus at around 2.4% and 2.5% of GDP in 2026 and 2027, and safe public debt levels not exceeding 23.3% of GDP in 2027.

Conversely, middle-income and least developed Arab countries remain burdened with fiscal deficits and high public debt. The fiscal deficit in 2027 is projected to reach about 9% for middle-income countries and about 4.2% for least developed countries. The public debt ratio is expected to reach about 73% for middle-income countries and about 61% for least developed countries.

¹ <https://www.imf.org/ar/publications/weo/issues/2026/01/19/world-economic-outlook-update-january-2026>

² <https://www.imf.org/ar/publications/weo/issues/2026/04/14/world-economic-outlook-april-2026>

Table (2) Fiscal balance and debt levels as a percentage of GDP in the Arab region, 2025–2027

	Fiscal balance-to-GDP ratio			Debt-to-GDP ratio		
	2025	2026	2027	2025	2026	2027
Total Arab countries	-2.1	-2.2	-2.4	46.7	45.6	44.9
High-income countries	2.4	2.4	2.5	27.4	25.3	23.3
Middle-income countries	-7.9	-8.4	-9.0	72.0	73.4	75.3
Low-income countries (including Yemen)	-6.9	-5.3	-4.2	81.5	68.3	61.6

Fiscal balance (deficit indicated by a minus sign (-) and surplus by (+)).

Source: ESCWA, February 2026, Macroeconomic Outlook in the Arab Region.

Foreign Trade Developments and Prospects (Exports and Imports) in Arab Countries

Table (3) shows that high- and middle-income countries have similar foreign trade performance, with exports and imports expected to grow at similar rates, reaching 4% in 2027. While least developed countries are expected to achieve higher export and import rates.

Table (3): Export and import growth in the Arab region, 2025–2027; (%)

	Export growth			Import growth		
	2025	2026	2027	2025	2026	2027
Total Arab countries	4.1	3.6	4.2	4.6	4.6	4.1
High-income countries	4.3	3.5	4.1	5.2	4.9	3.9
Middle-income countries	3.5	3.6	4.0	2.0	3.2	4.0
Low-income countries (Including Yemen)	8.6	14.0	12.6	8.0	8.4	8.3

Source: ESCWA, February 2026, Macroeconomic Outlook in the Arab Region.

Understanding these current economic trends and prospects, and analyzing their potential impact on the national economy, is crucial for reviewing and developing economic policies and reform programs to mitigate negative repercussions on local economic performance. This will be further addressed in Part Two.

2

Humanitarian Developments

The international humanitarian AoR aims to provide assistance to 135 million people out of 239 million in need in 2026, with funding requirements amounting to US\$33 billion (Table 4).

In the Middle East and North Africa region (MENA), humanitarian action targets helping 32 million people out of 58.2 million in need, with funding requirements of US\$12.5 billion, representing 38% of total funding requirements for 2026.

Table (4): Global Humanitarian Developments: People in Need, People Targeted, and Funding Requirements, 2026 & 2025

Region	2026			2025		
	People in need (million)	People Targeted (million)	Funding required (US\$1 billion)	People in need (million)	People Targeted (million)	Funding required (US\$1 billion)
Middle East and North Africa	58.2	32	12.5	59	60	15.9
Southern and Eastern Africa	56.6	34.2	6.9	85	38	11.9
West and Central Africa	42.1	24.3	5.1	57	35	7.6
Asia and the Pacific	43.7	26.4	3.4	55	33	5.1
Latin America and the Caribbean	28.1	13.7	2.6	34	16	3.6
Europe	10.8	4.1	2.3	15	8	3.3
World	239	135	33	305	189	47.4

Source:

- OCHA, 2026, Global Humanitarian Overview, <https://reliefweb.int/report/world/global-humanitarian-overview-2026-enaresfr>- OCHA, 2025, Global Humanitarian Overview, <https://reliefweb.int/report/world/global-humanitarian-overview-2025-enarfr>

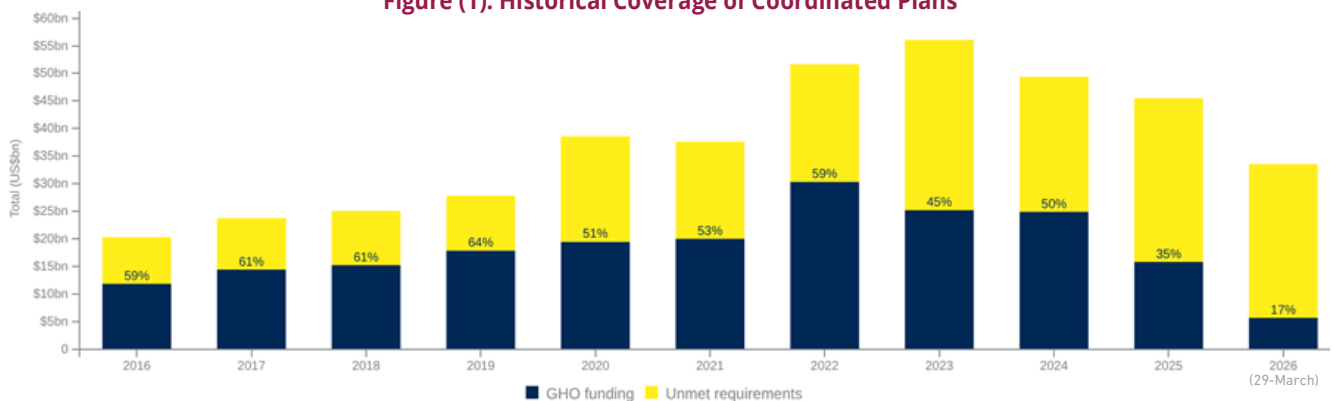
With funding coverage for 2025 falling to just over a third (35%), humanitarian appeals collected \$33 billion for 2026, of which \$23 billion is urgently needed to respond to the most life-threatening needs. While these amounts may seem massive, they remain tiny compared to other global expenses, representing only about 1% of global military spending. The global appeal could be fully funded if the top 10% of global income earners (those earning \$100,000 or more annually) donated just 20 cents per day on average.³

³ OCHA, 2026, Global Humanitarian Overview, <https://humanitarianaction.info/document/global-humanitarian-overview-2026/article/2026-global-humanitarian-overview-collective-push-protect-millions-lives>



As crises worsen, funding coverage for 2026 remains very low at 17%, posing a serious threat to meeting humanitarian needs and sustaining life-saving responses. Funding cuts are leading to the cutting of lifelines.

Figure (1): Historical Coverage of Coordinated Plans



Source: OCHA, 2026, Humanitarian aid contributions, Historical coverage of coordinated plans, <https://fts.unocha.org/home/2026/plans>

3

Emerging Developments (The Crisis in the Middle East)

The crisis in the Middle East continues with ongoing conflicts and wars, most recently the war between Iran and the United States, causing civilian casualties, increasing displacement waves, and escalating humanitarian needs. Concerns are growing over maritime security, attacks on the health sector, and damage to vital infrastructure. UN agencies are working to strengthen emergency aid despite access restrictions and supply breakdowns.



Major repercussions and impacts of Conflict in the East Middle

Major implications of the escalating crisis in the Arab region

Direct economic losses:

- \$63 billion in initial losses during the first two weeks of escalation.
- Losses projected to reach \$150 billion if the conflict continues for one month, equivalent to 3.7% of regional GDP.
- The energy, maritime transport, and financial systems were directly affected.

Repercussions for transport and trade:

- Shipping through the Strait of Hormuz has decreased by approximately 97%.
- Cumulative business losses estimated at approximately \$30 billion in two weeks.
- Cancellation of approximately 19,000 flights at nine major regional airports, resulting in aviation revenue losses exceeding \$1.9 billion.

Human and social impacts:

- 210 million people live in conflict-affected areas.
- 82 million people are in dire need of humanitarian assistance

Source: ESCWA, 19 March 2026, Conflict Shockwaves: Escalating crisis in the Arab region – a scenario-based analysis, <https://www.unescwa.org/sites/default/files/pubs/pdf/conflict-shockwaves-escalation-crisis-arab-region-arabic.pdf>

Impact of the Middle East conflict on transporting humanitarian aid

Costs change daily, but the following examples illustrate current trends:

- **Sea freight: increased by approximately 70%, with elevations reaching up to 300% on some roads.**
 - **Reason:** Disruptions to schedules, route changes, and congestion. Fewer cruise ship calls to the UAE also force cargo to be transported by land to ports like Jeddah (at a cost of approximately US\$5,000 per container).
- **Land transport (international/cross-border): +20% to +30%**
 - **Reason:** A general increase in cross-border trucking costs in GCC corridors, driven mainly by border delays, driver shortages, and reduced capacity, with fluctuating fuel prices as a contributing factor.
- **Air freight: Up by Approximately +50% to 70% (depending on the route)**
 - **Reason:** The shift from sea to air transport, limited capacity, and fluctuating fuel costs.

Source: The IFRC warns of the impact of the conflict in the Middle East: Moving humanitarian goods is becoming more expensive and slower. IFRC Posted 23 Mar 2026. <https://reliefweb.int/report/world/ifrc-warns-impact-conflict-middle-east-moving-humanitarian-goods-becoming-more-expensive-and-slower>

Targeting countries most at risk: Crises are worsening in countries already suffering from protracted conflicts (Palestine, Sudan, Yemen, Somalia, and Lebanon). Conflicts weaken resilience in the region, threaten youth employment opportunities, and increase poverty rates.

Future outlook: UN reports warn of a "dark scenario" if the current shock continues, which could disrupt global energy supply chains and set development back by decades in some countries.

The IMF indicates that with global daily oil flow decreased by approximately 13% and liquefied natural gas flow by about 20%, the supply shock leads to rising prices. This means higher prices for key inputs and many consumer goods, raising average inflation. Supply disruptions affect food security for an additional 45 million people due to transport problems, bringing the total number of people suffering from hunger to over 360 million - with the problem likely to exacerbate over time due to rising fertilizer prices.⁴

The FAO Food Price Index averaged 128.5 points in the first quarter of March 2026, an increase of 40 points (3.2%) from the fourth quarter of December 2025. Price indicators rose for basic commodity groups—grains, meat, vegetable oils, and sugar—to varying degrees, reflecting not only basic market factors but also responses to rising energy prices resulting from the intensity of the conflict in the Middle East.

Table (5): FAO Food Price Index Evolution, Q4 2025 and Q1 2026 (percentage points)

Period	Food Price Index	Meat	Dairy Products	Grains	Oils	Sugar
Q4 2025	124.5	124.8	128.2	107.2	165.2	90.7
Q1 2026	128.5	127.7	120.9	110.4	183.1	92.4
Percentage change (%)	3.2%	2.3%	-5.7%	3.0%	10.8%	1.9%

Source: FAO Food Price Index, 3/4/2026, <https://www.fao.org/worldfoodsituation/foodpricesindex/ar/>

⁴ Cushioning the Middle East War Shock, Speech by IMF Managing Director Kristalina Georgieva at the 2026 Spring Meetings in Washington, DC. April 9, 2026. <https://www.imf.org/en/news/articles/2026/04/09/sp040926-spring-meetings-2026-curtain-raiser>



Section Two: National Developments

1

Economic Developments in Yemen

Table (6) below shows clearly that Yemen continues to grapple with difficult social and economic circumstances, compounded by instability. Estimates indicate GDP growth to be approximately 0.4% in 2026, lower than the 1.0% recorded in 2025. GDP is, meanwhile, projected to grow by 0.4% in 2027. These levels are below the Arab average; the IMF's pre-war projections indicated GDP growth of approximately 1.5% in 2027.⁵

Inflation in Yemen is trending, with the rate declining to 20.7% in 2026 compared to about 24.5% in 2025. Projections also suggest a slight increase in 2027 to 21.6%. However, Yemen's inflation rate remains high—three times the Arab country average of 8.2% in 2025 and 6.9% in 2026—further exacerbating the already dire living standards. Children in Yemen typically bear the brunt of high inflation, as it erodes families' ability to meet basic needs like food, health, and education, threatening to further degrade children's human capital making it imperative to expand the social support and protection umbrella.

Table (6): Macroeconomic, Financial, and Trade Indicators in Yemen and Average for Arab Region

Indicator	Yemen			Arab countries		
	2025 (%)	2026 (%)	2027 (%)	2025 (%)	2026 (%)	2027 (%)
GDP growth rate	1.0	0.4	0.4	2.9	3.7	3.3
Inflation rate	24.5	20.7	21.6	8.2	6.9	5.4
Fiscal balance as a percentage of GDP	-10.2	-11	-9.7	-2.1	-2.2	-2.4
Debt-to-GDP ratio	78	78.4	82.4	46.7	45.6	44.9
Export growth rate	2.4	2.7	2.3	4.1	3.6	4.2
Import growth rate	5.0	3.0	5.0	4.6	4.6	4.1

Source: ESCWA, February 2026, Macroeconomic Outlook in the Arab Region, <https://www.unescwa.org/sites/default/files/pubs/pdf/macroeconomic-outlook-arab-region-arabic.pdf>

Exports are estimated at approximately 2.7% in 2026, slightly higher than the 2.4% recorded in 2025, while the import growth rate reached 3.0% in 2026 compared to 5% in 2025.

The public deficit remains a challenge for Yemen. Continued conflict affects Yemen's capacity for resource mobilization, reduced foreign assistance restricts fiscal space, and slows economic development. The fiscal balance (deficit) reaches approximately 11% of GDP in 2026, compared to about 10.2% in 2025, and is projected to hit 9.7% in 2027. These are nearly five times higher than Arab countries (about 2.1% in 2025 and 2.2% in 2026). Likewise, high debt in Yemen is projected to reach 78.4% of GDP in 2026 and further to 82.4% in 2027, i.e. 32.8 percentage points higher than the average for Arab countries at about 45.6% in 2026.

Millions of children in Yemen are directly affected by the current economic and financial hardships, thereby increased protection risks, higher dropout rates from education, and increasingly limited access to healthcare and nutrition services, risking to erode children's human capital and undermine future development opportunities in Yemen.

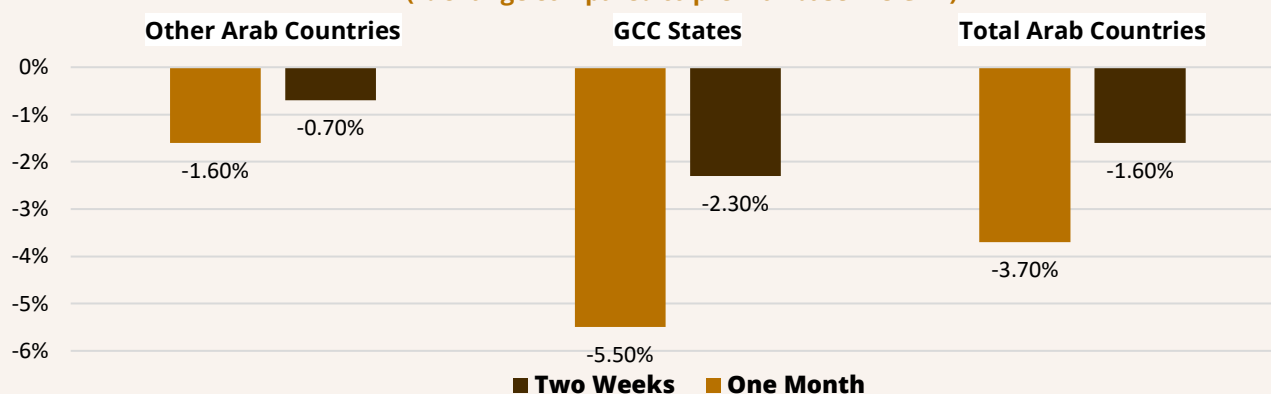
⁵ IMF, Republic of Yemen, March 18, 2026, Staff Report for the 2025 Article IV Consultation—Supplementary Information.

The impact of Regional and International Developments on Yemen

During the first two weeks of the war in the Middle East (Fig 2), the total GDP for the region projected to decrease by 1.6%, or about \$63 billion, compared to pre-war levels. GCC national economies are contracting by about 2.3%, while other Arab countries are contracting by approximately 0.7% compared to their pre-war baseline.

If the war continues for one-month, economic growth will decrease sharply. The total GDP for the Arab region is estimated to decline by approximately 3.7%, or \$146 billion, compared to pre-war baseline levels. GCC economies are hardest hit, approximately 5.5%, compared to \$33 billion for total other Arab countries, equivalent to 1.6%.

Figure (2) Total GDP Losses (Two weeks vs. One-month scenario in Arab countries
(% change compared to pre-war baseline GDP)



Source: ESCWA, 19 March 2026, Conflict Shockwaves: Escalating crisis in the Arab region – a scenario-based analysis, <https://www.unescwa.org/sites/default/files/pubs/pdf/conflict-shockwaves-escalation-crisis-arab-region-arabic.pdf>

In Yemen, the war in the Middle East have ripple impact on its fragile economy and humanitarian situation in that:

- GDP shrank by 1.6%, as in other Arab countries. This could go up to 5.5% over a month, given that Yemen is one of the countries in the Arabian Peninsula with strong ties to the GCC states, especially trade and remittances.
- Stronger and longer lasting impact. The burden to be borne by GCC national economies means reducing aid to Yemen could exacerbate the situation, amid poor public finance due to long-term fragility.
- Direct impact on Yemen's underdevelopment and the country's endeavor to realize SDG 7, hindering access to reliable and reasonably priced energy. Fuel imports are 65% below average (via Red Sea ports), while 63% of families face difficulty meeting their basic needs.⁶
- Money transfers are considered vital cash flows for Yemen, representing 15.9% of GDP in 2018. Continuous conflict in the Middle East poses serious risks leading to further disruption of such transfers, given the fact that 80% of Yemeni immigrants work in the GCC countries.⁷

These conditions suggest further accumulated vulnerabilities among children, who bear the brunt of weak or no response. Traditionally, the most vulnerable children—those living in poverty and U-5 children, displaced children, and children with disabilities - lack access to healthcare, water, education, and protection services, making them more susceptible to the negative impacts of economic fragility and the macroeconomic effects of war in the Middle East.

⁶ ESCWA, 2026, Conflict and its repercussions: Exacerbating the effects and risks on energy, water and food systems in the Arab region, p. 6. E/ESCWA/CL1.CCS/2026/Policy brief.4, <https://www.unescwa.org/sites/default/files/pubs/pdf/conflict-shockwaves-escalating-impacts-risks-energy-water-food-systems-arab-region-arabic.pdf>

⁷ World Bank. 2026. Challenges of Conflict and Industrial Policy for Development. Middle East, North Africa, Afghanistan & Pakistan Economic Update (April 2026) p16-17, <https://openknowledge.worldbank.org/bitstreams/9467b35f-5452-4281-9bdb-04a1fcca6349/download>



Priority Responses to the Economic Fallout of the War in the Middle East

Given the potential economic and social implications of the ongoing war in the Middle East on Yemen's economy, it becomes imperative to adopt urgent and medium-term measures to mitigate the effects of external shocks, enhance resilience of the national economy, and maintain a minimum level of economic and social stability.

First: Urgent measures (mitigation measures)

These measures aim to mitigate the potential direct impacts of the crisis on local markets and living standards, and to ensure the continued flow of essential goods, through:

1. Strengthening market and price controls and curbing monopolistic practices, while monitoring local and global price developments for essential commodities.
2. Ensuring the continued flow of essential imports by facilitating customs clearance procedures and monitoring maritime developments in the Red Sea and Bab Al-Mandab and their impact on transport and marine insurance costs.
3. Enhancing food security by assessing strategic stock levels of essential commodities and coordinating with the private sector and importers to ensure stable food supplies.
4. Stabilizing monetary and exchange rate through strict oversight of the banking sector and money exchangers, curbing speculation, and managing liquidity to reduce inflationary pressures.
5. Leveraging the efficiency of public revenue collection, addressing imbalances in the collection system, and reducing illegal levies and financial leaks.
6. Monitoring global fuel prices and putting in place precautionary measures to deal with potential increases, ensuring the continued availability of petroleum products in local markets.

Second: Short and Medium-Term Measures (Promoting Resilience)

These measures seek to foster the national economy to adapt to the potential repercussions of the crisis in the coming period, through:

1. Building a gradual strategic reserve of essential commodities to enhance food security and mitigate the impact of global market fluctuations.
2. Strengthening CBY's role in managing monetary policy, developing foreign reserves, and improving oversight tools for the banking sector and money exchange companies.
3. Resuming oil and gas exports, strengthen public resources, and improve the balance of payments.
4. Promoting investments in the agricultural sector and expanding local production by providing incentives and facilities for the private sector, including access to financing.
5. Channeling international funding and grants towards sustainably impactful interventions, including economic empowerment programs, livelihoods, poverty and unemployment reduction.
6. Leveraging expat remittances in supporting the national economy by using official channels and developing banking tools to invest these remittances in productive projects.
7. Designing early warning systems and economic scenarios to respond to potential energy and transportation price shocks and global market volatility, thereby sound economic decision-making.



Humanitarian Developments in Yemen

Evolution of Humanitarian Needs

About 22.3 million people need humanitarian assistance and protection in 2026. This is 2.8 million people up compared to 2025 (19.5 million). Meanwhile, the number of girls and boys in need rose to 12 million in 2026, compared to approximately 10.8 million in 2025. The current humanitarian and protection crisis further exacerbates their needs for education, health, and protection.

Table (7) Evolution of humanitarian needs in Yemen in 2025 and 2026

Year	Humanitarian needs	Total	Women	Girls	Men	Boys	People with disabilities
2026	People in need (million)	22.3	5	6	5.1	6	15%
	Target population (million)	12	2.7	3.2	2.8	3.3	15%
2025	People in need (million)	19.5	4.2	5.3	4.5	5.5	15%
	Target population (million)	10.5	2.3	2.9	2.4	2.9	15%

Source:

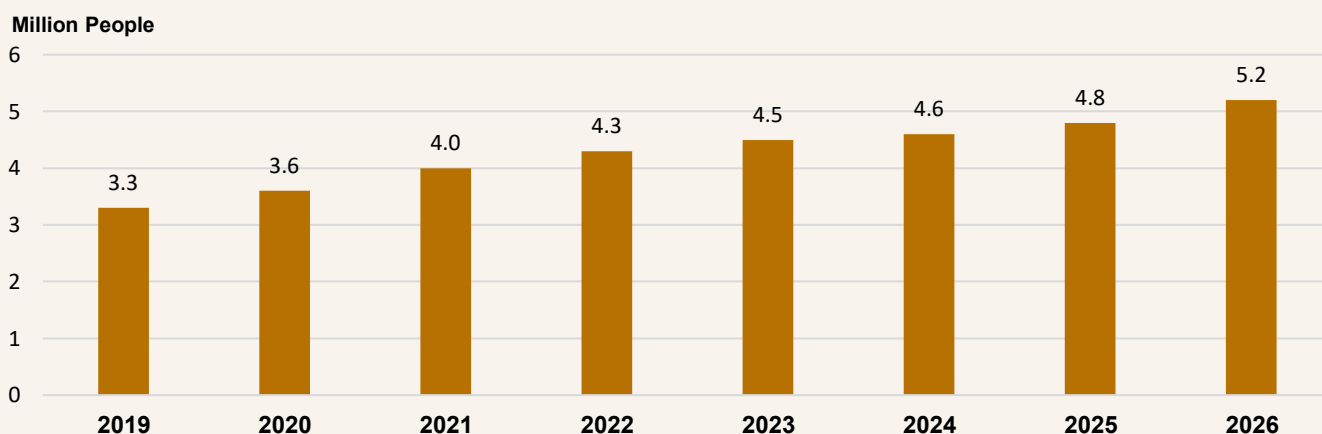
- OCHA, 2026, HUMANITARIAN NEEDS AND RESPONSE PLAN, YEMEN, P.2.

- OCHA, 2025, Humanitarian Needs and Response Plan for Yemen, p.2.

Trends Related to Displaced Persons

The number of internally displaced persons (IDPs) in Yemen totals 5.2 million in 2026, compared to approximately 4.8 million in 2025, making it the fifth largest internal displacement crisis in the world. The majority of IDPs in Yemen are women and children. Internally displaced people suffer from extremely difficult living conditions, limited access to basic services, poor shelter conditions, less livelihood opportunities, and the risk of evacuation. Displaced communities express shared concerns, and camp residents are among the most vulnerable communities in Yemen. Multiple displacement traps families in a cycle of dependence on humanitarian assistance.

Figure (3) shows the evolution of the number of displaced people in Yemen



Source: OCHA, 2026, HUMANITARIAN NEEDS AND RESPONSE PLAN, YEMEN, P.7.

Trends in External Aid

Table (8) below shows that the funding coverage ratio for the Yemen Humanitarian Needs and Response Plan at the end of December 2025 did not exceed 29%, i.e. the lowest funding levels. At the end of the first quarter of 2026, this ratio was only 9.7%.

Reduction in external financing is reshaping the social service system in Yemen. Children bear the brunt of the funding cut through increased school dropout rates, and exposure to long-term cumulative impacts from deteriorating health and nutrition conditions, and thereby higher protection risks.



Table (8): Trends in Foreign Assistance, Q4 2025 and Q1 2026 (US\$ million)

	Funded by HRP	Other Sources	Total	Funding Requirements	Coverage Rate (%)	Gap (%)
December 2025	717.7	658.5	1376.2	2478.8	29.0%	71%
End of Q1 2026	210.6	18.6	229.3	2162.6	9.7%	90.3%

Source:

- Yemen 2025. OCHA, FTS, data as of 2 April 2026. <https://fts.unocha.org/countries/248/summary/2025>- Yemen 2026. OCHA, FTS, data as of 3 April 2026. <https://fts.unocha.org/countries/248/summary/2026>

Strengthening Public and Sustainable Financing to Offset International Funding Gap

The growing humanitarian needs in Yemen (22.3 million people in 2026), including approximately 12 million children (girls and boys) indicates extra humanitarian and social pressures amid the ongoing conflict, economic decline, displacement, and climate shocks, coupled with a sharp drop in external funding. This is in addition to escalating regional tensions and rising fuel and commodity prices which also threaten to worsen the humanitarian crisis by further straining households, essential services, and supply chains.

Yemen faces increasing risks due to widening humanitarian funding gaps and reduced coverage of basic services, which limits the ability of local communities to cope with recurring shocks. The crisis in Yemen is no longer solely linked to the ongoing conflict but also to the sharp decline in humanitarian funding and the reduced scope of basic services and interventions, further exacerbating food insecurity, malnutrition, and protection risks, particularly among children and the most vulnerable groups.⁸

Given these challenges, strengthening sustainable public finances is crucial for continuity of essential services and prevent further deterioration of humanitarian and economic conditions. This also requires supporting the resilience of state institutions, markets, and local communities to shocks, promoting recovery, and improving livelihoods, thereby protecting the most vulnerable and reducing the risk of long-term instability.



Trends in Prices of Basic Food Commodities in Yemen

Disruptions to maritime trade are expected to negatively affect Yemen by raising basic commodity prices, especially as shipping companies impose risk fees of approximately \$3,000 per container⁹, adding to the repercussions of the conflict in the Middle East. Given Yemen's heavy reliance on imports - especially grains (94% of which were imported during 2021-2023)¹⁰ Yemen is very much exposed to rising energy and food prices. Continued conflict may lead to further disruption of money transfers and aid flows.¹¹

Estimates indicate that maritime shipping prices to Yemeni ports have seen a large increase. The cost of shipping containers from China to Aden has doubled, in addition to additional fees related to war risk, leading to alternative shipping routes, delayed arrival of goods, and increased transport and storage costs. These developments have had direct impact on commodity prices in local markets, projected to hike between 15% and 35% at least in the short term, resulting from overlapping factors including shipping and insurance costs and soaring fuel prices¹².

⁸ Yemen at Breaking Point: Historic funding collapse pushes communities toward the edge. 2 Apr 2026. <https://reliefweb.int/report/yemen/yemen-breaking-point-historic-funding-collapse-pushes-communities-toward-edge>

⁹ FEWS NET, 2026, Yemen Key Message Update March - September 2026: Shipping surcharges expected to increase prices, despite control measures, <https://fewsn.net/middle-east-and-asia/yemen/key-message-update/march-2026>

¹⁰ ESCWA, 2026, Conflict and its fallout: Exacerbating impacts and risks on energy, water, and food systems in the Arab region, , p. 9, E/ESCWA/CL1.CCS/2026/Policy brief.4

¹¹ World Bank. 2026. Challenges of Conflict and Industrial Policy for Development. Middle East, North Africa, Afghanistan & Pakistan Economic Update (April 2026), p.17, <https://openknowledge.worldbank.org/bitstreams/9467b35f-5452-4281-9bdb-04a1fcca6349/download>

¹² Studies and Economic Media Center, April 13, 2026, The Impact of the US-Israel-Iran war on Yemen's economy.

Purchasing power for families across the country remains weak, while the prices of basic commodities continue to outpace incomes. Given Yemen's heavy reliance on imported goods, families already struggling to meet their basic needs which becomes increasingly difficult.¹³ This exposes children in Yemen to further risks regarding their food and drink, threatening their ability to survive, grow, and thrive.

Table (9): Average Prices of Selected Basic Food Commodities in Aden and Sana'a during March 2026

Average price	50 kg white flour	50 kg ground red flour	10 kg rice	10 kg sugar	Vegetable oil 8 liters	20- liter diesel	20 liters petrol	20-liter domestic gas cylinder
Aden (1 US dollar is equivalent to 1558 YER)	37000	36000	24000	10300	20500	27000	22500	11900
Sana'a (1 US dollar is equivalent to 531 YER)	13000	11800	7500	4500	8500	9500	9500	7000

Source: Yemeni Economic Forum, Studies and Economic Media Center, March 2026, Economic Update, P.17-18.

The fallout of the war is likely to affect food security, particularly food availability and affordability, leading to a 20% increase in global food prices, and about 34.75% hike in local food prices in low-middle-income Arab countries, including Yemen. This increase is linked to higher levels of food insecurity. Estimates indicate that this price increase may lead to a 1.16 percentage point rise in moderate and acute food insecurity rates.¹⁴

Yemen has therefore become particularly vulnerable to food price shocks, especially if humanitarian aid provided by financial institutions in GCC countries and other entities to least developed and fragile Arab countries stopped due to the disruption of the Strait of Hormuz or if their focus shifts inward due to conflict.

¹³Yemen at Breaking Point: Historic funding collapse pushes communities toward the edge. 2 Apr 2026 <https://reliefweb.int/report/yemen/yemen-breaking-point-historic-funding-collapse-pushes-communities-toward-edge>

¹⁴ ESCWA, 2026, Conflict and its repercussions: Exacerbating impacts and risks on energy, water, and food systems in the Arab region,, p.12, E/ESCWA/CL1.CCS/2026/Policy brief.4



Focus Issue

Part Three: Social Expenditure* in Yemen and Development Consequences amid continued Decline in International Funding

1

General Context of Social Expenditure

Social spending in the context of economic fragility

Social expenditure is one of the basic and policy-driven tools to support and encourage growth. Social expenditure can play a substantial role in improving human well-being and economic potential, as well as protecting fragile groups. It helps strengthening long-term growth and reducing poverty and inequality¹⁵.

In this context, before delving into the details and trends of social expenditure in Yemen, it is important to briefly consider the overall state of local revenues. Although difficult to obtain precise data on public revenues in Yemen, available data from the 2024 CBY Annual Report indicates that revenues rose in 2024 to 2065.6 billion YER compared to approximately 1211.5 billion YER in 2023. The increase in 2024 is largely due to increased revenue from Saudi grants in support of the State budget @ 907 billion Yemeni Riyals, while tax revenues fell by 35 billion from 721.6 billion YER in 2023 to 686.7 billion YER in 2024.¹⁶

Public revenues, which were originally lower than other developing countries in Asia, have been severely restricted by conflict and particularly reduced oil revenues. Meanwhile, declining imports through the port of Aden have greatly restricted spending on healthcare, education, social protection, and infrastructure. A 2022-2025 strategy was developed as part of the framework of the Yemen's Economic, Financial, and Monetary Reform Program, while two draft laws on value-added tax and production tax adjustment were prepared with support from development partners and presented to the Ministry of Finance. According to the Tax Authority, these reforms may lead to a 50% increase in revenue from sales tax on goods and services through. However, because the Legislative Council, the constitutionally authorized body to enact laws, is not functioning, the new proposal has not been passed.¹⁷

The concept and importance of social expenditure

The notion of social expenditure depends upon a country's progress in social development priorities. Ideally, social expenditure aims to maximize levels of human well-being through access to quality services and social protection, including areas in which the Agenda for Sustainable Development aims for universal access. Appropriate social expenditures are social investments that promote inclusive and sustainable growth. Any measure of social expenditure must take into consideration two guiding objectives: targeting expenditure to ensure social justice and inclusive development, reduce poverty and inequality, and improve human development; and targeting expenditure to enhance human capital and innovation, promote gender equality and foster sustainable economic growth.

Source: ESCWA, What is social Expenditure?
<https://sem.unescwa.org/ar/about>

* This analysis of social expenditure is concise and focuses only on three key sectors—health, education, and social protection. Meanwhile, the seven dimensions of social expenditure, as defined by ESCWA, will be comprehensively addressed by the Ministry of Finance through the Social Expenditure Monitor, ensuring that they can be effectively tracked and monitored. <https://www.unescwa.org/events/social-expenditure-monitor-yemen-0>

¹⁵ International Monetary Fund, September 2020, Social spending for inclusive growth in the Middle East and Central Asia, <https://www.imf.org/-/media/files/publications/dp/2020/arabic/ssigmecaaa.pdf>

¹⁶ Central Bank of Yemen, Aden, Annual Report 2024, p.30, <https://cby-ye.com/files/68b930ded7478.pdf>

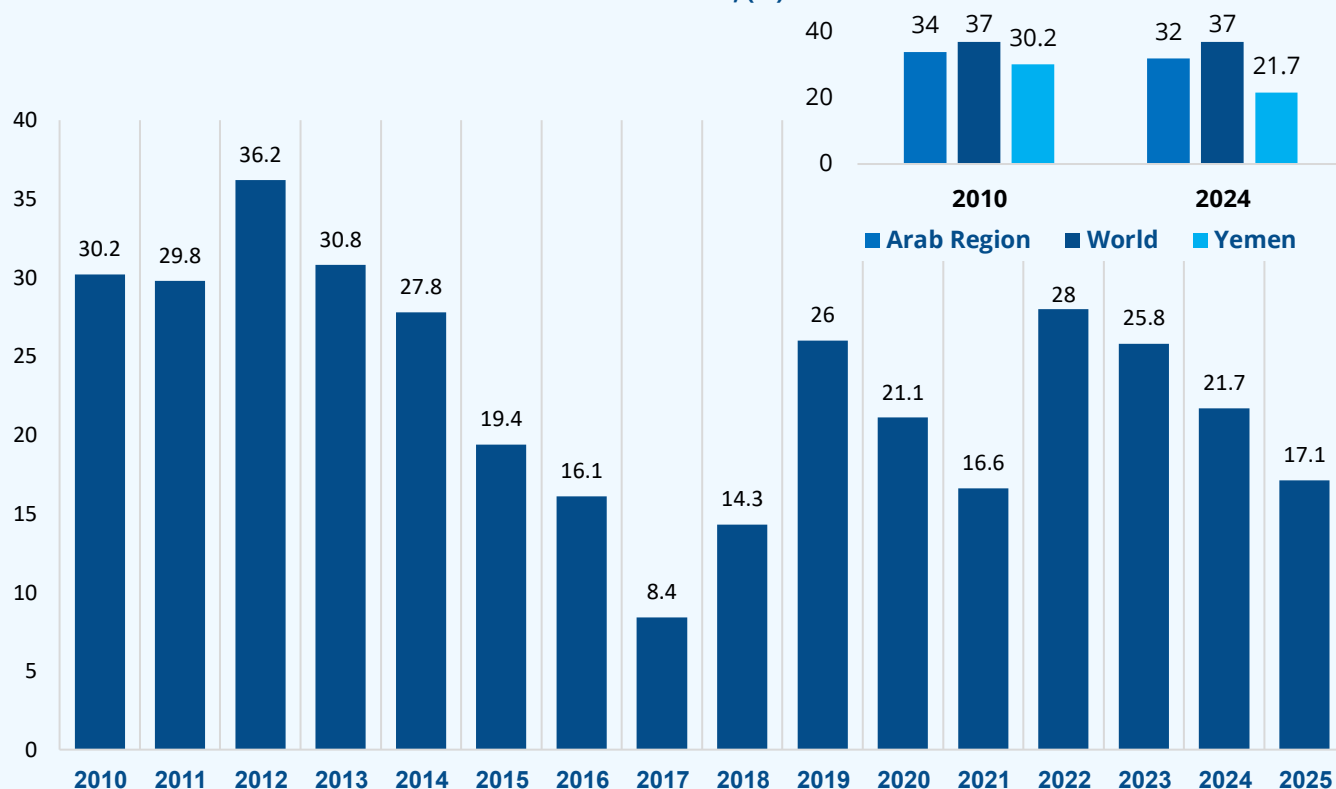
¹⁷ Organization for Economic Co-operation and Development (OECD), 2026, Enhancing Economic Resilience in Yemen, p.p. 13 and 15, https://www.oecd.org/content/dam/oecd/ar/publications/reports/2026/02/promoting-economic-resilience-in-yemen_b66657c1/5f74a34e-ar.pdf

Trends in Public Expenditure in Yemen

Figure (4) shows that total government expenditure -to-GDP ratio fell from 30.2% in 2010 to 29.8% in 2011, then rose to 36.2% in 2012 before decreasing in subsequent years to its lowest level at 8.4% in 2017. During the period 2019 to 2025, this ratio fluctuated ups and downs, with the highest expenditure -to- GDP ratio reached 28% in 2022, and the lowest in 2021, recording 16.6%. The suspension of Yemen's oil and gas production caused export returns to drop by 90% since 2014, thereby depriving the country of its main source of foreign currency and similarly prevented the state from accessing 50-60% of its financial revenues.¹⁸

In October 2022, oil exports came to a complete halt following drone attacks on Yemen's oil export terminals.

Figure (4): Trends in Government Expenditure-to-GDP Ratio in Yemen Compared to the Arab Region and the World; (%)



Source:

- Data for the years 2010-2018: IMF, 2025, Government expenditure, percent of GDP % of GDP, <https://www.imf.org/external/datamapper/exp@FPP/YEM>
- Data for the years 2019-2025: Ministry of Finance, Aden, Yemen.
- ESCWA, UNICEF, November 2025, Social spending , expenditure efficiency and fiscal sustainability in Arab states, p.3, Figure 2, <https://www.unescwa.org/sites/default/files/pubs/pdf/social-spending-expenditure-efficiency-fiscal-sustainability-arab-states-arabic.pdf>

Above Figure shows that, compared to regional and global levels, government general expenditure as a percentage of GDP in Yemen was lower than the Arab regional average and the global average in 2010: 30.2% in Yemen, compared to 34% in the Arab region and 37% globally. In 2024, however, with exceptional circumstances in Yemen, the gap widened, causing this percentage to plummet to 21.7% in Yemen, compared to slight drop in the Arab region with 32% but remained the same globally at 37% on average.

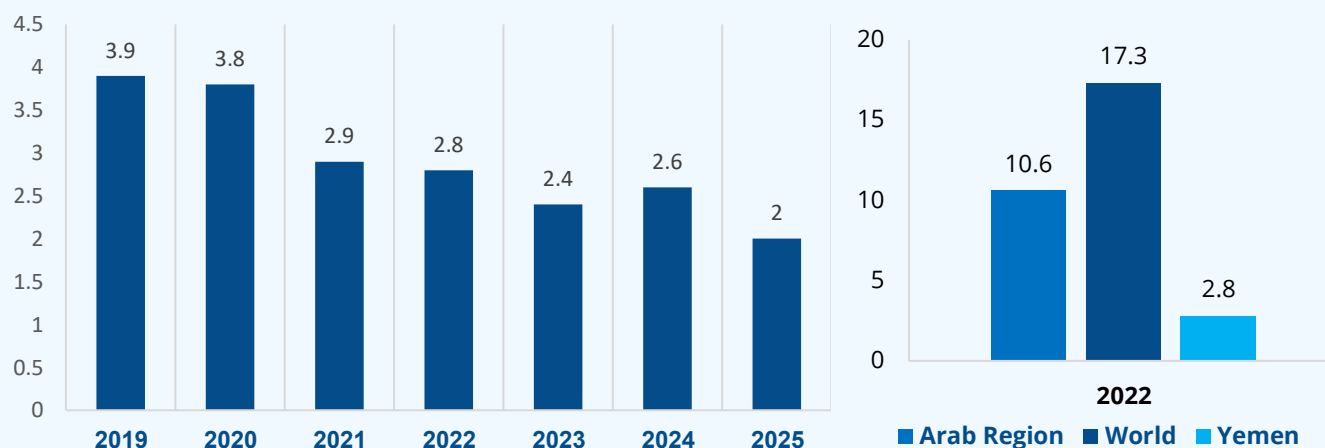
Evolution of social expenditure in Yemen

Based on the definition of government social expenditure, which includes health, education, and social protection, Figure (5) shows that government social expenditure in Yemen, as a share of GDP, stood at 3.9% in 2019. It subsequently declined gradually, stabilizing at 2.0% of GDP in 2025.

¹⁸ World Bank Group, May 2017, Yemen Policy Note No. 2: Economic, Financial and Social Challenges in the Early Post-Conflict Phase in Yemen, p.5, <https://documents.worldbank.org/curated/en/110051508409189435/pdf/120535-REPLACEMENT-ARABIC-Yemen-Policy-Note-2-edited-final-clean-clean-Final.pdf>



Figure (5): Evolution of Government Social Expenditure in Yemen Expenditure (Education, Health, and Social Protection) to GDP in Yemen Compared to the Arab Region and the World; (%)



Source:

Ministry of Finance, Aden Yemen.

- ESCWA, UNICEF, November 2025, Social spending , expenditure efficiency and fiscal sustainability in Arab states, p.9, Figure10,

<https://www.unescwa.org/sites/default/files/pubs/pdf/social-spending-expenditure-efficiency-fiscal-sustainability-arab-states-arabic.pdf>

Compared with the Arab regional and global averages, Figure (5) shows that government social expenditure (education, health, and social protection) as a share of GDP in Yemen remains well below both regional and global levels. In 2022, Yemen allocated only 2.8% of GDP to health, education, and social protection, representing a substantial gap of 7.8 and 14.5 percentage points compared with the Arab regional and global averages, respectively.



Therefore, protecting necessary Social expenditure is crucial to prevent erosion of human capital for children. The decline in Social expenditure in Yemen directly threatens millions of children to access to education, healthcare, and basic nutrition services.

2

Social Expenditure by Sector

Distribution of Social expenditure on Education, Health, and Social Protection

The distribution of total general social expenditure (education, health, social protection) determines priorities in policymakers' planning approaches and economic and social development.

Figure (6) Distribution of Government Social expenditure as a Percentage of GDP; (%)



Source: Ministry of Finance, Aden, Yemen.

Based on Figure (6) above, the distribution of social expenditure across dimensions (education, health, social protection) in Yemen can be analyzed as follows:

Government general expenditure on education:

In 2019, expenditure on education amounted to 3.2% of GDP, subsequently declining gradually until it reached 1.6% in 2025, whereas it had previously reached 5% in 2012 and 2013%¹⁹, the highest recorded in the last fifteen years.

Given this decline, the number of children not enrolled in schools in Yemen will reach 3.2 million out-of-school children by 2025.²⁰ Access for early childhood children to enrollment services with early childhood education programs remains almost non-existent in Yemen. In 2023, the rate of children aged 36-59 months who join early childhood education programs was only 0.5%.²¹ Government expenditure on education according to the international standard is 6% of GDP, also lower than the average expenditure in the Arab region of 4% of GDP in 2023.²²

Increased government expenditure on education represents protection of human capital through investment in early childhood. Education directly contributes to improving skills and health, which builds a strong foundation for future economic growth.

Government general expenditure on health

Figure (6) shows that government expenditure on health constituted very tiny ratio-to- GDP, not exceeding 0.8% in 2020 during the COVID-19 pandemic, the highest expenditure rate for the period 2019 to 2025 – compared to 1.4% %²³, in 2012, expenditure reached its highest level in the last fifteen years. The health sector in Yemen is not well-positioned to achieve universal health coverage for all; it is far below the WHO standard of 5% and less than the average expenditure in Arab countries of 2.6% of GDP between 2019 and 2023.²⁴

Reduced expenditure on health leads to less quality of health services, which increases mortality and malnutrition rates, negatively affecting human capital in Yemen. Mothers and newborn children face extreme risks due to limited access to good healthcare. In 2022-2023, the neonatal mortality rate reached 21 deaths per 1000 live births, with infant mortality rate 35 deaths per 1000 live births, and under-five children 41 deaths per 1000 live births.²⁵ The average stunting rate among children under five in Yemen remains 48.6%²⁶ far higher than the Arab regional average of 36.6% and the global average of 23.2%.²⁷

Government general expenditure on social protection

Figure (6) shows that government expenditure on social protection as a percentage of GDP in Yemen in recent years (2019-2025) is almost negligible, not exceeding 0.1% in 2019, compared to 8.6% in 2013²⁸ -the highest expenditure rate of GDP recorded in the last fifteen years. This was attributed at that time as not resulting from increased actual expenditure on social protection but rather rearrangement of items and inclusion of current and transfer expenses from the Social Welfare Fund and the Disabled Rehabilitation and Care Fund in the central budget for 2012 and 2013.²⁹ That average public expenditure on social protection in Arab countries reached about 8-9% of GDP between 2019 and 2023.³⁰

¹⁹ MoPIC, May 2023, Social Investment in Yemen (With Focus on Children) Concept .Reality.. Improvement Areas.., P.22, Figure (5), <https://www.unicef.org/mena/media/29046/file/Social%20Investment%20in%20Yemen%20.pdf>

²⁰ OCHA, 2025, Humanitarian Needs and Response Plan for Yemen, p.4.

²¹ Central Statistical Organization and United Nations Children's Fund (UNICEF), October 2023, "Survey Cluster Multiple Indicators in Yemen MICS 2022-2023", p.183.

²² ESCWA, UNICEF, November 2025, Social spending, expenditure efficiency and fiscal sustainability in Arab countries, p.10, <https://www.unescwa.org/sites/default/files/pubs/pdf/social-spending-expenditure-efficiency-fiscal-sustainability-arab-states-arabic.pdf>

²³ MoPIC, May 2023, Social Investment in Yemen (Child Spending) Concept.. Reality.. Improvement Areas.., P.5, Figure (5), <https://www.unicef.org/mena/media/29046/file/Social%20Investment%20in%20Yemen%20.pdf>

²⁴ ESCWA, UNICEF, November 2025, Social spending, expenditure efficiency and fiscal sustainability in Arab countries, p.11, <https://www.unescwa.org/sites/default/files/pubs/pdf/social-spending-expenditure-efficiency-fiscal-sustainability-arab-states-arabic.pdf>

²⁵ Central Statistical Organization and United Nations Children's Fund (UNICEF), October 2023, "Survey Cluster Multiple Indicators in Yemen MICS 2022-2023", p.p. 19-20

²⁶ Ibid, P.24.

²⁷ ESCWA, UNICEF. 2025, Public social spending on children in the Arab region, <https://www.unescwa.org/sites/default/files/inline-files/social-spending-expenditure-efficiency-fiscal-sustainability-arab-states-infographics-arabic.pdf>

²⁸ MoPIC, May 2023, Social Investment in Yemen (Child Spending) Concept.. Reality.. Improvement Areas.., P.5, <https://www.unicef.org/mena/media/29046/file/Social%20Investment%20in%20Yemen%20.pdf>

²⁹ MoPIC, UNICEF, 2014, Analysis of the child budget in the Republic of Yemen, p. 96.

³⁰ ESCWA, UNICEF, 2025, Social spending, expenditure efficiency and fiscal sustainability in Arab countries, p.13.



This underfunding restricts progress in areas of vital importance for comprehensive child development and human capital formation. Multidimensional poverty deprivation level under child protection dimension stands at 70.3% of children (0-4 years) lacking adequate protection by 2023.³¹

The true major impact of decreased government expenditure on social protection is the long-term cumulative effect on child poverty, creating chronic poverty and a complex setup of multidimensional deprivation in Yemen. Diverse risks affect human development outcomes for children at all stages of lives, from malnutrition and food insecurity to limited access to social protection.

The true major impact of decreased government expenditure on social protection is the long-term cumulative effect on child poverty, creating chronic poverty and a complex setup of multidimensional deprivation in Yemen. Diverse risks affect human development outcomes for children at all stages of lives, from malnutrition and food insecurity to limited access to social protection.



This early warning indicates clearly that higher expenditure on social protection reduces the severity of multidimensional poverty and ensures a dignified life for children.

In this context, and despite efforts of social protection programs in Yemen, many of which led by UNICEF including the unconditional cash transfer program, social protection systems in Yemen still face several major structural challenges, mainly:³²

- Sharp fragmentation of social protection programs due to the lack of an effective coordinating framework.
- Only a small portion of the population receives true benefits, indicating a problem of duplicate beneficiaries.
- Most programs focus on short-term needs, limiting their ability to address long-term challenges.

Therefore, expanding the scope of targeted social protection programs would gradually help achieve comprehensive coverage, to prevent deterioration of human capital for children.

Distribution of social expenditure by Type (Current and Capital)

Current expenditure represents about 95.3% of total social expenditure across sectors (Education, Health, Social Protection) as an annual average during the period 2019-2025, while capital expenditure makes up for only 4.4%. This indicates that current expenditures outweigh capital expenditures.

The structural imbalances in social expenditure requires better efficiency by shifting to capital expenditure: reducing "Current Expenditure " (salaries, daily consumption) in favor of "Capital Expenditure " (building hospitals, schools) to be redirected toward children and having an impact on human capital for children, which yields better returns in the long term and fosters economic production.

³¹ United Nations Children's Fund (UNICEF), April 2025, "Multidimensional Poverty Analysis Report for Households and Overlapping Dimensions of Deprivation for Children in Yemen 2024", using the results of the Multiple Indicator Cluster Survey in Yemen 2022-2023, Yemen.

³² Social Protection Strategic Framework in Yemen 2025-2030. Ministry of Social Affairs and Labor, Aden, UNICEF. December 2025, p. 12.
<https://www.mosal-ye.net/ar/mediaCenter/studiesAndResearches/693d04e598b1c1e3f73b2098>

Table (10): Distribution of percentile government social expenditure by sector and item (current and capital); (%)

Year	Education		Health		Social Protection		Mean	
	Current	Capital	Current	Capital	Current	Capital	Current	Capital
2019	99.0	1.0	99.0	1.0	96.0	4.0	98.0	2.0
2020	99.0	1.0	85.0	15.0	98.0	2.0	94.0	4.0
2021	98.0	2.0	97.0	3.0	98.0	2.0	98.0	2.0
2022	97.0	3.0	95.0	5.0	92.0	8.0	95.0	5.0
2023	96.0	4.0	95.0	5.0	92.0	8.0	94.0	6.0
2024	96.0	4.0	96.0	4.0	93.0	7.0	95.0	5.0
2025	97.0	3.0	96.0	4.0	85.0	15.0	93.0	7.0
Average	97.4	2.6	94.7	5.3	93.4	6.6	95.3	4.4

Source: Ministry of Finance, Aden, Yemen.

External funding gap in education, health and protection

Humanitarian needs funded in the education sector averaged \$44.7 million during 2021-2025 with a coverage rate of 26.4%, leaving a funding gap of nearly three-quarters (73.6%). Meanwhile, humanitarian needs in the health sector received \$151.2 million, representing 44.9% coverage and leaving a funding gap of more than half (55.1%).

In the protection sector, funded humanitarian needs amounted to \$114.1 million, i.e. 57.7% and a funding gap of 42.3% for the same period.

Table (11): Funding gap by cluster/sector (education, health, protection)

Sector	Description	2021	2022	2023	2024	2025	Mean
Education	Funded (US\$ million)	78.7	34.7	48.7	28.4	33.2	44.7
	Coverage Rate	30.5%	12.6%	17.5%	27.1%	44.3%	26.4%
	Funding Gap	69.5%	87.4%	82.5%	72.9%	55.7%	73.6%
Health	Funded (US\$ million)	118.7	185.5	191.4	129.2	131.5	151.2
	Coverage Rate	27.0%	46.6%	48.8%	51.8%	50.2%	44.9%
	Funding Gap	73.0%	53.4%	51.2%	48.2%	49.8%	55.1%
Protection	Funded (US\$ million)	120	128.3	140.9	123.6	57.8	114.1
	Coverage Rate	55.1%	63.5%	62.4%	73.5%	33.8%	57.7%
	Funding Gap	44.9%	36.5%	37.6%	26.5%	66.2%	42.3%
Average	Funded (US\$ million)	105.8	116.2	127.0	93.7	74.2	103.3
	Coverage Rate	37.5%	40.9%	42.9%	50.8%	42.8%	43.0%
	Funding Gap	62.5%	59.1%	57.1%	49.2%	57.2%	57.0%

FTS, Yemen Humanitarian Needs and Response Plan 2021-2025. <https://fts.unocha.org/plans/1262/summary>

The funding gap for humanitarian needs in Yemen (education, health, protection) during 2021-2025, amounting to 57%, exceeds the risks of crises resulting from instable financing flows.

Social expenditure in Yemen is near-collapsing due to the stop or downsizing of external financing. The current situation requires transitioning from emergency relief aid to long-term development interventions, with the need to invest in human capital for children (education, protection, health) as an key engine for economic growth and poverty reduction, building a more flexible and competitive economy in Yemen.



3

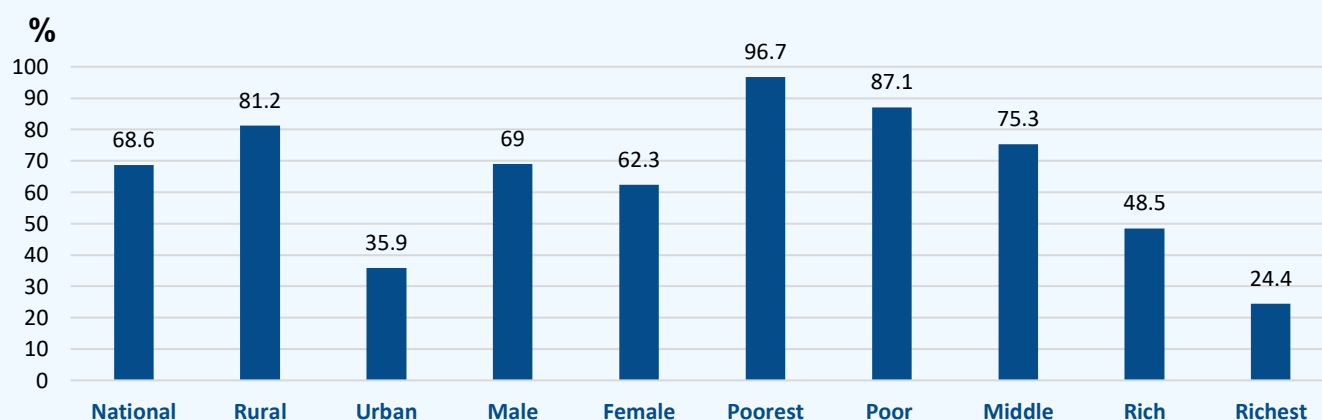
Social and Economic Development Consequences

The development, social, and economic implications presented below do not reflect the impact of declining social expenditure alone. Rather, they arise within the context of a combination of interrelated economic, social, and humanitarian factors and shocks, which influence one another. These include economic contraction, rising inflation and prices, declining incomes and employment opportunities, displacement, weak institutional capacity, and declining external assistance. Moreover, the decline in social expenditure itself is, to a significant extent, a consequence of these economic and fiscal pressures and the narrowing fiscal space available for public expenditure. Accordingly, social expenditure should be viewed as one of the contributing factors, rather than a standalone factor, in shaping these development implications.

Consequences on social protection

Decreased Social expenditure leads to dangerous implications on social protection and increases the state of deprivation and multidimensional poverty among children. About 68.6% of children aged 0-17 suffer from multidimensional poverty. The gap between regions is large; rural children are far more affected, with a deprivation rate of 81.2%, compared to approximately 35.9% among their peers in urban areas. The wealth gap has worsened, with higher poverty rates among families and children at 96.7% for the poorest and 87.1% for the poor. This contrasts sharply across wealth index: 48.5% for the rich and 24.4% for the richest (as illustrated in Figure 7). This deprivation undermines children's capacity to access basic services including education, health, and social protection. This deprivation undermines children's capacity to access basic services including education, health, and social protection.

Figure (7) Multidimensional Deprivation Indicators for Children Aged 0-17 Years (% of Poor)



Source: Multidimensional poverty analysis of households and overlapping dimensions of deprivation among children in Yemen 2024 using the results of the Multiple Indicator Cluster Survey in Yemen 2022-2023. UNICEF April 2025 Appendix W. Main findings of the analysis of overlapping and multiple deprivations. Table 14p. 104.

Although social protection (such as cash transfers) helps families keep their children in school and avoid child labor, especially in areas with high number of IDPs and poor, the social protection system in Yemen is marred by ineffective mechanism for identifying target groups, limited coverage that does not address all vulnerabilities and risks faced by the population, and the persistent problem of insufficient funding³³. All these factors combined further pressure the available resources, and undermine systems' ability to sustain and adequately help those in need.

³³From vulnerability to empowerment: The future of social protection in Yemen - Sana'a Center for Strategic Studies. 2024.
<https://sanaacenter.org/ar/publications-all/main-publications-ar/23299>

Implications for economic growth

Decreased Social expenditure has also negative effects economic growth, most notably slowing growth, wider class disparity, and declining productivity. Reducing spending on health and education leads to a less productive economy, while the drop in individual consumption negatively affects GDP, hindering sustainable development.

Therefore, improving social expenditure is of paramount importance in addressing these consequences and to be directed toward children and improving the conditions of poor children. Efforts must include: 1) adequate spending, which calls for more spending amid increasing social needs of the population; 2) efficient programming to achieve the intended socio-economic outcomes, which mostly calls for improving accuracy in targeting eligible beneficiaries; and 3) financial sustainability of programs in the context of demographic change and controlling general finance³⁴. Therefore, committing to increasing social expenditure means a stable and prosperous future to ensure child welfare and build a better future for Yemen.

Implications for productivity and human capital

The life-cycle approach used by UNICEF addresses children's needs at every stage of their growth, as child poverty hinders growth by restricting their access to basic needs (education, food, health, water), which in turn limits human capital accumulation³⁵.

The Human Capital Index (HCI) measures the amount of human capital a child born today is expected to achieve by age 18, considering the risks of poor health and weak education prevailing in the country where they live. Yemen scored 0.37 points in 2022 on the HCI (scale 0-1), according to the latest update in 2026 issued by the World Bank³⁶. This means Yemen will lose 0.63 of its productivity due to weak investment in human capital, particularly in education and health.

The decrease in the economic value of individuals resulting from loss or poor skills and knowledge leads to a decrease in the total productivity of the state. Loss of skills at an early age (loss of education or malnutrition) negatively affects the child's capacity to learn in the future, which reduces their productivity and gains.

Again, this sounds that alarm bell that sustainable social expenditure is much needed by children, which directly contributes to strengthening social capital and contributes to achieving sustainable human development.



4

Policy Pathways and Remedies

Reducing the impact of declining social expenditure and external financing in Yemen requires adopting integrated policy approaches, focusing on protecting children's human capital, enhancing financial sustainability, improving the efficiency of social expenditure, and gradually transitioning from short-term humanitarian response to more sustainable and productive development pathways.

³⁴ Social spending for inclusive growth in the Middle East and Central Asia. International Monetary Fund. September 2020. p. 88. <https://www.imf.org/-/media/files/publications/dp/2020/arabic/ssigmecaaa.pdf>

³⁵ Analysis of multidimensional poverty among households and overlapping dimensions of deprivation among children in Yemen 2024 using the results of the Multiple Indicator Cluster Survey in Yemen 2022-2023. UNICEF. April 2025. p. 4.

³⁶ Human Capital Index (HCI) (scale 0-1). World Bank, Last Updated: January 12, 2026. https://humancapital.worldbank.org/en/indicator/WB_HCP_HCI



Pathways to enhance the fiscal sustainability of social expenditure

- Enhancing domestic revenue mobilization by improving tax collection efficiency, broadening the tax base, and enhancing tax fairness and progressivity.
- Finalizing fiscal policy reforms and developing taxes on goods and services will contribute to diversifying revenue sources and improving fiscal sustainability.
- Redirecting public expenditure towards priority social sectors, particularly education, health, and social protection, given their pivotal role in human capital development.
- Enhancing the efficiency of social expenditure through periodic evaluation of social programs and improving coordination between different institutions and sectors.



Pathways to improve social expenditure efficiency

- Improving the efficiency of the social expenditure setup by boosting capital expenditure directed towards investment in schools, health facilities, and social service infrastructure.
- Improving targeting of social interventions with the greatest impact on children, especially in early childhood, education, nutrition, and primary health care.
- Developing targeting mechanisms and reducing fragmentation and duplication among social protection programs to enhance efficiency of support to eligible groups.
- Strengthening the capacities of public institutions and improving the efficiency of social service delivery at both central and local levels.



Pathways to strengthen social protection for children

- Gradual expansion of targeted social protection programs towards more comprehensive and sustainable social protection.
- Providing sustainable financial resources for social protection programs from national and international sources to ensure continuity of essential services and benefits.
- Greater focus on the most vulnerable children, including displaced children, children with disabilities, and children facing multidimensional deprivation.
- Strengthening cash transfer and social protection programs targeting children to support their access to education, healthcare, and basic nutrition.



Pathways for shifting from relief to development and strengthening human capital

- Directing a larger portion of funding towards development programs and projects that contribute to job creation and boosting economic productivity.
- Prioritizing investment in education, health, and nutrition as fundamental pillars to develop the human capital of children.
- Enhancing investment in productive sectors with high job creation capacity, particularly agriculture, fisheries, and related industries.
- Expanding training, qualification, and skills development programs to enhance scientific and professional capabilities and raise the economic productivity of the workforce.

