

Abstract

This study tackles effect of programmes of the economic stability and the structural adjustment on the socio-economic development in Yemen in 1995-2004 . the study also aims to investigate and diagnose programmes of the structural adjustment and the political tools used so as to specify their impact on performance of the macro- economy and the social development and to measure to what extent the drawn up objectives have been achieved. Moreover the study is based on a primary hypothesis which has been tested and proved true .The hypothesis also demonstrates that effect of programmes of the structural adjustment on performance of the macro economy were limited and had negative impact on the social aspect.

The study discusses the theoretical bases of the structural adjustment and their tools as well as the current debate on role of the state nd the private sector. The study also discusses the socio –economic development in Yemen in the period before introduction of programmes of the structural adjustment and impacts resulting from application of these programmes to the macro –economy and the social development in 1995-2004 through the statistical analysis and the econometric test. The results have proved authenticity of the primary hypothesis of the study by manifesting the effects of programmes of the structural adjustment on the macro – economy were limited and had negative on the social development . This supports our opinion that programmes of the structural adjustment are unfavorable for the developing countries which Yemen is one of them because these programmes are considered to be stereotyped prescription which dosen't take into account characteristics and requirements of development in the developing countries. The limited effect on the macro –economic changes is demonstrated in a number of examples i.e. dominace of the deflationary feature wherein rates of the economic development, consumption and investment were weak as well as the monetary and finacial policy was characterized by a deflationary feature. The limited effect also manifests on the structural changes because the status before

introduction of the structural adjustment was characterized with a service feature. Further, a little improvement was noticed in structure of the aggregate demand because the aggregate consumption has dominated most part of the Real Domestic product (RDP) besides imports whereas portion of exports and investment was limited. The limited effect also reflects on the financial policy despite decrease in deficit of the budget in general, but there was increase in the budget in some years and the public revenues relied so much on proceeds of the oil exports though their real structural change didn't take place as well as these programmes were unable to solve the financial defects radically besides they were unable to put an end to the potential reasons behind the deficit of the public budget. Regarding the monetary policy, the programmes have failed to limit excessive use of money due to continuity of issuance of money, despite of the usage of the permitted treasury. The rates of inflation decreased relatively compared with the period before introduction of the structural adjustment, however, they retained high rates in the most years and affected the living standard and investment negatively. Concerning the external sector, there is no real impact for the tools of the structural adjustment on improving position of the balance of payment. Devaluation of the Yemeni Riyal has neither led to increase the exports nor decrease in the imports, nonetheless improvement in the balance in recent years is attributed to increase in the oil revenues and not to the substantial changes in structure of the exports in favour of the traditional exports. This confirms that improvement in the balance of payments is connected with the long-term changes. The external debt for Yemen decreased due to the debts, but later on they increased as a result of flow of loans from the international institutions and the donor countries so as to support programmes of the structural adjustment. Increase in volume of debt will lead once again to damage the Yemeni economy which, in turn, will lead to increase in burdens of the debts service. The evidences indicate to non-efficiency, mismanagement of loans in addition to corruption which lessen proceeds of the debts.

On the social level, effects of programmes of the structural adjustment were gave and negative . the deterioration in the living standard has led to increase of rate of the unemployment , absolute poverty , and decline of the level of the public services. The programmes have also led to widening the gap between the rich and the poor in terms of income, stndard of living and opportunities for education and health care .

The ecoometric tests have confirmed these results because the effect of the investment on the RDP was limited as well as weakness of effect of tools of the monetary sector on investment . Further ineffectiveness of currency devaluation and increase of the interest rate on the external sector has been proved . These results also have been confirmed in the social aspect because the tests have proved the weakness of effect of programmes of the structural adjustment on the health and education services and also the negative effect on the living stndard , employment and unemployment .

The study recommends that the current structural adjustment programmes should be changed and to design an alternative national programme taking into consideration the socio –economic interest wherein the economic development is a means of the human development . Further , principle of the dual peference between the public interest and the individual interest should be adopted . The recommendations also contain tools of policy that should be pursued .