

### **Project Assignment: Yemen/Shibam Alternative**

As last year, I will give the Studio an alternative to the South Africa assignment distributed to you. Last year, this alternative dealt with Ecuador, which required some knowledge of Spanish. This year my alternative is based on a recent visit to Shibam, Yemen. The tasks of the Yemen/Shibam assignment would be similar to those for South Africa but the country context differs. There are other differences. In the case of Yemen/Shibam, the number of readings is small. Additional reading material may be available through the Internet, though I suspect, most of this will be pretty general. Nonetheless, I do not see this as too much of a problem, as the course projects can proceed at the concept level.

**Overall Problem:** Yemen is a country full of history, with numerous cities that have remained intact from medieval times. As a result, several of its cities have become world heritage sites, including the Old City of Sana'a (Yemen's capital) and Shibam, located in the Wadi Hadramout -- an isolated wadi with a population of a half million people located in Southern Yemen. Old Shibam is famous for its mud-architecture. Buildings rise five to six stories, but because each floor has two sets of windows on top of each other, the buildings look as if they are twelve floors high.

The town and buildings are very vulnerable. In general, mud architecture does not survive well the impact of rain, and buildings must be repaired regularly. Yet for many reasons, maintenance has been lagging. In 1968, Yemen's South became a socialist republic. Property was nationalized, and building owners lost interest in the maintenance of their buildings. In the early 1990s, the South and North were unified, and property was again privatized. But development since then has led to additional problems. Many of the buildings in Old Shibam remain empty as their owners live abroad. Other buildings have been rented to the poor at a low rent that does not justify much maintenance. Building owners with higher income often move out of town and into new buildings. More modern buildings have more modern conveniences, maintenance is cheap, and the streets are wide enough to be traveled by cars.

The Government has an interest in the maintenance of Shibam, as 30-40 percent of all tourists come to see it. Yet while all of Yemen gains from tourism, the residents and owners of Old Shibam gain little. Even if they gained as a group from tourism (which so far they do not), there would be no assurances that they gain individually from improved maintenance. The problem is familiar from deteriorating neighborhoods in the United States. Each individual owner finds that his best choice is not to maintain. In general, individual landowners will underinvest. They will invest in line with their own benefits, but this will not consider the larger benefits that accrue to neighbors and the town.

**Assistance Fund:** The idea is to charge tourists for their visit to the town, and to use revenues for improved maintenance, municipal services, and development assistance. The revenues might be spend on three types of windows:

- Assistance to Land and Building Owners: This may involve providing owners with subsidies and or loans for housing repairs and building rehabilitation.
- Infrastructure Assistance: This may involve assisting with infrastructure development and operations, including water, sewer, and solid waste.

- **Development Assistance:** This may involve assisting with loans to small and micro enterprises, particularly those that can be linked to the tourism sector.
- **Study, Training and Capacity Building Fund:** This may be assistance to strengthen local institutions to do a better job. This potentially could include assistance in developing technologies to modernize buildings.

One Student Group may develop an accounting model that shows the operation of the assistance fund. This shows the income of the fund in the form of tourism revenues, and the expenditures in the form of subsidies and contributions to a revolving fund. It would also show how the revolving fund is operated, including its income from interest and funds recovered through the repayment of loans. Finally, it would show the assets and liabilities of the fund. Note that Old Shibam residents are likely opposed to the payment of interest, and the loan fund may have to be operated on Islamic principles.

**Municipal Services:** Another Student Group may want to consider the possibility that Shibam services (water, sewer, solid waste) are operated on a semi-private basis. Hence, this group may prepare a model that shows how these services could be run by a private sector company or by a non-government organization. Again, this requires building a model with all of the accounts of this company, showing the income and expenditures from operations, sources and uses of funds (investment, amortization), and balance sheet.

**Housing Improvement Fund:** Rather than modeling the entire assistance fund, a Student Group may want to model just a single purpose fund -- say a fund dealing with housing improvements through subsidies and loans.

Note: I will make a Mission Report available in three copies, one per Student Group.