**Yemen**

**Technical Assistance in Fiscal Year 2021**

**Banking Supervision** (May 10-14; August 30-September 3)

METAC assisted the Directorate of Banking Supervision (DBS) of the Central Bank of Yemen (CBY) in the area of regulatory framework for Islamic banks. The following outputs were delivered: (i) identify key preconditions to be addressed in order to strengthen Islamic banking regulation and supervision; (ii) develop a comprehensive medium-term action plan for implementing an Islamic banking regulatory framework in compliance with the Islamic Financial Services Board (IFSB) standards—including five key elements for the authorities to develop in the short-term; and (iii) draft a comprehensive risk management framework regulation for Islamic banks, which provides a set of best practices for managing Islamic financial services and products undertaken through identifying, measuring, monitoring, mitigating, reporting and controlling relevant categories of risks.

A remote training, focusing on the required knowledge and capabilities to establish an effective on-site and off-site supervisory framework, and to strengthen risk-based supervision (RBS), was delivered to the Directorate of Banking Supervision of the Central Bank of Yemen. A preliminary assessment identified the elements of the supervisory framework that could be further improved and aligned with international standards and best practices. One of key outputs of this activity was the production of an action plan to strengthen banking supervision with a focus on RBS building blocks. This plan will serve as a basis for future technical assistance to Yemen.

**Public Financial Management** (August 31-November 10; March 22-April 30)

METAC and the Fiscal Affairs Department supported the Ministry of Finance and the Central Bank of Yemen in rebuilding their PFM systems, in particular in the area of budget execution, to improve resource use and start building trust in the state. Twenty-six government officials from both agencies discussed and analyzed the complementarity of cash management and commitment control, and how coordinating these two functions can help improve budget execution—especially oversight and transparency.

METAC assisted staff of the Budget Sector Department and the Regulatory and Audit Control Department of the MoF to improve expenditure control and reduce the risks of arrears accumulation. It provided recommendations on practical steps to adopt a new process for issuing quarterly allocations and commitments approval. While grounding budget execution on more realistic information, this will also provide the MoF additional flexibility to review and update cash projections.

**Yemen** (August 16-27)

METAC assisted staff of the Central Statistical Organization of Yemen to address missing observations in the CPI. It provided guidance on methods to measure price changes for items whose price collection was suspended for security or COVID-19 reasons. This included interpolating missing observations between January 2019 and March 2020, where only prices for food and tobacco were collected. Implementation of the recommendations will allow the CPI to better reflect inflation.