

Yemen

Capacity Development Activities in Fiscal Year 2023

Banking Supervision (September 20; October 27; December 8)

METAC reviewed the amended regulation issued by the Central Bank of Yemen on Money Exchange Dealers. The amendments introduce a new category for money exchange dealers “Money transfer agents – remote areas” and increase the minimum capital requirements for all categories of money exchange dealers. The comments and recommendations prepared by METAC were presented and discussed with the authorities during the meetings of the IMF country team with the authorities in October.

METAC contributed to the EU-OECD workshop on Restoring Trust and Capacities in the Yemeni Banking Sector. METAC’s banking supervision expert shared with the participants from the Central Bank of Yemen (CBY) lessons learned from countries that faced similar crisis challenges (such as the Lebanese crisis) and elaborated on regulatory and supervisory reforms to restore trust in the banking sector. These include proper identification of losses for adequate recapitalization and restructuring of banks, relevant resolution options, approaches for the restoration of correspondent banking activities, building liquidity restoration plans, enhancing corporate governance, and reinforcing the supervisory resources.

METAC contributed virtually to the EU-OECD workshop on Strengthening Financial Intermediation capacities of Yemeni Money Exchangers. METAC’s banking supervision advisor shared with the participants from the Central Bank of Yemen (CBY) the preconditions to build trust in money exchange dealers. The intervention highlighted key factors to ensure resilience, including building a clear strategy for money exchange dealers, balancing between competition, market needs and supervisory capacity, providing clear definition of permissible and non-permissible activities for money exchange, requiring clear segregation of funds between customers and money exchange funds, enhancing governance, compliance and consumer protection standards, and last but not least reinforcing the capacity of the supervisors to ensure adequate supervision.

Public Financial Management (May 26-July 30; August 6-8; August 23-September 12; November 11-December 30; March 1-14; March 1-April 30)

As part of programmatic support on expenditure control, METAC assisted the Ministry of Finance (MoF) in further defining the suggested workflows and producing a first version of the “Commitment Control Manual”. The activity also provided training to the three pilot entities (Customs Agency; Ministry of Public Works; University of Aden/Ministry of Higher Education) to get acquainted with the new procedures which will be implemented in the coming months, including testing planned in early August 2022.

A joint METAC/USAID-Pragma workshop was conducted in Amman/Jordan during August 6-8 as part of the programmatic support on expenditure control in Yemen. The event allowed 13 participants from MoF and three pilot entities (Customs Agency; Ministry of Public Works; University of Aden/Ministry of Higher Education) to design an action plan to implement the new control

framework in these entities as of January 2023. The sessions allowed staff to test the initial processes and gain a deeper understanding of responsibilities in MoF and MDAs; adopt further adjustments to workflows and templates; and agree on types of commitments and different approvals. The support will be continued in Phase 4 aimed at finalizing the manual and adopting an automated procedure.

A joint IMF HQ-METAC remote mission supported the Ministry of Finance (MoF) in developing a strategy for the implementation of an integrated financial management information system (IFMIS) that is tailored to the Yemen context. A low-cost, agile and scalable IFMIS is an enabler to rebuild core PFM functions at the MoF, overcoming manual processes while enhancing oversight and communication with Ministries, Departments and Agencies (MDAs). Mission observers included representatives from the USAID-Pragma Economic Recovery and Livelihoods Program (ERLP) as well as the Saudi Development and Reconstruction Program for Yemen (SDRPY).

As part of programmatic support on expenditure control, METAC support the Ministry of Finance (MoF) in finalizing a Draft Manual for Commitment Control, which will be used by three pilot entities (Customs Agency; Ministry of Public Works; University of Aden/Ministry of Higher Education). Building on the first version of the Manual prepared during a previous phase, the updated version is further tailored to the pre-cash phase of budget execution while ensuring a link with budget planning. The templates for commitment requests were finalized, allowing proper tracking of commitments in the pilot entities and at the Ministry of Finance for aggregate expenditure control. The Ministry of Finance is planning to further practice the commitment control process with the pilot entities in the coming months, while METAC will support the semi-automation of templates during February-April 2023.

METAC supported the “cash flow forecasting team” of the Ministry of Finance (MoF) to advance further in the preparation of the 2023 annual cash flow forecast. It carried out a high-level review of the methodology, assumptions, and data of each of the main cashflow items (revenue, expenditures, financing, TSA balances). A cashflow forecast is key for fiscal policy decisions as well as budget execution and commitment controls. The sessions were conducted jointly by METAC and USAID/PRAGMA.

As part of programmatic support on expenditure control, METAC assisted the Ministry of Finance (MoF) in the preparation of an Excel tool to facilitate two-way communication with line ministries. This involved further adjusting commitment control templates, following the advances of MoF’s expenditure control team. The Excel tool will be finalized by MoF in the coming months.

Revenue Administration (August 7-18; September 12-16; January 9-February 9)

METAC assisted the Yemen General Taxation Department in developing its tax audit program. Specifically, the mission (i) reviewed the current audit strategy, (ii) advised how to proceed with centralizing audit case selection and planning the audit program, and (iii) advised on planning, conducting, and finalizing individual audits. Advice on governance and audit quality review was also provided.

METAC provided advice to the Yemen General Taxation Department (GTD) on improving taxpayer services. The assignment reviewed the way in which taxpayer services are currently carried out by GTD and evaluated the current performance of the taxpayer services function; assessed the organizational structure for taxpayer services and how it manages taxpayer services in a uniform manner within the entire organization at a national level and advised on potential solutions for developing an international standard taxpayer services function; and with GTD, developed a draft Taxpayer Services Strategy.

METAC assisted the Yemeni General Taxation Department in developing a general tax audit manual to be used as a reference by their current and new tax auditors. This hands-on tax audit manual will be fundamental to address weaknesses in tax audit practices, and provides the auditors with practical know-how to build their audit capacity.

Statistics (Mar 19-23)

METAC provided training to participants from the Aden-based Central Statistics Organization on national accounts concepts and the compilation of GDP estimates, with a focus on practical application using available data. The mission also assessed the source data available to the Central Statistics Organization and proposed a high-level roadmap to develop GDP statistics.