

Yemen

Capacity Development Activities in Fiscal Year 2024

Central Bank Operations (September 1-October 19; October 5-9)

At the request of the Central Bank of Yemen (CBY), METAC provided guidance on the reorganization of the General Investment Department. To support the objective of strengthening the foreign reserve management capacities METAC assisted – remotely – the CBY to prepare the staffing of this department. The mission tasks included defining the proper roles and responsibilities of the front and middle office of their Foreign Reserve Department. This will allow the CBY either to hire externally or reallocate staff with adequate skill set within the bank.

At the request of the Central Bank of Yemen (CBY), METAC provided training on basic concepts of Foreign Exchange (FX) reserve management. The CBY selected 5 staff members to participate in a 5-day in-person training in Amman. The training focused on the governance framework, financial products for FX reserve managers and IMF reserve management guidelines. The training was well-received by the participants and benefited from highly interactive discussions.

Financial Supervision and Regulation (September 24-26; November 8-10; January 6-11)

The mission developed a Technical Assistance (TA) workplan in supervision and regulation for the Central Bank of Yemen, Aden (CBYA). The mission had extensive discussions with senior representatives from CBYA who presented the current landscape of the banking system, risks and challenges, the regulatory and supervisory frameworks (current and planned) and helped to clarify the TA priority needs. The mission team also met with the other main TA providers in Yemen (USAID-Pragma and World Bank) to ensure close coordination of CD provided to the authorities. The mission produced a medium-to-long-term workplan identifying and prioritizing TA topics and allocating them among potential TA providers. The workplan was designed to strike a balance between addressing imminent risks and advancing the implementation of international requirements and best practices, with the aim to foster a more resilient banking system.

Upon the request of the Central Bank of Yemen (CBJ), METAC conducted a desk review of the draft regulation on the appointment requirements for board members and senior positions at banks. The purpose of this regulation is to (i) determine the senior positions in banks that require CBY's written prior approval for appointment; (ii) set out the minimum criteria in education and expertise that the candidates should possess to be appointed to senior positions; and (iii) set out the minimum fit and proper criteria and disclosure requirements that the banks should adopt to assess the fitness and propriety of candidates. The mission provided a list of recommendations to further enhance the draft

regulation in line with best practices with due care to proportionality consideration and to the special conditions of the Yemeni banking and financial system.

METAC conducted a workshop with the objectives of (i) building the capacity of Central Bank of Yemen's (CBY) supervisors on assessing of banks' licensing applications and fitness and propriety of board directors (BOD) and Senior Management (SM), and (ii) finalizing the draft regulation prepared by the CBY on fit and proper criteria requirements for BOD and SM. The mission took place in Amman, Jordan, with six participants from CBY's licensing department, including the deputy head of supervision and the head of the licensing department. It presented the licensing and fit and proper assessment and highlighted the importance of having in place an adequate due diligence as a first line of defense to new licensed players in the financial system. The mission also presented METAC's recommendations on the draft regulations for licensing of micro-finance banks and the fit and proper criteria for BOD and SM, explained the rationale behind and the proposed measures to align with best practices with proportionality consideration. It discussed the challenges faced by CBY's licensing staff in the process of licensing new banks and assessing the appropriateness of the BOD and SM. The participants expressed great satisfaction with the outcome of the mission and revealed preparedness to implement the mission's takeaways.

Government Finance Statistics and Public Sector Debt (November 13-December 8; February 3-8)

The mission developed a draft institutional table for the Yemen public sector with two levels of government: central government (budgetary central government and extrabudgetary units) and local governments. The mission and authorities worked on domestic and external debt data and discussed the treatment of the different domestic debt instruments and their classification according to international standards. Regarding external debt, the Yemeni authorities have advanced on gathering data sources and have introduced most of the external loans, so preliminary data series for external debt are prepared. Finally, the mission and the Yemeni officials worked on the GFS and PSDS compilation work plan and defined the needs and dates for the forthcoming technical assistance meetings.

An in-person workshop with hands-on training for Yemen was held in Amman to strengthen the authorities' understanding of government finance statistics (GFS) main concepts and framework as well as public sector debt statistics (PSDS). Remote TA through seven virtual meetings followed between February and April. The participants were from the central bank, the Ministry of Finance, and the Ministry of Planning and International Cooperation. Several aspects of GFS compilation in Yemen were discussed and coupled with related recommendations including: (i) institutional sectorization (ii) quality of data sources (iii) development of preliminary detailed bridge tables, which will be crucial for future GFS compilation (iv) analysis of national budget presentation; (v) preliminary above and below-the-line consistency. The workshop was very well received

by the participants with significant improvement in knowledge on GFS and PSDS based on the pre- and post-course assessment.

Public Financial Management (July 8-12; July 8-12; January 27-30)

As part of the programmatic support on budget execution in Yemen, METAC conducted an off-site mission in Amman, Jordan. The mission (i) tested the new expenditure control procedures and supported the Ministry of Finance team to adjust the Excel tool previous to its roll-out to all line ministries; (ii) developed a concept and implementation plan to bring to scale a prototype for a mobile phone application that allows the sending of financial data between the Ministry of Finance and spending units; this built on the FAD-METAC Hackathon event conducted in Amman in March 2023, during which several prototypes were developed and ranked. The mission was attended by eleven officials of the Ministry of Finance with staff from the expenditure control team; the cash forecasting team; as well as IT specialists.

As part of programmatic support on expenditure control, METAC delivered an off-site workshop in Amman that was attended by 12 Ministry of Finance officials. The workshop (i) finalized the commitment control processes, adjusting the Draft Manual and templates; (ii) advanced on developing an Excel tool for tracking information and financial monitoring; (iii) developed a concept to address internet connectivity issues based on a mobile phone application, as a follow-up to the Hackathon from March 2023. MoF aims at rolling out the commitment control processes in early 2024.

A joint workshop with USAID/PRAGMA provided assistance to six officials from the Ministry of Finance of Yemen to plan for the next steps in the new budget execution processes. The “cash flow forecasting team” was supported to review the 2024 cash plan and Q1 forecast previous to its finalization. The “expenditure control team” was supported to feed cash forecasts into the approval steps and update the training plan to line ministries. The commitment control procedures are now based on a cabinet approval and are expected to be rolled across all line ministries in the coming months. This will usefully contribute to the critically important goal of adjusting the rate of spends with available resources.

Real Sector Statistics (April 13-18)

An off-site mission was organized in Jordan to provide training on national accounts compilation to the Central Statistical Organization of Yemen (CSO) national accounts staff. In addition, the mission created an inventory and assessed the existing data sources for GDP compilation in Yemen.

Revenue Administration (May 22-26; August 13-17; January 15-19; February 24-28)

An offsite training in Amman, Jordan, was conducted for the Yemeni General Taxation Department (GTD) on the tax audit manual previously developed by METAC. This training took the tax auditors through the necessary steps from assigned audit cases to the

completion of the audit. The training included many practical exercises related to each audit phase. Current GTD practices were discussed, and the mission provided advice on good practices in this field.

METAC delivered off-site training (Amman, Jordan) on Post Clearance Audit (PCA) to six Yemeni Customs Department (YCD) officers, from three different customs houses (Aden, Shahren and the Vehicles Customs House). The training followed World Customs Organization principles for the introduction of this compliance mechanism and included a practical day of examining actual Yemeni customs declarations, for a hands-on experience. The mission report also made several recommendations for the YCD to consider in relation to setting up PCA units.

An offsite CD event in Amman, Jordan, support the Yemeni General Taxation Department (GTD) in piloting a Compliance Improvement Plan (CIP) for the Yemen banking sector. The five-day workshop covered: (i) broad knowledge of Compliance Risk Management (CRM) using the VITARA course; (ii) general knowledge on the banking sector internationally; (iii) the Yemen banking sector, its compliance risks, and suitable treatments of the risks with practical focus on how to identify risks based on published Yemen Bank's Annual Report; and (iv) advise on the capability workforce plan to achieve the CIP expected results. The mission made progress in developing the banking sector CIP with a clear plan for next steps. Discussions during the workshops were particularly active and enthusiastic.

An offsite mission to Amman, Jordan assisted the Yemeni General Taxation Department (GTD) in reviewing its organizational structure and developing initial accountability statements for each main department. A workshop approach was used to discuss the current GTD structure, possible alternatives, and the question of resource allocation. The workshop developed a common understanding of design principles and key features of modern tax administration organizations. Officials were enabled to apply these principles to the GTD structure re-design.

Anti-Money Laundering and Combating The Financing Of Terrorism AML/CFT (December 17-21)

As part of the Yemen AML/CFT CD project, the AML/CFT Regional Advisor participated in a mission in Dubai, United Arab Emirates, from December 17–21, 2023. The mission discussed IMF staff's legal drafting advice recently to review the AML/CFT law and its implementing regulations. If adopted, the revised draft law and regulations should bring Yemen's AML/CFT framework further in line with the Financial Action Task Force (FATF) standards.