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The National Reform Agenda: A Progress Report

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The National Reform Agenda

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Overview

In early 2006, Yemen embarked on a set of ambitious and interconnected reform measures named the National Reform Agenda (NRA), with the support and coordination of international development partners. The overall objective of this agenda was improving Yemen's investment climate and strengthening democratic institutions. This strong commitment to adopting far-reaching political, economic and institutional reforms stems from a clear understanding on the part of the GoY that these reform measures are vital to development.

The government of Yemen is highly aware of the magnitude and complexity of challenges facing its socio-economic development programs. Yemen has a high illiteracy rate, severe water shortage problem, highly scattered population, high population growth rate with the majority of the population under the age of 24 years, and an impending oil decline from proven reserves. Yemen's development is crucial to improving the livelihood of its citizens, both in terms of poverty alleviation and political stability, and it is also central to regional and international security and stability.

Effective development requires high and sustained economic growth, and in the face of declining oil revenues, Yemen must urgently reorient its economy to non oil-based sectors, thus promoting export diversification and labour-intensive segments of the economy. This hinges on Yemen's ability to stimulate domestic private investment as well as foreign direct investment by improving its overall business environment. Bolstering investments, in turn, is conditional on enhancing the governance structure, fighting corruption and removing significant obstacles to investment and growth.

A broad agreement on the urgent need to enhance and reform key institutions exists in Yemen. Moreover, the reforms receive the full attention and wide support at all levels of the government as explicitly expressed by the President of the Republic on various public occasions. Furthermore, the President has repeatedly emphasized his political determination to tackle directly and openly issues as sensitive and complex as corruption. In support of this endeavour, an effective national coalition emanating from all branches and levels of the government was mustered.

In 1995, Yemen undertook an ambitious economic, financial and administrative reform program with the support of the IMF, World Bank and Donor Community that propelled economic growth and achieved macroeconomic stabilization, price and trade liberalization and privatization. Today, Yemen is highly committed to expanding and deepening its reform process with a clear understanding of its basic necessity to development. The Third Five Year Plan for Socio Economic Development (PSED) identifies bolstering investor confidence and interest, with a clear focus on good governance, as the country's highest strategic priority.

In 2004, Yemen's preparation for its candidacy to the US Millennium Challenge Account (MCA) Threshold Program's qualification process represented an important exercise, as well as a complement to existing efforts, to tackle serious reform issues. An inter-ministerial committee, including a technical committee comprising more than 20 governmental agencies, was established for this purpose. The proposed reform program designed for the MCA country plan as well as the process that ensued helped pave the way for the current reform momentum.

Yemen's commitment has translated into the creation of a ministerial committee in 2005 tasked with devising a comprehensive reform programme and headed by the Minister of Planning and International Cooperation (MPIC). In parallel, a Good Governance Policy Group (GGPG) was established in December 2005 to bring together representatives of the Donor Community and of relevant ministries. Four working groups were set up to examine key reform areas (transparency and anti-corruption, business-enabling environment, rule of law, improving political participation) and to reach consensus on a set of measures.

This extensive and careful consultation process with national stakeholders and international partners, as well as the resulting recommendations and findings contributed to the design of the National Reform Agenda (NRA), a six-month reform plan targeting crucial areas to the success of the reform process. The NRA was endorsed by the cabinet in January of 2006.

The resulting NRA is congruent with the strategic pillars identified within the third five-year PSED, and the reform process currently underway is a basic ingredient of a wider, comprehensive and integrated strategy to achieve poverty reduction through economic growth. As such, it also matches the priorities specified by the MDGs. The complexity and magnitude of the reform agenda is manifested by the existence of several distinct reform activities, each of which motivated by a specific underlying rationale. Yet, these reforms ultimately form a set of organically structured, interlocked, and interrelated measures that fit together.

The momentum for reform, under the umbrella of the NRA, has been most visible in what was achieved since the latest cabinet reshuffle in February 2006. A complex and long running process, reform was further given decisive and distinct impetus by the close collaboration that was formed between MPIC and the Presidential Office for this purpose. Since then, reforms have been set into motion at a visibly accelerated pace and have yielded tangible results.

The level of ownership of reforms within the various reform-implementing government agencies is high, and that is mainly due to the initial broad consultative process as well as to MPIC's close coordination with relevant agencies. Moreover, in order to underscore its commitment to reform and improve the latter's effectiveness, the GoY has repeatedly invited experts from international organizations, donor countries and NGOs to assist and advise it on best practices. The GoY highly appreciates the invaluable help and support provided by international donors throughout the various stages of this process. Furthermore, the GoY has consistently sought the input and cooperation of local institutional stakeholders, such as both opposition and majority members of Parliament.

The recent presidential and local elections have further emphasized the commitment of the government to reform. The various issues of reform, including fighting corruption and improving services of the public sector, were a major theme highlighted by all five presidential candidates during their election campaigns. The campaign platform of President Saleh outlined a clear strategy for moving the reform agenda forward.

Overall, Yemen is highly committed to the reform process, which has gained significant momentum during 2006 and has tackled important and sensitive areas in need of attention. Looking forward, the government will further support the reform process and improve its sustainability by institutionalizing the mechanisms that helped push the current reform agenda forward.

A. Enhancing Transparency and Fighting Corruption:

Corruption is the single greatest deterrent to investment in Yemen and a major obstacle to the country's development, eroding public trust and significantly raising the costs of private investment. The President and Government of Yemen have defined combating corruption as the foremost priority of their reform strategy.

Anti-corruption measures pursued by the Government of Yemen encompass reforming administrative procedures, modernizing the civil service, restructuring the public financial management system and parts of the judiciary, and enhancing the role of the legislature.

Yemen has moreover adopted and ratified the United Nations Convention against Organised Crime and Corruption (Mérida Convention), and drafted an Anti-Corruption Law setting up an independent and empowered National Anti-Corruption Board. A president directive has enhanced the independence of the Central Organization for Control and Audit, which has additionally increased coordination with the Prosecutor's Office and the Ministries of Justice and Legal Affairs. Parliament has ratified a Financial Disclosure Draft Law that has gone forward to the President for promulgation.

The following highlights the most important measures and events that took place during 2006:

1. Political Commitment:

The GPC presidential nomination conference in June 2006 was a turning point in government's handling of the issue of corruption. President Saleh strong condemnation of corrupt acts and corrupt public servants was a focal point of the conference.

2. National Anti-Corruption Awareness Campaign:

In June 2006, the government inaugurated the largest **National Anti-Corruption Awareness Campaign** in the history of the region: in its first phase, this comprehensive media campaign that lasted 60 days started on June 6th 2006 in all major cities in Yemen. Signs, Billboards and Posters are posted in over 700 locations in 6 cities with over 300 in Sana'a city alone. Newspaper Ad campaign on all government, independent and opposition newspapers, as well as radio and TV commercials. The aim of the campaign, the largest of its kind in the region, was to:

- a. raise awareness on the effects of corruption on development, and
- b. start popular momentum in support of upcoming anti-corruption measures
- c. stimulate discussions and remove taboos associated with the issue of corruption

3. Financial Disclosure Law:

In July 2006, **Financial Disclosure Law** was ratified by Parliament. As part of the process of putting national legislation in compliance with the UN Convention against Corruption, a Financial Disclosure Draft Law was presented on 08 January 2005 to the Parliament. This measure aims at enhancing transparency and accountability among government agencies and officials and upgrading the stature of the civil service at large, by enacting mechanisms that ensure the protection of public funds. The Law specifies a list of high-ranking public posts including the president of the republic, the vice-president and the prime minister, and those whose positions involves financial transactions, procurement, collection of public funds and

auditing. These officials and civil servants are required to file a financial disclosure statement, specifying the amount and nature of the fixed assets, income, shares and auctions they own as well as those possessed by their spouses and dependents. These declarations should then be submitted to the National Supreme Anti-Corruption Authority (NSAA) for record and assessment.

4. Procurement:

- a. In April 2006 Procurement Manual and Standard Bidding Documents that had been prepared over the past two years by international procurement consultants- Crown Agents- based on worldwide best practices, were approved by cabinet, thus putting them into effect.
- b. In July and August 2006, 80 procurement officers from 29 government agencies were trained on the new Procurement Manuals and Standard Bidding Documents.
- c. In August 2006, the minister of finance issued a circular and sample forms to all heads of finance departments in 55 government agencies requiring them to file monthly reports detailing all procurement activity during the previous period including the following pieces of information:
 1. opportunities for government business (with all details about the required specifications, tender details, timing of tender submission etc);
 2. list of bidders who have submitted bids;
 3. list of bid prices read out at bid opening;
 4. the award decision – who received the award, at what price;
 5. implementation and completion of job data
 6. final total price paid

The first filing date of September 7th 2006 produced submission from only 3 out of 55 government agencies. On the second filing date of October 7th 2006 this number improved to 25 out of 55. This information is published, and monthly updated, on the government's main information website (<http://www.yemen-nic.com>)

- d. In September 2006, the government signed an agreement with USAID to finance the first phase of the Procurement Management Information System that is slated to run the entire procurement process at all levels of the procurement cycle and aims to increase the level of transparency in the public procurement system.
- e. In May 2006 the inter-ministerial process of amending procurement law began with the aim of including a new set of institutional arrangements for the public procurement system. These significant set of modifications, which enjoy high level of support from the president of the republic, were approved by the ministerial committee in July 2006 after careful consultation with the assistance of experts from Crown Agents as well as Booz Allen Hamilton.

The major highlights of the proposed procurement structure, as it stands now, include the following major issues: (a) No ministerial representation at the High Tender Board (HTB), (b) HTB to be staffed with full-time technical personnel,

- (c) HTB decisions to be final, (d) no tender value ceiling above which tenders would be referred to cabinet for approval and (e) establishing an independent board made up of members of civil society, MP's, members of professional associations and technical experts whose tasks include: monitoring procurement process, setting policies, building capacities and receiving complaints, including referring cases to prosecuting bodies.
- f. On October 2nd 2006 the President of the Republic issued a directive to the cabinet to expedite the amendment revision process of the procurement law and to present it to Parliament after the Eid holidays (around the end of October 2006) as a matter of urgency. The law is expected to be ratified during the first two weeks of November 2006.

5. Anti-corruption law:

In 2005, the government drafted and approved an **anti-corruption law** and referred it to parliament. However, in April 2006 the government felt, after consultation with civil society (including Yemen Chapter of Parliamentarians Against Corruption YemenPAC and the Yemen chapter of Transparency International) and donor community, that draft law had room for improvement. Therefore, in May 2006 the government initiated contact with Transparency International (TI) to solicit their help in reviewing the draft law and to provide feedback on necessary improvements. Dr. Michael Wiehen of TI visited Yemen during 15-21 May 2006 and met with key government officials and received briefing on the status of anti-corruption reform in Yemen. He also reviewed draft law and made recommendations, especially on the three specific issues related to:

- a. removing clauses within draft law specifying that NSAA should directly report to president of republic;
- b. appointment of executive director to be made by NSAA board of directors as opposed to president of republic, and
- c. reports of NSAA should concurrently be sent to president of republic, presidium and members of parliament and members of the Supreme Judicial Council.

These recommendations were discussed internally and approved. The draft law was amended in consultation with the Parliament's finance committee that is reviewing the draft. On October 2nd 2006 the President of the Republic issued a directive to the cabinet to follow up on the law with Parliament as a matter of urgency. The law is expected to be ratified during the first week of November 2006.

The draft law's centrepiece lies in the creation of a National Supreme Anti-Corruption Authority (NSAA), an independent body separate from the executive formed of key figures of outstanding competence, unquestioned integrity and national stature, including representatives of the civil society, NGOs and the private sector. The NSAA is vested with oversight, assessment and investigatory powers in support of the prevention and repression of corruption. It also has a mandate to develop and organize effective coordination mechanisms with the judiciary and all concerned government agencies. The NSAA has the power to collect, assess and disseminate information on corruption with the participation of civil society; define and set national anti-corruption strategies and policies; review the legal provisions and reports related to anti-corruption and formulate appropriate recommendations to the Government; receive and thoroughly investigate

complaints, including by calling and hearing witnesses; and, when a case of corruption is established, refer it to the Prosecutor's Office.

6. Manuals of Government Services

In June 2006, **Manuals of Government Services** were published. These manuals include a list of services provided by 23 government agencies including:

- a. requirements to obtain services;
- b. procedures required to obtain the services;
- c. length of processing time and
- d. required fees

The manuals were approved by Cabinet in May 2006, and an electronic version was published on the website of Ministry of Planning & International Cooperation (<http://www.mpic-yemen.org>) while other government agencies complete their own websites. The Ministry of Civil Service is in the process of publishing booklets of these manuals, to be distributed free of charge at all agencies, the first government agency is slated to be the Ministry of Tourism.

7. Biometric ID system

In the final week of May 2006, the Ministry of Civil Service started implementation of the **Biometric ID system**, which aims to eliminate "ghost workers" and "double dippers". The first phase started in Sana'a, Hodeidah and Aden and the second phase, launched early October, included Taiz and Mukalla. The process will continue throughout 2006 and early 2007.

8. Independence of the Central Organization for Control and Audit (COCA)

In September 2006 the official election platform of the president included a measure to increase the **independence of the Central Organization for Control and Audit (COCA)**, in charge of auditing government accounts and performance. The aim of the measure is to amend clauses within the law of COCA related to increasing the transparency of the COCA's reports by sending them to Parliament as well.

9. Extractive Industries Transparency Initiative (EITI)

Yemen also aims to join the **Extractive Industries Transparency Initiative (EITI)** and has taken several steps towards that goal. The ministerial committee (Finance, Planning, Oil, Foreign Affairs and Industry) in charge of studying the issue approved the measure after internal consultations as well as meetings with experts from the World Bank and UK's DFID. The committee submitted a report to cabinet, which requested clarification on two specific issues related to scope of initiative as well as member countries.

10. Public Finance Management Strategy

In May 2006, the ministry of Finance inaugurated the first phase of the **Public Finance Management Strategy**. An Action Plan and Partnership Agreement were signed between government and donors outlining clear agenda forward and specific requirements for full implementation.

11. Transparency in Oil Exploration

In the **Oil Exploration**, substantial improvements to transparency were introduced with the aim of achieving fairness amongst companies competing for new oil sectors and increasing government revenue from the assignment process. Clear and transparent guidelines for competition were designed and announced to representatives of oil companies as well as members of parliament and government officials in a workshop inaugurated last month by minister of oil and minerals. Large amounts of data and reports on the oil sector and oil production, as well as detailed announcements on bids and guidelines were made available, and updated continuously, through the website of PEPA: (<http://www.pepa.com.ye>)

B. Judicial Reform:

Yemen seeks to underpin its emerging democratic institutions and improve its governance by strengthening the rule of law and expanding judicial independence. Moreover, the multifaceted and pervasive nature of corruption requires an integrated and independent judiciary to investigate and prosecute various criminal activities. Finally, the GoY clearly recognizes the linkage that exists between dynamic growth in the private sector and greater accountability, transparency and efficiency in the legal system. A sound and impartial judiciary, liberated from politically motivated influences and technical liabilities and thus immune to corrupt practices, is key to establishing a business-enabling environment.

1. Separation of Powers

Constitutional separation of powers was achieved for the first time in the history of Yemen. A key article in the law of Judicial Authority was amended to replace the President of Republic as head of Supreme Judicial Council (SJC). Judicial independence was strengthened and reforms in the judiciary gained considerable momentum.

2. Restructuring the Supreme Judicial Council

The SJC was restructured and is now headed by the head of the Yemeni Supreme Court, and resumed its weekly (as well as almost-daily informal) meetings after long period of inactivity.

3. Women in the Judiciary

Admission of women into the Higher Judicial Institute has started this academic session for the first time ever, 12 female candidates applied out of 152 total candidates. 91 were accepted including 5 females.

4. Accountability

22 Judges were sent to retirement, 4 Judges were referred to the Accountability Board (internal) for various charges of misconduct and were later suspended, and immunity was lifted from 3 judges and are now being tried in courts of law, 3 judges were referred to the Accountability Board for delaying public funds cases (corruption).

5. Role of Ministry of Justice

Discussions underway in SJC focus on future of ministry of justice in view of separation of powers and current reform.

6. Judicial Reshuffle

Judicial reshuffle took place in mid-September. A female judge was appointed to Supreme Court, a female judge was appointed as head of civil court of appeals for Aden governorate. Not less than 50% of judges appointed had benefited from training in major donor countries.

7. New Courts

Two commercial appeals courts were established and 1 public funds court at the primary level to handle increased case load.

8. Computerized Systems

A networked, computerized case monitoring system was established in 25 courts (5 appeals, 10 commercial, 10 public funds). Training of judges and staff has been completed and work on the system will begin November 1st 2006. The system is designed to help Judicial Inspection to monitor case procedures, time spent on cases and case load in targeted courts.

C. Developing the Freedom of the Press:

A vibrant and free press is essential to raising the level of transparency and increasing accountability, two ingredients necessary for a sound anti-corruption policy.

In the light of the resistance generated by the initial Draft Press Law, several steps were taken to build confidence and set the stage for a new Draft Law acceptable to all stakeholders and aimed at protecting press rights and public liberties. The President's speech on 22 May 2006 underscored the importance of a free press and the key role played by journalists in assisting the Government to fight corruption and raise transparency. This line of thought was also reflected in the editorials of several government newspapers on International Press Day (3 May). Taking into account the opposition provoked by the Draft Law, the Prime Minister announced its suspension and initiated a comprehensive partnership between the Government and journalists with the purpose of jointly drafting the Law. The suspension of three newspapers was lifted, further indicating the shift in policy towards greater consultation and dialogue with the journalists' community.

1. Since 1990 the number of newspaper published in Yemen has grown steadily:
 - a. 6 Daily newspapers: 4 (government or ruling party), 2 (opposition or independent)
 - b. 43 Weekly newspapers 17 (government or ruling party), 26 (opposition or independent)
 - c. 59 monthly newspapers or magazines
2. The number of foreign news agencies with reporters operating in Yemen: 81
3. Tens of news websites available without any censorship
4. In May 2006, several steps were taken to set the stage for a proposing a draft press law that would be acceptable to all parties, by building confidence measures:
 - a. The president's speech on 22nd May highlighted the important role of free press and the need for journalists to assist the government in fighting corruption and raising transparency
 - b. This was also reflected in the editorials of Al Thawra and 26 Septemebers Newspapers on International Press Day (May 3rd)

- c. The Prime Minister announced the suspension of press draft law, and the initiation of full partnership between government and journalists in drafting new law
 - d. the Prime Minister also announced the lifting of suspension of three suspended newspapers further highlighting this shift in policy.
- 5. In July 2006, the Yemeni Journalists Syndicate held its first election in 5 years. The election process and procedures were deemed free, fair and transparent by all observers.
- 6. In September 2006, the government signed agreement with USAID to provide training for Yemeni journalists in the areas of anti-corruption reporting and freedom of expression.
- 7. Since May 2006 no cases of violations against journalists were reported, and the government has initiated a more open policy towards all journalists that allows them better access to information as well as to officials including accompanying the president in his election campaign rallies across the country.

D. Improving the Performance of the Government:

- 1. *Procurement (See above)*
- 2. *Manuals of Government Services (See above)*
- 3. *Biometric ID system (See above)*
- 4. *Public Finance Management Strategy (See above)*
- 5. *Electronic Government Services*

An accelerated trend of using **Electronic Government Services** has been evident:

- a. DevInfo: an agreement has been reached with UNDP and other UN agencies to utilize DevInfo, a computerized networked system developed for UN to monitor development plans. The system will be implemented in all government agencies in charge of implementing the Third Five Year Plan (TFYP: country-wide development plan) in order to achieve real-time monitoring of implementation of policies and projects of the TFYP.
- b. Judiciary: (see below Rule of Law point 8)
- c. Post Office System: wider coverage and better services for using the e-riyal, an electronic method of bill payment, to include electric power, telephone and water, thus considerably improving revenue collection and reducing opportunities for corrupt acts.
- d. Tourism Licensing: in order to reduce opportunities for corruption and increase efficiency and effectiveness of government services, the Ministry of Tourism has published all procedures, documentation and cost of establishing businesses (hotels, restaurants, travel agencies, car rentals) by publishing all bylaws and procedures pertaining to that on their website (<http://www.yementourism.com>). The ministry has also finished 3 stages out of 5 for a computerized system for applicants to directly apply for licenses with the added help of local NGO's in verifying that inspection reports filed by government inspectors are accurate.
- e. Oil Exploration (see above Transparency and Fighting Corruption, point 11)

E. Democratic Process:

Yemen views progress in the field of democratic rights as a main prerequisite for improvements in the area good governance. The ability of citizens to elect representatives in a free and fair fashion allows for better accountability of public officials as well as provides the suitable environment for transparent and constructive discussion of the development and reform issues. In this area the following was achieved:

1. Pre-Election GPC-JMP Agreement:

A significant agreement was signed between the GPC and JMP that paved way to the elections. The agreement (attached) included the following topics: Composition of SCER, Formation of the elections commissions, The Voter Lists Record, Neutrality of State Media, Neutrality of Public Office, Public Money, Neutrality of military and Security Forces, Security Commissions, Political Party Observation Commissions, Transparency, The Role of Women in the Democratic Process and issues agreed to be addressed after the upcoming presidential and LC elections

2. Presidential and Local Elections Held

Presidential and Local Elections were held on Wednesday, September 20th 2006. Elections processes were deemed a "landmark" and "a positive development in Yemeni democratic reform" by local and international observers (attached preliminary report by EU EOM). Final results